

February 01, 2017

PIL Industries Limited

	Amount	Rating Action
	In Rs. Crore	
LT-Term loans	80.00	[ICRA]BB+(Stable) reaffirmed
LT- Fund based facilities	50.00	[ICRA]BB+(Stable) assigned
NCD	200.00	[ICRA]BB+(stable) reaffirmed

*Instrument Details are provided in Annexure-1

Rating Action

ICRA has reaffirmed the long term rating assigned to the¹ from Rs 80.00 crore, long-term loans and the Rs. 200.00 crore non-convertible debenture programme of PIL Industries Limited (PIL) at [ICRA]BB+ (pronounced ICRA double B plus). ICRA has also assigned an [ICRA]BB+(stable) rating to the fresh Rs. 50.00 crore long-term fund based facilities of the company. The outlook on the rating is 'Stable'.

Rationale

The rating factors in the financial flexibility that PIL enjoys, given its status as key investment company investing in Future Group entities and available business opportunities being part of the Future Group. ICRA also takes note of PIL's importance to the Future group with strategic investments being in various Future Group companies listed on stock exchange apart from investment in insurance businesses in JV with Generali group of Italy. ICRA continues to take note of the various strategic and operational initiatives being undertaken, including stake sale in non-core businesses, aimed at reducing and/ or improving the Group debt profile.

The rating is, however, constrained by the stretched financial profile of the company with networth remaining negative due to continued losses on account of high interest service outgo to support debt-funded strategic investments, retail activities of the group and continued delay in monetisation of insurance investments. The low-margin garment/fabric trading operations continues to constrain the rating. ICRA also takes note of significant support to group businesses through corporate guarantees for group companies/subsidiaries. For PIL, apart from group support, timely monetisation of its investments will remain critical to support debt repayments in future and is a key monitorable.

Key rating drivers

Credit Strengths

- An investment company of strategic importance to the group with notable investments being in Future Retail Limited (FRL), Future Enterprises Limited, Future Consumer Limited (FCL), Future Lifestyle Fashions Limited (FLFL) and insurance businesses in JV with Generali group of Italy

Credit Weakness

- Debt servicing dependent on its ability to monetise its investments, giving rise to potential re-financing risks.

Description of key rating drivers highlighted above:

The company is primarily a holding/investment company for the group with strategic investments in businesses related to retail, textiles and insurance sectors and other group initiatives. Post the scheme of consolidation with Bharti Retail, the retail business is held in Future Retail Limited (formerly Bharti Retail Limited) and the infrastructure business is housed in Future Enterprises Limited. PIL currently holds a 9.36% stake in Future Retail limited and 8.89% stake in Future Enterprises Limited. PIL also has investments in Future Consumer Limited (7.98%), and Future Lifestyle Fashions Limited (5.77%). The group has the flexibility to partly divest its liquid stake to support its debt obligations.

PIL has a 24.5% stake each in the life and non-life insurance businesses through SPVs, Future group holds 74.5% stake (as on Sep 30, 2016) in non-life insurance venture named Future Generali India Insurance

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

Company Limited (FGIICL). The life insurance venture is named Future Generali India Life Insurance Company Limited (FGILICL). The group stake stands at 52.46% (as on Sep 30, 2016) in the life insurance venture after divestment of 22.5% stake to Industrial Investment Trust Limited (IITL). The above stake remains illiquid as the same remain unlisted. Timely monetisation of above investments remains crucial to support its credit profile otherwise it may lead to potential re-financing risks for the company.

Analytical approach: While analysing PIL Industries, ICRA has taken into consideration the expected dividend inflows and the potential funding requirement of its major investee companies that may have to be supported by the company. ICRA has also taken into account the market value of the quoted equity investments and its portfolio of unlisted investments, which offer financial flexibility.

Links to applicable Criteria

Corporate Credit Rating –A Note on Methodology

About the Company:

PIL Industries Limited, a part of the Future group, was incorporated in 15th July, 1987 under the Company's Act 1956. The company is primarily a holding/investment company for the group with strategic investments in businesses related to textiles and insurance sectors and other new group initiatives.

As per unaudited financials for the six month period ended September 30, 2016, PIL reported a net loss of Rs. 8.8 crore on an operating income (OI) of Rs. 187.9 crore.

As per audited financials for the twelve month period ended March 31, 2016, PIL reported a net profit of Rs. 4.1 crore on an OI of Rs. 419.5 crore as against a net loss of Rs. 6.2 crore on an OI of Rs. 410.2 crore as per audited financials for the twelve month period ended March 31, 2015.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Table: Rating History

Rating History for last three years:

S No	Name of the instrument	Current Rating			Chronology of rating			
		Type	Rated amount	Month and year of rating	FY2017	FY2016	FY2015	FY2014
				Jan-17	Apr-16	Mar-16	Jan-15	Dec-13
1	Term loans	Long term	80.0	[ICRA]BB+ (Stable)	[ICRA]BB+ (Stable)	[ICRA]BB+ (Stable)	[ICRA]BB+ (Stable)	[ICRA]BB+ (Stable)
2	NCD	Long term	200.00	[ICRA]BB+ (Stable)	[ICRA]BB+ (Stable)	[ICRA]BB+ (Stable)	[ICRA]BB+ (Stable)	-
3	Cash credit (fresh)	Long term	50.00	[ICRA]BB+ (Stable)				

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
Details of Instrument

Name of the instrument	Date of issuance	Coupon rate	Maturity Date	Size of the issue (Rs crore)	Current Rating and Outlook
Term loan*	-	-	FY2019	55.00	[ICRA]BB+ (Stable)
Unallocated term loan	-	-	-	25.00	[ICRA]BB+ (Stable)
Cash credit	-	-	-	50.00	[ICRA]BB+ (Stable)
NCD	29-Jan-15	12.00%	28.01.2020	100.00	[ICRA]BB+ (Stable)
NCD	29-Mar-16	15.00%	02.04.2017	100.00	[ICRA]BB+ (Stable)

Name and Contact Details of the Rating Analyst(s):

Subrata Ray
+91 22 6114 3408
subrata@icraindia.com

Jay Sheth
+91 22 6114 3419
jay.sheth@icraindia.com

Name and Contact Details of Relationship Contacts:

L. Shivakumar
+91 22 6114 3406
jayantac@icraindia.com

About ICRA Limited:

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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion
Appasaheb Marathe Marg, Prabhadevi
Mumbai—400025,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax:
+91-79-25569231

Pune**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range
Hills Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-
25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500