



Press Release

Acute Retail Infra Private Limited [ARIPL]

August 08, 2020

Rating

Facilities	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action
Long Term-Fund based (Term Loan) #	76.05	IVR BBB+/ Credit watch with negative implications	IVR A+ / Stable Outlook ; (IVR Single A Plus with Stable Outlook)	Revised
Total	76.05 (Seventy Six Crore Five Lakhs)			

Rating fully backed by the Master Lease Agreement (MLA) with Future Retail Ltd.(FRL)

Details of facilities are in Annexure 1

Rating Rationale

The revision in the rating reflects recent development in Future Retail Limited (i.e. FRL being only tenant of ARIPL). There exist a financial and operational linkages between ARIPL & FRL and additionally FRL has given an unconditional undertaking that it shall continue to make payment of monthly lease rentals to ARIPL until the term loan of ARIPL is repaid in full irrespective of usage of the assets leased by ARIPL to FRL. Overall economic slowdown due to COVID-19 pandemic led to weakening of the liquidity position of the FRL and it has missed interest payment on its offshore bonds worth \$500 million due on July 22, 2020 and is required to make the payment within a 30-day grace period, before it can be constituted as an 'Event of Default'.

Further, the current rating continues to derive strength from the escrow of lease rental, Master lease agreement with the client. The rating however is constrained by customer concentration risk and moderate capital structure & volatile operating income.



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Key Rating Sensitivities:

Upward Rating Factor:

- Maintaining profitability
- Timely servicing of debt

Downward Rating Factor:

- Fall in rental received from FRL i.e. only tenant of ARIPL
- Decline in profits due to increase in expenses

Detailed Description of Key Rating Drivers

Key Rating Strengths

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 would 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. It also has a personal guarantee from Mr. Kishore Biyani & Mr. Rakesh Biyani who are promoters of Future Group.

Master Lease Agreement with the clients

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 irrespective of whether the retail outlet is operating or not.

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



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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 with the TOL/TNW ratio stood at a high value of 9.18x for FY19 post-merger as compared to 6.30x in FY18. The operating income is fluctuating owing to the volatility in income from the other trading business of the company.

Analytical Approach & Applicable Criteria:

- Standalone
- Rating Methodology for Structure Debt Transaction (Non- securitisation transaction)
- Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Stretched

Due to COVID-19 retail outlets and malls were closed since March-2020 end and subsequently, ARIPL has availed repayment moratorium. The only tenant of ARIPL i.e. FRL has missed to pay the semi-annual interest payment of \$14 million on its US dollar bonds on 22 July 2020. Additionally, FRL has given an unconditional undertaking that it shall continue to make payment of monthly lease rentals to ARIPL until the term loan of ARIPL is repaid in full irrespective of usage of the assets leased by ARIPL to FRL. In view of these recent developments ARIPL's liquidity condition seems to be stretched.

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 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



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Financials (Standalone)

INR in Crore

For the year ended / As on	31-Mar-18 (Audited)	31-Mar-19 (Audited)
Total Operating Income	45.09	83.91
EBITDA	-0.50	38.98
PAT	-12.06	2.04
Total Debt	160.88	118.21
Tangible Net Worth	47.89	50.40
EBIDTA Margin (%)	-1.10	46.45
PAT Margin (%)	-26.28	2.43
Overall Gearing ratio (x)	3.36	2.35

* Classification as per Infomerics' standards

Details of Non Co-operation with any other CRA: N.A.

Any other information: N.A.

Rating History for last three years:

Name of Instrument/ Facility	Current Rating (Year:2020-21)			Rating History for the past 3 years		
	Type	Amount outstanding (INR Crore)	Rating	Rating assigned in 2019-20 (Dec 12, 2019)	Rating assigned in 2018-19	Rating assigned in 2017-18 (December 08, 2017)
Fund Based Facilities	Long Term	76.05	IVR BBB+ / Credit watch with negative implications	IVR A+/Stable Outlook		
	Total	76.05				

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

Sr. No	Name of Facility	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
1	Long Term Loan	--	--	March-21	26.51	IVR BBB+/ Credit watch with negative implications
2	Long Term Loan	--	--	March-23	49.54	IVR BBB+/ Credit watch with negative implications
Total					76.05	