



Press Release
CLASS RESTAURANT
January 29, 2025
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	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of 'ACUITE B-' (read as ACUITE B minuso)n the Rs. 10.00 crore bank facilities of Class Restaurant (CR). The outlook is 'Stable'.

Rationale for Reaffirmation

The rating reaffirmation is based on the recovery observed in the group's business risk profile in FY2024, following its recent renovation and transformation from a restaurant into a Lounge-Bar. The group's revenue rose to Rs. 2.68 Cr. in FY2024, compared to Rs. 1.32 Cr. in FY2023. The rating also considers the experienced management with a long operational track record. However, the rating is constrained by the group's small scale of operations, low profitability, weak financial risk profile marked by negative net worth and a strained liquidity position.

About the Company

Class Restaurant was established in 1999 under the proprietorship of Mr. Surendra Surana. The hotel is now managed by his son Mr. Saurabh Surana and his wife Ms. Manju Surana. The firm was running as a restaurant which provided Gujarati, Marwadi and Punjabi thali. But after covid-19, the restaurant went under renovation and turned into Lounge-Bar with liquor business and has total seating capacity of 78 people and is covered in 2530 sq. ft. carpet area. The occupancy is around 80 to 85 per cent during weekdays and around 90 per cent during weekends. The firm is situated in Juhu, Mumbai. The firm has 1 party hall and has total seating capacity of 78 people. The firm, Class restaurant re-started its operations after renovation from February 2023. The firm has 25 employees in total.

About the Group

Incorporated in 1995, Surana Group is a diversified conglomerate founded by Mr. Surendra Surana, Mr. Mahendra Surana, Mrs. Manju Surendrakumar Surana, Mr. Nanda Mahendra Surana, and Mr. Nalin Mahendra Surana. The group is primarily involved in construction and hospitality, with a strong legacy of quality projects and services. It began with Surana Constructions Chembur and Wadala, both renowned in real estate, and Surana Infrastructure Private Limited, contributing to major development projects. The group also owns The Class Restaurant, known for fine dining, and Hotel Carnival, engaged in similar line of business. Additionally, the Surana family promotes The Aurangabad Gymkhana Club Private Limited (AGPL), which began operations in 2005 and provides premium leisure and event facilities with 110 rooms and four banquet halls.

About Hotel Carnival

Hotel Carnival was established in 1994 under the proprietorship of Mr. Surendra Surana and is located in Worli, Mumbai. It is a Bar & restaurant. HC is also now managed by his son Mr. Saurabh Surana and his wife Ms. Manju Surana.

Unsupported Rating
Not Applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité 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 target group and presence in the industry.

Weaknesses

Small scale of operations with low profitability

The group has recorded an operating income of Rs.2.68 crore in FY2024 amongst which Class Restaurant generated Rs.1.55 crore and Hotel Carnival reported Rs. 0.60 crore, as against Rs. 1.32 crore in FY2023. The revenue of the group has increased in FY2024 on account of increase in sales of Liquor, food & beverages. Currently, Class restaurant has achieved Rs. 1.35 crore of revenue till December 2024 and has target of Rs.1.70 crore for FY2025. The group has target of around Rs. 3.21 crore for FY2025. The operating margin of the group stood at 17.75 percent in FY2024 as against (19.59) percent in FY2023. However, the PAT margin stood at (57.95) percent in FY2024 as against (39.82) percent in FY2023.

Acuite believes, the operating performance of the group would remain at lower side given the nature of business and overall scale of operations.

Weak Financial Risk Profile

The financial risk profile of the group is weak marked by negative net worth, gearing and weak debt protection metrics. The tangible net worth stood at Rs. (13.32) crore as on 31 March 2024 as against Rs.(13.14) crore as on 31 March 2023. The total debt of the group stood at Rs. 16.03 crore includes Rs. 13.07 crore of short-term debt, Rs.0.58 crore of unsecured loans and Rs. 2.38 crore secured term loans as on 31 March 2024. Interest Coverage Ratio stood at 0.26 times for FY2024. The firm has inadequate net cash accruals as against the debt obligations which are been paid on a timely basis out of the buffer available in the working capital facilities.

Moderate Working capital management

The working capital management of the group is marked by GCA days of 117 days in FY2024 as against 356 days in FY2023. The debtor days stood at 06 days in FY2024. The creditor days stood at 25 days in FY2024 as against 32 days in FY2023. The credit period allowed by suppliers is around 30 days. The inventory days stood at 19 days for FY2024 as against 18 days in FY2023.

Acuite 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 profitability
- The group's ability to improve overall financial risk profile
- Group's ability to generate adequate net cash accruals as against the debt repayment obligations.
- Timely servicing of debt obligations

Liquidity Position Stretched

The group's liquidity position is stretched as the average bank limit utilization for the past 06 months ended December 2024 is ~ 99.60 percent. Further, they have insufficient net cash accruals against its maturing debt repayment obligation. The group has net cash accruals in the range of Rs. (0.32)- Rs. (1.33) Crore from FY 2023-2024. In addition, the group will not be able to generate sufficient net cash accruals over the medium term. The group maintains unencumbered cash and bank balances of Rs.0.13 crore as on March 31, 2024, as against Rs.0.07 crore as on March 31, 2023. The current ratio stood at 0.07 times as on March 31, 2024, as against 0.11 times as on March 31, 2023.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	2.68	1.32
PAT	Rs. Cr.	(1.55)	(0.53)
PAT Margin	(%)	(57.95)	(39.82)
Total Debt/Tangible Net Worth	Times	(1.20)	(1.25)
PBDIT/Interest	Times	0.26	(4.58)

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

Not Applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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
20 Dec 2024	Secured Overdraft	Long Term	9.00	ACUITE B- (Reaffirmed & Issuer not co-operating*)
	Proposed Long Term Loan	Long Term	1.00	ACUITE B- (Reaffirmed & Issuer not co-operating*)
22 Sep 2023	Secured Overdraft	Long Term	9.00	ACUITE B- Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	1.00	ACUITE B- Stable (Reaffirmed)
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- (Reaffirmed & Issuer not co-operating*)
	Proposed Long Term Loan	Long Term	1.00	ACUITE B- (Reaffirmed & Issuer not co-operating*)

Annexure - Details of instruments rated

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

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

Sr. No.	Company name
1	Class Restaurant
2	Hotel Carnival

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About Acuité Ratings & Research

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