

Future Entertainment Private Limited

Instrument	Amount	Rating Action
Term Loan	175.00	[ICRA]BBB- (Stable) Reaffirmed

ICRA has reaffirmed the [ICRA]BBB- (pronounced ICRA triple B minus) rating assigned to the Rs. 175.0 crore¹, term loans of Future Entertainment Private Limited (FEPL)². The outlook on the rating is 'stable'.

The reaffirmation of rating takes into consideration FEPL's strong management team experienced in incubating, managing and nurturing brands, as well as the good sales track record of the licensed brands, which is expected to result in comfortable royalty income for FEPL. The rating also draws comfort from the synergies arising by virtue of being part of the Future Group, by way of access to in-house retail outlets with pan-India presence and the financial support extended to the company in the form of equity and interest-free unsecured loans. The rating also draws comfort from support by Future Brands Limited (FBL) and the ultimate holding company Future Corporate Resources Limited (FCRL, rated [ICRA]BBB- (stable)).

The company's capital structure is highly leveraged and any delay in timely receipt of royalties from the retail partners could strain the liquidity given the single source of revenue stream (royalty income) for the company. ICRA also notes the presence of multiple brands, particularly in the apparel space, which impose intense competitive pressures and may impact the sale of the licensed brands and thus the corresponding royalty income. However, the rating derives comfort from the strong track record and established presence of the Group companies in the retail space with a sizeable scale of operations and adequate credit profile.

Company Profile

Future Entertainment Private Limited (FEPL) was incorporated in December 2006, but had no operations till January 2015, when it was converted into a step-down subsidiary of Future Corporate Resources Limited (FCRL, rated [ICRA]BBB- (stable)), through a 100% holding by Future Outdoor Media Solutions Limited (FOML). FEPL is currently engaged in the business of managing and developing brands in the field of retail, FMCG, entertainment, media hubs, multiplexes and other related activities. In that regard, the company has signed a trademark licensing and assignment agreement with Future Brands Limited (FBL, a Group company), such that it has been granted the exclusive license for using four trademarks of FBL, viz. SPUNK, BUFFALO, RIG and AFL, for a period of 10 years. FEPL has also been permitted to sub-license these trademarks to retail partners and earn royalties on the sale of the brands. The operations of the company commenced in January 2015; and as on date, the company has sub-licensed its above mentioned four trademarks to group entities - Future Retail Limited and Future Lifestyle Fashions Limited.

Recent Results

During FY2015, the company reported a net loss of Rs. 2.44 crore on a turnover of Rs. 1.51 crore. During 9m FY2016, the company reported a profit before tax (excluding provision for amortisation) of Rs. 0.64 crore on a turnover of Rs. 14.92 crore (provisional financials).

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¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website, www.icra.in, or other ICRA Rating Publications



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