



Press Release

Syntex Trading and Agency Pvt Ltd (STAPL)

November 28, 2020

Ratings

Sl. No.	Instrument / Facility	Amount (INR Crores)	Rating	Rating Action
1	Long Term Facility - Fund Based – Term Loan	374.20* (reduced from INR463.29 crore)	IVR B / Credit Watch with Negative Implications (IVR Single B Credit Watch with Negative Implications)	Rating Revised and Outlook Re-affirmed at Credit Watch with Negative Implications

**Outstanding as on 31.03.20*

#Backed by Master Lease Agreement with Future Retail Ltd (FRL) and Future Lifestyle Fashions Ltd. (FLFL)

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in the rating reflects recent developments in Future Retail Limited & other Future group companies (i.e. FRL & FLFL being the tenant of STAPL). There are financial and operational linkages between STAPL, FRL and FLFL and additionally FRL has given an unconditional undertaking that it shall continue to make payment of monthly lease rentals to STAPL until the term loan of STAPL is repaid in full irrespective of usage of the assets leased by STAPL to FRL & FLFL. Overall economic slowdown due to COVID-19 pandemic led to weakening of the liquidity position of the FRL & other group companies. Additionally, STAPL vide email dated October 20, 2020 has submitted the monthly Non Default Statement and have declared that the company has not paid interest/instalment obligations for September 2020 on loans from banks/financial institutions as the company has applied for onetime restructuring under RBI Circular RBI/2020-21/16 dated August 6th 2020 – Resolution Framework for COVID-19 related stress on 27-09-2020. The company had availed Moratorium for payment of instalments till the month of August, 2020 from March 2020, under the RBI



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circular dated 27th March, 2020 and related circular thereafter regarding the extension.

The rating continues to derive strength from the company's experience board of directors. However, the rating strength is partially offset by deterioration in profitability and high leverage, poor liquidity, non-compliance of Master Lease Agreements due to liquidity pressures faced by their clients, customer concentration risk with high dependence on group companies.

Key Rating Sensitivities:

Upward rating factors:

- Timely servicing of debt
- Sustained lease rental income from the lessee

Downward rating factors

- Any decline in projected cash flows and/or increase in expenses
- Any delays or defaults in rental income from lessee leading to default in repayment of dues would warrant a review in rating

Key Rating Strengths

Experienced Board of Directors

STAPL is a private limited company incorporated 2016. The company is promoted by Mr. Ajay Gurav, Mr. Vinod Yadav and Mr. Vijay Singh Dugar They possess a considerable amount of experience in the field of setting up and managing the operating lease business.



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Key Rating Weaknesses

Deterioration in profitability and high leverage

The total operating income of the company have deteriorated manifold from INR196.12 crore in FY19 to INR5.10 crore in FY20. The EBITDA, PBT and PAT in absolute terms have declined substantially and have turned to negative in FY20. The total debt of the company has increased considerably from INR591.32 crore in FY19 crore to INR1069.22 crore in FY20, the sharp increase in leverage along with deterioration in profitability has weakened the liquidity and debt repayment capability of the company to such an extent that the company has had to apply for restructuring their debt obligations from their bankers under RBI's Resolution Framework for COVID 19 related stress. Along with the above their lessees (Future Retail Ltd and Future Fashions Lifestyle Ltd) have also seen extreme deterioration in profits and increase in leverage and are unable to support the guaranteed debt obligation of STAPL as per the master lease agreement.

Non-Compliance of Master Lease Agreements due to liquidity pressures faced by their clients

There exists a Master Lease Agreement (MLA) between STAPL and its clients FRL & FLFL. 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. In this juncture of time, even their lessees are facing extreme liquidity pressures and the management have stated that the lease rentals from them have been irregular and to some extent non-existent, thus impacting the repayment capability of STAPL.

Customer concentration risk with high dependence on group companies

The customer concentration risk is high for the company as it currently caters only to Future Retail Limited & Future Lifestyle Fashions Limited. Both the lessess themselves



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are under debt restructuring and are not able to support the lease rentals payable to STAPL.

Analytical Approach & Applicable Criteria

Standalone

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

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Poor

The liquidity of the company is poor owing to weak operating performance resulting in adverse cash flows and large debt repayments in the near-to-medium term. The company due to such extremities has had to apply for debt restructuring under the COVID-19 Debt Resolution Framework as outlined by RBI.

About the Company

Syntex Trading & Agency Pvt. Ltd. (STAPL) is engaged in business of acquiring and dealing in residuary interest in all types of properties, moveable assets and equipment. It is into renting or letting on hire equipment, appliances and related products to various customers and providing customized rental solutions.



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Financials

(INR crore)

For the year ended/ As On	31-03-2018	31-03-2019	31-03-20
	(Audited)	(Audited)	(Audited)
Total Operating Income	784.68	198.60	27.24
EBITDA	142.16	117.42	NM
PAT	-10.15	4.31	NM
Total Debt	472.23	591.32	1069.22
Tangible Networkth	234.78	239.11	42.33
Ratios			
EBITDA Margin (%)	18.12	59.13	NM
PAT Margin (%)	-1.33	2.17	NM
Overall Gearing Ratio (x)	2.01	2.47	25.25

NM – Not meaningful

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

Sl. No	Name of Instrument/Facilities	Type	Current Rating (Year 2020-21)			Rating History for the past 2 years		
			Amount outstanding (INR crore)	Assigned Rating		Date(s) & Rating(s) assigned in 19-20	Date(s) & Rating(s) assigned in 18-19	
1.	Long Term Bank Facilities – Term Loan	Long Term	374.20*	IVR B/Credit Watch with Negative Implications#	IVR B+/Credit Watch with Negative Implications# (PR dated 21.09.20)	IVR BBB/Credit Watch with Negative Implications# (PR Dated: 08.08.20)	IVR A/Stable Outlook (PR Dated: 28.08.20)	-

*Outstanding as on 31.03.20

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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	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Long Term Fund Based Limits – Term Loan	--	--	Up to January 2027	374.20*	IVR B/Credit Watch with Negative Implications#

**Outstanding as on 31.03.20*

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