December 24, 2015

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

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long term Bank Facilities	243.86	**CARE BB+ (Double B Plus)**	Reaffirmed
Total Facilities	**243.86 (Rs. Two Hundred forty three crore and eighty six lakhs only)**		

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/investments in group companies to service its debt coupled with cyclicality 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. (CIN-L45400MH2008PLC179914; FMNL), primarily a holding company, manages retail real estate portfolio of the Future Group and provides 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. The company is in final stages of selling its KB Mall in Ahmedabad. 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 FY15 (refers to the period April 1 to March 31), FMNL reported a net loss of Rs. 53.30 crore on a total operating income of Rs.85 crore. During H1FY16, the company posted a loss of Rs.58 crore at PAT level on total income of Rs.47 crore.

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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.

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

****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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