

Future Consumer Limited

February 03, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	71.14 (Reduced from 311.50)	CARE D (Single D)	Reaffirmed
Long Term Bank Facilities	31.06 (Reduced from 70.00)	CARE D (Single D)	Reaffirmed
Long Term / Short Term Bank Facilities	305.75 (Enhanced from 109.00)	CARE D (Single D)	Reaffirmed
Short Term Bank Facilities	1.70 (Reduced from 25.00)	CARE D (Single D)	Reaffirmed
Total Bank Facilities	409.65 (Rs. Four Hundred Nine Crore and Sixty-Five Lakhs Only)		
Non-Convertible Debentures (NCD)	-	-	Withdrawn
Total Long-Term Instruments	0.00 (Rs. Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Future Consumer Limited (FCL) primarily factors in continued poor liquidity position leading to reduced cash accruals on account of impact of COVID19. The ratings also factor in stretched liquidity position of the Future Group which has impacted the financial flexibility of the company.

CARE Ratings Ltd. has withdrawn the rating assigned to the NCD issue of FCL with immediate effect, as the company has repaid the aforementioned NCD issue in full and there is no amount outstanding under the issue as on date.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Strong and resilient recovery in operations and cash flows across the Future Group.
- Stronger-than-anticipated business performance due to fast ramp-up of operations and cost optimization measures leading to improvement of PBILDT margin.

Detailed description of the key rating drivers

Key Rating Weakness

Weak financial performance and stretched liquidity position

The liquidity position of the company continues to remain weak on account of weak financial performance, leading to delays in debt servicing in the past. CARE takes cognizance of the fact that company has undergone restructuring.

Deteriorated operational performance on account of COVID19 outbreak

The retail sector was significantly impacted due to COVID-19 restrictions. FCL, being dependent on FRL, and with FRL's revenue impacted tremendously, FCL suffered losses. For FY21, the company reported PBILDT and PAT of Rs. -25.51 crore and Rs. -388.37 crore respectively on total operating income of Rs.648.28 crore.

The company for H1FY22 has reported a net loss of Rs.6.47 crore on a total income of Rs.331.93 crore as against a loss of Rs.110.54 crore on a total income of Rs.92.24 crore during H1FY21.

Deterioration in financial flexibility; considerable promoters' stake pledged

As on December 31, 2021, the promoters of FCL have pledged 88.28% of their 14.47% stake in the company. Falling market capitalisation coupled with rising debt has led to significant deterioration of debt to market-capitalisation. Considerable reduction in market capitalisation and in absence of any additional cover provided by the promoters, significant amount of pledged shares have been invoked.

Deterioration in credit profile of Future Group

The share price of various Future Group entities has witnessed a steep decline. The weakening of market capitalization has impacted the financial flexibility of the group.

Key Rating Strengths

Experienced promoters

FCL is part of the Future Group, which is one of the largest retailers in India. The promoters of FCL are involved in the management of the business, defining and monitoring the business strategy for the company, and have been successful in building and scaling up the business. Furthermore, the promoters are supported by a strong management team, having significant experience in the retail industry.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Wide marketing and distribution network and optimized supply chain management

FCL distributes the Private Brands majorly to Future Retail Ltd (as per the requirement placed) which retails them through Big Bazaar and Easyday/Heritage networks. Big Bazaar is one of the largest value store chains in the country with around 300 stores. Moreover, the company sells through small stores format of Future group (Easy day and Heritage). FCL operates under an asset light business model, wherein warehouses are on long term lease basis and company invests in equipment/infrastructure required for the warehouse management. The warehouses help manage the supply chain activities of the Private Brands in the proximity areas. However, the company does not own any transportation fleet and depends on third party fleet for movement of goods. However, on account of COVID19 pandemic most of the company's stores were closed or operating at minimal inventory thereby leading to losses at operating levels.

Liquidity: Poor

The liquidity profile of the company continues to remain poor on account of slower than anticipated recovery post easing of lockdown restrictions on account of COVID19, weakened credit profile and unavailability of external funding has significantly hampered the company's ability to generate adequate cash flows. The company's working capital limits remain fully utilised. FCL has implemented OTR plan w.e.f. May 07, 2021.

Analytical approach: Standalone

Applicable Criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Policy On Curing Period](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

[Policy on Withdrawal of Ratings](#)

About the Company

Future Consumer Ltd. (FCL, erstwhile known as Future Consumer Enterprise Ltd.) is a part of the Future Group and operates as a food company. The company's line of business includes branding, marketing, sourcing, manufacturing, and distribution of basic foods, ready to eat meals, snacks, beverages, dairy, personal hygiene and home care products of private label brands of the Future Group (such as Premium Harvest, Golden Harvest, Ektaa, Clean mate, Caremate, Tasty Treat, Fresh & Pure, Voom etc.) and other brands like Sunkist and Sach, primarily through Future group formats and outlets in urban and rural areas across India.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	30-09-2021 (Prov.)
Total operating income	3091.35	648.28	331.93
PBILDT	198.70	-25.51	19.21
PAT	-305.65	-410.76	-6.47
Overall gearing (times)	0.94	0.73	NA
Interest coverage (times)	2.49	-0.36	1.19

A: Audited; NA: Not available

Status of non-cooperation with previous CRA:

Not Applicable

Any other information:

Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT/ ST-Working Capital Limits	-	-	-	-	305.75	CARE D
Fund-based - LT-Cash Credit	-	-	-	-	16.00	CARE D
Fund-based - LT-Funded Interest term Loan	-	-	-	-	31.06	CARE D
Non-fund-based - ST-BG/LC	-	-	-	-	1.70	CARE D
Fund-based - LT-Term Loan	-	-	-	-	55.14	CARE D
Debentures-Non-Convertible Debentures	INE220J07113	-	9.95-11%	June 29, 2021	0.00	Withdrawn

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT/ ST-Working Capital Limits	LT/ST*	305.75	CARE D	-	1)CARE D (22-Mar-21) 2)CARE D (06-Oct-20) 3)CARE C / CARE A4 (08-Sep-20) 4)CARE BB / CARE A4 (CWD) (27-Jul-20) 5)CARE A- / CARE A2+ (CWN) (15-May-20)	1)CARE A / CARE A1 (26-Mar-20) 2)CARE A; Stable / CARE A1 (20-Sep-19)	1)CARE A; Stable / CARE A1 (11-Feb-19) 2)CARE A; Stable / CARE A1 (03-Oct-18) 3)CARE A; Stable / CARE A1 (19-Apr-18)
2	Debentures-Non-Convertible Debentures	LT	-	-	-	-	-	1)Withdrawn (03-Oct-18)
3	Fund-based - LT-Cash Credit	LT	16.00	CARE D	-	1)CARE D (22-Mar-21) 2)CARE D (06-Oct-20) 3)CARE C (08-Sep-20) 4)CARE BB (CWD) (27-Jul-20) 5)CARE A- (CWN) (15-May-20)	1)CARE A (CWN) (26-Mar-20) 2)CARE A; Stable (20-Sep-19)	1)CARE A; Stable (11-Feb-19) 2)CARE A; Stable (03-Oct-18) 3)CARE A; Stable (19-Apr-18)
4	Fund-based - LT-Funded Interest term Loan	LT	31.06	CARE D	-	1)CARE D (22-Mar-21)	1)CARE A1 (CWN)	1)CARE A1 (11-Feb-19)

						2)CARE D (06-Oct-20) 3)CARE A4 (08-Sep-20) 4)CARE A4 (CWD) (27-Jul-20) 5)CARE A2+ (CWN) (15-May-20)	(26-Mar-20) 2)CARE A1 (20-Sep-19)	2)CARE A1 (03-Oct-18) 3)CARE A1 (19-Apr-18)	
5	Non-fund-based ST-BG/LC	-	ST	1.70	CARE D	-	1)CARE D (22-Mar-21) 2)CARE D (06-Oct-20) 3)CARE A4 (08-Sep-20) 4)CARE A4 (CWD) (27-Jul-20) 5)CARE A2+ (CWN) (15-May-20)	1)CARE A1 (CWN) (26-Mar-20) 2)CARE A1 (20-Sep-19)	1)CARE A1 (11-Feb-19) 2)CARE A1 (03-Oct-18) 3)CARE A1 (19-Apr-18)
6	Commercial Paper		ST	-	-	-	1)Withdrawn (04-Sep-20) 2)CARE A4 (CWD) (27-Jul-20) 3)CARE A2+ (CWN) (15-May-20)	1)CARE A1 (CWN) (26-Mar-20) 2)CARE A1 (20-Sep-19)	1)CARE A1 (03-Oct-18)
7	Fund-based LT-Term Loan	-	LT	55.14	CARE D	-	1)CARE D (22-Mar-21) 2)CARE D (06-Oct-20) 3)CARE C (08-Sep-20) 4)CARE BB (CWD) (27-Jul-20) 5)CARE A- (CWN) (15-May-20)	1)CARE A (CWN) (26-Mar-20) 2)CARE A; Stable (20-Sep-19)	1)CARE A; Stable (11-Feb-19) 2)CARE A; Stable (03-Oct-18) 3)CARE A; Stable (19-Apr-18)
8	Debentures-Non-Convertible Debentures		LT	-	-	-	1)CARE D (22-Mar-21) 2)CARE D (06-Oct-20) 3)CARE D (08-Sep-20) 4)CARE BB (CWD)	1)CARE A (CWN) (26-Mar-20) 2)CARE A; Stable (20-Sep-19)	1)CARE A; Stable (03-Oct-18)

						(27-Jul-20)		
						5)CARE A- (CWN) (15-May-20)		

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities - NA

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Debentures-Non-Convertible Debentures	Simple
2	Fund-based - LT-Cash Credit	Simple
3	Fund-based - LT-Funded Interest term Loan	Simple
4	Fund-based - LT-Term Loan	Simple
5	Fund-based - LT/ ST-Working Capital Limits	Simple
6	Non-fund-based - ST-BG/LC	Simple

Annexure 6: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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