OCTOBER 01, 2015

CARE REAFFIRMS RATINGS ASSIGNED TO BANK FACILITIES AND INSTRUMENTS OF FUTURE LIFESTYLE FASHIONS LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities (Term Loan)	522.62	CARE A+ [Single A Plus]	Reaffirmed
Long-term Bank Facilities (Cash Credit)	550		
Short-term Bank Facilities (Non-Fund Based)	475	CARE A1 [A One]	
Total Facilities	**1547.62**		
Non-Convertible Debentures	525	CARE A+ [Single A Plus]	Reaffirmed
Commercial Paper *	150	CARE A1 [A One]	
Total Instruments	**675**		

** carved out of the sanctioned working capital limits of the company*

Rating Rationale

The ratings assigned to the bank facilities and debt instruments of Future Lifestyle Fashions Limited (FLFL) continue to derive strength from the vast experience of the promoters (Future Group) of FLFL in the retail industry, established pan-India presence of various operationally profitable formats, established private brands and FLFL's various investments in independent fashion brands as well as the improvement in capital structure consequent to equity infusion in FY15.

The above rating strengths are however, tempered by moderate debt service indicators coupled with increasing competition in the fashion retail industry.

The ability of FLFL to improve its capital structure, manage the cash flows while effecting capex for expansion of stores, achieving the planned divestments and improvement of debt service metrics are be the key rating sensitivities. Furthermore, going forward any aggressive debt funded expansion could severely impact the credit profile of the company which could have a negative impact on the rating.

Background

FLFL (CIN no.:L52100MH2012PLC231654) is a part of the Future Group, one of India's largest retailers. Future Group has realigned its business in 2013 in order to streamline its operations and to focus on three broad verticals – value retail (hypermarkets and supermarkets), food & FMCG and lifestyle fashion. FLFL is constituted to manage the lifestyle fashion businesses of the Future Group; value retail being managed by Future Retail Ltd [FRL, rated CARE AA-/ CARE A1+ (under credit watch)] and its food and FMCG business administered by Future Consumer Enterprise Ltd (FCEL, rated CARE A-/CARE A1). This restructuring was aimed at simplifying the structure of the group, lay out a clear value proposition to potential investors and unlock value from each of these verticals. FLFL has two major business divisions: fashion retailing and investments in fashion companies.

For FY15 (refers to the period April 1 to March 31), FLFL registered total operating income of Rs.3,141 crore and PAT of Rs.19 crore as compared to total operating income of Rs.2,746 crore and PAT of Rs.23 crore in FY14. Furthermore, for Q1FY16, FLFL registered PAT of Rs.2 crore on total income of Rs.702 crore vis-à-vis PAT and total income of Rs.4 crore and Rs.699 crore respectively in Q1FY15.

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

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

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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