

Future Supply Chain Solutions Limited

September 08, 2020

Credit update on Future Supply Chain Solutions Limited (FSC)

On August 29, 2020, the board of Directors of FSC considered and approved the amalgamation of FSC along with other transferor companies with Future Enterprises Limited (FEL). The proposed amalgamation would be carried out vide a Composite Scheme of Arrangement between FSC along with other transferor companies with FEL (transferee company) and their respective Shareholders and Creditors. FEL will issue 131 (One hundred and thirty one) fully paid up equity shares of Rs. 2/- each to the equity shareholders of FSC 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. 10/- each of FSC. 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 FSC 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.

The ratings of CARE BB+/CARE A4+ assigned to the bank facilities and instruments of FSC continue to remain under Credit Watch with developing implications. CARE envisages that FSC in the near to medium term will continue to face stretched 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 FSC to stay current on its debt service obligations. CARE will continue to monitor the situation and will resolve the watch once the exact implication of the situation on credit profile of FSC is clear.

Please refer following link for the press release published on July 29, 2020

[PR – Future Supply Chain Solutions Limited](#)

Analytical approach

Consolidated. The below entity has been considered:

Name of Company	Relationship with FSC	% holding by FSC
Leanbox Logistics Solutions Private Limited	Associate	49.36%

Applicable Criteria

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[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 Future Supply Chain Solutions Limited

Future Supply Chain Solutions Limited (FSC), incorporated in March 2006, is a Future Group company with a focus on providing supply chain solutions (for non-agro products) to its group companies (anchor customers) as well as to outside companies.

Future Group has wide presence in retail, consumer finance, insurance, leisure and entertainment, brand development, retail real estate development, retail media and logistics.

FSC provides integrated end-to-end logistics solutions for supply chain management, and offers warehousing and distribution, multi-modal transportation and container freight stations. As of December 31 2019, FSC operations are run through 100+ distribution centres across India, covering 8.01 million ft2 of warehouse space across India with an average capacity utilisation at 93%.

Liquidity Position: Stretched

Significant weakening in liquidity of Future Retail Limited (FRL), which is the key customer of FSC has increased the likelihood of delay in collection and impact FSC's cash cycle. The company and the group's liquidity has been severely impacted on account of lockdown measures. The group has applied to the lenders for enhancement in working capital limits, COVID19 emergency lines, interchangeability of limits from non-fund bases to fund based and release of peak limits. Some banks have already released the additional working capital limits and allowed interchangeability of limits. However, as the moratorium on debt servicing allowed by RBI ended on August 31, 2020, timely release of additional working capital limits remains critical for meeting the short term repayment obligations.

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-Cash Credit	LT	97.00	CARE BB+ (Under Credit watch with Developing Implications)	1)CARE BB+ (Under Credit watch with Developing Implications) (29-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 AA-; Stable (29-Aug-19)	1)CARE AA-; Stable (14-Mar-19) 2)CARE AA-; Stable (25-Jul-18)	1)CARE A; Stable (29-Aug-17)
2.	Non-fund-based - ST-BG/LC	ST	22.00	CARE A4+ (Under Credit watch with Developing Implications)	1)CARE A4+ (Under Credit watch with Developing Implications) (29-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+ (29-Aug-19)	1)CARE A1+ (14-Mar-19) 2)CARE A1+ (25-Jul-18)	1)CARE A2+ (29-Aug-17)
3.	Term Loan-Long Term	LT	50.00	CARE BB+ (Under Credit watch with Developing	1)CARE BB+ (Under Credit watch with	1)CARE A+ (Under Credit watch with	1)CARE AA-; Stable (14-Mar-19)	1)CARE A; Stable (29-Aug-17)

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				Implications)	Developing Implications) (29-Jul-20) 2)CARE A- (Under Credit watch with Negative Implications) (15-May-20)	Negative Implications) (26-Mar-20) 2)CARE AA-; Stable (29-Aug-19)	2)CARE AA-; Stable (25-Jul-18)	
4.	Debentures-Non Convertible Debentures	LT	199.00	CARE BB+ (Under Credit watch with Developing Implications)	1)CARE BB+ (Under Credit watch with Developing Implications) (29-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 AA-; Stable (29-Aug-19)	1)CARE AA-; Stable (20-Sep-18)	-
5.	Commercial Paper-Commercial Paper (Carved out)	ST	-	-	1)CARE A4+ (Under Credit watch with Developing Implications) (29-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+ (29-Aug-19)	1)CARE A1+ (14-Mar-19)	-
6.	Commercial Paper-Commercial Paper (Carved out)	ST	-	-	1)CARE A4+ (Under Credit watch with Developing Implications) (29-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+ (29-Aug-19)	1)CARE A1+ (14-Mar-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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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