

Press Release

Ojas Tradelease and Mall Management Private Limited

June 12, 2020



Rating Downgraded & Withdrawn

Total Instruments Rated*	Rs.92.06 Cr. (Reduced from Rs.107.07 Cr.)
Long Term Rating	ACUITE BBB- (Downgraded and Withdrawn; Under Rating watch with Negative Implications)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded the long term rating to '**ACUITE BBB-**' (**read as ACUITE triple B minus**) from '**ACUITE BBB+**' (**read as ACUITE triple B plus**) on the Rs. 92.06 cr. bank facilities of OJAS TRADELEASE AND MALL MANAGEMENT PRIVATE LIMITED (OTMMPL). The rating is under '**Watch with Negative Implications**'.

Analytical Approach

For arriving at the rating, Acuité has considered the standalone business and financial risk profile of the OTMMPL while factoring in the strong operational and financial support extended by the Future Group (FERG). The rating of FERG will be central to the rating of OTMMPL and any further revision in the rating of FERG shall entail revision in the rating of OTMMPL.

[^]FERG comprises of Future Retail Limited (FRL) and Future Enterprises Limited (FEL)

Reason for Downward revision in the rating and rating action of 'Watch with Negative Implications'

FMNL has significant linkages with FERG. The downward revision was 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 is in touch with the group officials to obtain clarity on the development regarding operations and the liquidity management.

As per the last announcements in the last week of May, 2020, Central Government had announced plans for relaxation of lockdowns in all the three zones. This is expected to provide relief to players like FERG as the revenue momentum will pick up once the stores in these zones become operational. FMNL's revenues are mainly derived from the association from Future Group entities. However, FMNL's standalone business and financial risk profile is subdued and is highly dependent on FERG for its timely debt repayments. Further, Acuité draws comfort from no current external borrowings of FMNL. Notwithstanding these announcements, Acuité believes that attaining normal optimum scale of operations would be a gradual process with challenges both on the demand side as well on the supply side. Notwithstanding these announcements, Acuité believes that attaining normal optimum scale of operations would be a gradual process with challenges both on the demand side as well on the supply side.

Acuité believes that in the event of further deterioration in liquidity profile of FERG, the management may be required to accord higher priority to their on-balance sheet debt of FRL and FEL. Any adverse credit events of FERG would impart a negative bias to the rating of FERG which in turn will have implications on the credit profile of OTMPPL.

About the company

OTMMPL, 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. The company also acquires and deals in movable assets for retail outlets of Future Retail Limited (FRL) (ACUITE A / A1 (Watch with Negative Implications) 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

Key Rating Drivers

Strengths

- Strong presence of the Group**

The rating factors in strong and established presence of the FERG in retail segment. OTMMPL is a part of FEG and its lessee being Future Retail Limited (FRL) (ACUITE A / A1 (Watch with negative implications)). FRL is the flagship company of the Future Group 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. As on December 2019 FRL, operates across 1,388 stores spread across 16.05 million square feet in 414 cities. There are around 394 large format stores (13.82 million square feet), 990 small format (2.20 million square feet) and 4 others. Further, the company has recently shut down its 162 store mainly from the small format segment which contributed 157 stores. The company has also started a premium Food Hall in Bandra (Mumbai) spread over 25,000 square feet in four storey building. This store will cater to premium segment of footfall. The group has also witnessed a growth in same store sales growth (SSSG) of around 6.8% in FY2019 over previous year.

The business risk profile is also supported by the operational advantages due to the established backend infrastructure provided by Future Enterprises Limited (FEL) (ACUITE A / FA / A1 (watch with negative implications)), the entity that 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.

Acuité believes that OTMMPL will continue to receive support from the Future Group. Additionally, rating also factors in support in the form of personal undertakings provided by the promoters (Mr. Kishore Biyani, Mr. Vijay Biyani and Mr. Rakesh Biyani) for the bank debts for assuring performance of lessee which supports the credit profile of OTMMPL.

Weaknesses

- Susceptibility of future cash flows of OTMMPL to the counterparty's performance under the lease arrangements**

The net worth of OTMMPL stood negative at Rs.89.57 crore as on 31 March 2019 as against negative networth of Rs. 88.61 crore as on 31 March, 2018. The deterioration in tangible net worth of the company is majorly on account of net loss incurred by the company in FY2019. The gearing (debt to equity ratio) has subsequently deteriorated to (5.10) times as on 31 March 2019 from (4.04) times as on 31 March, 2018. The total debt of Rs.456.65 crore as on 31 March, 2019 comprised term loans and unsecured loans from promoters. OTMMPL presently derives its cash flows from the existing lease arrangement with FRL. The company has been in trading activities on an intermittent basis. The revenues of the company stood at Rs.172.78 crore in FY2019 as against Rs.814.21 crore in the previous year. Against this backdrop, the company's ability to meet its obligations under the bank debts will be dependent on the continued and timely flow of rentals under the lease arrangement and inflow of unsecured loans whenever required. The occurrence of events such as delays in receipt of rentals, or early exits/renegotiation by lessee may result in disruption of cash flow streams, thereby affecting the debt servicing ability of OTMMPL. Any further deterioration in liquidity profile of FERG will impart a negative bias towards the rating of OTMMPL.

Liquidity position

OTMMPL's liquidity will be driven by support from the Future Group. OTMMPL is highly dependent on the timely flow of rental from FRL for servicing its debt obligations. The company has repayments in the range of Rs.52 crore to Rs.34 crore in next 3 years. The company's ability to repay these debt will be highly dependent on the timely flow of rental from FRL and inflow of additional unsecured loans from the promoter.

Rating Sensitivities

- Credit profile of FERG

Material Covenants

- None

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	172.78	814.21
PAT	Rs. Cr.	(9.32)	(16.64)
PAT Margin	(%)	(5.39)	(2.04)
Total Debt/Tangible Net Worth	Times	(5.10)	(4.04)
PBDIT/Interest	Times	3.82	2.23

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>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>
- 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>

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
31-July-19	Term Loan	Long term	15.01	ACUITE BBB+ / Stable (Assigned)
	Term Loan	Long term	31.54	ACUITE BBB+ / Stable (Assigned)
	Term Loan	Long term	60.52	ACUITE BBB+ / Stable (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
Term Loan	March-2011	-	Feb-2020	15.01	ACUITE BBB- (Downgraded & Withdrawn)
Term Loan	Sept-2014	11.50%	Nov-2021	31.54	ACUITE BBB- (Downgraded; Under Watch with Negative Implications)
Term Loan	Sept-2015	11.95%	Dec-2022	60.52	ACUITE BBB- (Downgraded; Under Watch with Negative Implications)

Contacts

Analytical	Rating Desk
Vinayak Nayak Vice President- Rating Operations Tel: 022-49294072 vinayak.nayak@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Kashish Shah Assistant Manager - Rating Operations Tel: 022-49294042 kashish.shah@acuite.in	

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (*Erstwhile SMERA Ratings Limited*) is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.