# Press Release

**Future Market Networks Limited**

June 18, 2019

**Rating Reaffirmed**

| | |
|---|---|
| **Total Instruments Rated*** | Rs. 35.00 Cr. |
| **Long Term Rating** | ACUITE A- / Outlook: Stable (Reaffirmed) |

** Refer Annexure for details*

**Rating Rationale**

Acuité has reviewed the long-term rating of **'ACUITE A-' (read as ACUITE A minus)** to the Rs. 35.00 Crore bank facilities of FUTURE MARKET NETWORKS LIMITED (FMNL). The outlook is **'Stable'**.

Incorporated in 2008, FMNL is a part of the Future Group promoted by the Biyani family. FMNL is engaged in the mall leasing business and manages the retail real estate portfolio of the group. The company holds a total space of 1105613 sq ft, which in turn is leased out within the future group and also to companies outside the group. Out of the total revenues, FMNL generates ~15 per cent of the revenues from its owned properties and the rest is by way of sub-leasing. The company also provides services such as housekeeping, mall promotions, security and parking services which helps it to earn revenue from Common Area Maintenance (CAM).

### Analytical Approach

Acuité has considered the consolidated approach of FMNL and its subsidiaries to evaluate the credit quality of FMNL and subsequently considered the support from the Future Group to arrive at the final rating.

## Key Rating Drivers

### Strengths

- **Strong support from the Future Group**

The rating factors in strong credit profile of the future group. Future Retail Limited (FRL) is the flagship company of the group engaged in the retail of household and consumer products through departmental store facilities under various formats in India. It enjoys a leading position in the organised retail with pan India presence across multiple formats including Big Bazaar, FBB and Easy day. The business risk profile is also supported by the operational advantages due to the established backend infrastructure provided by Future Enterprises Limited (FEL), the entity that owns most of the infrastructure required for retail operations. In addition to their demonstrated acumen in organised retail trade, the promoters, Mr. Kishore Biyani and Mr. Rakesh Biyani have an established track record of raising capital from equity markets, private equity, and other sources.

Acuité believes that FMNL will continue to receive strong support from the Future Group given its strategic importance to the retail conglomerate. FMNL provides real estate infrastructure and allied services to the group companies which are critical to maintain the latter's market position and competitiveness in the retail industry. Further, control and ownership of retail assets are an important element in the expansion strategy of any growing retail business. FMNL also shares the group name and is fully owned by the promoters and the group companies, thereby reinforcing the moral obligation to provide support. FMNL being a group company and having adequate technical and commercial expertise, shall be in a position to leverage its strength to acquire further retail space to enhance its portfolio. Additionally, the group has also provided a letter of comfort to demonstrate its support for FMNL. This envisages that the group will take all necessary steps to ensure that the rated entity meets all its obligations under the available bank facilities. Further, Acuité believes that timely support from Future Group will be critical to maintain the debt service commitments of FMNL and also to undertake refinancing of such debt.

### Weaknesses

- **Moderate financial risk profile**
The financial risk profile of FMNL is moderate marked by net worth of Rs. 185.48 Cr. as on March 31, 2019 (Provisional) as against Rs. 179.49 Cr. as on March 31, 2018. The gearing levels improved to 0.83 times as on March 31, 2019 (Provisional) against 1.32 times as on March 31, 2018. The total debt outstanding as on March 31, 2019 (Provisional) of Rs. 153.99 Cr. comprises term loans from banks of Rs. 36.92 Cr. and Rs. 117.07 Cr. as unsecured loans from promoter group companies. Acuité believes the financial risk profile of FMNL will continue to remain moderate over the near to medium term on the back of steady revenue streams from its leasing agreements with the group companies; however, company will be exposed to the counterparty risk in case of property leased to the outsiders.

- **Exposed to real estate dynamics with respect to leased properties**
FMNL operates three mall spaces spanning ~565000 sq. ft in Mumbai, Kolkata and Siliguri which are taken on lease and in turn subleased. Majority of the revenues derived from this segment is from tenants outside the group company. Since these malls are the primary source of cash flow for FMNL, the steady flow of rentals from these three malls is critical to the credit profile of FMNL. The rental revenues from malls will be influenced by factors such as demand for retail space in these areas which in turn will be based on factors such as level of retail spending. In the event of factors such as slowdown in retail spending, the demand for retail property will be impacted which in turn is expected to impact the future rental flows and also translate to risks like early exits/ renegotiation by clients. FMNL will therefore remain vulnerable to economic cycles as they derive their entire revenue from leasing out commercial spaces, which is linked to the spending pattern of consumers.

### Liquidity Position:

The Liquidity profile of FMNL will continue to be moderate over the near term and the same is also supported by the promoter group's ability for infusion of funds that has been reflected in the past from repayment of maturing debt obligations.

### Outlook: Stable

Acuité believes that the outlook for FMNL will remain 'Stable' over the medium term on account of the steady flow of rentals from the lease agreements with group companies and thereby leading to comfortable debt servicing and expected support from the Future Group. The outlook may be revised to 'Positive' if the company generates healthy net cash accruals while improving the liquidity position. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve the required cashflows thereby affecting the debt servicing ability of FMNL.

### About the Rated Entity - Key Financials

| | Unit | FY19 (Provisional) | FY18 (Actual) | FY17 (Actual) |
|---|---|---|---|---|
| Operating Income | Rs. Cr. | 108.60 | 84.30 | 87.40 |
| EBITDA | Rs. Cr. | 40.46 | 21.48 | 19.04 |
| PAT | Rs. Cr. | 9.50 | (14.58) | (26.90) |
| EBITDA Margin | (%) | 37.26 | 25.48 | 21.79 |
| PAT Margin | (%) | 8.75 | (17.30) | (30.78) |
| ROCE | (%) | 10.44 | 3.57 | 3.70 |
| Total Debt/Tangible Net Worth | Times | 0.83 | 1.32 | 1.91 |
| PBDIT/Interest | Times | 2.91 | 1.64 | 1.03 |
| Total Debt/PBDIT | Times | 2.62 | 5.90 | 7.66 |
| Gross Current Assets (Days) | Days | 579 | 691 | 1,170 |

### Status of non-cooperation with previous CRA (if applicable)

None

### Any other information

None

**Applicable Criteria**

- Default Recognition - https://www.acuite.in/criteria-default.htm
- Entities in Real Estate - https://www.acuite.in/view-rating-criteria-41.htm
- Financial Ratios And Adjustments - https://www.acuite.in/view-rating-criteria-40.htm
- Consolidation of companies- https://www.acuite.in/view-rating-criteria-22.htm

**Note on complexity levels of the rated instrument**
https://www.acuite.in/criteria-complexity-levels.htm

**Rating History (Upto last three years)**

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|---|---|---|---|---|
| 17-July-2018 | Term Loan I | Long Term | 25.65 | ACUITE A- / Stable (Assigned) |
| | Term Loan II | Long Term | 70.00 | ACUITE A- / Stable (Assigned) |
| | Proposed facility | Long Term | 4.35 | ACUITE A- / Stable (Assigned) |

***Annexure – Details of instruments rated**

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Cr.) | Ratings/Outlook |
|---|---|---|---|---|---|
| Term Loan I | Not Applicable | Not Applicable | Not Applicable | 25.65 | ACUITE A- (Withdrawn) |
| Term Loan II | Not Applicable | Not Applicable | Not Applicable | 35.00 | ACUITE A- / Stable (Reaffirmed) |
| Term Loan II | Not Applicable | Not Applicable | Not Applicable | 35.00 | ACUITE A- (Withdrawn) |
| Proposed facility | Not Applicable | Not Applicable | Not Applicable | 4.35 | ACUITE A- (Withdrawn) |

**Contacts**

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**About Acuité Ratings & Research:**

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL -II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.