

Press Release

TNSI Retail Private Limited

February 13, 2023

Rating Downgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	2.00	ACUITE BB- Stable Downgraded	-
Total Outstanding Quantum (Rs. Cr)	2.00	-	-

Rating Rationale

Acuite has downgraded the long term rating to '**ACUITE BB-**' (read as **ACUITE double B minus**) from '**ACUITE BB**' (read as **ACUITE double B**) on the Rs. 2.00 Cr bank facilities of TNSI Retail Private Limited (TNSIRPL). The outlook is '**Stable**'.

Rationale for downgrade

The rating has been downgraded on account of subdued operating metrics, stretched liquidity and ongoing stress being faced by Future Group. Due to covid pandemic group's operating metrics has experienced deterioration leading to liquidity stretch. In the current year recovery is expected however the same is yet to be seen. Future Retail Limited is undergoing insolvency and bankruptcy procedure and going forward the resolution of the holding entity and the effect of the resolution on the TNSI group will be a key monitorable.

About Company

The company was incorporated in 2010 and is promoted by Mr. Sunil Mantri, Mr. Ritesh Raja and Mr. Arpit Maheshwari. The main head office is located in Delhi.

TNSI Retail Private Limited (TNSIRPL) is engaged in the business of retail chains, operates nearly 37 stores as on December 2022 at Delhi Metro Rail Corporation ("DMRC") Metro stations across Delhi/NCR. Product profile includes Books, Confectionery, Food, Beverages and Travel Accessories, Journey Solutions, Gifts, Toys. TNSIRPL is a wholly owned subsidiary of TNSIPL and running its outlet under the brand name of "WH Smith". From May 2022 company has also started operating 7 stores under the brand name of "Foodhall".

About the 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. TNSIRPL is in turn a wholly owned subsidiary of TNSIPL. TNSIRPL is operating WH Smith stores in DMRC metro stations and Foodhall stores. TNSIPL is operating WH Smith stores at airports, university and corporate office campuses.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

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.

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

Group's operating income has remained subdued since FY 2021 due to impact of covid 19 pandemic. Group's revenue declined from Rs. 208.19 Cr in FY 2020 to Rs. 39.21 Cr in FY 2021 and improved but remained subdued at Rs. 83.36 Cr in FY 2022. Group's EBITDA margin has fluctuated in the last three years. EBITDA margin declined from 24.53% in FY 2020 to 8.89% in FY 2021 due to decline in revenues wherein the group was unable to absorb the expenses. EBITDA improved to 21.47% in FY 2022. The Group's net worth has eroded on account of continuous losses reported by the entities. The group reported a negative net worth of Rs. 28.57 Cr in FY 2022 as against Rs. 24.19 Cr in FY 2021.

Weak Financial Risk Profile

Group has weak financial risk profile marked by eroded net worth on account of continuous losses reported by the entities. The group reported a negative net worth of Rs. 28.57 Cr in FY 2022 as against Rs. 24.19 Cr in FY 2021. Also, the group does not have any Fund based debt outstanding as of December, 2022. Additionally, the group is not expected to receive any financial support from the Future Group on account of subdued liquidity of FERG and significantly near term debt obligation of Future Group. Future Group is undergoing insolvency and bankruptcy proceedings. The total debt of Rs. 114 Cr in FY 2022 consists of Rs. 58.85 Cr of non-current lease liabilities, Rs. 37.36 Cr of current lease liabilities and Rs. 17.79 Cr of financial liabilities related to non-convertible redeemable preference shares.

Rating Sensitivities

Improvement in scale operations while maintaining profitability.

Material Covenants

None.

Liquidity Position

Stretched

Group has stretched liquidity position. Group generated net cash accruals of Rs. 36.90 Cr in FY 2022 including interest cost against maturing lease liabilities of Rs. 47.37 Cr. Group received covid concession in lease liability payments. Group's unencumbered cash and bank position stood at Rs. 1.40 Cr in FY 2022.

Outlook : Stable

Acuité believes that the outlook on TNSIPL 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.

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	83.36	39.21
PAT	Rs. Cr.	(4.46)	(6.19)
PAT Margin	(%)	(5.35)	(15.79)
Total Debt/Tangible Net Worth	Times	(3.99)	(4.56)
PBDIT/Interest	Times	2.88	2.93

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

None

Any Other Information

None.

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entity: <https://www.acuite.in/view-rating-criteria-61.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
15 Nov 2021	Bank Guarantee	Long Term	1.50	ACUITE BB Stable (Downgraded from ACUITE BB+)
	Proposed Bank Facility	Long Term	0.50	ACUITE BB Stable (Downgraded from ACUITE BB+)
13 Aug 2020	Bank Guarantee	Long Term	1.50	ACUITE BB+ (Ratings Under Watch)
	Proposed Bank Facility	Long Term	0.50	ACUITE BB+ (Ratings Under Watch)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Yes Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	1.50	ACUITE BB- Stable Downgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.50	ACUITE BB- Stable Downgraded

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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