

Press Release

Shree Sidhi Vinayak Enterprises

August 24, 2018

Rating Downgraded



Total Bank Facilities Rated*	Rs. 6.50 Cr.
Long Term Rating	ACUITE D (Downgraded from ACUITE BB-)

Refer Annexure for details

Rating Rationale

Acuite has downgraded long-term rating to '**ACUITE D**' (read as **ACUITE D**) from '**ACUITE BB-**' (read as **ACUITE double B minus**) to the Rs.6.50 crore bank facilities of Shree Sidhi Vinayak Enterprises (SSVE).

The rating downgrade revision is in view of delays in debt repayment obligations with regards to interest obligation in overdraft facility. There have been instances of delay in interest payment for last six months ending July 2018.

The Uttar Pradesh-based Shree Sidhi Vinayak Enterprises was established in 2009 as a partnership firm by Mr. Devendra Nagpal and Mr. Mukesh Kumar. The firm runs a restaurant under a franchise arrangement with 'Bikanerwala'. The restaurant is spread over 14000 sq.ft. area in Gajraula-NH-24. NH-24 is linked from Delhi to Jim Corbett National Park and Nainital.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of SSVE to arrive at this rating.

Key Rating Drivers:

Strengths

• Experienced management

The promoters of the firm have more than two decades of experience in the restaurant business. It is helpful for the firm to customise the restaurant according to customers and improve supply chain management. Acuite believes that the firm will benefit from its experienced management.

• Strategic location of the restaurant

The firm runs franchisee of 'Bikanerwala'. The restaurant of the firm is located in Gajraula-NH-24. NH-24 is linked from Delhi to Jim Corbett National Park and Nainital. This offer continues commuter traffic and creates high revenue visibility due to strategic location of the restaurant. Given, there are no alternative roads to connect Nainital and Jim Corbett National Park with Delhi.

Weakness

• Delay in debt servicing obligation

The rating downgrade revision is in view of delays in debt repayment obligations. There have been instances of delay in interest payments with regard to overdraft facility. The monthly interest payment of the account has been delayed in the past six months ended July, 2018.

• Declining profitability margins

The operating margins have shown declining trend during the last two years i.e in FY2018 and FY2017. The operating margin declined to 3.65 percent in FY2017 from 5.86 percent in FY2016 and it stood at 2.82 percent for FY2018 (Provisional). The decline in the margins can be attributed to the highly competitive and fragmented industry which is characterised by large number of established players in the market.

• Average financial risk profile

SSVE has a moderate financial risk profile marked by net worth of Rs.9.15 crore as on 31 March, 2018 (Provisional) compared to Rs.8.77 crore as on 31 March, 2017. The gearing remains moderate at 0.71 times as on 31 March, 2018 (Provisional) from 0.82 times as on 31 March, 2017. The total debt is Rs.6.53 crore includes term loans of Rs.0.18 crore, unsecured loans of Rs.0.29 crore and working capital borrowings of Rs.6.06 crore as on 31 March, 2018 (Provisional). The interest coverage ratio stood at 1.49 times in FY2018 (Provisional) as against 1.40 times in FY2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.76 times as on 31 March, 2018 (Provisional) as against 0.87 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.06 times as on 31 March, 2018 (Provisional) as against 0.06 times in FY2017.

• Working capital intensive operations

SSVE has working capital intensive operations marked by Gross Current Assets (GCA) of 87 days in FY2018 (Provisional) as against 94 days in FY2017. This is on account of high inventory holding of 70 days in FY2018 (Provisional). The inventory of the firm consists of non-perishable commodities like readymade snacks, wheat flour, pulses, cereals and also packing materials required for sweets and other food boxes. The average bank limit utilisation stood at 99 percent for the last six months ended July, 2018.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	44.29	40.97	37.93
EBITDA	Rs. Cr.	1.25	1.50	2.22
PAT	Rs. Cr.	0.36	0.40	0.51
EBITDA Margin	(%)	2.82	3.65	5.86
PAT Margin	(%)	0.12	0.05	1.98
ROCE	(%)	5.62	6.96	11.56
Total Debt/Tangible Net Worth	Times	0.71	0.82	0.79
PBDIT/Interest	Times	1.49	1.40	2.32
Total Debt/PBDIT	Times	5.23	4.80	3.05
Gross Current Assets (Days)	Days	87	94	98

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

Acuite is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated request and follow ups.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Service Entity - <https://www.acuite.in/view-rating-criteria-8.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
04-Jun-18	Secured Overdraft	Long Term	6.50	ACUITE BB-Issuer not co-operating*
29-Mar-17	Secured Overdraft	Long Term	6.50	ACUITE BB-/ Stable (Reaffirmed)
30-Nov-15	Secured Overdraft	Long Term	6.50	ACUITE BB-/ Stable (Upgraded from ACUITE B+/Stable)

*The issuer did not co-operate; Based on best available information.

#Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE D (Downgraded from ACUITE BB-)

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About Acuité Ratings & Research:

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