APRIL 12, 2016

CARE REAFFIRMS RATINGS ASSIGNED TO VARIOUS FACILITIES OF FUTURE CONSUMER ENTERPRISE LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long term Bank Facilities	134.50	**CARE A- (Single A Minus)**	**Reaffirmed**
Short term Bank Facilities	20.00	**CARE A1 (A One)**	**Reaffirmed**
Short Term Bank Facility (Non-Fund based)	29.00	**CARE A1 (A One)**	**Reaffirmed**
Long/Short Term Bank Facilities (Fund Based)	50.00	**CARE A-/ CARE A1 (Single A Minus/ A One)**	**Reaffirmed**
Non Convertible Debenture	100.00	**CARE A- (Single A Minus)**	**Reaffirmed**
Total Facilities	**333.50 (Rupees Three hundred thirty three crore and fifty lakhs only)**		

Rating Rationale

The ratings continue to derive strength from the experienced promoter group of Future Consumer Enterprise Ltd (FCEL) in retail sector 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 private label FMCG brands of the company and the proposed equity infusion in FY17(refers to the period April 1 to March 31). 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 increase in private brands format remains critical from credit perspective.

Background

FCEL, erstwhile Future Ventures India Ltd, is a part of the Future Group and 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. Till January 31, 2016, FCEL also used to operate retail formats (Aadhar, KB's Fairprice and Big Apple), however the same have been transferred to Future Retail Ltd. (FRL) with effect from February 01, 2016.

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. The confirmation by RBI has also been received in August 2015.

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

During FY15 (refers to the period April 1 to March 31), FCEL registered a loss of Rs.93.75 crore on total operating income of Rs.1113.94 crore on a standalone basis. In 9MFY16, FCEL earned total income of Rs.1042.51 crore and net loss of

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

Rs.50.58 crore. On a consolidated basis, the company posted net loss of Rs.95.89 crore on a total operating income of Rs.1340.61 crore during FY15.

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****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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