

Suhani Trading and Investment Consultants Private Limited

September 18, 2018

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Loans	736.80	1186.80	[ICRA]BBB (Stable); Assigned / Outstanding
Long-term, Fund-based Facilities	70.00	70.00	[ICRA]BBB (Stable); Outstanding
Short-term, Non fund-based Facilities	130.00	130.00	[ICRA]A3+; Outstanding
Non-Convertible Debenture Programme (NCD)	555.00	555.00	[ICRA]BBB (Stable); Outstanding
Principal Protected Market Linked Debenture Programme (PP-MLD)	600.00	600.00	PP-MLD[ICRA]BBB (Stable); Outstanding
Total	2091.80	2541.80	

*Instrument details are provided in Annexure-1

Rating action

ICRA has assigned a long-term rating of [ICRA]BBB (pronounced ICRA triple B)¹ to the Rs. 1,186.80-crore² (enhanced from Rs. 736.80-crore) term loan facilities of Suhani Trading and Investment Consultants Private Limited (STIC or the company). ICRA also has a rating of [ICRA]BBB outstanding on the Rs. 70.00-crore fund-based bank facilities and the Rs. 555.00-crore non-convertible debenture programme of the company. Moreover, ICRA has a long-term rating of PP-MLD[ICRA]BBB (pronounced Principal Protected Market Linked Debenture ICRA triple B) outstanding on the Rs. 600.00-crore principal protected market linked debenture programme of STIC. ICRA has a short-term rating of [ICRA]A3+ (pronounced ICRA A three plus) outstanding on the Rs. 130.00-crore non-fund based bank facilities of STIC as well. The outlook on the long-term rating is Stable.

Rationale

The assigned rating takes into consideration the financial flexibility that STIC enjoys as a key investment holding company for the Future Group. ICRA takes comfort from STIC's importance to the Future Group with strategic investments in various Future Group companies listed on the stock exchanges apart from investment in unlisted companies. ICRA also takes comfort from the initiatives being undertaken by the company to monetise its investments in non-core operations including stake sale in Future Lifestyle Fashions Limited and proposed stake sale in its insurance businesses in a joint venture (JV) with the Generali Group of Italy, aimed at reducing debt. ICRA notes that STIC's financial profile depends significantly on the performance of its Group companies owing to its exposure to them either through investments or loans and advances. The ratings also factor in the initiatives being undertaken by the Future Group to streamline the Group structure and improve corporate governance at the Group level.

¹ For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

² 100 lakh = 1 crore = 10 million

The ratings are, however, constrained by the company's weak financial profile with high borrowing levels mainly to support investments or increase stakes in Group ventures and fund its losses. The company's operating businesses have weakened in FY2018, following lower business from Group companies due to adverse change in business environment and regulatory changes. This has further resulted in an operating loss in FY2018. Coupled with high interest expenses, this has resulted in a cash loss of Rs. 627.4 crore in FY2018. The company also has sizeable debt repayment obligations of ~Rs. 435.0 crore and ~Rs. 528.0 crore in FY2019 and FY2020, respectively. STIC's ability to timely monetise its investments and / or timely refinance its debt is critical for meeting its debt repayment obligations in a timely manner.

Outlook: Stable

The Stable outlook reflects ICRA's expectations of STIC continuing to enjoy its financial flexibility as a key investment holding company for the Future Group. Being the key investment vehicle for the Group, its prospects are tied with the fortunes of the underlying investee companies. The outlook may be revised to Positive if the company is able to significantly reduce its debt levels by monetising its investments in non-core assets in a timely manner. The outlook may be revised to Negative in case of any further deterioration in the credit metrics due to an increase in debt levels.

Key rating drivers

Credit strengths

Investment holding company of the Future Group with strategic importance to the Group – STIC is primarily an investment holding company of the Future Group, facilitating the funding of Group companies through various investments and lending of loans and advances, as well as providing services to scale up / support the retail businesses of the Group. The company also enjoys financial flexibility as part of the Future Group, which facilitates capitalisation of business opportunities due to the diverse businesses of the Group.

Largest shareholder in Future Retail Limited (FRL), one of the Group's key listed entities, in addition to stakes in unlisted entities; unlocking this value could help service debt obligations in case such a need arises – The core operations of the company involve application of borrowings for funding of Group companies through investments or lending of loans and advances, staying invested till a good value is unleashed and then disposing of the investment to nurture some other company. As on March 31, 2018, the company had investments of Rs. 9,725.14 crore, comprising investments in listed as well as unlisted entities. As on June 2018, the company held ~46.5% stake in FRL. Unlocking this value could help service STIC's debt obligations, in case such a need arose. Over the last two years, the market value of STIC's investments in Future Group's listed entities has increased substantially, which further strengthens the company's ability to refinance its debt.

Monetisation of investments in non-core businesses to reduce overall debt levels of the company – In June 2018, STIC has signed an agreement with the Generali Group for an effective sale of its 23.3% stake in both life and non-life insurance businesses for a total consideration of € 120 million (~Rs. 960 crore). STIC would receive the consideration in parts, a part of which is expected to be received by November 2018 post receipt of approval from the Insurance Regulatory and Development Authority (IRDA), and the balance will be received later in a staggered manner. These proceeds will be used towards repayment of customer advances and debt. In the current year, the company has also generated cash flow of ~Rs. 258 crore by selling 3.12% stake in Future Lifestyle Fashions Limited. The same is being used for repayment of debt.

Credit challenges

Weak performance of operating businesses in FY2018 – The company's operating businesses have weakened in FY2018, following loss of business from Group companies due to concerted efforts at reducing intra-Group transactions. This has impacted the company's media and fabric trading segments. Furthermore, the company's mobile connection business, T24, witnessed a significant decline in revenues to Rs. 30.7 crore in FY2018 from Rs. 81.0 crore in FY2017 due to increased competitive intensity post the launch of Reliance Jio. These have further resulted in an operating loss in FY2018. Coupled with high interest expenses, this has resulted in a cash loss of Rs. 627.4 crore in FY2018.

Weak financial profile with high borrowing levels; leveraged balance sheet to support investments / increase stakes in Group ventures – The company's financial profile is weak, with high borrowing levels mainly to support investments or increase stakes in Group ventures, fund its losses and repay customer advances. As on March 31, 2018, the total debt of the company has increased to Rs. 6,169.2 crore from Rs. 4,876.3 crore. Nonetheless, of the total debt, Rs. 1,468.1 crore were loans and advances from Group companies.

Debt servicing entirely dependent on STIC's ability to monetise its investments and / or timely refinance its debt – The company has sizeable debt repayment obligations of ~Rs. 435.0 crore and ~Rs. 528.0 crore in FY2019 and FY2020, respectively. Being the key investment vehicle for the Group, the prospects of STIC are tied to the fortunes of the underlying investee companies. STIC's ability to timely monetise its investments and / or timely refinance its debt is critical for meeting its debt repayment obligations in a timely manner. ICRA takes comfort from the financial flexibility enjoyed by the company.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodology as indicated below.

Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

About the company:

Suhani Trading and Investment Consultants Private Limited, a Future Group company, came into existence in its current form with effect from March 31, 2017, after its amalgamation with the six companies—Future Corporate Resources Limited (FCRL), PIL Industries Limited, Weavette Business Ventures Limited, Manz Retail Private Limited, ESES Commercials Private Limited, and Gargi Business Ventures Private Limited. STIC is primarily an investment company / holding company of the Future Group, facilitating the funding of Group companies through various investments and lending of loans and advances, and providing services to scale up / support the retail business of the Group. The company, moreover, acts as a media services and fabric trading arm of the Future Group. STIC is engaged in other allied businesses as well that were earlier under FCRL, including mobile connection services in a tie-up with Tata DoCoMo under the brand, 'T24', the customer loyalty programme, 'Payback', the leasing of information technology assets (software as well as hardware) and management consultancy services.

Key financial indicators (audited)

	FY2017	FY2018
Operating Income (Rs. crore)	0.31	467.23
PAT (Rs. crore)	-1.3	4.4
OPBDIT/ OI (%)	-38.7%	-4.2%
RoCE (%)	0.0%	8.0%
Total Debt/ TNW (times)	1.6	2.0
Total Debt/ OPBDIT (times)	NM	NM
Interest Coverage (times)	-0.4	0.0

NM: Non-meaningful

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

		Current Rating (FY2019)			Chronology of Rating History for the past 3 years			
			Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)*	Date & Rating September 2018	Date & Rating in FY2018 February 2018	Date & Rating in FY2017 -	Date & Rating in FY2016 -
Instrument	Type							
1	Term Loan	Long-term	1186.80	1006.00	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	-	-
2	Fund-based Facility	Long-term	70.00	-	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	-	-
3	Non-fund Based Facility	Short-term	130.00	-	[ICRA]A3+	[ICRA]A3+	-	-
4	Principal Protected Market Linked Debenture Programme	Long-term	600.00	600.00	PP-MLD [ICRA]BBB (Stable)	PP-MLD [ICRA]BBB (Stable)	-	-
5	Non-Convertible Debenture Programme	Long-term	555.00	555.00	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	-	-

*As on June 30, 2018

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE370I07233	PP-MLD	23-Jul-15	6.0%	30-Apr-21	425.00	PP-MLD[ICRA]BBB (Stable)
INE370I07241	PP-MLD	23-Jul-15	6.0%	30-Apr-21	175.00	PP-MLD[ICRA]BBB (Stable)
INE370I07068	NCD	20-Feb-15	12.0%	20-Jan-20	80.00	[ICRA]BBB (Stable)
INE370I07076	NCD	20-Feb-15	12.0%	20-Jan-20	125.00	[ICRA]BBB (Stable)
INE370I07274	NCD	16-Mar-17	12.45%	17-Mar-18	250.00	[ICRA]BBB (Stable)
INE121F07012	NCD	29-Jan-15	12.00%	28-Jan-20	100.00	[ICRA]BBB (Stable)
NA	Term loan 1	15-Dec-16	11.40%	Dec-23	511.80	[ICRA]BBB (Stable)
NA	Term loan 2	22-Mar-13	14.20%	Mar-18	30.00	[ICRA]BBB (Stable)
NA	Term loan 3	14-Dec-11	12.40%	Mar-18	30.00	[ICRA]BBB (Stable)
NA	Term loan 4	06-Jun-16	12.50%	Jun-18	30.00	[ICRA]BBB (Stable)
NA	Term loan 5	02-May-13	11.50%	May-18	30.00	[ICRA]BBB (Stable)
NA	Term loan 6	06-Jan-15	11.85%	Jan-20	60.00	[ICRA]BBB (Stable)
NA	Term loan 7	29-Sep-15	10.20%	Nov-18	27.00	[ICRA]BBB (Stable)
NA	Term loan 8	29-Sep-15	10.20%	Dec-18	18.00	[ICRA]BBB (Stable)
NA	Term loan 9	Mar-18	11.00%	Sep-21	250.00	[ICRA]BBB (Stable)
NA	Term loan 10	Mar-18	9.75%	Dec-18	100.00	[ICRA]BBB (Stable)
NA	Term loan 11	Mar-18	10.25%	Sep-21	100.00	[ICRA]BBB (Stable)
NA	Working Capital Facility	-	-	-	10.00	[ICRA]BBB (Stable)
NA	Working Capital Facility	-	-	-	50.00	[ICRA]BBB (Stable)
NA	Working Capital Facility	-	-	-	10.00	[ICRA]BBB (Stable)
NA	Non-fund Based Facility	-	-	-	130.00	[ICRA]A3+

Source: Suhani Trading and Investment Consultants Private Limited

ANALYST CONTACTS

Subrata Ray

+91 22 6114 3408
subrata@icraindia.com

Kinjal Shah

+91 22 6114 3442
kinjal.shah@icraindia.com

Vicky Bhoir

+91 22 6114 3450
vicky.bhoir@icraindia.com

RELATIONSHIP CONTACT

L Shivakumar

+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries:

+91-124-2866928 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

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Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: info@icraindia.com

Website: www.icra.in

Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

Branches

Mumbai + (91 22) 24331046/53/62/74/86/87
Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,
Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,
Bangalore + (91 80) 2559 7401/4049
Ahmedabad+ (91 79) 2658 4924/5049/2008
Hyderabad + (91 40) 2373 5061/7251
Pune + (91 20) 6606 9999

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