Rating Rationale

Atluri Foods Pvt Ltd

17 Jan 2018

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 27.67 Crores of Atluri Foods Pvt Ltd (Chutneys or the Company)

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Nov, 2016)	Present
Fund based Cash Credit	8.00	9.00	Long Term	BWR BB- Outlook: Stable	BWR BB- (BER Double B Minus) Outlook: Stable Reaffirmation
Term Loans	17.79	18.11			
Non Fund Based ILC/FLC	---	0.50	Short Term	…..	BWR A4 (BWR A Four) (Assigned)
CEL	----	0.06			
Total	25.79	27.67	₹. 27.67 (INR Twenty Seven Crores and Sixty seven Lakhs Only)		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Ratings: Long Term rating Reaffirmed and Short term Rating assigned

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the firm's Audited financial results of FY17, and publicly available information and the information/clarifications provided by the Company's Management.

The rating takes comfort from the vast experience of the promoters and the management team in restaurant business, established brand name with geographically diversified presence, long track of operations of the company , year on year improvement in revenue growth, satisfactory coverage indicators, increased net profit margin.

The assigned rating is, however primarily constrained by small scale of operations, low net worth, reduced operating profit margin, working capital intensive nature of its operations and weak liquidity position, and competitive intensity in the business, debt funded expansion plans and moderately leveraged capital structure and presence in highly competitive restaurant business.

Going forward, the ability of Chutneys to timely complete the project as envisaged and subsequently successfully operate new restaurants, scale up the occupancy levels and improvement in profitability through revival in same-outlet sales and efficient cost management remains, improving/ maintaining footfalls into its restaurants a key rating sensitivity.

Description of Key Rating Drivers

- **Credit Strengths:** Promoter has nearly 2 decades of experience revenues are improved to Rs.32.33 Crs in FY17 from Rs.23.92 Crs in FY16, ISCR at 3.91 times and DSCR at 2.15 times for FY17 and net profit margin is improved to 4.73% in FY17 from 4.25% in FY16
- **Credit Risks:** As on 31/03/2017 Company TNW stood at 7.58 Crs, Current Ratio reported at 0.62 times and operating profit margin is reduced to 14.18% in FY17 from 15.78% in FY16.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the **Atluri Foods Pvt Ltd** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Atluri Foods Pvt Ltd (AFPL) has presence in the fine dining industry. AFPL was incorporated in September 1998 by Mr. Atluri Vijaya Venkata Prasad is a Managing Director (Holds 99% shareholding in the company) and he is a Post Graduate from IIT Delhi and Atluri Ravi is the other director of the Company. The company operates fine-dining restaurant chains across Hyderabad, Telangana and offer a variety of cuisines and dining formats. As of now it is operating 8 restaurants under the brand name of ''Chutneys''. The company recently setting up a Hyper Market at Gajuwaka, Vizag, Andhra Pradesh and the another restaurant also be opened at Vizag in the at the Hypermarket premises and the expected to be full year of operations starting from April 2018.

Company Financial Performance

As per audited financial of FY17, the Company has reported EBITDA of Rs.4.58 crore and PAT of Rs.1.53 crore on total operating income of Rs.32.33 crore as against EBITDA of Rs.3.78 crore and PAT of Rs.1.02 crore on total operating income of Rs.23.92 crore in FY16. As on 31/03/2017 the Company's networth is Rs.7.58 Crs, while Debt/Equity ratio is 1.39 times, Net Profit Margin, Operating Profit Margin, and Current Ratio have been recorded at 4.73%, 14.18%, 0.62 times respectively.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History	
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	21-11-2016
1 2	Fund Based Cash Credit Term Loans	Long Term	9.00 18.11	BWR BB- Outlook:Stable Reaffirmed	Not Rated	BWR BB-
3 4	Non Fund Based ILC/FLC CEL	Short Term	0.50 0.06	BWR A4 (Assigned)		------
Total			**27.67**	**INR Twenty Seven Crores and Sixty seven Lakhs Only**		

Status of non-cooperation with previous CRA (if applicable)-Reason and comments: NIL

Any other information: NA

Key Financial Indicators

Key Parameters	Units	2017	2016
Result Type			
Operating Revenue	₹. Crs	32.33	23.92
EBITDA	₹. Crs	4.58	3.78
PAT	₹. Crs	1.53	1.02
Tangible Net worth	₹. Crs	7.58	6.05
Total Debt/Tangible Net worth	Times	1.39	1.66
Current Ratio	Times	0.62	1.07

Hyperlink/Reference to applicable Criteria

- **General Criteria** **Approach to Financial Ratios**
- **Short Term Debt**

For any other criteria obtain hyperlinks from website

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Note on complexity levels of the rated instrument:
BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.
BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.