

Press Release

Class Restaurant (CR)

22 December, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	SMERA B-/Stable (Assigned)

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA B-**' (read as **SMERA B minus**) on the Rs. 10.00 crore bank facilities of Class Restaurant (CR). The outlook is '**Stable**'.

The Mumbai-based, Class Restaurant established in 1999 by Mr. Surendra Surana, Proprietor is spread across 1800 sq.ft. and has total seating capacity of 120. The restaurant offers a range of cuisines including Gujarati, Marwadi and Punjabi.

Key rating drivers

Strengths

Experienced management: Mr. Surendra Surana, has over 15 years of experience in the hospitality and construction industries through the Surana Group.

Favourable location: The restaurant is located at Juhu, a prime location in Mumbai 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.0.82 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.

Weak capital structure: The firm registered negative networth from FY2015 to FY2017 due to withdrawal of capital from the business. The total debt stood high at Rs.9.00 crore (short term borrowings.)

About the Rated Entity - Key Financials

	Unit	FY17 (Provisional)	FY16 (Actual)	FY15(Actual)
Operating Income	Rs. Cr.	0.82	1.02	1.10
EBITDA	Rs. Cr.	0.23	0.41	0.43
PAT	Rs. Cr.	0.13	0.14	0.19
EBITDA Margin	(%)	27.62	40.69	39.19
PAT Margin	(%)	15.54	13.83	16.87
ROCE (%)	(%)	14.42	28.03	32.25
Total Debt/Tangible Net Worth	Times	-1.11	-1.12	-1.16
PBDIT/Interest	Times	37.05	2.45	3.19
Total Debt/PBDIT	Times	39.61	21.50	20.69
Gross Current Assets (Days)	Days	66	40	109

Any other information: Not Applicable

Applicable Criteria

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

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of CR to arrive at the rating.

Outlook- Stable

SMERA believes that CR's outlook will remain stable owing to the promoter's extensive experience in the industry. 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.

Note on complexity levels of the rated instrument

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

Status of non-cooperation with previous CRA (if applicable): None

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
Overdraft	NA	NA	NA	9.00	SMERA B- /Stable Assigned
Proposed Overdraft	NA	NA	NA	1.00	SMERA B- /Stable Assigned

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