

**Future Consumer Limited**

September 08, 2020

**Credit update on Future Consumer Limited (FCL)**

On August 29, 2020, the board of Directors of FCL considered and approved the amalgamation of FCL along with other transferor companies with Future Enterprises Limited (FEL). The proposed amalgamation would be carried out vide a Composite Scheme of Arrangement between FCL along with other transferor companies with FEL (transferee company) and their respective Shareholders and Creditors. FEL will issue 9 (Nine) fully paid up equity shares of Rs. 2/- each to the equity shareholders of FCL as on the Record Date (as may be determined in terms of the Scheme) for every 10 (Ten) fully paid up equity shares of Rs. 6/- each of FCL. As per the company the said Scheme would be subject to requisite approvals of the National Company Law Tribunal, BSE Limited, National Stock Exchange of India Limited, Securities and Exchange Board of India, Competition Commission of India and other statutory/regulatory authorities, including those from the shareholders and creditors of the transferor companies and transferee company and applicable contractual approvals. Total sale consideration is Rs.24,713 crore.

Post the amalgamation of FCL along with other transferor companies with FEL;

- Logistics & Warehousing undertaking from FEL will be transferred and vested as a going concern on a slump sale basis to Reliance Retail Ventures Limited (RRVL, rated CARE A1+) for a consideration of Rs. 25.22 crore.
- Retail & Wholesale undertaking from FEL will be transferred and vested as a going concern on a slump sale basis to Reliance Retail and Fashion Lifestyle Limited (RRFLL), a wholly owned subsidiary of RRVL (RRVL WOS) for a consideration of Rs. 5,628.33 crore.
- FEL has further approved as part of the same Scheme, issue of 67,98,86,685 equity shares (6.09% stake) at an issue price of Rs. 17.65 per share aggregating to Rs. 1,200 crore on preferential basis to RRFLL.
- FEL has further approved as part of the same Scheme, issue of 90,65,15,580 warrants (7.05% stake, if converted into equity) convertible into equity shares at a price of Rs. 17.65 per share aggregating to Rs. 1,600 crore to RRFLL on a preferential basis, subject to receipt of initial application amount of 25% of the issue price. Each warrant is convertible into one equity share and the conversion can be exercised at any time during the period of 18 months from the date of allotment of warrants, as the case may be, on such other terms and conditions as applicable.

Vide Press Release dated September 8, 2020 the ratings assigned to the Long-Term Instruments of Future Consumer Limited (FCL) has been revised from "CARE BB; Credit watch with developing implications" to "CARE D". This is on account of delay in servicing of the interest and principal due on September 5, 2020 on its Non-Convertible Debentures (NCD's) bearing ISIN INE220J07113. Consequently, and in view of liquidity issues in the company, the ratings for other bank facilities have also been revised from "CARE BB/CARE A4" to "CARE C/CARE A4" as there is a very high risk of default regarding timely servicing of financial obligations on its own capability. The ratings have also been removed from credit watch.

CARE envisages that FCL in the near to medium term will continue to face poor liquidity due to weak macroeconomic scenario, exacerbated by the corona virus pandemic. This may entail additional funding to timely service its debt as the moratorium allowed by Reserve Bank of India on debt servicing ended on August 31, 2020. CARE believes that the announcement of scheme and subsequent sale of assets will aid in release of sanctioned working capital limits by its consortium banks for the Future Group as a whole. Timely release of adequate additional bank limits for the group remains critical for FCL to stay current on its debt service obligations.

Please refer to the press release published on September 8, 2020 on the below link:

[PR- Future Consumer Limited : September 8, 2020](#)

**Analytical approach:** Standalone financials of FCL are considered while factoring in all the support provided to subsidiaries and JVs.

**Entities for which financial support is factored**

*Integrated food park Ltd.*

*Aussee Oats India Limited*

*MNS Food Private Ltd.*

*Sublime Food Private Ltd.*

*The Nilgiri Dairy Farm Private Limited*

*Hain Future Natural Products Pvt Ltd*

**Applicable Criteria**
[CARE's Policy on Default Recognition](#)
[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)
[Rating Methodology: Factoring Linkages in Ratings](#)
[Financial ratios – Non-Financial Sector](#)
[Criteria for Short Term Instruments](#)
[Rating Methodology: Consolidation and Factoring Linkages in Ratings](#)
[Liquidity Analysis of Non-Financial Sector Entities](#)
**About the Company**

Future Consumer Ltd. (FCL, erstwhile known as Future Consumer Enterprise Ltd.) is a part of the Future Group and operates as a food company. The company's line of business include branding, marketing, sourcing, manufacturing, and distribution of basic foods, ready to eat meals, snacks, beverages, dairy, personal hygiene and home care products of private label brands of the Future Group (such as Premium Harvest, Golden Harvest, Ektaa, Clean mate, Caremate, Tasty Treat, Fresh & Pure, Voom etc.) and other brands like Sunkist and Sach, primarily through Future group formats and outlets in urban and rural areas across India.

**Liquidity Position: Poor**

The company's liquidity has been severely impacted on account of lockdown measures. The company has applied to the lenders for moratorium as per RBI package. The group has applied to the bankers for enhancement in working capital limits and COVID19 emergency lines to alleviate present liquidity concerns.

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating History for last three years:** Please refer Annexure-1

**Annexure-1: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT/ ST-Bills discounting/ Bills purchasing	LT/ST	109.00	CARE C / CARE A4	1)CARE BB / CARE A4 (Under Credit watch with Developing Implications) (27-Jul-20) 2)CARE A- / CARE A2+ (Under Credit watch with Negative Implications) (15-May-20)	1)CARE A / CARE A1 (26-Mar-20) 2)CARE A; Stable / CARE A1 (20-Sep-19)	1)CARE A; Stable / CARE A1 (11-Feb-19) 2)CARE A; Stable / CARE A1 (03-Oct-18) 3)CARE A; Stable / CARE A1 (19-Apr-18)	1)CARE A; Stable / CARE A1 (04-Oct-17)
2.	Debentures-Non Convertible Debentures	LT	-	-	-	-	1)Withdrawn (03-Oct-18)	1)CARE A; Stable (04-Oct-17)
3.	Fund-based - LT-Cash Credit	LT	266.00	CARE C	1)CARE BB (Under Credit watch with Developing Implications) (27-Jul-20) 2)CARE A- (Under Credit watch with Negative Implications) (15-May-20)	1)CARE A (Under Credit watch with Negative Implications) (26-Mar-20) 2)CARE A; Stable (20-Sep-19)	1)CARE A; Stable (11-Feb-19) 2)CARE A; Stable (03-Oct-18) 3)CARE A; Stable (19-Apr-18)	1)CARE A; Stable (04-Oct-17)

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		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
4.	Fund-based - ST-Term loan	ST	70.00	CARE A4	1)CARE A4 (Under Credit watch with Developing Implications) (27-Jul-20) 2)CARE A2+ (Under Credit watch with Negative Implications) (15-May-20)	1)CARE A1 (Under Credit watch with Negative Implications) (26-Mar-20) 2)CARE A1 (20-Sep-19)	1)CARE A1 (11-Feb-19) 2)CARE A1 (03-Oct-18) 3)CARE A1 (19-Apr-18)	1)CARE A1 (04-Oct-17)
5.	Non-fund-based - ST-BG/LC	ST	25.00	CARE A4	1)CARE A4 (Under Credit watch with Developing Implications) (27-Jul-20) 2)CARE A2+ (Under Credit watch with Negative Implications) (15-May-20)	1)CARE A1 (Under Credit watch with Negative Implications) (26-Mar-20) 2)CARE A1 (20-Sep-19)	1)CARE A1 (11-Feb-19) 2)CARE A1 (03-Oct-18) 3)CARE A1 (19-Apr-18)	1)CARE A1 (04-Oct-17)
6.	Commercial Paper	ST	-	-	1)Withdrawn (04-Sep-20) 2)CARE A4 (Under Credit watch with Developing Implications) (27-Jul-20) 3)CARE A2+ (Under Credit watch with Negative Implications) (15-May-20)	1)CARE A1 (Under Credit watch with Negative Implications) (26-Mar-20) 2)CARE A1 (20-Sep-19)	1)CARE A1 (03-Oct-18)	1)CARE A1 (04-Oct-17) 2)CARE A1 (10-Jul-17)
7.	Fund-based - LT-Term Loan	LT	45.50	CARE C	1)CARE BB (Under Credit watch with Developing Implications) (27-Jul-20) 2)CARE A- (Under Credit watch with Negative Implications) (15-May-20)	1)CARE A (Under Credit watch with Negative Implications) (26-Mar-20) 2)CARE A; Stable (20-Sep-19)	1)CARE A; Stable (11-Feb-19) 2)CARE A; Stable (03-Oct-18) 3)CARE A; Stable (19-Apr-18)	1)CARE A; Stable (04-Oct-17)
8.	Debentures-Non Convertible Debentures	LT	20.00	CARE D	1)CARE BB (Under Credit watch with Developing Implications) (27-Jul-20) 2)CARE A- (Under	1)CARE A (Under Credit watch with Negative Implications) (26-Mar-20) 2)CARE A; Stable	1)CARE A; Stable (03-Oct-18)	1)CARE A; Stable (04-Oct-17)

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					Credit watch with Negative Implications) (15-May-20)	(20-Sep-19)		

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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#### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

#### Disclaimer

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