

Press Release

TNSI RETAIL PRIVATE LIMITED

June 19, 2019



Rating Withdrawn and Assigned

Total Bank Facilities Rated*	Rs. 2.00 Cr.
Short Term Rating	ACUITE A1 (Withdrawn)
Total Bank Facilities Rated*	Rs. 2.00 Cr.
Long Term Rating	ACUITE A-/ Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned a long term rating of '**ACUITE A-**' (read as **ACUITE A minus**) with a '**STABLE**' outlook and withdrawn the short term rating of '**ACUITE A1**' (read as **ACUITE A one**) on the Rs. 2.00 crore bank facilities of TNSI RETAIL PRIVATE LIMITED.

TNSI Retail Private Limited (TNSIRPL), started in 2010, is engaged in operating travel retail chains at Delhi Metro Rail Corporation (DMRC). It is a wholly owned subsidiary of Travel News Services India Private Limited (TNSIPL).

TNSIPL, started in 2009 is engaged in retailing of products related to travelling and operates nearly 100 stores at various airports including Delhi, Mumbai, Kolkata, Hyderabad, Cochin, Indore and Raipur. It also has stores at various Universities such as Amity, Sharda, Galgotia, Manav Rachna, Lovely Professional (LPU) and corporate offices. TNSIPL includes books, confectionery, food and beverages and travel accessories, journey solutions, gifts, toys, souvenirs and handicrafts. The company started its operations by initially running its outlets under the brand name of 'WH Smith'. Later on in May 2018, Future Retail Limited (FRL) acquired 100 per cent shareholding of the company. TNSIPL is now a part of Future group of companies however, it continues to operate stores under the brand name of 'WH Smith'.

About the Group

Future Group, promoted by Mr. Kishore Biyani is a leading retail group with pan India presence. Future Retail Limited (FRL), the flagship company of the Future Group is engaged in the retail of household and consumer products through departmental store facilities under various formats in India. Future Enterprises Limited (FEL) houses the physical assets apart from strategic investments in various companies. The company is also engaged in the manufacturing of garments for men, women and kids. FRL, the retail arm of Future Group, operates retail formats, namely, Big Bazaar; FBB; Easy day; E-zone among others. FRL pays rentals to FEL for utilisation of the physical infrastructure (stores and other allied infrastructure). Besides FRL and FEL, both listed companies, the group also comprises Future Lifestyle Fashions Limited, Future Consumer Limited, Future Supply Chain Solutions Limited among other entities.

Analytical Approach

Acuité has considered the consolidated financials of TNSIPL, along with its wholly owned subsidiary TNSIRPL (together called as TNSI group). The consolidation is also on account of common management and strong business and financial fungibility between the two entities. To arrive at the rating, Acuité has also notched up the standalone rating by factoring in the strong operational and financial support extended by Future Retail Limited by way of corporate guarantee issued by FRL towards the bank facilities of both the entities and senior management support in the form of centralised decision making. Extent of Consolidation: Full.

Further, Acuité has considered the consolidated financials of Future Enterprises Limited (FEL) and Future Retail Limited (FRL) hereinafter referred to as Future Enterprises and Retail Group (FERG) on account of their common management, strong operational and financial linkages. Extent of Consolidation: Full.

Key Rating Drivers

Strengths

- **Operational and financial support from The Future Group**

TNSI Group, set up in 2009, was taken over by the Future Group in 2018. FRL currently holds 100 per cent stake in TNSIPL. The Board of Directors of the company comprises internal professionals and representatives from FRL. TNSI group derives significant operating synergies by virtue of being a part of the Future Group, and it operates as the master franchise partner for WH Smith UK, in India and pays a fixed royalty for the same. Products offered for sale in these stores also includes a mix of Future groups own brand products in order to increase brand presence/visibility at vital locations such as Airports and metros. Apart from sale of products, TNSI group also derives service income by way of subleasing of store space.

Acuité believes that c. Additionally, rating also factors in support in the form of unconditional and irrevocable corporate guarantee extended by FRL. 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. Since the current operating metrics of the TNSI group is subdued and the same is expected to continue, Acuité believes that timely support from Future Group will be critical to maintain the debt servicing ability of TNSI group.

- **Long track record and established position in organised retail**

Future group benefits from the established track record and extensive experience of the promoters in retail. Mr. Kishore Biyani, the founder and Group CEO of the group, is widely recognised as a pioneer of modern retail in India. The promoters are supported by a strong management team with significant experience in retail. The major listed companies of the group are Future Enterprise Limited, Future Retail Limited, Future Lifestyle Fashions Limited, Future Market Networks Limited, Future Consumer Limited and Future Supply Chain Solutions Limited. FRL, the flagship entity of the group, reported net profit of Rs. 11.31 crore against operating income of Rs. 18,490 crore in FY2018. The net worth of the company stood at Rs. 3,096 crore as on March 31, 2018. Further, the company has reported net profit of Rs. 529.65 crore against operating income of Rs. 14,783 crore for the nine months ending December 31, 2018.

The management has been expanding its footprint in the domestic retail segment through a mix of organic and inorganic initiatives. As on December, 2018, FRL has 1,444 stores spread across 15.90 million square feet in 409 cities. With 100 per cent FDI in single brand and 51 per cent in multi brand retail permitted by the government, the investments are likely to increase further and will enhance the penetration of the formal retail sector in a significant manner over the medium term.

FERG has demonstrated strong resource raising ability through a diverse set of lenders/investors. FEL in the past had been able to unlock the value of investments in Future Lifestyle Fashion Limited by diluting 16.09% stake. FEL, effectively holds (through direct and indirect ownership) 31.11 per cent and 49.92 per cent stake in Future Generali India Life Insurance Company Limited (life insurance business) and Future Generali India Insurance Company Limited (general insurance business) respectively. Also, FEL holds 51.22% in Future Supply Chain Ltd. FEL has been planning to divest its holdings partly or entirely in the non-life insurance business over the near to medium term. Acuité believes that FREG will benefit from its established position in organised retail and its strategy of scaling up operations through a mix of organic and inorganic initiatives.

Weaknesses

- **Subdued operating metrics**

TNSI group's operating revenues stood at Rs. 168.18 crore in FY2018 as against Rs. 128.01 crore and Rs. 127.24 crore in FY2017 and FY2016 respectively. The Group posted net loss of Rs. 11.18 crore in FY2018 and Rs. 23.86 crore in FY2017. The Group's net worth had eroded on account of continuous losses reported by the entities. The total debt of Rs.24.94 crore outstanding as on March 31, 2018 comprises term loans of Rs.24.35 crore and Rs. 0.60 crore of short term borrowings. The term loans outstanding as on March 31, 2018 have been subsequently repaid by way of equity infusion from FRL. Acuité believes that the ongoing support from the Future Group will continue in order to maintain a stable credit profile.

Liquidity Position:

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

Stable:

Acuite believes that the outlook for TNSI group will remain 'Stable' over the medium term on account of strong support from the Future Group given its strategic importance to the retail operations thereby leading to comfortable debt servicing. The outlook may be revised to 'Positive' if TNSI group generates healthy net cash accruals while improving its liquidity position. Conversely, the outlook may be revised to 'Negative' if it fails to achieve improvement in its financial indicators thereby affecting its debt servicing ability.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	168.18	128.01	127.24
EBITDA	Rs. Cr.	(10.09)	(10.08)	(1.14)
PAT	Rs. Cr.	(11.18)	(23.86)	(8.50)
EBITDA Margin	(%)	(6.00)	(7.87)	(0.90)
PAT Margin	(%)	(6.65)	(18.64)	(6.68)
ROCE	(%)	(55.49)	(52.69)	(18.29)
Total Debt/Tangible Net Worth	Times	(1.35)	(3.59)	2.29
PBDIT/Interest	Times	(0.78)	(1.35)	0.10
Total Debt/PBDIT	Times	(7.77)	(2.25)	53.02
Gross Current Assets (Days)	Days	61	85	113

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>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>
- Criteria For Group And Parent Support - <https://www.acuite.in/view-rating-criteria-24.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 Instruments	Term	Amount (Rs. Cr.)	Ratings/Outlook
30-April-2019	Bank guarantee/Letter of Guarantee	Short term	2.00	ACUITE A1 (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
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A1 (Withdrawn)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A-/ Stable (Assigned)

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About Acuité Ratings & Research:

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