

Press Release

SHASHI CATERING SERVICES

10 January, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 7.70 Cr.
Long Term Rating	SMERA BBB-/ Stable
Short Term Rating	SMERA A3

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) and short term rating of '**SMERA A3**' (read as **SMERA A three**) on the Rs. 7.70 crore bank facilities of Shashi Catering Services (SCS). The outlook is '**Stable**'.

The Gujarat-based Shashi Catering Services (SCS) established in 1996 by Mr. Shashidhar Shetty undertakes catering contracts from government companies and multinational organisations. The firm has successfully established its base in Gujarat, Haryana, Uttar Pradesh, West Bengal, Assam, Karnataka and Rajasthan.

List of key rating drivers and their detailed description

Strengths

Established track record of operations and experienced management

The firm was established in 1996 by Mr. Shashidhar Shetty who has more than two decades of experience with industrial canteens, security management and administration and hotel management.

Established relations with reputed clients

SCS caters to Maruti Suzuki India Limited, Honda Motorcycle & Scooter (I) Pvt. Ltd., Hindustan Coca-Cola Beverages Pvt. Ltd. among others. The firm has established relations for more than a decade which helps it get repeat orders. As on December 2017, SCS has an order book of Rs. 117.00 crore.

Comfortable financial risk profile

The financial risk profile is comfortable marked by tangible networth of Rs.8.56 crore as on 31 March, 2017 as against Rs.5.30 crore in the previous year. The gearing stood at 0.40 times as on 31 March, 2017 as against 0.65 times in the previous year. The total debt of Rs.3.39 crore as on 31 March, 2017 includes long term debt of Rs.0.45 crore and short term debt of Rs.2.94 crore. The Interest Coverage Ratio (ICR) stood at 6.02 times for FY2017 as against 7.46 times for FY2016. The Net Cash Accruals to Total Debt (NC/TD) stood at 0.58 times as on 31st March, 2017 as against 0.43 times in the previous year. The firm operates at a comfortable liquidity position with average cash credit limit utilisation at ~79 percent for the last six months ended November, 2017.

Weaknesses

Proprietorship constitution

The firm is exposed to capital withdrawal risk due to its proprietorship constitution.

Low profitability

SCS has low profitability profile with profit after tax (PAT) margin of 0.97 percent in FY2017 as against 0.80 percent in FY2016.

Analytical approach:

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

Outlook – Stable

SMERA believes that SCS will maintain a Stable outlook and continue to benefit over the medium term from its promoter's extensive industry experience. The outlook may be revised to 'Positive' if the firm is able to generate substantial and sustainable revenues or operating margins. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenue and profitability margins, a stretched working capital cycle, or significant deterioration in its capital structure.

About the Rated Entity – Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	169.83	146.10	118.25
EBITDA	Rs. Cr.	2.24	1.59	1.24
PAT	Rs. Cr.	1.65	1.17	1.16
EBITDA Margin	(%)	1.32	1.09	1.05
PAT Margin	(%)	0.97	0.80	0.98
ROCE	(%)	19.67	19.85	49.16
Total Debt/Tangible Net Worth	Times	7.33	10.52	9.24
PBDIT/Interest	Times	6.02	7.46	10.01
Total Debt/PBDIT	Times	6.02	7.46	10.01
Gross Current Assets (Days)	Days	86	144	109

Any other information:

Not Applicable

Applicable Criteria

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

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):

Ind-Ra, vide release dated May 25, 2017 has declared the ratings of SCS as Non-cooperative on account of lack of adequate information required for monitoring of ratings.

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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA BBB-/Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA A3
Proposed Facility	Not Applicable	Not Applicable	Not Applicable	0.70	SMERA BBB-/Stable

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ABOUT SMERA

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