

August 28, 2014

| Facility | Amount (Rs. Crore) | Rating |
|------------------|--------------------|----------------------------------|
| Overdraft | 6.50 | SMERA B/Stable (Assigned) |

SMERA has assigned a rating of '**SMERA B**' (read as **SMERA single B**) to the abovementioned bank facility of Shree Sidhi Vinayak Enterprises (SSVE). The outlook is '**Stable**'. The rating is constrained by the firm's weak financial risk profile and low profitability amidst intense competition in the restaurant industry. The rating is also constrained by the firm's working capital-intensive operations. However, the rating derives comfort from the firm's experienced management. The rating is also supported by the strategic location of the firm's restaurant.

SSVE, established in 2009, is a Gajraula-based partnership firm engaged in operating a restaurant under a franchise arrangement with 'Bikanerwala'. SSVE's weak financial risk profile is marked by interest coverage ratio of 1.25 times in FY2013-14 (refer to financial year, April 01 to March 31). The firm's low profitability is reflected in operating profit margin of 4.75 per cent and net profit margin of 0.17 per cent in FY2013-14. SSVE faces intense competition from several restaurants in its adjacent area. The firm's working capital-intensive operations are reflected in stretched inventory holding period of 96 days in FY2013-14.

SSVE benefits from its experienced management. Mr. Mukesh Kumar and Mr. Devendra Nagpal, partners of SSVE, have around two decades of experience in the restaurant industry. SSVE's restaurant is strategically located on National Highway 24, which links Delhi and Uttarakhand.

Outlook: Stable

SMERA believes the outlook on SSVE's rated facility will remain stable over the medium term on account of the firm's experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected revenues and net cash accruals while achieving efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case the firm registers lower-than-expected net cash accruals with significant deterioration in working capital management, or in case the firm undertakes larger-than-expected debt funded capital expenditure.

About the firm

SSVE, established in 2009, is a Gajraula-based partnership firm promoted by Mr. Devendra Nagpal and Mr. Mukesh Kumar. SSVE operates a restaurant under a franchise arrangement with 'Bikanerwala'.

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For FY2012-13, SSVE reported net profit of Rs.0.05 crore on total income of Rs.28.46 crore, as compared with net profit of Rs.0.19 crore on total income of Rs.30.11 crore in FY2011-12. Further, the firm registered revenues of Rs.32.73 crore (provisional) in FY2013-14. SSVE's net worth stood at Rs.6.76 crore (provisional) as on March 31, 2014, as compared with Rs.6.51 crore a year earlier.

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