

Press Release

Class Restaurant

January 05, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE B-/Stable

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE B-' (read as ACUITE B minus)** to the Rs.10.00 crore bank facilities of Class Restaurant (CR).

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.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management**

CR has its presence in this hospitality and construction industry for nearly two decades through Surana Group. The promoter Mr. Surendra Surana possesses vast experience of nearly two decades in this industry. Also, TCR is located at Juhu, which is a prime location in Mumbai and caters to an upmarket audience.

Acuité believes that the company will benefit from its experienced management which helps to maintain long standing relations with its customers and suppliers.

Weaknesses

- **Small scale of operations with declining profitability margins**

CR has small scale of operations marked by operating income of Rs.0.88 crore in FY2018 as against Rs.0.82 crore in FY2017 and Rs.1.02 crore in FY2016. The firm has booked revenue of Rs.0.57 crore for April to November, 2018.

Further, the firm's operating margins show declining trend of 17.82 percent in FY2018 as against 27.62 percent in FY2017 and 40.69 percent in FY2016. The firm reported Profit after Tax (PAT) margin of 7.31 percent in FY2018 against 15.54 percent in FY2017.

Going forward, Acuité believes that the firm's ability to register growth in revenue while maintaining adequate profitability will be key rating sensitivity.

- **Weak financial risk profile**

The financial risk profile is weak marked by negative net worth of Rs. 8.25 crore on account of accumulated losses as on 31 March, 2018. The gearing stood at negative 1.11 times for FY2018 and FY2017. The total debt of Rs. 9.12 crore includes working capital borrowing from bank of Rs. 8.98 crore and unsecured loans of Rs. 0.14 crore. Interest Coverage Ratio (ICR) stood at 23.69 times in FY2018 against 37.05 times in FY2017. The total outside liabilities to tangible net worth (TOL/TNW) stood at negative at 1.11 times for FY2018 and FY2017. The net cash accruals to total debt (NCA/TD) stood low at 0.02 times in FY2018.

Going forward, Acuité believes that the firm's ability to improve its net worth along with debt protection

metrics will remain key rating sensitivity.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	0.88	0.82	1.02
EBITDA	Rs. Cr.	0.16	0.23	0.41
PAT	Rs. Cr.	0.06	0.13	0.14
EBITDA Margin	(%)	17.82	27.62	40.69
PAT Margin	(%)	7.31	15.54	13.83
ROCE	(%)	8.00	14.42	28.03
Total Debt/Tangible Net Worth	Times	(1.11)	(1.11)	(1.12)
PBDIT/Interest	Times	23.69	37.05	2.45
Total Debt/PBDIT	Times	58.05	39.61	21.50
Gross Current Assets (Days)	Days	85	68	40

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 requests 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>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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
06-Aug-2018	Secured Overdraft	Long Term	9.00	ACUITE B-/Stable (Assigned)
	Proposed Overdraft	Long Term	1.00	ACUITE B-/Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE B- (Reaffirmed)
Proposed Long Term Facility	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE B- (Reaffirmed)

Contacts

Analytical	Rating Desk
<p>Aditya Gupta Head-Corporate and Infrastructure Sector Ratings Tel:022-67141111 aditya.gupta@acuute.in</p> <p>Grishma Muni Analyst - Rating Operations Tel: 022-49294075 grishma.muni@acuiteratings.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuute.in</p>

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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