CARE Ratings
Professional Risk Opinion

NOVEMBER 11, 2016

CARE REAFFIRMS/REVISES RATINGS ASSIGNED TO BANK FACILITIES OF FUTURE LIFESTYLE FASHIONS LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities (Term Loan)	499	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 Plus]	Revised from CARE A1 (A One)
Total Facilities	**1,524 (Rupees One Thousand Five Hundred Twenty Four crore only)**		
Non-Convertible Debentures	300	CARE A+ [Single A Plus]	Reaffirmed
Commercial Paper *	150	CARE A1+ [A One Plus]	Revised from CARE A1 (A One)
Total Instruments	**450 (Rupees Four Hundred Fifty crore only)**		

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

Rating Rationale

The revision in the short-term rating of Future Lifestyle Fashions Ltd. (FLFL) takes into account satisfactory liquidity position resulting from stable operating cycle and surplus generated from divestment of brands in past years. The ratings assigned to the bank facilities and debt instruments continue to derive strength from the vast experience of the promoters (Future Group) 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.

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

The ability of FLFL to further 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 the key rating sensitivities. Furthermore, going forward, any aggressive debt-funded expansion could adversely 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. FLFL is in the business of managing the lifestyle fashion segment of the Future Group. FLFL has two major business divisions: fashion retailing and investments in fashion companies. It has a portfolio of fashion brands that cover a range of fashion categories including formal menswear, casual wear, active or sportswear, women's ethnic wear, women's denim wear, women's casual wear, footwear and accessories and are present across various price points.

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

During FY16 (refers to the period April 1 to March 31), FLFL registered a total operating income of Rs.3,304 crore and PAT of Rs.29 crore as compared with total operating income of Rs.3,141 crore and PAT of Rs.19 crore in FY15. Furthermore, during Q1FY17, FLFL registered PAT of Rs.4 crore on total income of Rs.805 crore vis-à-vis PAT and total income of Rs.2 crore and Rs.714 crore, respectively, in Q1FY16.

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

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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CIN - L67190MH1993PLC071691