



**FUTURE CONSUMER LIMITED** (Formerly Future Consumer Enterprise Limited)

**Corporate Office :** 247 Park, Tower "C", 8th Floor, LBS Marg, Vikhroli (W), Mumbai - 400 083

(T) +91 22 6119 0000 | www.futureconsumer.in

**Regd. Office :** Knowledge House, Shyam Nagar, Off JVLR, Jogeshwari (East), Mumbai - 400 060

(T) +91 22 6644 2200 | CIN: L52602MH1996PLC192090

7<sup>th</sup> October, 2020

To,  
BSE Limited  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Mumbai-400 001  
**Scrip Code: 533400**

To,  
National Stock Exchange of India Limited  
Exchange Plaza,  
Bandra Kurla Complex,  
Bandra (East), Mumbai-400 051  
**Scrip Code : FCONSUMER**

Dear Sir,

**Sub.: Intimation of Credit Rating**

This is to inform you that, the Company has received letter from CARE Ratings Limited dated 6<sup>th</sup> October, 2020 for credit rating in respect of Bank Facilities details of which are as under:

<b>Facility / Instrument</b>	<b>Amount (Rs. in Crore)</b>	<b>Rating</b>	<b>Rating Action</b>
Long-term Bank Facilities (Fund-based CC)	266.00	CARE D (Single D)	Revised from CARE C (Single C)
Short-term Bank Facilities (Fund-based)	70.00	CARE D (Single D)	Revised from CARE A4 (A Four)
Short-term Bank Facilities (Non-fund-based)	25.00	CARE D (Single D)	Revised from CARE A4 (A Four)
Long/Short-term Bank Facilities (Fund-based)	109.00	CARE D/ CARE D (Single D/ Single D)	Revised from CARE C/ CARE A4 (Single C/ A Four)
Long-term Bank Facilities (Term Loan)	45.50	CARE D (Single D)	Revised from CARE C (Single C)
<b>TOTAL</b>	<b>515.50</b>		



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Further, please find enclosed herewith letter dated 6<sup>th</sup> October, 2020 received from CARE Ratings Limited, providing reason/rationale for the ratings assigned by them.

Kindly consider this as an intimation in terms of the provisions of Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

Thanking you,

Yours truly,  
For **Future Consumer Limited**

**Manoj Gagvani**  
**Company Secretary & Head - Legal**

Encl.: as above

**Mr. Sailesh Kedawat**  
Chief Financial Officer  
**Future Consumer Ltd.**  
**(erstwhile Future Consumer Enterprise Ltd.)**  
8<sup>th</sup> Floor, Tower C, 247 Park,  
LBS Marg, Vikhroli West,  
Mumbai - 400083

October 06,2020

**Confidential**

Dear Sir,

**Credit rating of Bank facilities for Rs. 515.50 crore and long term instruments of Rs. 20 crore**

Please refer to our letter CARE/HO/RL/2020-21/2859 dated October 06, 2020 on the above subject.

2. The rationale for the rating is attached as an **Annexure-I**.
3. We request you to peruse the annexed document and offer your comments, if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by end of day we will proceed on the basis that you have no comments to offer.

If you have any further clarifications, you are welcome to approach us.

Thanking you,

Yours faithfully,



**Arunava Paul**  
**(Asst. General Manager)**

Encl.: As above

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**Annexure-I**  
**Rating Rationale**

**Future Consumer Limited**

October 06, 2020

**Ratings**

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities (Fund-based CC)	266	CARE D (Single D)	Revised from CARE C (Single C)
Short-term Bank Facilities (Fund-based)	70	CARE D (Single D)	Revised from CARE A4 (A Four)
Short-term Bank Facility (Non- fund-based)	25	CARE D (Single D)	Revised from CARE A4 (A Four)
Long/Short-term Bank Facilities (Fund-based)	109	CARE D/CARE D (Single D/ Single D)	Revised from CARE C/ CARE A4 (Single C/A Four)
Long-term Bank Facility (Term Loan)	45.50	CARE D (Single D)	Revised from CARE C (Single C)
<b>Total</b>	<b>515.50</b> <b>(Rs. Five hundred</b> <b>and fifteen crore and</b> <b>fifty lakhs only)</b>		
Long term instruments: Non-convertible debentures (NCD)	20	CARE D (Single D)	Reaffirmed

*Details of instruments/facilities in Annexure-1*

**Detailed Rationale & Key Rating Drivers**

The revision of rating of bank facilities of Future Consumer Limited (FCL) is on account of delay in debt servicing of bank facilities in some of the banks. FCL has applied for One Time Restructuring (OTR) with all the banks. However it was done after the due date of repayment in some of the banks. The default is primarily on account of poor liquidity position due to subsequent lockdowns in the wake of corona virus pandemic (Covid19). The pandemic has led to a general slowdown in the economy impacting the cash cycle and increased likelihood of delay of collection of receivables.

The other issues raised by CARE in its press release dated July 27, 2020, i.e. weakened credit profile of its key customer – Future Retail Limited (FRL), weakening of company’s operational performance, decline in overall market capitalization of Future Group due to high promoter pledge thereby impacting financial flexibility, dependence on group companies for revenue and high working capital cycle continue to constrain the ratings.

The ratings factor in the experienced promoter group of FCL in retail sector as well as its presence across the fast moving consumer goods (FMCG) value chain. CARE notes that the Future Group has entered into an agreement with Reliance Group for asset/stake sale. An update about the

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

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upcoming transaction is provided in our Press Release (Credit Update) dated September 8, 2020. Early consummation of the transaction (subject to receipt of regulatory approvals) is critical towards alleviation of Future Group's current liquidity issues. The timeliness of consummation of the aforementioned transaction remains key rating monitorable. Going forward, upon the proposed transaction being effective, it is understood that FCL as an entity shall stand dissolved. CARE shall continue to monitor the developments pertaining to FCL until occurrence of such event.

### **Key Rating Sensitivities**

#### **Positive**

- Strong and resilient recovery in operations and cash flows across the Future Group. Commensurate infusion of equity/monetization of assets to trim existing debt could also be positive for the rating.
- Stronger-than-anticipated business performance due to fast ramp-up of operations and cost optimization measures leading to improvement of PBILDT margin.

### **Detailed description of the key rating drivers**

#### **Key Rating Weaknesses**

##### ***Weakening of credit profile and liquidity of key customer***

FCL has significant financial and operational linkages with FRL which is its largest customer accounting for almost 80% of its sales annually. Due to the coronavirus pandemic, the retail sector has been one of the most adversely affected following the lockdown imposed by the Government and its subsequent extensions. With relaxations permitted, FRL's sales are expected to improve, however CARE estimates the recovery to be slower than expected. The monthly sales of FRL and FCL are yet to reach pre-pandemic levels.

##### ***Loss reported in FY20 on account of provisioning and impairment loss on investments***

On account of challenging business scenario exacerbated by coronavirus pandemic, FCL has provided for expected credit loss (ECL) of Rs.79 crore in receivables for FY20. This factors those debtors where there is a likelihood of delay although historically the company has not witnessed any significant write-offs. These debts are majorly outstanding from its key customer FRL which is currently facing liquidity issues. FCL has also booked impairment loss of Rs. 276 crore on certain investments in its subsidiaries i.e. Aadhaar Wholesale Trading and Distribution Limited and The Nilgiri Dairy Farm Private Limited, whose business prospects are also being impacted.

##### ***Intense competition from organised and unorganised sector players***

Indian FMCG market is characterized by a large number of organised and unorganised players. The domestic organised sector comprises of some of the world's biggest giants in this business who enjoy strong brand equity in the market while also commanding the highest market share. Overall, the FMCG market remains highly fragmented with widespread use of unbranded and unpacked products.

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**Liquidity:** Poor

The company's liquidity has been severely impacted on account of lockdown measures. The company has earlier applied to the lenders for moratorium as per RBI package. The group has applied to the bankers for enhancement in working capital limits and COVID19 emergency lines to alleviate present liquidity concerns. Further the company has applied for One Time Restructuring (OTR) with all the banks.

**Key Rating Strengths****Wide presence across FMCG value chain along with strong marketing, distribution network and optimized supply chain management**

FCL is focused on developing an integrated strategy with presence across the FMCG value chain – from sourcing and processing, to branding and distribution in rural and urban markets. On a standalone basis, FCL has various business verticals viz. Private Brands (through contract manufacturing), fruits and vegetable sourcing, Agri-sourcing and processing.

**Analytical approach:** Standalone financials of FCL are considered while factoring in all the support provided to subsidiaries and JVs.

**Entities for which financial support is factored**

Integrated food park Ltd.  
Aussee Oats India Limited  
MNS Food Private Ltd.  
Sublime Food Private Ltd.  
The Nilgiri Dairy Farm Private Limited  
Hain Future Natural Products Pvt Ltd

**Applicable Criteria**

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

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

[Criteria for Short Term Instruments](#)

[Rating Methodology - Manufacturing Companies](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology: Consolidation and Factoring Linkages in Ratings](#)

**About the Company**

Future Consumer Ltd. (FCL, erstwhile known as Future Consumer Enterprise Ltd.) is a part of the Future Group and operates as a food company. The company's line of business include branding, marketing, sourcing, manufacturing, and distribution of basic foods, ready to eat meals, snacks, beverages, dairy, personal hygiene and home care products of private label brands of the Future Group (such as Premium Harvest, Golden Harvest, Ektaa, Clean mate, Caremate, Tasty Treat, Fresh & Pure, Voom etc.) and other brands like Sunkist and Sach, primarily through Future group formats and outlets in urban and rural areas across India.

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## Financial Performance: Standalone

(Rs. Crore)

For the period ended / as at March 31,	2018 (12m, A)	2019 (12m, A)	2020 (12m, Abridged)
<b>Working Results</b>			
Total operating income	2468.30	3048.77	3026.10
PBILDT	102.57	161.06	146.70*
Interest & finance costs	45.50	66.06	79.93
Depreciation	25.24	34.87	51.12
PBT	32.62	41.73	(302.16)
PAT (after deferred tax)	32.35	60.53	(305.65)
Gross cash accruals	57.86	76.60	-ve
<b>Financial Position</b>			
Equity Share Capital	1141.29	1144.29	1144.59
Net worth	1108.59	1192.22	1342.80
Total Debt	544.86	735.46	513.68
<b>Key Ratios</b>			
<i>Growth</i>			
Growth in total income (%)	47.18	23.52	-0.72
Growth in PAT (%)	315.95	87.13	-ve
<i>Profitability</i>			
PBILDT/Total Op. income (%)	4.16	5.28	4.82
PAT (after deferred tax)/ Total income (%)	1.31	1.99	-ve
<i>ROCE (%)</i>			
<i>Solvency</i>			
Long-term Debt Equity ratio (times)	0.31	0.25	0.16
Overall gearing ratio (times)	0.49	0.62	0.47
Interest coverage (times)	2.25	2.44	2.67
Term debt/ Gross cash accruals (years)	5.95	3.92	-ve
Total debt/Gross cash accruals (years)	9.42	9.60	-ve
<i>Liquidity</i>			
Current ratio (times)	2.04	1.66	2.14
Quick ratio (times)	1.63	1.36	1.92
<i>Turnover</i>			
Average collection period (days)	53	62	75
Average inventory (days)	27	27	24
Average creditors (days)	25	28	35
Operating cycle (days)	55	61	64

A: Audited; UA: Unaudited;

\*before Expected Credit Loss

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating History for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Not Applicable

**Complexity level of various instruments rated for this company:** Annexure-3

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## Contact us

### **Media Contact**

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### **Business Development Contact**

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### **About CARE Ratings:**

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

#### **Disclaimer**

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is 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 CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**

## **CARE Ratings Ltd.**

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## Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT/ ST-Bills discounting/ Bills purchasing	-	-	-	109.00	CARE D / CARE D
Fund-based - LT-Cash Credit	-	-	-	266.00	CARE D
Fund-based - ST-Term loan	-	-	-	70.00	CARE D
Non-fund-based - ST-BG/LC	-	-	-	25.00	CARE D
Fund-based - LT-Term Loan	-	-	Feb-25	45.50	CARE D
Debentures-Non Convertible Debentures INE220J07113	Sep 2017	9.95%	05-Sep-20	20.00	CARE D

## Annexure-2: 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/ ST-Bills discounting/ Bills purchasing	LT/ST	109.00	CARE D	1)CARE C / CARE A4 (08-Sep-20) 2)CARE BB / CARE A4 (Under Credit watch with Developing Implications) (27-Jul-20) 3)CARE A- / CARE A2+ (Under Credit watch with Negative Implications) (15-May-20)	1)CARE A / CARE A1 (26-Mar-20) 2)CARE A; Stable / CARE A1 (20-Sep-19)	1)CARE A; Stable / CARE A1 (11-Feb-19) 2)CARE A; Stable / CARE A1 (03-Oct-18) 3)CARE A; Stable / CARE A1 (19-Apr-18)	1)CARE A; Stable / CARE A1 (04-Oct-17)
2.	Debentures-Non Convertible Debentures	LT	-	-	-	-	1)Withdrawn (03-Oct-18)	1)CARE A; Stable (04-Oct-17)

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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
3.	Fund-based - LT-Cash Credit	LT	266.00	CARE D	1)CARE C (08-Sep-20) 2)CARE BB (Under Credit watch with Developing Implications) (27-Jul-20) 3)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 A; Stable (20-Sep-19)	1)CARE A; Stable (11-Feb-19) 2)CARE A; Stable (03-Oct-18) 3)CARE A; Stable (19-Apr-18)	1)CARE A; Stable (04-Oct-17)
4.	Fund-based - ST-Term loan	ST	70.00	CARE D	1)CARE A4 (08-Sep-20) 2)CARE A4 (Under Credit watch with Developing Implications) (27-Jul-20) 3)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 (20-Sep-19)	1)CARE A1 (11-Feb-19) 2)CARE A1 (03-Oct-18) 3)CARE A1 (19-Apr-18)	1)CARE A1 (04-Oct-17)
5.	Non-fund-based - ST-BG/LC	ST	25.00	CARE D	1)CARE A4 (08-Sep-20) 2)CARE A4 (Under Credit watch with Developing Implications) (27-Jul-20) 3)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 (20-Sep-19)	1)CARE A1 (11-Feb-19) 2)CARE A1 (03-Oct-18) 3)CARE A1 (19-Apr-18)	1)CARE A1 (04-Oct-17)
6.	Commercial Paper	ST	-	-	1)Withdrawn (04-Sep-20)	1)CARE A1 (Under Credit watch with	1)CARE A1 (03-Oct-18)	1)CARE A1

### CARE Ratings Ltd.

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
					2)CARE A4 (Under Credit watch with Developing Implications) (27-Jul-20) 3)CARE A2+ (Under Credit watch with Negative Implications) (15-May-20)	Negative Implications) (26-Mar-20) 2)CARE A1 (20-Sep-19)		(04-Oct-17) 2)CARE A1 (10-Jul-17)
7.	Fund-based - LT-Term Loan	LT	45.50	CARE D	1)CARE C (08-Sep-20) 2)CARE BB (Under Credit watch with Developing Implications) (27-Jul-20) 3)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 A; Stable (20-Sep-19)	1)CARE A; Stable (11-Feb-19) 2)CARE A; Stable (03-Oct-18) 3)CARE A; Stable (19-Apr-18)	1)CARE A; Stable (04-Oct-17)
8.	Debentures- Non Convertible Debentures	LT	20.00	CARE D	1)CARE D (08-Sep-20) 2)CARE BB (Under Credit watch with Developing Implications) (27-Jul-20) 3)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 A; Stable (20-Sep-19)	1)CARE A; Stable (03-Oct-18)	1)CARE A; Stable (04-Oct-17)

### CARE Ratings Ltd.

### Annexure 3: Note on Complexity of the instrument

Sr. No.	Name of the Instrument	Complexity Level
1.	Debentures-Non Convertible Debentures	Simple
2.	Fund-based - LT-Cash Credit	Simple
3.	Fund-based - LT-Term Loan	Simple
4.	Fund-based - LT/ ST-Bills discounting/ Bills purchasing	Simple
5.	Fund-based - ST-Term loan	Simple
6.	Non-fund-based - ST-BG/LC	Simple

**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 clarification

CARE Ratings Ltd.

## CARE Ratings Ltd.

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