



Rating Rationale

20 August 2021

Future Enterprise Limited

Brickwork Ratings reaffirms the ratings for the Non-Convertible Debentures ₹.850 Crores of Future Enterprise Limited

Particulars:

Instrument	Previous Amount(Rs. Cr)	Present Amount (Rs. Cr)	Tenor	Previous Rating* Aug 21, 2020	Present Rating*
NCD	300.00	300.00	Long Term	BWR C	BWR C
	250.00	250.00			
NCD	300.00#	300.00#			
Total	850.00	850.00 (O/s Rs.654 crs)	Rupees Eight Hundred Fifty Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for the definition of the ratings
#Rs.104 Cr have been raised, and the balance is yet to be raised

RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) has reaffirmed the rating at BWR C.

The rating factors experienced promoters, constrained by continued lower revenue and profitability marked by PAT losses, poor liquidity, high promoter pledge (98.67% of the total promoter holding i.e 20.61%), dependence on group companies for revenue which are also under stress and FEL has high debt as well as working capital cycle.

KEY RATING DRIVERS

Credit strength

- **Experienced promoters and management:**

The promoter's issuer company has been closely involved in the management of business and in defining and monitoring the business strategy for the company. Furthermore, the promoters are supported by a management team.

Credit Risk

- Weekend financial flexibility: The financial flexibility of the company is reflected by high pledged levels of promoter holding.
- The company's operating income has been highly impacted by the covid pandemic leading to PAT loss of Rs.1220 crs in FY2021 and Rs.317 crs in 1Q June 2021.
- High debt levels of Rs.5865.85 crs with weakened debt protection profile.
- Intense competition in the industry.
- The liquidity of the company and the group has deteriorated on account of loss of revenue and is poor and the company currently does not have enough cash flows to service its debt obligations. The company is highly dependent on group companies revenues of which are also adversely impacted. The company is trying to revive the operations and sought OTR for its debt obligations.



ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has essentially relied on the consolidated audited financial results from FY15 to FY21, the three months results of FY22 of FEL, and publicly available information and information/clarification provided by the company and publicly available information. The company has defaulted in its debt not rated by BWR, however, the company has been timely servicing the NCD debt rated by BWR. The defaulted debt is under restructuring.

KEY RATING SENSITIVITIES

Positive: Ability of the company to scale up its operations and generate enough cash flows, meet timely payment of the debt obligation and improve its debt protection metrics, along with liquidity, profitability and financial profile will be key rating sensitivities.

Negative: Further deterioration in the financial flexibility, liquidity, and debt protection profile of the company and not timely honouring the debt commitments.

LIQUIDITY POSITION: Poor

The liquidity of the company continues to be poor resulting in non servicing of the debt in the past and seeking OTR.

COMPANY PROFILE

Erstwhile Future Retail Ltd. has been renamed as Future Enterprises Ltd. (FEL) and houses the physical assets (erstwhile FRL and Bharti Retail Limited, including all the infrastructure assets) apart from strategic investments in various companies. The company is also in the business of manufacturing mens wear, womens wear and kids wear in the denim segment. Consequent to the demerger, the long-term debt (consisting of bank term loans and NCDs of erstwhile FRL) was shifted to the books of FEL; it has been partly shifted back. Following the demerger, FEL has three lines of business, namely lease rental; the manufacture, distribution and trading of fashion garments and a strategic investments portfolio.

The promoters of FEL is a part of Future group led by Mr. Kishore Biyani, have been closely involved in the management of business and in defining and monitoring the business strategy for the company. The Future Group had announced a merger deal with Reliance Group on Aug 29, 2020 which was contested by Amazon.com and is under litigation. Subsequently the Supreme Court (SC) has pronounced an order stating that Singapore's Emergency Arbitrator's order in favour of Amazon.com holds good.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY 2020	FY 2021	1Q June 2020	1Q June 2021
Result Type		Audited	Audited	Unaudited	Unaudited
Total Operating Income	Rs. in cr	5365.66	1422.14	304.39	448.12
EBITDA	Rs. in cr	1336.67	167.50	137.13	58.59
PAT	Rs. in cr	-369.51	-1220.17	-322.92	-317.22
Tangible Net Worth	Rs. in cr	3406.61	2155.98	-	-
Total Debt: Net worth	Times	2.01	2.72	-	-
Current Ratio	Times	0.78	1.11	-	-

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED

The company has made a NCD issue of Rs. 300.00 Cr, Rs.300 Cr and Rs.250 Cr with a tenor upto 10 years. The NCD has a bullet repayment at the end of the maturity. The NCDs are secured by a first pari passu charge on the specific assets of the company. Further details are specified in annexure 1.

NON-COOPERATION WITH PREVIOUS RATING AGENCY, IF ANY: NA

RATING HISTORY FOR PREVIOUS THREE YEARS (Including withdrawn and suspended)

SI No	Instrument	Current Rating (Year 2021)			Rating History										
		Type	Amount (Rs Cr)	Rating	2020			2019			2018				
1	NCD		300.00	BWR C	20.03.2020			19.03.2019			09.02.2018				
2	NCD		250.00		NCD	25	Withdrawn								
3	NCD	Long Term	300.00#		NCD	300	BWR AA-Credit Watch with Developing Implications								
				NCD	250										
							13.04.2020			19.03.2019			09.02.2018		
				NCD	300	BWR A Credit Watch with Negative Implications									
				NCD	250										
							NCD	300	BWR AA (SO) Stable	NCD		25	BWR AA-Stable		
				NCD	300										
							NCD	250	BWR AA (SO) Stable	NCD		300	BWR AA (SO) Stable		
				NCD	300										

					27.05.2020			
					NCD	300	BWR A- Credit Watch with Negative Implications	
					NCD	250		
					NCD	300		
					31.07.2020			
					NCD	300	BWR BB+ Credit Watch with Negative Implications	
					NCD	250		
					NCD	300		
					21.08.2020			
					NCD	300	BWR C	
					NCD	250		
					NCD	300		
				850.00*	Rupees Eight Hundred Fifty Crores Only (Outstanding is Rs.654 crs)			

#Rs.104 Cr have been raised, and the balance is yet to be raised

*The total outstanding amount is Rs.654 crs.

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Status of non-cooperation with previous CRA (if applicable)-Reason and comments: NA

Any other information: NA

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Group support](#)
- [Manufacturing Industry](#)
- [Default Recognition and Post Default Curing Period](#)

Analytical Contacts	
Heta Mehta Ratings Senior Rating Analyst D : +91 22 6745 6612 B : +91 22 2831 1426, +91 22 2831 1439 heta.m@brickworkratings.com	Bal Krishna Piparaiya Senior Director - Ratings B : +91 22 2831 1426, +91 22 2831 1439 piparaiya.bk@brickworkratings.com
1-860-425-2742	I media@brickworkratings.com

Future Enterprise Limited

Annexure I

Sr. No.	Instrument/Facility	ISIN No	Issue Date	Amount (Rs. Cr)	Coupon	Maturity Date
1	NCD	INE623B07404	13-Oct-16	25.00	9.75%	13-Oct-21
2		INE623B07412	13-Oct-16	25.00	9.80%	13-Oct-23
3		INE623B07420	26-Oct-26	20.00	9.75%	26-Oct-21
4		INE623B07438	26-Oct-16	30.00	9.80%	26-Oct-23
5		INE623B07446	5-Dec-16	6.00	9.75%	5-Dec-21
6		INE623B07453	5-Dec-16	29.00	9.80%	5-Dec-23
7		INE623B07461	21-Dec-16	27.00	9.50%	21-Dec-23
8		INE623B07479	21-Dec-16	18.00	9.55%	21-Dec-23
9		INE623B07545	26-Apr-17	45.00	9.28%	26-Apr-24
10		INE623B07552	9-May-17	24.00	9.17%	9-May-22
11		INE623B07560	9-May-17	26.00	9.28%	9-May-24
12		INE623B07578	16-May-17	2.00	9.17%	16-May-22
13		INE623B07586	16-May-17	23.00	9.28%	16-May-24
14		INE623B07594	26-Sep-17	88.00	8.80%	26-Sep-2022
15		INE623B07602	26-Sep-17	75.00	8.91%	26-Sep-2024
16		INE623B07610	13-Oct-17	87.00	8.91%	13-Oct-2024
17		INE623B07644	12-Mar-19	20.00	9.40%	12-Mar-23
18		INE623B07651	12-Mar-19	59.00	9.50%	12-Mar-25
19		INE623B07669	12-Mar-19	25.00	9.50%	12-Mar-25
	Total			654.00		

ANNEXURE II

List of entities consolidated

Name of Entity	% ownership	Extent of consolidation\$	Rationale for consolidation
Bluerock eServices Private Limited	100.00	100.00	Subsidiary
Future E-Commerce Infrastructure Limited	86.71	100.00	Subsidiary
Future Media (India) Limited	93.10	100.00	Subsidiary
Future Merchandising and Sourcing Pte. Ltd.	100.00	100.00	Subsidiary
Future Supply Chain Solutions Limited (FSCSL) (Subsidiary of RTPL w.e.f. December 24, 2018)	51.22	100.00	Step down Subsidiary
Futurebazaar India Limited	100.00	100.00	Subsidiary
Office Shop Private Limited (100% Subsidiary of Work Store Limited)	61.67	100.00	Step Down Subsidiary
Ritvika Trading Private Limited (RTPL) (w.e.f. November 19, 2018)	100.00	100.00	Subsidiary
Vulcan Express Private Limited (100% Subsidiary of FSCSL)	51.22	100.00	Step down Subsidiary
Work Store Limited	67.67	100.00	Subsidiary
Apollo Design Apparel Parks Limited	39.00	39.00	Joint Venture
Future Generali India Insurance Company Limited	25.51	25.51	Joint Venture
Future Generali India Life Insurance Company Limited	7.77	7.77	Joint Venture
Goldmohur Design and Apparel Park Limited	39.00	39.00	Joint Venture
Shendra Advisory Services Private Limited	49.82	49.82	Joint Venture
Sprint Advisory Services Private Limited	49.81	49.81	Joint Venture
Leanbox Logistics Solutions Private Limited (Associate of FSCSL)	25.61	25.61	Associate



\$Out of the extent of consolidation % mentioned above for subsidiaries and step down subsidiaries, there will be a deduction of minority interest to the extent of non holding stake.

For print and digital media The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

About Brickwork Ratings

Brickwork Ratings (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by Reserve Bank of India [RBI], offers credit ratings of Bank Loan, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. BWR has rated over 11,400 medium and large corporates and financial institutions' instruments. BWR has also rated NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations. BWR has Canara Bank, a leading public sector bank, as one of the promoters and strategic partner. BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER : Brickwork Ratings India Pvt. Ltd. (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by the Reserve Bank of India [RBI], offers credit ratings of Bank Loan facilities, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. [hereafter referred to as "Instruments"]. BWR also rates NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations.

BWR wishes to inform all persons who may come across Rating Rationales and Rating Reports provided by BWR that the ratings assigned by BWR are based on information obtained from the issuer of the instrument and other reliable sources, which in BWR's best judgement are considered reliable. The Rating Rationale / Rating Report & other rating communications are intended for the jurisdiction of India only. The reports should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in Europe and also the USA).

BWR also wishes to inform that access or use of the said documents does not create a client relationship between the user and BWR.

The ratings assigned by BWR are only an expression of BWR's opinion on the entity / instrument and should not in any manner be construed as being a recommendation to either, purchase, hold or sell the instrument.

BWR also wishes to abundantly clarify that these ratings are not to be considered as an investment advice in any jurisdiction nor are they to be used as a basis for or as an alternative to independent financial advice and judgement obtained from the user's financial advisors. BWR shall not be liable to any losses incurred by the users of these Rating Rationales, Rating Reports or its contents. BWR reserves the right to vary, modify, suspend or withdraw the ratings at any time without assigning reasons for the same.

BWR's ratings reflect BWR's opinion on the day the ratings are published and are not reflective of factual circumstances that may have arisen on a later date. BWR is not obliged to update its opinion based on any public notification, in any form or format although BWR may disseminate its opinion and analysis when deemed fit.



Neither BWR nor its affiliates, third party providers, as well as the directors, officers, shareholders, employees or agents (collectively, “BWR Party”) guarantee the accuracy, completeness or adequacy of the Ratings, and no BWR Party shall have any liability for any errors, omissions, or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the Rating Rationales or Rating Reports. Each BWR Party disclaims all express or implied warranties, including, but not limited to, any warranties of merchantability, suitability or fitness for a particular purpose or use. In no event shall any BWR Party be liable to any one for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the Rating Rationales and/or Rating Reports even if advised of the possibility of such damages. However, BWR or its associates may have other commercial transactions with the company/entity. BWR and its affiliates do not act as a fiduciary.

BWR keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of the respective activity. As a result, certain business units of BWR may have information that is not available to other BWR business units. BWR has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

BWR clarifies that it may have been paid a fee by the issuers or underwriters of the instruments, facilities, securities etc., or from obligors. BWR’s public ratings and analysis are made available on its web site, www.brickworkratings.com. More detailed information may be provided for a fee. BWR’s rating criteria are also generally made available without charge on BWR’s website.

This disclaimer forms an integral part of the Ratings Rationales / Rating Reports or other press releases, advisories, communications issued by BWR and circulation of the ratings without this disclaimer is prohibited.

BWR is bound by the Code of Conduct for Credit Rating Agencies issued by the Securities and Exchange Board of India and is governed by the applicable regulations issued by the Securities and Exchange Board of India as amended from time to time.