

Press Release

Shashi Catering Services

March 20, 2019



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

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

Gujarat based, SCS was established in 1996 as a proprietorship firm by Mr. Shashidhar Shetty. The firm is engaged in providing catering services to Corporate, Institutional, Healthcare and Government Sector. The firm caters approximately ~1 lac meals per day.

Analytical Approach

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

Key Rating Drivers

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 in industrial canteens, security management and administration, and hotel management.

- **Reputed clientele**

SCS caters to Maruti Suzuki India Limited, Honda Motorcycle & Scooter (I) Pvt. Ltd. and Hindustan Coca-Cola Beverages Pvt. Ltd., among others. The firm has established relations with its clients for more than a decade which helps it get repeat orders.

- **Moderate financial risk profile**

SCS has moderate financial risk profile as marked by net worth of Rs.10.61 crore in FY2018 as compared to Rs.8.56 crore in the previous year. Out of total debt of Rs.5.17 crore in FY2018, short term debt consists of Rs.2.96 crore, long term debt of Rs.1.80 crore and balance is in the form of unsecured loan. This has led to gearing (debt-equity) of 0.49 times in FY2018 as against 0.40 times in the previous year. Interest Coverage Ratio (ICR) stood comfortable at 6.67 times as against 6.02 times in the previous year.

Weaknesses

- **Capital withdrawal risk**

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 1.19 percent in FY2018 as against 0.97 percent in FY2017.

Liquidity Position:

SCS has moderate liquidity marked by moderate net cash accruals to its maturing debt obligations. SCS generated cash accruals of Rs.2.60 crore during FY2018, while its maturing debt obligations were Rs.0.45 crore over the same period. SCS is not expecting to have any long term repayment obligations in the near term. However, net cash accruals to total debt (NCA/TD) stood at 0.50 times for FY2018 (PY: 0.58 times). The cash credit limit of SCS remains utilised fully during the last three months period ended February 2019. SCS maintained unencumbered cash and bank balances of Rs.10.23 crore as on March 31, 2018. The current ratio of SCS stood average at 1.05 times as on March 31, 2018. Acuité believes that the liquidity of SCS is likely to remain adequate over the medium term on account of no major repayments over the medium term.

Outlook: Stable

Acuité 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, stretched working capital cycle, or significant deterioration in its capital structure.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	182.65	169.83	146.10
EBITDA	Rs. Cr.	2.76	2.24	1.59
PAT	Rs. Cr.	2.17	1.65	1.17
EBITDA Margin	(%)	1.51	1.32	1.09
PAT Margin	(%)	1.19	0.97	0.80
ROCE	(%)	18.63	19.67	19.85
Total Debt/Tangible Net Worth	Times	0.49	0.40	0.65
PBDIT/Interest	Times	7.25	6.02	7.46
Total Debt/PBDIT	Times	1.72	1.45	2.04
Gross Current Assets (Days)	Days	88	89	144

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.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
10-Jan-2018	Cash Credit	Long Term	3.00	ACUITE BBB- / Stable (Assigned)
	Bank Guarantee	Short Term	4.00	ACUITE A3 (Assigned)
	Proposed Bank Facility	Long Term	0.70	ACUITE BBB- / 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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BBB- / Stable (Reaffirmed)
Bank guarantee/ Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A3 (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.70	ACUITE BBB- / Stable (Reaffirmed)

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About Acuité Ratings & Research:

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