



Press Release

Acute Retail Infra Private Limited [ARIPL]

April 07, 2021

Ratings

Sl. No.	Instrument/Facility	Amount (INR Crore)	Current Ratings	Rating Action
1.	Long Term Facility - Fund Based - Term Loan	60.11 (Reduced from INR76.05)	IVR B; Credit Watch with Developing Implication) (IVR Single B; Credit Watch with Developing Implication)	Rating Revised; Placed under credit watch with developing implication
	Total	60.11		

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in the rating is on account of the headwinds arising out of Covid-19 pandemic impacting the credit profile of the only lessee Future Retail Limited (FRL) on which ARIPL has reliance for its revenue. The placement of rating under credit watch with developing implications indicates uncertainty involves regarding the rebounding of FRL operating performance in the present situation.

The current ratings to the bank facilities of Acute retail Infra Private Limited derive strength from the implementation of resolution plan (RP) by the ARIPL's lender. The rating also continues to benefit from escrow of lease rentals & Master Lease Agreement with the client. The rating however is constrained by customer concentration risk and moderate capital structure & volatile operating income.

Key Rating Sensitivities:

Upward Factor

- Sustained generation of the cash flows as projected will be positive for the rating.

Downward Factor

- Any company related and/or external factor leading to less than projected cash flows will be negative for the rating.



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Key Rating Drivers with detailed description

Key Rating Strengths

RP Implementation by lenders

The company has not paid interest/instalments obligations for September 2020 on loans from banks/financial institutions as the company has applied for onetime restructuring under RBI Notification no. RBI/2020-21/16 DOR.No.BP.BC/3/21.04.048/2020-21 dated 6th August 2020 towards Resolution Framework for COVID 19 related Stress on 27-9-2020. The company had availed Moratorium for payment of instalments till the month of August 2020 from March 2020, under the RBI circular dated 27th March 2020 and related circular thereafter regarding the extension.

The RP was implemented by lenders on December 31st, 2020 with a moratorium. As per the Resolution Plan the interest payment & instalment payment will start from October 2021 & April 2022, respectively. ARIPL has also signed a revised MLA agreement with the lessee i.e. FRL post which rental will start from October 2021.

Escrow of lease rentals

There is a Tripartite Agreement between Acute Retail Infra Private Limited (ARIPL), its clients Future Retail Limited (FRL) and the IDBI Trusteeship Services Limited for escrowing the lease rental income coming from its client. The entire cash generated from the lease rentals collected from FRL will be deposited in the Escrow Account. Excess cash after servicing the interest and repayment due for the next period will be transferred to Borrower's account.

Master Lease Agreement with the client

There exist a Master Lease Agreement (MLA) between ARIPL and its clients FRL. The agreement clause states that the client's payment obligations are absolute and unconditional irrespective of the operation / non-operation of the equipment and that they shall continue to pay the rent in accordance with the lease rental schedule throughout the agreed term.



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Key Rating Weaknesses

Customer Concentration Risk

The customer concentration risk is high for the ARIPL as it currently caters only to Future Retail Limited. It shows a very high dependence of company earnings on from only one entity. The performance of the FRL also remains subdued due to ongoing pandemic.

Moderate Capital Structure and Volatile Operating Income

Although the escrow mechanism and Master lease agreement protects the company from any stress related to the debt repayment obligations, but the capital structure looked stressed. The operating income is also volatile as COVID-19 pandemic has had a significant impact on businesses of ARIPL only tenant i.e., FRL which is primarily operating in consumer-facing retail sectors which has a low footfall due to COVID-19 pandemic. Though the lockdown has been lifted, but volatility factor still persists for FRL.

Analytical Approach & Applicable Criteria:

Standalone Approach

Rating Methodology for Structured Debt Transaction (Non – Securitisation Transaction)

Financial Ratios & Interpretation (Non-financial Sector)

Default recognition policy

Liquidity: Poor

The liquidity of the company is poor owing to weak operating performance resulting in uncertain cash flows and large debt repayments in the near-to-medium term. However, the RP implementation provide cushion to the liquidity.

About the Company

Acute Retail Infra Pvt. Ltd. (ARIPL) was incorporated in March 2005 under the companies' act, 1956. ARIPL has been formed to focus on retail business and engaged or intend to engage in the business of acquiring and dealing in the residuary interest in all types and



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kinds of properties, equipment's, and assets, renting out or letting on hire of all kinds of equipment, properties, assets, appliances, apparatus, gadgets and related peripherals.

Financials: (Standalone)

(INR Crore)

For the year ended/ As On*	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	83.91	1.14
EBITDA	38.98	0.55
PAT	2.04	-59.98
Total Debt	118.21	389.97
Tangible Net-worth	39.60	-20.38
EBITDA Margin (%)	46.45	48.76
PAT Margin (%)	2.43	NM
Overall Gearing Ratio (x)	2.98	-19.14

* Classification as per Infomerics' standards

NM-Not Meaningful

Status of non-cooperation with previous CRA: None

Any other information: N.A

Rating History for last three years:

Sl. No.	Name of Instrument / Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years			
		Type	Amount outstanding (INR crore)	Assigned Rating	Date(s) & Rating(s) assigned in 20-21 (September 21, 2020)	Date(s) & Rating(s) assigned in 20-21 (August 08, 2020)	Date(s) & Rating(s) assigned in 19-20 (December 12, 2019)	Date (s) & Rating(s) assigned in 18-19
1	Long Term Facility - Fund Based - Term Loan	Long Term	60.11 (Reduced From 76.05)	IVR B; Credit Watch with Developing Implication	IVR B+/Credit Watch with Negative Implication	IVR BBB+/Credit Watch with Negative Implication	IVR A+/Stable Outlook	-



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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	Size of Facility (INR Crore)	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Rating Assigned/ Outlook
Long Term Facility - Fund Based - Term Loan	60.11	NA	NA	Up to December 2025	IVR B; Credit Watch with Developing Implication