



Press Release

Future Market Networks Limited

August 11th, 2020

Ratings

Instrument / Facility	Amount (INR Crore)	Ratings	Rating Action
Long Term Proposed Facility – Proposed Term Loan	500.00	IVR BBB (Credit watch with negative implication) (Withdrawn)	Revised & Withdrawn
Total	500.00 (Five Hundred Crore)		

Details of Facilities are in Annexure 1

Detailed Rationale, Key Rating Drivers and Detailed description of the key rating drivers

Infomerics has withdrawn the outstanding ratings of 'IVR BBB (Credit watch with negative implication)' [IVR Triple B (Credit watch with negative implication)] to the proposed bank facilities of Future Market Networks Limited with immediate effect. The rating has been withdrawn as the company has not proceed with the debt facilities as envisaged. The company has requested the withdrawal of the rating vide mail dated August 06th, 2020. The rating revision takes into account the expected increased liquidity pressures to be faced at overall Group level, due to the COVID-19 pandemic and the standstill in its retail operations because of the lockdown situation all over India. Owing to the lockdown since March end, the cash flows of FMNL are expected to be impacted, until the restrictions in the lockdown are opened gradually. Apart from sharing the group name, FMNL also shares operational and financial linkages with the Future Group.

Though, the rating derives strength from minimal external repayment obligations in the short-medium term. However, the rating strengths are partially offset by susceptibility to lessee's underperformance along with occupancy and renewal risk.



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List of key rating drivers with detailed description

Key Rating Strengths

Long track record and strong backing of Future Group:

Future Market Networks Limited (FMNL) is engaged into leasing and sub leasing of retail spaces, OOH Media business and infrastructure project management consultancy. FMNL shares the group name and is majorly owned by promoter group companies. The company shall receive considerable backing, given Future Group's strategic importance for retail spaces. Future Group being a dominant player in the retail space, they can be able to control the entire activity cycle – concept design, tenant-mix, branding, leasing, etc. The company currently manages approximately 1.32m square feet of retail space and owns various real estate properties across India.

Moderate financial profile:

The financial risk profile of the company is moderate marked by modest net worth, gearing and debt protection metrics. On account of accumulated losses, the net worth of the company stood at INR 145.72 Crore as on March 31st, 2019 as compared to INR 122.71 Crore as on March 31st, 2018. The Debt-Equity (Gearing) stood modest at 1.02x as on March 31st, 2019 as against 1.67x as on March 31st, 2018. Also, the company plans to undertake sizeable capex of INR500.00 Crore for renovating its existing malls, acquiring commercial spaces for OOH Media business and other capex liabilities, further exposing them to demand risk. Following the capex, the overall financial risk profile is expected to deteriorate in FY20. However, it is expected to improve gradually from FY21 due to incremental benefits of the Capex.

Key Rating Weakness

Susceptibility to lessee's underperformance along with occupancy and renewal risk:

FMNL generates major part of its top line from lease rentals. It takes retail spaces on lease and in turn sub-lease it. Approximately 60% of the rental revenue generated is from tenants not from the group company. The company's ability to meet its repayment obligations will be dependent on the continued timely flow of rentals from its existing tenants. The occurrence of events such as delays in receipt of rentals, or early exits/renegotiation by lessee due to



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the latter's lower than expected business performance may result in disruption of cash flow streams. Conversely, in the event of the pandemic like situation, the fresh demand for retail property will be impacted which in turn can be expected to impact the future cash inflows. Mandatory closure of the mall shall impact its cash flow position as the tenants may seek waiver or deferment of rent payments. This in turn, may negatively affect the liquidity profile of the Company. Since, lease rentals is the major source of income for FMNL, steady flow of rentals from the existing tenants is critical.

Analytical Approach: Not Applicable

Applicable Criteria:

Policy on Withdrawal of Ratings

Liquidity: Stretched

FMNL's liquidity is likely to be stretched due to current pandemic scenario leading to shutdown of the company's mall and retail operations due to the nation-wide lockdown imposed to restrict the spread of COVID-19.

About the Company

Incorporated in 2008, Future Market Networks Limited (FMNL) is a part of the Future Group promoted by the Biyani family. FMNL is a public limited company, engaged in the mall leasing and sub-leasing business enabling the infrastructure for future market, currently managing approximately 1.40 million sq. ft. of retail space and owns various real estate properties across India. The company also provides services such as housekeeping, mall promotions, security and parking services.

Financials

For the year ended* / As On	(INR Crore)	
	31-03-2018 (Audited)	31-03-2019 (Audited)
Total Operating Income	114.38	122.28
EBITDA	53.60	56.53
PAT	1.80	9.64
Total Debt	205.48	148.53
Tangible Net worth	122.71	145.72



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EBITDA Margin (%)	46.87	46.23
PAT Margin (%)	1.58	7.88
Overall Gearing Ratio (x)	1.67	1.02

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: N.A

Any other information: N.A

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20 (March 12 th , 2020)	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Long Term Proposed Facility – Proposed Term Loan	Long Term	500.00	IVR BBB (Credit watch with negative implication) (Withdrawn)	IVR A-	--	--

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.



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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Long Term Proposed Facility – Proposed Term Loan	--	--	--	500.00	IVR BBB (Credit watch with negative implication) (Withdrawn)