

Press Release

Ozone Logistics Private Limited

February 22, 2022



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	13.00	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	97.00	ACUITE BBB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	110.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of **'ACUITE BBB' (read as ACUITE triple B)** to the Rs. 97.00 Cr bank facilities and assigned the long term rating of **'ACUITE BBB' (read as ACUITE triple B)** to the Rs. 13.00 Cr bank facilities of Ozone Logistics Private Limited. The outlook is **'Stable'**.

The rating reaffirmation of the group takes into account the stable business risk profile of the company as reflected from its diversified business interests thus ensuring steady cash accruals apart from stabilization in their hotel business. The rating also factors in its long track record of operations of the group, experienced management and the efficient collection mechanism. These strengths are partially offset by the average financial risk profile of the group, the fragmented steel industry and the volatility in commodity prices.

About the Company

Incorporated in 2010, Ozone Logistics Private Limited is part of the Shri Ram group and is engaged in wholesale trading of TMT and other iron and steel items. The company is the sole distributor of Electrosteel Steels Limited and Jindal Steel and Power Limited in Jharkhand and West Bengal. Further, the company is also the distributor of the TMT bar of Jindal Steel and Power Limited in the few districts of Jharkhand and West Bengal. The company has a total of 4 warehouses across all the locations.

About the Group

Incorporated in 1998, Shri Ram Multicom Private Ltd (SRMPL) is the flagship company of the group. SRMPL has developed and set up a budget category hotel named Fairfield Hotel along with retail mall/spaces, a brand owned by Marriott at Newtown, Rajarhat, Kolkata. SRMPL has an agreement of 25 years with Marriott for the same. Additionally, SRMPL operates a commercial building in Dhanbad and is engaged as a forwarding agent for ACC Limited and IOCL.

Incorporated in 1998, Jalan Intercontinental Hotels Private Limited is a Kolkata based company engaged in running a 5 star hotel, "Taj Vivanta". In November 2018, the company was taken over through competitive bidding from National Company Law Tribunal by the Shri

Ram Ozone group.

Shri Ram Mall Private Limited was incorporated in 2006 engaged into construction of malls. Currently, the company is operating a mall in Dhanbad namely Ozone Galleria. In Dhanbad, this is the only mall, which started operations in FY 2008. The mall has an area of 3.5 lakh square feet and has anchor shops such as Big Bazaar, Pantaloons, Reliance trend, Reliance FP, Reliance digital etc. In addition to this it has a multiplex with 4 screens. Currently, the mall has approximately 95 per cent occupancy.

Incorporated in 2005, Shri Ram Residency Private Limited is part of the Shri Ram group and is engaged in developing of commercial and residential properties in Dhanbad. The company has already completed two projects Ozone Plaza (Commercial) and Blue Diamond (Residential). At present the company has an ongoing project 'Maemco (Ozone Town)'.

Incorporated in 2012, Shri Ram Ozone Retail Private Limited (SRORPL) is a franchisee and an authorized dealer of Tanishq Jewellery (Gems & Jewellery division of Titan Industries Ltd) and is engaged in retailing of gold & platinum Jewellery studded with precious and semi-precious gems, bullions and gold watch studded with precious stones. The company has 3 showrooms, 2 in Kolkata (commission income model) and 1 in Ranchi (purchase and sell model) and 2 Mia by Tanishq outlets, 1 in Kolkata and 1 in Ranchi.

Incorporated in 2003, SRP is a franchisee and an authorized dealer of Tanishq Jewellery (Gems & Jewellery division of Titan Industries Ltd) and is engaged in retailing of gold & platinum Jewellery studded with precious and semi-precious gems, bullions and gold watch studded with precious stones. The company has 1 showroom in Dhanbad.

Analytical Approach

Acuité has combined and consolidated the financial and business risk profiles of Shri Ram Multicom Private Limited with its subsidiaries, Shri Ram Mall Private Limited, Shri Ram Residency Private Limited, Shri Ram Ozone Retail Private Limited, Shri Ram Precision, Ozone Logistics Private Limited and Jalan Intercontinental Hotels Private Limited. This is on account of common promoters, holding-subsidiary relationship and corporate guarantee provided by Shri Ram Multicom Private Limited, the flagship company to its subsidiaries. The group is herein referred to as the Shri Ram Ozone group. Extent of consolidation: Full

Key Rating Drivers

Strengths

- **Long operational track record and experienced management**

The group has a long track record of over two decades in varied business like distribution of TMT bars, dealership of jewellery, real estate/commercial estate, and logistics business. The group has an established presence in Jharkhand and West Bengal. Initially, the group started with clearing & forwarding business and development of residential and commercial projects. Over the years, the group has diversified its activities and ventured into diverse business such as distribution of TMT bars, dealership of jewellery and operation of mall and hotels. Acuité believes that the long track record of operations will benefit the company going forward, resulting in steady growth in the scale of operations.

The group is managed by Mr. Pradeep Kumar Sonthalia, who possesses vast experience of over two decades in the industry. Currently, his son Mr. Nityanand Sonthalia is actively involved in the day to day operations of the group. Acuité derives comfort from the long experience of the promoters.

- **Strong business risk profile supported by diversified business with major contribution from distribution of TMT bars**

The group has presence in diverse sectors like real estate development, steel trading, jewellery, hospitality and logistics. However, major revenues of the group are generated from

distribution of TMT bars, manufactured by Electrosteel Steels Limited and Jindal Steel and Power Limited. The group's TMT bars trading division is operated under Ozone Logistics Private Limited. In FY21, TMT bars trading division contributed to around 61 percent of the total revenues of the group.

Moreover, the group also derives healthy revenues from the jewellery business through their dealership of Tanishq jewellery. The group operates four showrooms, two in Kolkata and one each in Ranchi and Dhanbad. Apart from this, the group has leased out commercial properties in Dhanbad which provide stable cash flows. The leased out properties have had healthy occupancy over the years, along with modest growth in rentals. Also, the group has leased out its retail space in its newly developed hotel, Fairfield by Marriott to reputed retailers which provides stable rentals. Acuité believes that though the debt levels of the group remains significantly high, the stable cash flows from its leased out properties and steel trading activities (contributing to around 60 percent of the group's revenues) will help the group to sustain steady cash accruals and maintain its business risk profile over the medium term.

• **Moderate working capital management**

The working capital management of the group is moderate marked by Gross Current Assets (GCA) of 133 days on 31st March 2021 as compared to 94 days on 31st March 2020. The moderate level of GCA days is on account of moderate inventory levels during the same period. The inventory holding stood at 79 days on 31st March 2021 as compared to 69 days as on 31st March 2020. However, the debtor period stood comfortable at 11 days on 31st March 2021 as compared to 12 days on 31st March 2020. Acuité believes that the working capital operations of the group will remain at same level as evident from efficient collection mechanism and moderate inventory levels over the medium term.

Weaknesses

• **Average financial risk profile**

The group's average financial risk profile is marked by healthy network, high gearing and moderate debt protection metrics. The tangible net worth of the group increased to Rs.248.73 Cr as on March 31, 2021 from Rs.242.10 Cr as on March 31, 2020 due to accretion of reserves. Gearing of the group stood moderate at 2.03 times as on March 31, 2021 as against 1.80 times as on March 31, 2020. The debt of Rs.505.76 Cr consists primarily of term loan of Rs.349.18 Cr and working capital from the bank of Rs.122.62 Cr as on March 31, 2021. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 2.23 times as on March 31, 2021 as against 2.07 times as on March 31, 2020. The moderate debt protection metrics of the group is marked by Interest Coverage Ratio at 1.65 times as on March 31, 2021 and Debt Service Coverage Ratio at 1.18 times as on March 31, 2021. Net Cash Accruals/Total Debt (NCA/TD) stood healthy at 0.06 times as on March 31, 2021. Acuité believes that the financial risk profile of the group is expected to improve in the absence of any significant debt funded capex plans over the medium term.

• **Intense competition and inherent cyclical nature of the steel industry**

The downstream steel industry remains heavily fragmented and unorganised. The company is exposed to intense competitive pressures from large number of organised and unorganised players along with its exposure to inherent cyclical nature of the steel industry. Additionally, prices of raw materials and products are highly volatile in nature.

Rating Sensitivities

- Improvement in revenue growth and margins
- Deterioration in the group's financial risk profile
- Increase in occupancy levels and ARR of the hotel properties

Material covenants

None

Liquidity Position: Adequate

The group's liquidity is adequate marked by steady net cash accruals of Rs.28.06 Cr as on March 31, 2021 as against long term debt repayment of Rs.16.67 Cr over the same period. The cash and bank balances of the group stood at Rs.46.32 Cr as on March 31, 2021 as compared to Rs.6.04 Cr as on March 31, 2020. The aforementioned cash balances are entirely unencumbered. The current ratio stood comfortable at 1.40 times as on March 31, 2021 as compared to 1.18 times as on March 31, 2020. The net cash accruals is expected to remain in the range of around Rs.30.00-40.00 crore against its maturing debt obligations in the range of Rs. 25.00- 28.00 crore. However, the fund based limit utilization remains high at 89 per cent over the twelve months ended October, 2021. Working capital management of the group is moderate marked by Gross Current Assets (GCA) of 133 days on 31st March 2021 as compared to 94 days on 31st March 2020. Acuité believes that going forward the group will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Acuité believes that the outlook on Shri Ram Ozone Group will remain 'Stable' over the medium term on account of the long track record of operations, experienced management, sound business position and moderate working capital management. The outlook may be revised to 'Positive' in case of significant growth in revenue while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the Group's revenues or profit margins, or in case of deterioration in the group's financial risk profile or delay in completion of its projects or further elongation in its working capital cycle.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	729.96	814.23
PAT	Rs. Cr.	6.56	17.94
PAT Margin	(%)	0.90	2.20
Total Debt/Tangible Net Worth	Times	2.03	1.80
PBDIT/Interest	Times	1.65	2.14

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entity: <https://www.acuite.in/view-rating-criteria-61.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- 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>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
28 Jan 2022	Term Loan	Long Term	5.90	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	25.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE BBB Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	6.68	ACUITE BBB Stable (Reaffirmed)
	Secured Overdraft	Long Term	5.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB Stable (Reaffirmed)
	Secured Overdraft	Long Term	11.92	ACUITE BBB Stable (Reaffirmed)
	Secured Overdraft	Long Term	7.50	ACUITE BBB Stable (Reaffirmed)
04 Sep 2020	Cash Credit	Long Term	10.00	ACUITE BBB Stable (Reaffirmed)
	Secured Overdraft	Long Term	11.92	ACUITE BBB Stable (Reaffirmed)
	Secured Overdraft	Long Term	5.00	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	5.90	ACUITE BBB Stable (Reaffirmed)
	Secured Overdraft	Long Term	7.50	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE BBB Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	6.68	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	25.00	ACUITE BBB Stable (Assigned)
27 Apr 2019	Term Loan	Long Term	5.90	ACUITE BBB Negative (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB Negative (Reaffirmed)
	Secured Overdraft	Long Term	7.50	ACUITE BBB Negative (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE BBB Negative (Reaffirmed)
	Secured Overdraft	Long Term	2.60	ACUITE BBB Negative (Reaffirmed)
	Secured Overdraft	Long Term	14.00	ACUITE BBB Negative (Reaffirmed)
08 Feb 2018	Cash Credit	Long Term	25.00	ACUITE BBB Stable (Assigned)
	Secured Overdraft	Long Term	7.50	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	5.90	ACUITE BBB Stable (Assigned)
	Secured Overdraft	Long Term	14.00	ACUITE BBB Stable (Assigned)
		Long		

	Cash Credit	Term	10.00	ACUITE BBB Stable (Assigned)
	Secured Overdraft	Long Term	2.60	ACUITE BBB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE BBB Stable Reaffirmed
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	7.40	ACUITE BBB Stable Reaffirmed
Axis Bank	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE BBB Stable Reaffirmed
ICICI Bank Ltd	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	7.91	ACUITE BBB Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	7.60	ACUITE BBB Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	8.29	ACUITE BBB Stable Reaffirmed
ICICI Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	5.90	ACUITE BBB Stable Reaffirmed
Tata Capital Limited	Not Applicable	Term Loan	Not available	Not available	Not available	25.00	ACUITE BBB Stable Reaffirmed
State Bank of India	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	3.31	ACUITE BBB Stable Assigned
Axis Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	1.35	ACUITE BBB Stable Assigned
Axis Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	0.74	ACUITE BBB Stable Assigned

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