

JANUARY 08, 2015

CARE REAFFIRMS RATINGS ASSIGNED TO BANK FACILITIES OF FUTURE MARKET NETWORK LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	302.26	CARE BB+ (Double B Plus)	Reaffirmed
Total Facilities	302.26		

Rating Rationale

The rating assigned to the bank facilities continues to be constrained by Future Market Networks Ltd.'s (FMNL) weak debt coverage indicators and considerable commitment towards subsidiaries/joint ventures. The rating is further constrained by FMNL's dependence on interest income from subsidiaries or sale of property to service its debt coupled with cyclicity inherent in the real estate industry.

The rating, however, derives strength from the strong parentage of the Future group, experienced management, operating synergies with the group companies and geographical diversity. The ability of FMNL to diversify its revenue streams, improve its debt coverage indicators and continual support from the Future group would be the key rating sensitivities.

Background

Future Market Networks Ltd. (FMNL), primarily a holding company, manages retail real estate portfolio of the Future Group and providing services related to the same. FMNL earlier focused on providing upkeep services such as security, housekeeping, mall promotions and parking services earning a steady annuity income from Common Area Maintenance (CAM) and other sources. During FY13, FMNL amalgamated its two subsidiaries with itself viz. KB Mall Management Company Ltd. (KBMM) and Agre Properties and Services Ltd. (APSL, with May 8, 2013 being the effective date). KBMM owned and operated a 10-acres mall at Kankaria (Ahmedabad) and also owned space at the R-city mall in Mulund, Mumbai. The properties have been let out to Future group entities. APSL was engaged in the business of taking large spaces in malls and commercial spaces on lease and in turn sub-leasing to Future Group companies and other companies.

In FY14 (refers to the period April 1 to March 31), FMNL reported a net loss of Rs. 66 crore on a total operating income of Rs.82 crore. During H1FY15, the company posted a loss of Rs.36 crore at PAT level on total income of Rs.44 crore.

Analyst Contact

Name: Ashvini Patil

Tel: 022-67543431

Email: ashvini.patil@careratings.com

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

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

Note: Shri V. K. Chopra, Non-Executive Director of Future Retail Ltd. is one of CARE's Rating Committee Members. 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 to be made by CRA.

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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.

CONTACT

Head Office Mumbai

Mr. D.R. Dogra

Managing Director
 Mobile: +91-98204 16002
 E-mail: dr.dogra@careratings.com

Mr. Rajesh Mokashi

Dy. Managing Director
 Mobile: +91-98204 16001
 E-mail: rajesh.mokashi@careratings.com

Ms. Meenal Sikchi

Vice President - Bank Loan & Instrument Rating
 Mobile: +91-9819009839
 E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva

Vice President - Bank Loan & Financial Services
 Mobile: +91-9819698985
 E-mail: ankur.sachdeva@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
 Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

Other Office:

503, Kaledonia, Sahar Road, Near Andheri Railway Station, Andheri (E), Mumbai - 400 069
 Tel: +91-22-6144 3456 | Fax: +91-22-6144 3556

AHMEDABAD
Mr. Mehul Pandya

32, Titanium, Prahaladnagar Corporate Road,
 Satellite, Ahmedabad - 380 015
 Cell: +91-98242 56265
 Tel: +91-79-4026 5656
 E-mail: mehul.pandya@careratings.com

JAIPUR
Mr. Harsh Raj Sankhla

304, Pashupati Akshat Heights, Plot No. D-91,
 Madho Singh Road, Near Collectorate Circle,
 Bani Park, Jaipur - 302 016.
 Cell: +91 – 94139 69100
 Tel: +91-141-402 0213 / 14
 E-mail: harshraj.sankhla@careratings.com

BENGALURU
Mr. Dinesh Sharma

Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
 No. 30, M.G. Road, Bangalore - 560 001.
 Cell: +91-99000 41975
 Tel: +91-80-4115 0445, 4165 4529
 E-mail: dinesh.sharma@careratings.com

KOLKATA
Ms. Priti Agarwal

3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
 10A, Shakespeare Sarani, Kolkata - 700 071.
 Cell: +91-98319 67110
 Tel: +91-33- 4018 1600
 E-mail: priti.agarwal@careratings.com

CHANDIGARH
Mr. Sajan Goyal

2nd Floor, S.C.O. 196-197, Sector 34-A,
 Chandigarh - 160 022.
 Cell: +91 99888 05650
 Tel: +91-172-5171 100 / 09
 Email: sajan.goyal@careratings.com

NEW DELHI
Ms. Swati Agrawal

13th Floor, E-1 Block, Videocon Tower,
 Jhandewalan Extension, New Delhi - 110 055.
 Cell: +91-98117 45677
 Tel: +91-11-4533 3200
 E-mail: swati.agrawal@careratings.com

CHENNAI
Mr. V Pradeep Kumar

Unit No. O-509/C, Spencer Plaza, 5th Floor,
 No. 769, Anna Salai, Chennai - 600 002.
 Cell: +91 98407 54521
 Tel: +91-44-2849 7812 / 0811
 Email: pradeep.kumar@careratings.com

PUNE
Mr. Rahul Patni

9th Floor, Pride Kumar Senate,
 Plot No. 970, Bhamburda, Senapati Bapat Road,
 Shivaji Nagar, Pune - 411 015.
 Cell: +91-78754 33355
 Tel: +91-20- 4000 9000
 E-mail: rahul.patni@careratings.com

HYDERABAD
Mr. Saikat Roy

401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
 Hyderabad - 500 029.
 Tel: +91-40-4010 2030
 E-mail: saikat.roy@careratings.com

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