



Press Release

February 08, 2018

Shri Ram Mall Private Limited

Rating Assigned

Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	SMERA BBB/Outlook: Stable

* Refer Annexure for Details

Rating Rationale

SMERA has assigned a long term rating of **'SMERA BBB' (read as SMERA triple B)** on Rs.20.00 crore bank facilities of Shri Ram Mall Private Limited (SRMPL). The outlook is **'Stable'**

Analytical Approach

SMERA has combined and consolidated the financial and business risk profiles of Shri Ram Multicom Private Limited, Shri Ram Mall Private Ltd, Shri Ram Residency Private Ltd, Shriramozone Private Ltd, Shri Ram Precision and Ozone Logistics Private Ltd. This is on account common promoters & cash fungibility among the group companies.

Shri Ram Mall Private Limited (SRMPL) was incorporated in 2006 and promoted by the Sonthalia family under the flagship company of Shri Ram Multicom Private Limited. SRMPL is engaged into construction of construction of malls.

About the group

Shri Ram Multicom Private Limited (SRMPL) was incorporated in 1998 and promoted by the Sonthalia family. It is the flagship company of the group, which mainly undertakes real estate development projects, trading in thermo-mechanically treated steel bars (manufactured by Electrosteel Steels Ltd and Jindal Steel and Power Ltd), dealership of Jewellery (Tanishq) and logistics business where it acts as clearing & forwarding agent for ACC Limited & Indian Oil Corporation Limited.

SRMPL is developing and setting up a budget category hotel along with retail mall/spaces to be known as —Fairfield Hotel, a brand owned by Fairfield Marriott at Newtown, Rajarhat, Kolkata. Rajarhat has become the hub of new developments due to its proximity to the airport, malls, IT Park in and around Salt Lake and the key areas of Kolkata.

Key Rating Drivers

Strengths

Established business with healthy track record of promoters

SMERA Ratings Limited

The main promoter of the company, Mr. Pradeep Kumar Sonthalia has been engaged as a Distributor, Carrying & Forwarding Agent and a Real Estate Developer for more than three decades and his son Mr. Nityanand Sonthalia, attained his degree in business management from University of Warwick, UK. He joined the board of Shri Ram Multicom Private Limited in the year 2010 and is mainly involved in the day to day business of Distribution and Logistics.

Healthy financial risk profile

The financial risk profile of the group is marked by net worth of Rs. 142.93 crores as on 31st March 2017 as against Rs. 114.87 crores as on 31 March 2016. The improvement is mainly on account improvement in profits and infusion of capital by the directors. The gearing improved and stood at 1.11 times as on 31 March 2017 as against 1.49 times as on 31 March 2016. The group has reported a healthy total outside liabilities to total net worth (TOL/TNW) of 1.3 times as on March 2017. Despite its debt funded Capex plan, the group will maintain its financial risk profile over the medium term on the back of funding support from promoter and healthy accretion to reserve.

Funding support from parent

Shri Ram group extends funding support to its subsidiaries to manage its working capital requirement. The rating also factors the expected funding support from parent group going forward when needed. The flagship company has also extended corporate guarantee to the credit facilities availed by SRMPL.

Comfortable profitability margins

The profitability of the group is comfortable, marked by EBITDA margins which stood at 8.91% in FY2017 as against 8.41% in FY2016. The PAT margins have also improved from 2.08% in FY2016 to 4.24% in FY2017.

Diverse business profile and Stable lease income from properties

SRMPL has a diverse business which includes real estate development, steel trading, Jewellery, hospitality and logistics. The Shri Ram group has leased out 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 properties have a good clientele with no major upcoming renewals over the medium term. Stable cash flows from its leased out properties and expected growth in business should hold the group in good stead over the medium term. Further, the group has a land bank of Rs.421 Crore.

Diverse business profile and Stable lease income from properties

SRMPL has a diverse business which includes real estate development, steel trading, Jewellery, hospitality and logistics. The Shri Ram group has leased out 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 properties have a good clientele with no major upcoming renewals over the medium term. Stable cash flows from its leased out properties and expected growth in business should hold the group in good stead over the medium term. Further, the group has a land bank of Rs.421 Crore.

Weaknesses

Implementation risk of the new project & susceptibility to cyclicalities inherent in real-estate sector

Shri Ram Group is implementing a hotel cum commercial project in Kolkata. The project cost is Rs.149.69 Crore which will be funded by the bank to an extent of Rs.81 Crore and the remaining funds shall be infused by the directors, which is substantially large compared to the group's net worth. The project is susceptible to implementation risk, which if materializes may impact group's liquidity. Any time or cost overrun in the project will remain a rating sensitivity factor. The real estate sector in India is cyclical and volatile, resulting in fluctuations in cash inflows, on account of volatility in occupancy, lease rentals, realizations, and

SMERA Ratings Limited

saleability. Cash outflows, relating to completion of projects and to debt repayments, on the other hand, are relatively fixed, and can lead to substantial mismatches in cash flow.

Modest scale of operations and geographic concentration in Dhanbad real estate market

Shri Ram group's operations are concentrated in the Dhanbad city. The group has executed over 10 projects, all located in this state. Furthermore, the group undertakes smaller projects compared with large regional and national real estate developers, due to its limited reach and small scale of operations.

Requirement of Working Capital

Shri Ram group has moderate liquidity and derives funding support from its promoters in the form of equity capital. The group has the flexibility to leverage on the lease rentals to raise additional debt in case of exigencies. Also, the group is into trading businesses of Jewellery and TMT bars due to which it has large working capital requirements and moderate bank limit utilisation. SRMPL has exposure to profitability fluctuations due to underlying commodity prices. The increase in exposure to non-real estate businesses and working capital requirements will remain key rating sensitivity factor.

Outlook: Stable

SMERA believes the group's business risk profile will continue to benefit from the promoters extensive industry experience. The outlook may be revised to 'Positive' in case the higher than expected cash flows from lease rental income by way of improving its occupancy rate along with liquidating its inventory from real estate business. Conversely, the outlook may be revised to 'Negative' if the group's financial risk profile deteriorates due to decline in its lease rental income or lower-than-expected cash flows. The outlook may also be revised to 'Negative' in case the group's exposure to other businesses increases substantially thereby increasing its funding requirements.

About the Rated Entity - Key Financials

Particulars	Unit	FY17	FY16	FY15
Operating Income	Rs. Cr.	358.50	230.84	211.36
EBITDA	Rs. Cr.	31.92	19.42	18.02
PAT	Rs. Cr.	15.20	4.80	2.16
EBITDA Margin	(%)	8.91	8.41	8.53
PAT Margin	(%)	4.24	2.08	1.02
ROCE (%)	(%)	11.45	7.21	13.82
Total Debt/Tangible Net Worth	Times	1.11	1.49	1.18
PBDIT/Interest	Times	2.66	1.75	1.53
Total Debt/PBDIT	Times	4.29	7.59	6.50
Gross Current Assets (Days)	Days	174	237	255

*On a standalone basis, SRMPL recorded revenue of Rs.12.11 Crore and a net profit of Rs.4.42 Crore in 2016-17

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

None

SMERA Ratings Limited

Any other information

None

Applicable Criteria

- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Service Entities - <https://www.smera.in/criteria-services.htm>
- Consolidation - <https://www.smera.in/criteria-consolidation.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition - <https://www.smera.in/criteria-default.htm>

Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

None

Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Available	18.50	SMERA BBB/ Stable
Overdraft	Not Applicable	Not Applicable	Not Available	1.50	SMERA BBB/ Stable

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head – Ratings Operations Tel: +91-22-6714 1190 Email: vinayak.nayak@smera.in Aditi Shah, Rating Analyst, Tel: +91-22-6714 1371 Email: aditi.shah@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and some leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising

SMERA Ratings Limited

from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.