

## Rural Fairprice Wholesale Limited

January 07, 2019

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-Convertible Debenture (NCD) Programme	320.00	320.00	[ICRA]BBB(SO) reaffirmed; Outlook revised to Negative from Stable
<b>Total</b>	<b>320.00</b>	<b>320.00</b>	

\*Instrument details are provided in Annexure-1

### Rationale

The rating for the NCD programme of Rural Fairprice Wholesale Limited is based on the strength of an unconditional and irrevocable corporate guarantee from its parent, Suhani Trading and Investment Consultants Private Limited (STIC, rated [ICRA]BBB (Negative) / [ICRA]A3+) and the revision in the outlook takes into account the change in the outlook of the Guarantor. The guarantee does not include any payment mechanism. However, there is an obligation on the Guarantor to ensure (and if required fund the escrow account itself) sufficient funds are available as required on the redemption date. This obligation of the Guarantor shall be in addition to the other obligations of the Guarantor under the Corporate Guarantee.

### Outlook: Negative

The Negative outlook reflects the deterioration in the STIC's credit profile due to its weakened operating performance, thereby resulting in high debt levels. Despite pre-repayment of debt in the current fiscal through monetisation of some of its investments, STIC's debt levels are expected to remain high in the near to medium term. The outlook may be revised to Stable if there is substantial improvement in STIC's operating performance and / or sizeable monetisation of STIC's investments, resulting in significant reduction in its total debt.

### Key rating drivers

**Guarantee from STIC** – The rating for the NCD programme is based on the strength of the unconditional and irrecoverable guarantee by STIC.

[Rating rationale of STIC](#)

### Liquidity position of guarantor (STIC)

The liquidity profile of the company remains stretched on account of weak operating performance of the company. The company has sizeable debt repayment obligations of ~Rs. 590.0 crore and ~Rs. 1,160.0 crore in FY2020 and FY2021, respectively. Being the key investment vehicle for the Group, the prospects of STIC are tied to the fortunes of the underlying investee companies. In the absence of sufficient cash flows from operations, 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 support enjoyed by the company in the form of loans and advances received from the Group companies.

## Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Approach for rating debt instruments backed by third-party explicit support</a>
Parent / Group Support	Parent Company: Suhani Trading and Investment Consultants Private Limited The assigned rating is based on unconditional, irrevocable corporate guarantee extended by RFWL's parent company – Suhani Trading and Investment Consultants Private Limited
Consolidation / Standalone	Not applicable, since the ratings are based on the unconditional and irrevocable corporate guarantee from STIC.

## About the company

Incorporated in September 2009, Rural Fairprice Wholesale Limited is a wholly-owned subsidiary of STIC which is one of the holding companies of the Future Group. RFWL is engaged in trading of all kinds of fashion, foods, fast moving consumer goods (FMCG) and other related products with the Future Group entities as well as others.

## About the guarantor

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)

	RFWL	STIC	
	FY2018*	FY2017	FY2018
Operating Income (Rs. crore)	9.1	0.31	467.23
PAT (Rs. crore)	-7.6	-1.3	4.4
OPBDIT/ OI (%)	0.8%	-38.7%	-4.2%
RoCE (%)	0.0%	0.0%	8.0%
Total Debt/ TNW (times)	-43.3	1.6	2.0
Total Debt/ OPBDIT (times)	NM	NM	NM
Interest Coverage (times)	0.0	-0.4	0.0

NM: Non-meaningful; \*FY2018 was the first year of operations of RFWL

OI: Operating Income; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, and Taxes; ROCE: PBIT/Avg (Total Debt + Tangible Net Worth (TNW) + Deferred Tax Liability - Capital Work in Progress)

**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					
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)*	Date & Rating	Date & Rating in FY2018			Date & Rating in FY2017	Date & Rating in FY2016	
					January 2019	February, 2018	February, 2018			January, 2018
1	Non-Convertible Debenture Programme	Long term	320.00	320.00	[ICRA]BBB (SO) (Negative)	[ICRA]BBB (SO) (Stable)	[ICRA]BBB- (SO) (Stable)	Provisional [ICRA]BBB- (SO) (Stable)	-	-

*\*As on November 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](http://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
INE204Z07014	Non-Convertible Debenture Programme	15-Jan-18	0.0%*	02-Apr-21	320.00	[ICRA]BBB(SO) (Negative)

Source: Rural Fairprice Wholesale Limited; \* This is a zero percent coupon bond with redemption premium of 11.79% p.a. compounded quarterly

## ANALYST CONTACTS

**Subrata Ray**

+91 22 6114 3408  
[subrata@icraindia.com](mailto:subrata@icraindia.com)

**Kinjal Shah**

+91 22 6114 3442  
[kinjal.shah@icraindia.com](mailto:kinjal.shah@icraindia.com)

**Sankha Subhra Banerjee**

+91 22 6114 3420  
[sankha.banerjee@icraindia.com](mailto:sankha.banerjee@icraindia.com)

**Vicky Bhoir**

+91 22 6114 3450  
[vicky.bhoir@icraindia.com](mailto:vicky.bhoir@icraindia.com)

## RELATIONSHIP CONTACT

**L Shivakumar**

+91 22 6114 3406  
[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860  
[communications@icraindia.com](mailto:communications@icraindia.com)

### Helpline for business queries:

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

[info@icraindia.com](mailto:info@icraindia.com)

### About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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](http://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](mailto:info@icraindia.com)

Website: [www.icra.in](http://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) 2556 0194/ 6606 9999

© Copyright, 2019 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents