

## Press Release

### Class Restaurant

October 10, 2019

### Rating Reaffirmed



<b>Total Bank Facilities Rated*</b>	Rs. 10.00 Cr.
<b>Long Term Rating</b>	ACUITE B- / Outlook: Stable (Reaffirmed)

\* Refer Annexure for details

### Rating Rationale

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

Class Restaurant (CR), based of Mumbai, was established in 1999 by Mr. Surendra Surana (Proprietor). It 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 promoter and locational advantage**

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, CR is located at Juhu, which is a prime location in Mumbai and caters to an upmarket audience. Acuité believes that the firm will benefit from its experienced management, which helps to maintain long-standing relations with its suppliers and presence in the industry.

#### Weaknesses

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

CR has small scale of operations marked by operating income of Rs. 0.91 crore in FY2019 (Provisional) as against Rs. 0.88 crore in FY2018 and Rs. 0.82 crore in FY2017. The firm has booked revenue of Rs. 0.59 crore for April to September, 2019. Further, the firm's operating margins showed improving trend of 21.01 per cent in FY2019 (Provisional) as against 17.82 per cent in FY2018 and 27.62 per cent in FY2017. The firm reported Profit after Tax (PAT) margin of 10.74 per cent in FY2019 (Provisional) as against 7.31 per cent in FY2018 and 15.54 per cent 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. 8.58 crore as on 31 March, 2019 (Provisional) as against Rs. 8.25 crore on account of accumulated losses as on 31 March, 2018. The gearing stood at negative 1.10 times for FY2019 (Provisional) and 1.11 times in FY2018. The total debt of Rs. 9.42 crore includes working capital borrowing from bank of Rs. 9.34 crore and unsecured loans of Rs. 0.08 crore as on 31 March, 2019 (provisional). Interest Coverage Ratio (ICR) stood at 12.88 times in FY2019 (Provisional) as against 23.69 times in FY2018. The total outside liabilities to tangible net worth (TOL/TNW) stood at negative at 1.10 times in FY2019 (provisional) as against 1.11 times for FY2018. The net cash accruals to total debt (NCA/TD) stood low at 0.02 times in FY2019 (provisional). Going forward, Acuité believes that the firm's ability to improve its net worth along with debt protection metrics will remain key rating sensitivity.

### Rating Sensitivities

- Improvement in scale of operations and margins
- Firm's ability to improve its net worth along with debt protection metrics

### Material Covenants

None

### Liquidity Position: Stretched

CR's liquidity position is stretched marked by low net cash accruals of Rs. 0.18 crore in FY2019 (Provisional) as against Rs. 0.15 crore in FY2018. The net cash accruals are expected to remain within Rs. 0.20 crore to Rs. 0.25 crore in FY2020-22. The current ratio stood at 0.02 times in FY2019 (Provisional). The gross current assets days stood at 88 days in FY2019 (Provisional) as against 85 days in FY2018. The working capital limits are utilized at 99.53 per cent for last six months ending July 2019. The net cash accruals to total debt (NCA/TD) stood low at 0.02 times in FY2019 (provisional). Acuite expects that the liquidity of the company is likely to remain stretched over the medium term on account small scale of operations.

### Outlook: Stable

Acuite 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.

### About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	0.91	0.88	0.82
EBITDA	Rs. Cr.	0.19	0.16	0.23
PAT	Rs. Cr.	0.10	0.06	0.13
EBITDA Margin	(%)	21.01	17.82	27.62
PAT Margin	(%)	10.74	7.31	15.54
ROCE	(%)	13.12	8.00	14.42
Total Debt/Tangible Net Worth	Times	(1.10)	(1.11)	(1.11)
PBDIT/Interest	Times	12.88	23.69	37.05
Total Debt/PBDIT	Times	49.43	58.05	39.61
Gross Current Assets (Days)	Days	88	85	68

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

Not Applicable

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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
05- Jan -2019	Secured Overdraft	Long Term	9.00	ACUITE B-/Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	1.00	ACUITE B-/Stable (Reaffirmed)
22-Dec-2017	Secured Overdraft	Long Term	9.00	ACUITE B-/Stable (Assigned)
	Proposed Long Term Loan	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-/Stable (Reaffirmed)
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE B-/Stable (Reaffirmed)

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### About Acuité Ratings & Research:

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