

Press Release

Ojas Tradelease And Mall Management Private Limited
(ERSTWHILE OJAS MALL MANAGEMENT PRIVATE LIMITED)

July 31, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 107.07 Cr.
Long Term Rating	ACUITE BBB+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) on the Rs. 107.07 crore bank facilities of OJAS TRADELEASE AND MALL MANAGEMENT PRIVATE LIMITED (OMML) (ERSTWHILE OJAS MALL MANAGEMENT PRIVATE LIMITED). The outlook is '**Stable**'.

OMML, incorporated in 2006 is a part of the Future Group and is engaged in leasing of immovable property. OMML owns and operates 1.33 lakh sq ft of retail space in Acropolis Mall at Ahmedabad. This area is fully occupied by Future Group entities namely Big Bazaar, Home Town and Brand Factory.

Grihith Trade Ventures Private Limited (GTVL)

Incorporated in 2012, the company acquires and deals in movable assets for retail outlets of Future Retail Limited (FRL) on long-term operating lease. However, it also undertakes opportunity based trading of these assets within the group. The assets include plant and machinery, furniture and fixtures, computers and Information Technology equipment. The fixed assets are installed by the company in various business premises of FRL across India.

Heenal Operating Lease Co. Private Limited (HOLL)

Incorporated in 2014, the company is engaged in leasing out of tangible movable assets including plant and machinery, furniture and fixtures, computers and Information Technology equipment to FRL on long-term operating lease and also undertakes opportunity-based trading within the group. On account of similarities in the line of business, w.e.f April 01, 2018 (appointed date) GTVL and HOLL have been merged with OMML.

Analytical Approach

Acuite has considered the consolidated financial and business risk profile of OMML with the merged entities i.e GTVL and HOLL to arrive at the standalone rating and notched up the standalone rating by factoring in the strong operational and financial support extended by the Future Group. Extent of consolidation: Full.

Key Rating Drivers

Strengths

- Experienced promoter group and strong financial support**

The rating factors in strong credit profile of the Future Group promoted by Mr. Kishore Biyani. FRL is the flagship company of the Future Group and also the counterparty for OMML's leasing operations (FRL rated ACUITE A1+ for commercial paper) is engaged in the retail of household and consumer products through departmental store facilities under various formats in India. It enjoys a leading position in organised retail with pan India presence across multiple formats including Big Bazaar, FBB and Easy day. The revenue shares from apparel segment stood at ~36%, ~32% from staple segment (Food segment) and ~32% from non-food segment for FY2018. As on December, 2018, FRL has 1,444 stores spread across 15.90 million square feet in 409 cities.

The business risk profile is also supported by the operational advantages due to the established backend infrastructure provided by Future Enterprises Limited (FEL), who 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. For Q3 ending 31 December, 2018, FRL reported net profit after

tax (PAT) of Rs.201.43 crore on operating income of Rs.5,301.07 crore. The tangible net worth stood at Rs.2,566.33 crore as on 31 March, 2018. For Q3 ending 31 December, 2018, FEL reported net profit after tax (PAT) of Rs.1.54 crore on operating income of Rs.1,112.94 crore. The tangible net worth stood at Rs.4,032.52 crore as on 31 March, 2018.

Acuité believes that since OMML is one of the leasing arm of the group that provides both immovable and movable property to the Future Group and these fixed assets are installed by the company in various business premises of FRL across India, it will continue to receive strong support from the Future Group, given its strategic importance to the retail operations. The rating factors in covenants of the master lease agreement, which directs the payment of lease rentals by the lessee even in the event of non-usage of assets or lack of operations. Additionally, rating also factors in support in the form of personal undertakings provided by the promoters for the rated debt for assuring performance of lessee which supports the credit profile of OMML. Further, the presence of a tripartite agreement between the lender, lessor (GTPL and HOLL) and the lessee (FRL), offers comfortable degree of protection, given the significant involvement of the latter.

Weaknesses

• Susceptibility of future cash flows of OMML to the counterparty's performance under the lease arrangements

The net worth of OMML as on 31 March, 2018 stood negative on account of accumulated losses. The total debt of Rs.326.15 crore as on 31 March, 2018 comprised term loan of Rs.148.90 crore, interest free unsecured loans from promoters of Rs.113.25 crore and interest free security deposits from the Future Group (i.e the counterparty) of Rs.64.00 crore. OMML, presently, has two streams of cash flows namely lease rentals and cash flows from its trading activities. It undertakes trading in furniture and fixtures, albeit on a small scale, and this is largely a low-margin, order-backed business. The company does not have major investments or non-core assets that can generate liquidity. Against this backdrop, the company's ability to meet its debt obligations will be dependent on the continued and timely flow of rentals under the lease arrangements and ongoing support from the Future Group. The occurrence of events such as delays in receipt of rentals, or early exits/renewal by lessee may result in disruption of cash flow streams, thereby affecting the debt servicing ability of OMML. Acuité believes that timely support from the Future Group for meeting the debt servicing commitments of OMML will remain central to the rating.

Liquidity Position:

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

Outlook: Stable

Acuité believes that the outlook for OMML will remain 'Stable' over the medium term on account of the presence of a strong counterparty, and steady flow of rentals from the lease agreement thereby leading to comfortable debt servicing. The outlook may be revised to 'Positive' if the company generates healthy net cash accruals while improving its liquidity position. Conversely, the outlook may be revised to 'Negative' if OMML fails to achieve the required cashflows, thereby affecting its debt servicing ability.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	814.21	95.89	59.73
EBITDA	Rs. Cr.	47.76	46.78	30.37
PAT	Rs. Cr.	-16.64	-19.82	-21.22
EBITDA Margin	(%)	5.87	48.79	50.84
PAT Margin	(%)	-2.04	-20.67	-35.53
ROCE	(%)	1.80	1.95	-0.19
Total Debt/Tangible Net Worth	Times	-5.76	-6.83	-8.37
PBDIT/Interest	Times	2.23	1.86	1.47
Total Debt/PBDIT	Times	6.79	7.28	11.04
Gross Current Assets (Days)	Days	21	64	322

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-17.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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)

Not Applicable

*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 loans	Not Applicable	Not Applicable	Not Applicable	15.01	ACUITE BBB+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	31.54	ACUITE BBB+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	60.52	ACUITE BBB+ / Stable

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About Acuité Ratings & Research:

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