



**Press Release**  
**Shashi Catering Services**  
**June 24, 2024**  
**Rating Upgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	7.70	ACUITE BBB   Stable   Upgraded   Positive to Stable	-
Bank Loan Ratings	3.00	-	ACUITE A3+   Upgraded
<b>Total Outstanding Quantum (Rs. Cr)</b>	10.70	-	-

**Rating Rationale**

Acuite has upgraded its long-term rating to **'ACUITE BBB'** (read as **ACUITE t riple B**) from **'ACUITE BBB-'** (read as **ACUITE t riple B minus**) and short-term rating to **'ACUITE A3+'** (read as **ACUITE A three plus**) from **'ACUITE A3'** (read as **ACUITE A three**) on the Rs.10.70 crore bank facilities of Shashi Catering Services (SCS) . The outlook has been revised to **'Stable'** from **'Positive'**.

**Rationale for rating upgrade and change in outlook**

The rating upgrade and change in outlook considers the growth recorded in operating income, stable financial risk profile and adequate liquidity position of the group in FY2023 and FY2024(Estimates). The revenue of the group grew by ~29% in FY2023 to Rs.388.86 Cr. from Rs.301.77 Cr. in FY2022. The increase in revenue is attributed to an increase in the number of orders and order values. Further, the group is estimated to achieve revenue of ~Rs.450 Cr. in FY2024. However, the operating margin of the group marginally moderated to 4.19% in FY2023 from 4.88% in FY2022, primarily on account of increased material cost. However, the same is estimated to improve in FY2024. The upgrade further considers the moderate financial risk profile of the group marked by moderate network, healthy coverage indicators, low gearing and total outside liabilities to total net worth (TOL/TNW) levels.

Further, the rating continues to draw comfort from the group's long track record of operations, experienced management, and its association with reputed clientele.

However, the rating is constrained by the tender-based nature of the business and the risk of capital withdrawal owing to the proprietorship nature of the business.

**About the Company**

Shashi Catering Services (SCS) is a proprietorship concern established in 1996 by Mr. Shashidhar Shetty. The Gujarat-based firm is engaged in providing catering services to large industrial institutions in both private as well as public sector.

**About the Group**

Shashi Catering Services Private Limited (SCSPL) was incorporated in 2018. The directors of the company are Mr. Shashidhar B. Shetty and Mrs. Pramila Shashidhar Shetty. The Gujarat-based company is also engaged in providing catering services to large industrial institutions in both private as well as public sector.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

## Extent of Consolidation

- Full Consolidation

## Rationale for Consolidation or Parent / Group / Govt. Support

Acuite has consolidated the financial and operational risk profiles of Shashi Catering Services SCS - the proprietorship firm and Shashi Catering Services Pvt. Ltd. – together referred to as SCS Group. Consolidation is in the view of similar business activities, common ownership and inter-company loans and advances.

## Key Rating Drivers

### Strengths

#### Experienced management and established track record of operations

SCS Group has operational track record of more than 25 years. Mr. Shashidhar Shetty, the promoter of the SCS Group is into the business of industrial catering and other services like administration, hotel management and security management for more than past 2 decades. After running the proprietorship concern (SCS) for almost 25 years, Mr. Shetty established Shashi Catering Services Pvt. Ltd. in February 2018 to undertake contracts for clients, where private limited constitution is required. Over the years, under the leadership of Mr. Shetty, the group has not only established long-standing relationship with reputed clients but has also expanded operations in regions other than its home region i.e. Gujarat. Besides Gujarat, SCS Group has presence in Karnataka, Haryana, Uttar Pradesh, West Bengal and Assam. SCS group's clientele includes reputed names like Maruti Suzuki India Limited, Indian Oil Corporation Limited, Hero Motocorp Ltd. and Apollo Tyres Limited, among others. SCS Group has been providing services to many of such reputed clients since last 8-11 years, which helps the group to get repeat orders. Acuite believes that the group will continue to benefit from its experienced management and long-standing relation with its clientele even going ahead.

#### Moderate financial risk profile

The financial risk profile of the group is moderate, marked by moderate networth, healthy coverage indicators, low gearing and total outside liabilities to total net worth (TOL/TNW) levels. The gearing levels marginally increased, however, remained low at 0.41 times as of March 31, 2023, against 0.24 times as of March 31, 2022 on account of increase in debt levels and some withdrawal of capital from proprietorship firm. The tangible net worth of the group improved and stood at Rs. 47.42 Cr. as of March 31, 2023, against Rs. 40.16 Cr. as of March 31, 2022. The TOL/TNW stood at 1.58 times as of March 31, 2023, against 1.50 times as of March 31, 2022. The total debt of Rs.19.52 Cr. as of March 31, 2023, constituted of long-term debt of Rs. 3.78 Cr, short-term debt of Rs. 10.21 Cr, and unsecured loans of Rs.5.53 Cr. from various financial institutions for working capital management. The debt protection metrics, interest coverage ratio and net cash accruals to total debt moderated to 13.93 times and 0.66 times, respectively, as of March 31, 2023, against 17.02 times and 1.23 times as of March 31, 2022, while DSCR stood at 9.59 times as of March 31, 2023, against 11.79 times as of March 31, 2022. Acuite believes, that the financial risk profile of the group is expected to remain at similar levels as no major debt is planned by the group.

#### Moderate working capital operations

The group's working capital operations are moderate in nature, marked by efficient inventory and receivable management. The gross current assets (GCA) stood at 70 days in FY2023 against 74 days in FY2022. The GCA days are led by debtor days and other current assets, mainly comprising of government receivables and various loans and advances. The inventory days stood at nil day for FY2023 and at 1 day for FY2022. The debtor days stood at 35 days in FY2023 against 43 days in FY2022. The group extends a credit period of up to 60 days to its clients. The creditors' days stood at 57 days in FY2023 against 69 days in FY2022. The group has a centrally organised material procuring team that manages local vendors at different locations. The fund based working capital limit utilisation stood moderate at 35% for the last 6 months ending April 2024, whereas the non-fund based limit utilisation stood at 100% during the same period. Acuite believes, that the working capital operations of the group will remain at similar levels over the medium term.

## **Weaknesses**

### **Risk of capital withdrawal**

There is a risk of capital withdrawal from the proprietorship concern – SCS, through which the group is generating substantial revenue (over 41 percent in FY2023). There was a withdrawal of ~Rs.4.58 Cr. capital in FY2023 from the proprietorship firm. Further, any substantial withdrawal of capital by the proprietor is likely to have an adverse impact on the capital structure.

### **Presence in a highly fragmented industry and tender based nature of operations**

The catering industry is highly fragmented and competitive, with a large number of unorganised players in the market; this limits pricing flexibility and bargaining power. Also, tender based nature of operations entails a risk of volatility in revenues and profitability. However, SCS has been able to sustain the operating performance over the year. Acuite believes, SCS will continue to benefit from its experience management over the medium term.

## **Rating Sensitivities**

- Growth in revenue while maintaining profitability margins.
- Any significant deterioration of its financial risk profile and liquidity position.
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics.
- Withdrawal of capital.

## **Liquidity Position**

### **Adequate**

The liquidity position of the company is adequate marked by sufficient cash accrual generation to its maturing repayment obligations. The group generated cash accruals of Rs.12.79 Cr. against nominal repayment obligations of Rs.0.26 Cr. in FY2023. Further, it is expected to continue to generate healthy accruals against nominal repayment obligations. The unencumbered cash and bank balances stood at Rs.16.43 Cr. as of March 31, 2023. The current ratio stood at 1.25 times as of March 31, 2023. The liquid investments stood at Rs.8.26 Cr. in the form of FDs with banks as of March 31, 2023. The reliance on fund based working capital limits stood moderate at 35% for the last 6 months ending April 2024 whereas the non-fund based limits remained fully utilised during the same period.

Going ahead, the liquidity position of the group is estimated to remain adequate on the back of expected healthy accruals generation, healthy liquid investments and buffer available in the form of unutilised working capital limits.

## **Outlook: Stable**

Acuite believes that SCS Group will maintain 'Stable' outlook in the medium term on account of its experienced management and established market presence along with long-standing relationship with reputed clients. The outlook may be revised to 'Positive' in case the firm registers higher than expected growth in revenue and operating margin while maintaining its moderate financial risk profile and adequate liquidity position. Conversely, the outlook may be revised to 'Negative' in case of any significant deterioration in the operating revenue and profitability levels, and/or deterioration in financial risk profile and liquidity position.

## **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	388.86	301.77
PAT	Rs. Cr.	11.83	11.00
PAT Margin	(%)	3.04	3.64
Total Debt/Tangible Net Worth	Times	0.41	0.24
PBDIT/Interest	Times	13.93	17.02

### 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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
27 Mar 2023	Cash Credit	Long Term	6.25	ACUITE BBB-   Positive (Reaffirmed)
	Working Capital Term Loan	Long Term	1.45	ACUITE BBB-   Positive (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	3.00	ACUITE A3 (Reaffirmed)
17 Jun 2022	Bank Guarantee (BLR)	Short Term	3.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	6.25	ACUITE BBB-   Positive (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	1.45	ACUITE BBB-   Positive (Reaffirmed)
24 Mar 2021	Bank Guarantee (BLR)	Short Term	3.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	6.25	ACUITE BBB-   Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	1.45	ACUITE BBB-   Stable (Reaffirmed)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.00	ACUITE A3+   Upgraded ( from ACUITE A3 )
Bank of Baroda	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	6.25	ACUITE BBB   Stable   Upgraded   Positive to Stable ( from ACUITE BBB- )
Bank of Baroda	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Dec 2026	Simple	1.45	ACUITE BBB   Stable   Upgraded   Positive to Stable ( from ACUITE BBB- )

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

Sr.No.	Company Name
1	Shashi Catering Services
2	Shashi Catering Services Private Limited

## Contacts

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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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