



Press Release
CLASS RESTAURANT
September 22, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00	ACUITE B- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	10.00	-	-

Rating Rationale

Acuite 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**'.

Rationale for Reaffirmation

The rating reaffirmation is on account of recovery witnessed in the business risk profile of the firm in FY2023 as the firm went under renovation and converted the restaurant into a Lounge-Bar. The revenue of the firm improved to Rs. 1.82 Cr in FY2023 (Prov) as against Rs.0.58 Cr in FY2022. The rating also factors in the experienced management with long track record of operations. However, the rating is constrained by the weak financial risk profile marked by negative networth and negative gearing, stretched liquidity position with an average utilization of more than 98% for last 07 months ended July 2023 and highly competitive industry that the firm operates in.

About Company

Class Restaurant (CR) was established in 1999 under the proprietorship of Mr. Surendra Surana. The firm runs a restaurant which is now turned into a Lounge-Bar in FY2023 with Liquor business after the renovation. The restaurant has total seating capacity of 120 people and is covered in 2530 sq. ft. carpet area. The restaurant is situated in Juhu, Mumbai.

About the Group

Incorporated in 1995, Aurangabad Gymkhana Club Private Limited is an Aurangabad-based company which is promoted by Mr. Surendra Surana, Mr. Mahendra Surana, Mrs Manju Surendrakumar Surana, Mr. Nanda Mahendra Surana and Mr. Nalin Mahendra Surana. AGPL started its operations from 2005 which is engaged running a club cum hotel. The hotel offers 110 rooms, four banquet halls, a club house and other amenities. The promoter also promotes the Surana Group which includes construction business namely Surana Constructions Chembur, Surana Constructions Wadala, Surana Infrastructure Private Limited among others and runs The Class Restaurant and Hotel Carnival to name a few.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuite has considered the consolidated view of the business and financial risk profiles of Class Restaurant (CR) and Hotel carnival (HC) to arrive at the rating. The consolidation is in the view of a common line of business and common management.

Key Rating Drivers

Strengths

>Experienced promoter and locational advantage

CR has its presence in the hospitality 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

>Modest scale of operations

The firm has recorded an operating income of Rs.1.82 crore in FY2023 (Prov) as against Rs.0.58 crore in FY2022. The revenue of the firm has increased in FY2023 (Prov) on account of increase in sales of Liquor, food & beverages. The operating margin of the company stood at 48.04 percent in FY2023 (Prov) as against (29.98) percent in FY2022. The reason of increasing margin is on account improvement in scale of operations. Also, PAT margin stood at 48.05 percent in FY2023 (Prov) as against (246.34) percent in FY2022.

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 of the firm is weak marked by negative net worth, gearing and stretched debt protection metrics. The tangible negative net worth stood at Rs.8.50 crore as on 31 March 2023 (Prov) as against Rs.13.30 crore as on 31 March 2022. The total debt of the firm stood at Rs.15.02 crore includes Rs.9.50 crore of short-term debt, Rs.0.36 crore of unsecured loans and Rs.5.17 Cr of FITL and GECL (term loans) as on 31 March 2023 (Prov). The gearing (debt-equity) stood at 1.77 times as on 31 March 2023 (Prov) as against 1.19 times as on 31 March 2022. Debt Service Coverage Ratio (DSCR) stood at 677.16 times in FY2023 (Prov) as against (0.15) times for FY2022. Total outside Liabilities/Total Net Worth (TOL/TNW) stood negative at 1.78 times as on 31 March 2023 (Prov) as against 1.20 times as on 31 March 2022. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.06 times for FY2023 (Prov) as against (0.08) times for FY2022.

Acuité believes that the firm's ability to improve its net worth along with debt protection metrics will remain key rating sensitivity

>Intensive Working Capital Operations

The working capital management of the group is intensive marked by GCA days of 308 days in FY2023 (Prov) as against 907 days in FY2022. The debtor days stood at 11 days in FY2022. The firm also serves to nearby corporates, so debtors are there for 1-3 days. The creditor days stood at 10 days in FY2023 (Prov) as against 113 days in FY2022. The credit period allowed by suppliers is 30 days. The inventory days stood at 26 days for FY2023 (Prov) and FY2022.

Acute believes that the firm's ability to restrict further elongation in its working capital cycle will be a 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
- Further deterioration in financial risk profile and coverage indicators

All Covenants

Not Available

Liquidity Position

Poor

The firm's liquidity position is poor as the average bank limit utilization for the past 07 months July 2023 is ~ 99 percent. Further, they have insufficient net cash accruals against its maturing debt obligation. In addition, it is expected to generate insufficient cash accrual in the range of Rs.0.08-Rs.0.36 crore against the maturing repayment obligations of around Rs.0.07-Rs.0.37

crore over the medium term. The firm has net cash accruals in the range of Rs. (1.25)-Rs.0.87 Crore from FY 2021- 2023. The working capital management of the group is intensive marked by GCA days of 308 days in FY2023 (Prov) as against 907 days in FY2022. The group maintains unencumbered cash and bank balances of Rs.0.33 crore as on March 31, 2023 (Prov) as against Rs.0.28 Cr as on March 31, 2022. The current ratio stands at 0.16 times as on March 31, 2023 (Prov) as against 0.14 times as on March 31, 2022.

Acuite expects that the liquidity of the firm 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

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	1.82	0.58
PAT	Rs. Cr.	0.87	(1.42)
PAT Margin	(%)	48.05	(246.34)
Total Debt/Tangible Net Worth	Times	(1.77)	(1.19)
PBDIT/Interest	Times	677.16	(0.15)

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

CRISIL Ratings, vide its press release dated April 28, 2023, has mentioned the rating of CR as 'CRISIL B-/Stable/Issuer Not Cooperating'.

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
15 Jul 2022	Secured Overdraft	Long Term	9.00	ACUITE B- Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	1.00	ACUITE B- Stable (Reaffirmed)
13 Apr 2022	Secured Overdraft	Long Term	9.00	ACUITE B- (Issuer not co-operating*)
	Proposed Long Term Loan	Long Term	1.00	ACUITE B- (Issuer not co-operating*)
11 Jan 2021	Proposed Long Term Loan	Long Term	1.00	ACUITE B- (Issuer not co-operating*)
	Secured Overdraft	Long Term	9.00	ACUITE B- (Issuer not co-operating*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE B- Stable Reaffirmed
Union Bank of India	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	9.00	ACUITE B- Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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