JULY 19, 2016

CARE REVISES/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)**	**Revised from CARE A- (Single A Minus)**
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 / A One)**	**Revised from CARE A- (Single A Minus)/ Reaffirmed**
Non Convertible Debenture	100.00	**CARE A (Single A)**	**Revised from CARE A- (Single A Minus)**
Total Facilities	**333.50 (Rupees Three Hundred thirty three crore and fifty lakhs only)**		

Rating Rationale

The revision in long term rating of Future Consumer Enterprise Ltd. (FCEL) takes into account the successful raising of equity in April 2016 (which is expected to improve the capital structure) as well as improvement in operational performance in FY16 on account of hiving off of loss making convenience store business. The ratings continue to derive strength from the experienced promoter group of 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.

The ratings, however, are constrained due to the low profitability, 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.

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

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 FY16 (refers to the period April 1 to March 31), FCEL registered a loss of Rs.63.55 crore on total operating income of Rs.1368.33 crore on a standalone basis. On a consolidated basis, the company posted net loss of Rs.124.25 crore on a total operating income of Rs.1775.09 crore during FY16.

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Note: Shri. V.K. Chopra, Rating Committee Member is a Non-Executive Chairman on the board of Future Enterprises 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.

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

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo 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.

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