

## Future Retail Limited

September 08, 2020

### Review of rating of Future Retail Limited

On August 29, 2020, the board of Directors of FRL considered and approved the amalgamation of FRL along with other transferor companies with Future Enterprises Limited (FEL). The proposed amalgamation would be carried out vide a Composite Scheme of Arrangement between FRL along with other transferor companies with FEL (transferee company) and their respective Shareholders and Creditors. Shareholders of FRL holding 10 fully paid up equity share of Rs. 2 each shares will get 101 fully paid up equity shares of Rs. 2 each of FEL. 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 FRL 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 BB+ (FD)/CARE A4+ assigned to the bank facilities and instruments of FRL continue to remain under Credit Watch with developing implications. CARE envisages that FRL in the near to medium term will continue to face poor liquidity and would require 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. Timely release of adequate additional bank limits remains critical for company 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 FRL is clear.

Please refer following link for the press release published on July 27, 2020.

[PR - Future Retail Limited](#)

### Analytical approach

Standalone, factoring the debt of FEL guaranteed by FRL

### Applicable Criteria

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

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

[Rating Methodology: Organised Retail Companies](#)

[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 Retail Limited

Future Retail Limited is the flagship company of the Future Group (one of India's leading retailers) and is engaged mainly in home & electronics retailing and value retailing. The company operates Big Bazaar, Easy Day, Foodhall among other format stores.

FRL as on Dec 31, 2019 operates 1,338 stores across 414 cities with retail space of 16.05msf. The company has signed a master franchise agreement with 7-Eleven, the world's largest convenience store chain, that will open and manage the brand stores in India. Future Retail's subsidiary SHME Food Brands will open newer stores as well as convert existing locations to the 7-Eleven brand. The project is currently under pilot stage.

**Liquidity Position: Poor**

The company’s liquidity has been severely impacted on account of lockdown measures. The company has applied to the lenders for enhancement in working capital limits, COVID19 emergency lines, interchangeability of limits from non-fund based 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. Future Consumer Limited one of the Future group companies has provided for expected credit loss (ECL) of Rs.79 crore (standalone) in receivables for FY20. This considers those debtors only where there is a likelihood of delay. These debtors are majorly outstanding from FRL.

**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-Working Capital Limits	LT	3250.00	CARE BB+ (Under Credit watch with Developing Implications)	1)CARE BB+ (Under Credit watch with Developing Implications) (27-Jul-20) 2)CARE A- (Under Credit watch with Negative Implications) (13-May-20)	1)CARE A+ (Under Credit watch with Negative Implications) (26-Mar-20) 2)CARE AA-; Negative (23-Oct-19) 3)CARE AA-; Negative (23-Jul-19)	1)CARE AA-; Stable (03-Oct-18)	1)CARE AA-; Stable (12-Oct-17) 2)CARE AA-; Stable (17-Aug-17) 3)CARE AA-; Stable (05-May-17)
2.	Commercial Paper	ST	-	-	1)Withdrawn (21-Aug-20) 2)CARE A4+ (Under Credit watch with Developing Implications) (27-Jul-20) 3)CARE A2+ (Under Credit watch with Negative Implications) (13-May-20)	1)CARE A1 (Under Credit watch with Negative Implications) (26-Mar-20) 2)CARE A1+ (23-Oct-19) 3)CARE A1+ (23-Jul-19)	1)CARE A1+ (18-Jan-19) 2)CARE A1+ (03-Oct-18)	1)CARE A1+ (12-Oct-17) 2)CARE A1+ (20-Sep-17) 3)CARE A1+ (17-Aug-17) 4)CARE A1+ (05-May-17)
3.	Non-fund-based - ST-BG/LC	ST	2500.00	CARE A4+ (Under Credit watch with Developing Implications)	1)CARE A4+ (Under Credit watch with Developing Implications) (27-Jul-20) 2)CARE A2+	1)CARE A1 (Under Credit watch with Negative Implications) (26-Mar-20) 2)CARE A1+	1)CARE A1+ (03-Oct-18)	1)CARE A1+ (12-Oct-17) 2)CARE A1+ (17-Aug-17) 3)CARE A1+ (05-May-17)

					(Under Credit watch with Negative Implications) (13-May-20)	(23-Oct-19) 3)CARE A1+ (23-Jul-19)		
4.	Commercial Paper	ST	-	-	1)Withdrawn (21-Aug-20) 2)CARE A4+ (Under Credit watch with Developing Implications) (27-Jul-20) 3)CARE A2 (Under Credit watch with Negative Implications) (13-May-20)	1)CARE A1 (Under Credit watch with Negative Implications) (26-Mar-20) 2)CARE A1+ (23-Oct-19) 3)CARE A1+ (23-Jul-19)	1)CARE A1+ (18-Jan-19) 2)CARE A1+ (03-Oct-18)	1)CARE A1+ (20-Nov-17) 2)CARE A1+ (12-Oct-17) 3)CARE A1+ (20-Sep-17) 4)CARE A1+ (17-Aug-17) 5)CARE A1+ (05-May-17)
5.	Commercial Paper	ST	-	-	1)Withdrawn (21-Aug-20) 2)CARE A4+ (Under Credit watch with Developing Implications) (27-Jul-20) 3)CARE A2 (Under Credit watch with Negative Implications) (13-May-20)	1)CARE A1 (Under Credit watch with Negative Implications) (26-Mar-20) 2)CARE A1+ (23-Oct-19) 3)CARE A1+ (23-Jul-19)	1)CARE A1+ (18-Jan-19) 2)CARE A1+ (03-Oct-18)	1)CARE A1+ (20-Nov-17) 2)CARE A1+ (12-Oct-17) 3)CARE A1+ (20-Sep-17) 4)CARE A1+ (17-Aug-17) 5)CARE A1+ (05-May-17) 6)CARE A1+ (20-Apr-17)
6.	Commercial Paper	ST	-	-	1)Withdrawn (21-Aug-20) 2)CARE A4+ (Under Credit watch with Developing Implications) (27-Jul-20) 3)CARE A2 (Under Credit watch with Negative Implications) (13-May-20)	1)CARE A1 (Under Credit watch with Negative Implications) (26-Mar-20) 2)CARE A1+ (23-Oct-19) 3)CARE A1+ (23-Jul-19)	1)CARE A1+ (18-Jan-19) 2)CARE A1+ (03-Oct-18)	1)CARE A1+ (20-Nov-17)
7.	Fund-based - LT-Term Loan	LT	528.00	CARE BB+ (Under Credit watch with Developing Implications)	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 AA-;	1)CARE AA-; Stable (14-Mar-19) 2)CARE AA-; Stable (03-Oct-18)	1)CARE AA-; Stable (20-Nov-17)

					Credit watch with Negative Implications) (13-May-20)	Negative (23-Oct-19) 3)CARE AA-; Negative (23-Jul-19)		
8.	Fixed Deposit	LT	700.00	CARE BB+ (FD) (Under Credit watch with Developing Implications)	1)CARE BB+ (FD) (Under Credit watch with Developing Implications) (27-Jul-20) 2)CARE A- (FD) (Under Credit watch with Negative Implications) (13-May-20)	1)CARE A+ (FD) (Under Credit watch with Negative Implications) (26-Mar-20) 2)CARE AA- (FD); Negative (23-Oct-19) 3)CARE AA- (FD); Negative (23-Jul-19)	1)CARE AA- (FD); Stable (14-Nov-18)	-
9.	Debentures-Non Convertible Debentures	LT	199.00	CARE BB+ (Under Credit watch with Developing Implications)	1)CARE BB+ (Under Credit watch with Developing Implications) (27-Jul-20) 2)CARE A- (Under Credit watch with Negative Implications) (13-May-20)	1)CARE A+ (Under Credit watch with Negative Implications) (26-Mar-20) 2)CARE AA-; Negative (23-Oct-19) 3)CARE AA-; Negative (23-Jul-19)	1)CARE AA-; Stable (14-Mar-19)	-
10.	Debentures-Non Convertible Debentures	LT	100.00	CARE BB+ (Under Credit watch with Developing Implications)	1)CARE BB+ (Under Credit watch with Developing Implications) (27-Jul-20) 2)CARE A- (Under Credit watch with Negative Implications) (13-May-20)	1)CARE A+ (Under Credit watch with Negative Implications) (26-Mar-20) 2)CARE AA-; Negative (23-Oct-19) 3)CARE AA-; Negative (23-Jul-19)	1)CARE AA-; Stable (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](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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