

Press Release

Millennium Business Centre (MBC)

28 March, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 6.00 Crore
Long Term Rating	SMERA B/ Outlook: Stable

** Refer Annexure for details*

Rating Rationale

SMERA has assigned long term rating of '**SMERA B' (read as SMERA B)** on the Rs. 6.00 crore bank facilities of Millennium Business Centre. The outlook is '**Stable**'.

The Nashik-based, Millennium Business Centre (MBC) is a partnership firm established in 2001 by three brothers viz. Mr. Deepak Patil, Mr. Suhas Patil and Mr. Mohan Patil. The firm runs 'Yahoo Hotel', a restaurant in Nashik spread across 7000 square feet (Sq. Ft.) with seating capacity of 240. MBC also has two banquet halls with seating capacity of 50 each.

Key rating drivers

Strengths

Experienced management

Mr. Deepak Patil, Mr. Suhas Patil and Mr. Mohan Patil have over 15 years of experience in the hospitality industry.

Favourable location

The restaurant is located at Canada Corner, a prime location in Nashik and caters to an upmarket audience.

Weaknesses

Modest scale of operations amidst intense competition

The scale of operations is modest with revenue of around Rs. 2.74 crore in FY2017 and Rs. 1.02 crore in FY2016. The restaurant faces intense competition from other players in the locality. Besides, with a specific theme and cuisine, the flexibility and consumer preferences are restricted affecting profit margins.

On-going debt funded capital expenditure

MBC plans to expand capacity to set up a lodging facility spread across 22000 Sq. Ft. to accommodate 50 rooms and a banquet hall with seating capacity of 250. The total cost of the project is Rs. 10.26 crore to be funded by term loan of Rs. 5.00 crore and promoter's funds of Rs. 5.26 crore. The new lodge called "Hotel MBC" is expected to commence operations from July

2018. SMERA believes that timely completion of the project will be crucial for the future performance of MBC.

Analytical approach:

SMERA has considered the standalone business and financial risk profile of Millennium Business Centre to arrive at the rating.

Outlook – Stable

SMERA believes that MBC's outlook will remain 'Stable' owing to the extensive experience of the partners and favourable location of the restaurant. The outlook may be revised to 'Positive' if the scale of operations increases substantially, along with increase in operating profitability and comfortable capital structure. Conversely, the outlook may be revised to 'Negative' in case of weakening of the operating margins or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	2.74	2.01	1.36
EBITDA	Rs. Cr.	0.21	0.12	0.07
PAT	Rs. Cr.	0.17	0.08	0.05
EBITDA Margin	(%)	7.68	6.01	5.09
PAT Margin	(%)	6.15	4.12	3.35
ROCE	(%)	3.69	3.51	4.63
Total Debt/Tangible Net Worth	Times	0.69	0.03	0.00
PBDIT/Interest	Times	22.88	29.60	165.12
Total Debt/PBDIT	Times	12.93	0.74	0.00
Gross Current Assets (Days)	Days	67	48	53

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

None

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Service Sector - <https://www.smera.in/criteria-services.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA B/ Stable (Assigned)
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA B/ Stable (Assigned)

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ABOUT SMERA

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