

Future Consumer Limited

May 03, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	102.20	CARE D; ISSUER NOT COOPERATING* (Single D ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	305.75	CARE D; ISSUER NOT COOPERATING* (Single D ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	1.70	CARE D; ISSUER NOT COOPERATING* (Single D ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Bank Facilities	409.65 (Rs. Four Hundred Nine Crore and Sixty- Five Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

Future Consumer Limited (FCL) has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE Ratings Ltd.'s rating on FCL's bank facilities will now be denoted as **CARE D; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings take into account 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.

Detailed description of the key rating drivers

At the time of last rating on February 03, 2022 the following were the rating weaknesses and strengths:

Key Rating Weaknesses

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.

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

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.

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 in respect of Non-cooperation by issuer](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[CARE's Policy on Curing Period](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology - Manufacturing Companies](#)

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)	9MFY22 (Prov.)
Total operating income	3,091.35	648.28	853.50
PBILDT	198.70	-25.51	27.81
PAT	-305.65	-410.76	-75.52
Overall gearing (times)	0.94	0.73	NA
Interest coverage (times)	2.49	-0.36	0.59

A: Audited; Prov.: Provisional; 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

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; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit		-	-	-	16.00	CARE D; ISSUER NOT COOPERATING*
Fund-based - LT-Funded Interest term Loan		-	-	-	31.06	CARE D; ISSUER NOT COOPERATING*
Non-fund-based - ST-BG/LC		-	-	-	1.70	CARE D; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	-	55.14	CARE D; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

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 2022-2023	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020
1	Fund-based - LT/ ST-Working Capital Limits	LT/ST *	305.75	CARE D; ISSUER NOT COOPERATING *	-	1)CARE D (03-Feb-22)	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)
2	Fund-based - LT-Cash Credit	LT	16.00	CARE D; ISSUER NOT COOPERATING *	-	1)CARE D (03-Feb-22)	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)
3	Fund-based - LT-Funded Interest term Loan	LT	31.06	CARE D; ISSUER NOT	-	1)CARE D (03-Feb-22)	1)CARE D (22-Mar-21)	1)CARE A1 (CWN)

				COOPERATING *			2)CARE D (06-Oct-20)	(26-Mar-20)
							3)CARE A4 (08-Sep-20)	2)CARE A1 (20-Sep-19)
							4)CARE A4 (CWD) (27-Jul-20)	
							5)CARE A2+ (CWN) (15-May-20)	
4	Non-fund-based - ST-BG/LC	ST	1.70	CARE D; ISSUER NOT COOPERATING *	-	1)CARE D (03-Feb-22)	1)CARE D (22-Mar-21)	1)CARE A1 (CWN) (26-Mar-20)
							2)CARE D (06-Oct-20)	2)CARE A1 (20-Sep-19)
							3)CARE A4 (08-Sep-20)	
							4)CARE A4 (CWD) (27-Jul-20)	
							5)CARE A2+ (CWN) (15-May-20)	
5	Commercial Paper	ST	-	-	-	-	1)Withdrawn (04-Sep-20)	1)CARE A1 (CWN) (26-Mar-20)
							2)CARE A4 (CWD) (27-Jul-20)	2)CARE A1 (20-Sep-19)
							3)CARE A2+ (CWN) (15-May-20)	
6	Fund-based - LT-Term Loan	LT	55.14	CARE D; ISSUER NOT COOPERATING *	-	1)CARE D (03-Feb-22)	1)CARE D (22-Mar-21)	1)CARE A (CWN) (26-Mar-20)
							2)CARE D (06-Oct-20)	2)CARE A; Stable (20-Sep-19)
							3)CARE C (08-Sep-20)	
							4)CARE BB (CWD) (27-Jul-20)	
							5)CARE A-(CWN) (15-May-20)	
7	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (03-Feb-22)	1)CARE D (22-Mar-21)	1)CARE A (CWN) (26-Mar-20)
							2)CARE D (06-Oct-20)	

							3)CARE D (08-Sep-20) 4)CARE BB (CWD) (27-Jul-20) 5)CARE A- (CWN) (15-May-20)	2)CARE A; Stable (20-Sep-19)
--	--	--	--	--	--	--	---	------------------------------------

*Issuer did not cooperate; Based on best available information

Annexure 3: Complexity level of various instruments rated for this company

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

Annexure 4: 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.

Contact us

Media Contact

Name: Mr. Mradul Mishra
Contact no.: +91-22-6754 3596
Email ID: mradul.mishra@careedge.in

Analyst Contact

Group Head Name: Mr. Hitesh Avachat
Group Head Contact no.: +91-90048 60007
Group Head Email ID: hitesh.avachat@careedge.in

Relationship Contact

Name: Saikat Roy
Contact no.: +91-98209 98779
Email ID: saikat.roy@careedge.in

About CARE Ratings Limited:

Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

Disclaimer

The ratings issued by CARE Ratings Limited are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings Limited has based its ratings/outlooks based on information obtained from reliable and credible sources. CARE Ratings Limited does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings Limited have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings Limited or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE Ratings Limited is, inter-alia, based on the capital deployed by the partners/proprietor and the current financial strength of the firm. The rating/outlook may undergo a change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE Ratings Limited is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE Ratings Limited's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

****For detailed Rationale Report and subscription information, please contact us at www.careedge.in**