

Press Release

TNSI Retail Private Limited

August 13, 2020



Rating Downgraded

Total Instruments Rated*	Rs.2.00 Cr.
Long Term Rating	ACUITE BB+ (Downgraded; Under Rating watch with Negative Implications)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded the long term rating to '**ACUITE BB+** (**read as ACUITE double B plus**) from '**ACUITE A-**' (**read as ACUITE A minus**) on the Rs. 02.00 Cr. bank facilities of TNSI Retail Private Limited (TNSIRPL). The rating continues to remain under '**Watch with Negative Implications**'.

Change in Analytical Approach

Currently, 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. Acuité has not considered the parent notch up for FRL, which was considered during the previous rating action.

Reason for Downward revision in the rating

Acuité had, vide its release date, July 30, 2020, revised the rating on instruments and facilities of FERG to ACUITE BBB+ and kept the rating on Watch with Negative Implications. TNSI Group has significant linkages with FERG. The downward revision in TNSI Group's rating is primarily driven by the recent revision in the ratings on instruments of FERG. FERG has been facing significant challenges in maintaining adequate liquidity buffers commensurate with its near term debt obligations. Acuité now believes with severe liquidity challenges, in case of limited liquidity available, FRL will be required to accord higher priority to their on-balance-sheet debt. Thus, while arriving at the current rating, Acuité has not factored in the parent support and Corporate Guarantee extended by FRL to the lenders of TNSI Group.

TNSI Group's performance is expected to be significantly impacted on account of lockdowns across the country, leading to a restriction on the movement of goods and people. Due to lockdowns, the Airports and Metros were not operational. However, the airports have been running with very limited capacity from June 2020. TNSI Group has a major presence on the Airport and the Metro stations. Thus, the operational performance of TNSI Group is expected to be significantly impacted. Further, Acuité has also considered no fund based on-balance debt of TNSI Group and infusion of equity by FRL in FY2020.

About the company

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'.

Key Rating Drivers

Strengths

- **Experienced management**

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 include 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 the sale of products, TNSI group also derives service income by way of subleasing of store space. Thus the management of TNSI Group is quite experienced in the retail business.

Weaknesses

- **Subdued operating metrics**

TNSI group's operating revenues stood at Rs. 240.25 crore in FY2020 (Prov.) as against Rs. 222.83 crore and Rs. 173.20 crore in FY2017 and FY2016 respectively. The Group posted a net loss of Rs. 3.39 crore in FY2020 (Prov.) and Rs. 1.63 crore in FY2019. The Group's net worth had eroded on account of continuous losses reported by the entities and adaption of IND AS 116. The group does not have any Fund based debt outstanding as of July, 2020. Acuité believes that the Group is not expected to receive any financial support from the Future Group (FERG) on account of subdued liquidity of FERG and significantly near term debt obligation of FERG.

Liquidity position: Stretched

Acuité notes, no fund based limits outstanding as on July, 2020. The liquidity is likely to remain stretched on account of lockdowns resulting in limited footfalls in the stores. TNSI Group has significant fixed opex, which could result in an increase in losses. Further, with limited footfalls in the stores, the inventory is likely to be piled up and hence the liquidity is expected to be stretched.

Rating Sensitivities

- Timely infusion of equity for adequate liquidity management

Material Covenants

- None

About the Rated Entity - Key Financials

	Unit	FY20 (Prov.)	FY19 (Actual)
Operating Income	Rs. Cr.	240.25	222.83
PAT	Rs. Cr.	(3.39)	(1.63)
PAT Margin	(%)	(1.41)	(0.73)
Total Debt/Tangible Net Worth	Times	(1.11)	1.19
PBDIT/Interest	Times	2.76	0.52

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities in Service Sector - <https://www.acuite.in/view-rating-criteria-50.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-60.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
19-June-2019	Bank guarantee/Letter of Guarantee	Long term	2.00	ACUITE A- / Stable (Assigned)
	Bank guarantee/Letter of Guarantee	Short term	2.00	ACUITE A1 (Withdrawn)
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. Crore)	Ratings/Outlook
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE BB+ (Downgraded; Under Watch with Negative Implications)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE BB+ (Downgraded; Under Watch with Negative Implications)

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About Acuité Ratings & Research:

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