

Press Release

Future Market Networks Limited

March 12, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1.	Long Term Proposed Facility – Proposed Term Loan	500.00	IVR A-/ Stable Outlook (IVR Single A Minus with Stable Outlook)
	Total	500.00	

Details of Facilities are in Annexure 1

Detailed Rationale

The rating derives strength from Long track record and strong backing of Future Group and moderate financial profile. However, the rating strengths are partially offset by susceptibility to lessee's underperformance along with occupancy and renewal risk.

Key Rating Sensitivities:

• **Upward Factor**

Generation of sufficient cash flows leading to improvement in debt protection metrics as projected by the company shall be positive for the rating

• **Downward Factor**

Any decline in projected cash flows leading to deterioration in debt protection metrics will be negative for the rating.

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. Net worth of the company stood at Rs. 145.72 crore as on March 31, 2019 as compared to Rs. 122.71 crore as on March 31, 2018. The Debt-Equity (Gearing) stood modest at 1.02x as on March 31, 2019 as against 1.67x as on March 31, 2018. Also, the company plans to undertake sizeable capex of Rs. 500 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, 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/renewal by lessee due to the latter's lower than expected business performance may result in disruption of cash flow streams.

Analytical Approach & Applicable Criteria

Standalone Approach

Rating Methodology for Real Estate Projects

Financial Ratios & Interpretation (Non-Finance Sector)

Liquidity: Adequate

FMNL's liquidity is likely to be adequate marked by adequate estimated cash inflow to be generated as per the existing lease rental agreements. Also, the adequate liquidity is on account of comfortable GCA levels for the last 2 years.

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

	(Rs. crore)	
For the year ended* / As On	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
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 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	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 A-/ Stable outlook	--	--	--

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.

Name and Contact Details of the Rating Team:

Name: Mr. Parth Dattani

Tel: (022) 62396023

Email: pdattani@infomerics.com

Name: Mr. Amit Bhuwania

Tel: (022) 62396023

Email: abhuwania@infomerics.com

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.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Proposed Facility – Proposed Term Loan	--	--	--	500.00	IVR A-/ Stable outlook