

Press Release

TNSI Retail Private Limited

November 15, 2021



Rating Downgraded and Removed from rating watch

Total Bank Facilities Rated*	Rs. 2.00 Cr.
Long Term Rating	ACUITE BB / Stable (Downgraded and Removed from rating watch)

* Refer Annexure for details

Rating Rationale

Acuite has downgraded the long term rating to '**ACUITE BB**' (read as **ACUITE double B**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs. 2.00 Cr bank facilities of TNSI Retail Private Limited (TNSIRPL). In addition, Acuite has removed rating watch on the bank facilities of the company. The outlook is '**Stable**'.

Rationale for rating downgrade

The rating downgrade takes into account the adverse impact of the outbreak of Covid-19 and the resultant lockdowns and travel restrictions, on TNSI Group's performance, since Airports and Metros were either shut or operating at very low capacities. TNSI Group has a major presence at Airports and Metro stations, causing a substantial decline in the operating income. The operating income of the group recorded significant de-growth of ~80 percent y-o-y to 39.21 Cr in FY2021. However, Acuite observes that as the lockdowns have eased there has been a gradual recovery in the Group's operations. However, a significant improvement in the scale of operations and profitability are key sensitivity factors. Further, Acuite continues to not factor in the parent support and corporate guarantee extended by FRL to the lenders of TNSI group, given FRL's financial and legal challenges.

About the Company

TNSI Retail Private Limited (TNSIRPL) is a wholly owned subsidiary of TNSIPL operating retail chains offering similar product portfolio at Delhi Metro Rail Corporation (DMRC).

TNSIPL, started in 2009, is engaged in retailing of products related to travelling and operates nearly 87 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 product profile 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'.

Analytical Approach

Currently, Acuite 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. Extent of Consolidation: Full.

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 through branding and rental income by way of subleasing of store space. Thus, the management of TNSI Group is quite experienced in the retail business.

Acuité believes the experience of the management and the Group's brand value will gradually improve the Group's operations.

Weaknesses

• Subdued operating metrics

TNSI Group's operating revenues stood at Rs. 39.21 Cr in FY2021 as against Rs. 208.19 Cr and Rs. 190.93 Cr in FY2020 and FY2019 respectively. The Group posted a net loss of Rs. 6.19 Cr in FY2021 and Rs. 3.39 Cr in FY2020. The Group has reduced the number of shops from nearly 100 stores to 87 stores. Further, the Group reported a negative net worth of Rs. 21.50 Cr in FY 2021 as against Rs. 15.45 Cr in FY2020. The net worth has eroded because of continuous losses reported by the entities and adaption of IND AS 116. Additionally the creditor days in the current year has increased to 642 as against 124 in FY2020. Despite the operational challenges, the Group has been able to manage its operations due to the lease rental waiver received from airport and metro authorities. Additionally, with the gradual easing of travel restrictions, the footfalls at airports and metro stations have started to increase. Currently, the operations have restored to 70-80 percent of the pre- Covid levels. Further, the Group only avails non-fund based bank facilities and does not have any fund-based debt outstanding as of November 2021.

Acuité believes the increasing footfalls at airports and metros and efficient management of operating expenditure will provide significant impetus in the Group's revival to pre - Covid levels of operations.

Liquidity Position: Stretched

TNSI Group has not availed any fund based limits. The Gross Current Asset (GCA) days were 246 in FY2021 as against 64 in FY2020. The liquidity is likely to remain stretched due to decline in operations as a result of prolonged lockdowns, however, it is supported to some extent on account of lease rental waiver received from airports and metro authorities thereby reducing the fixed operating expenditure.

Rating Sensitivities

- Improvement in scale operations while maintaining profitability

Material Covenants

None

Outlook: Stable

Acuité believes that the outlook on TNSIRPL rated facilities will remain stable over the medium term on account of extensive promoter experience, brand value and wide presence. The outlook may be revised to 'Positive' in case of sustained growth in revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial and liquidity profile most likely as a result of increase in operating expenditure and higher working capital requirements.

About the Rated Entity - Key Financials:

	Unit	FY21 (Actual)	FY20 (Actual)
Operating Income	Rs. Cr.	39.21	208.19
PAT	Rs. Cr.	(6.19)	(3.39)
PAT Margin	(%)	(15.79)	(1.63)
Total Debt/Tangible Net Worth	Times	(5.13)	(10.56)
PBDIT/Interest	Times	2.93	2.79

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Entities in Service Sector - <https://www.acuite.in/view-rating-criteria-50.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.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
13-August-2020	Bank guarantee/Letter of Guarantee	Long term	1.50	ACUITE BB+ (Downgraded; Under rating watch with negative implications)
	Proposed Bank Facility	Long term	0.50	ACUITE BB+ (Downgraded; Under rating watch with negative implications)
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**

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Yes Bank	Bank Guarantee/ Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE BB/Stable (Downgraded and Removed from rating under watch)
Not Applicable	Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE BB/Stable (Downgraded and Removed from rating under watch)

Contacts

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About Acuité Ratings & Research:

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