APRIL 06, 2015

CARE REAFFIRMS RATING ASSIGNED TO BANK FACILITIES AND ASSIGNS CARE A- RATING TO PROPOSED NCD ISSUE OF FUTURE CONSUMER ENTERPRISE LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long/Short term Bank Facilities	50	**CARE A-/A1 (Single A Minus/ A One)**	Reaffirmed
Non Convertible Debenture	100	**CARE A- (Single A Minus)**	Assigned
Total Facilities	**150**		

Rating Rationale

The ratings continue to derive strength from the experienced & professionally managed promoter group of Future Consumer Enterprise Ltd (FCEL) as well as its presence across the fast moving consumer goods (FMCG) value chain – from sourcing and processing, to branding and distribution in rural and urban markets. The ratings also factor in the established convenience store business and private label FMCG brands of the company. The ratings, however, are constrained due to the low core profitability, increase in debt leading to deterioration of capital structure and intense competition from organised and unorganised sector players. The ability of the company to achieve its revenues as envisaged along with breakeven on convenience store format remains critical from credit perspective.

Background

FCEL, erstwhile Future Ventures India Ltd, is a part of the Future Group and operates retail formats (KB's Fairprice and Big Apple) as well as distributes private label FMCG brands of the future group (mainly *Clean Mate*, *Care Mate*, *Tasty Treat* and *Fresh & Pure*) and other brands like Sunkist and Sach, primarily through Future Group formats in urban and rural areas.

Earlier the company was engaged in Non-Banking Financial Company (NBFC) activities and has already surrendered its NBFC Certificate of Registration to the Reserve Bank of India (RBI) during May 2013 which is pending confirmation.

On January 30, 2015, the High Court has approved the amalgamation of Future Agrovet Ltd. with its holding company FCEL with effect from April 01, 2014. FAL is primarily engaged in agro-retail operations by way of sourcing of various agro commodities for Future Group entities.

During FY14 (refers to the period April 1 to March 31), FCEL registered a PAT of Rs.30.41 crore on total operating income of Rs.373.22 crore on a standalone basis. In 9MFY15, FCEL earned total income of Rs.300.50 crore and net loss of Rs.33.53 crore. On a consolidated basis, the company posted net loss of Rs.15 crore on a total operating income of Rs.848 crore during FY14.

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[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

Note: Shri. V.K. Chopra, Rating Committee Member is a Non-Executive Director on the board of Future Retail Ltd. (group company of Future Consumer Enterprise Ltd.) and hence, the note is not sent to him. To comply with the regulations, the Member is required not to participate in the rating process and the Rating Committee Meeting and press disclosure about the same is to be made by the CRA.

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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