



## Rating Rationale

Atluri Foods Pvt Ltd

22Mar2019

**Brickwork Ratings reaffirms the long term rating and withdraws the short term rating for the Bank Loan Facilities of ₹ 25.10 Crores of Atluri Foods Pvt Ltd (AFPL or Company).**

### Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Jan, 2018)	Present
<b>Fund based OCC Term Loans</b>	<b>9.00 18.11</b>	<b>10.00 15.10</b>	<b>Long Term</b>	<b>BWR BB-</b> (Pronounced as BWR Double B Minus) <b>Outlook: Stable</b>	<b>BWR BB-</b> (Pronounced as BWR Double B Minus) <b>Outlook: Stable Reaffirmed</b>
<b>Non Fund Based</b>	<b>0.56</b>	<b>Nil</b>	<b>Short Term</b>	<b>BWR A4</b> (Pronounced as BWR A Four)	<b>Withdrawn</b>
<b>Total</b>	<b>27.67</b>	<b>25.10</b>	<b>INR Twenty Five Crores and Ten Lakhs Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

**Ratings: Long term rating reaffirmed and short term rating withdrawn.**

### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has relied upon the audited financials upto FY18, projected financials upto FY20, publicly available information and information provided by the management.

The rating draws strength from the experience of the promoters, revenue growth, increased net worth and satisfactory debt protection metrics. The rating is however constrained by reduced profit margins, high gearing, weak current ratio and highly competitive industry.



Going forward, the ability of the company to increase the scale of operations with enhanced revenues, profits and profitability margins, infuse own funds and service the debt obligations promptly would be the key rating sensitivities.

### **Description of Key Rating Drivers**

#### **Credit Strengths:**

The promoters, Mr Atluri VV Prasad and Mr Atluri Ravi have over 20 years of experience in the industry. Revenue has increased from ₹ 32.33 Crs in FY17 to ₹ 42.40 Crs in FY18 mainly due to the increased popularity of the restaurants. Net worth has increased from ₹ 7.58 Crs in FY17 to ₹ 10.46 Crs in FY18. Interest Service Coverage Ratio is at 3.72x and Debt Service Coverage Ratio is at 1.41x in FY18.

#### **Credit Risks:**

Net profit margin has reduced from 4.73% in FY17 to 3.26% in FY18 and operating profit margin has reduced from 15.70% in FY17 to 11.05% in FY18. Due to an increase in total debt, gearing ratio is high at 2.58x in FY18. The industry is highly competitive with a large number of players. Liquidity is marked by current ratio at 0.64x in FY18.

### **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**

AFPL was incorporated in September 1998. The company runs a chain of restaurants across Hyderabad, Telangana called 'Chutneys'. It has 8 outlets across the city. The company also runs a hyper market called 'GlobEx HyperMarket' at Gajuwaka, Visakhapatnam which started commercial operations in Jan 2019. The company has begun the construction of another hyper market in Vijayawada. The company has floated an SPV by name Atluri Foods Nellore Pvt Ltd for the construction of a hotel and restaurant in Nellore. The project is still in the initial stage and construction has not yet begun.



### Company Financial Performance

The company has reported Net sales of ₹ 42.40 Crs and PAT (Profit after Tax) of ₹ 1.38 Crs in FY18 as against Net sales of ₹ 32.33 Crs and PAT of ₹ 1.53 Crs in FY17.

### Rating History for the last three years

Facility	Current Rating (2019)			Rating History		
	Type	Amount (₹ Crs)	Rating	17.1.2018	2017	21.11.2016
<b>Fund Based</b>	Long Term	25.10	<b>BWR BB-</b> (Pronounced as BWR Double B Minus) <b>Outlook: Stable Reaffirmed</b>	<b>BWR BB-</b> (Pronounced as BWR Double B Minus) <b>Outlook: Stable</b>	<b>Not Rated</b>	<b>BWR BB-</b> (Pronounced as BWR Double B Minus) <b>Outlook: Stable</b>
<b>Non Fund Based</b>	Short Term	Nil	<b>Withdrawn</b>	<b>BWR A4</b> (Pronounced as BWR A Four)	<b>Not Rated</b>	<b>Nil</b>
<b>Total</b>		<b>25.10</b>	<b>₹ Twenty Five Crores and Ten Lakhs Only</b>			

**Status of non-cooperation with previous CRA: Not to our knowledge**

**Any other information: Nil**

### Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Total Operating Income	In ₹ Crs	42.40	32.33
EBITDA	In ₹ Crs	4.68	5.08
PAT	In ₹ Crs	1.38	1.53
Tangible Net worth	In ₹ Crs	10.46	7.58
Total Debt/Tangible Net worth	Times	2.58	1.39
Current Ratio	Times	0.64	0.59

### Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Services Sector](#)

For any other criteria obtain hyperlinks from website

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#### For print and digital media

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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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

### **About Brickwork Ratings**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

### **DISCLAIMER**

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