

## Press Release

### Shri Ram Precision

April 27, 2019

### Rating Re-affirmed



<b>Total Bank Facilities Rated*</b>	Rs. 25.00 Cr.
<b>Long Term Rating</b>	ACUITE BBB / Outlook: Negative

\* Refer Annexure for details

### Rating Rationale

Acuite has re-affirmed long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) to the Rs. 25.00 crore bank facilities of Shri Ram Precision (SRP). The outlook has been revised to '**Negative**' from '**Stable**'.

The revision in outlook is on account of significant rise in debt levels in the last two years ended FY 2019. The significant rise in debt levels was on account of takeover of a 5 star hotel (Jalan Intercontinental Hotel) through competitive bidding from National Company Law Tribunal (NCLT) in November'18. Further, the group has taken term loan for purchase and development of land. Acuite notices the hotel was incurring losses due to the inability to run at its full capacity. Though the management after taken over has increased the number of operational rooms thereby improving the overall occupancy rate. Going forward, any decrease in occupancy rate will impact the cash accruals thereby impacting the credit profile of the group. Further, the ability of the group to develop land/plots and selling the same without any significant delay will remain a key rating sensitivity.

### Analytical Approach

Acuite has combined and consolidated the financial and business risk profiles of Shri Ram Multicom Private Limited, Shri Ram Mall Private Limited, Shri Ram Residency Private Limited, Shriramozone Private Limited, Shri Ram Precision, Ozone Logistics Private Limited and Jalan Intercontinental Hotels Private Limited. This is on account common promoters & cash fungibility among the group companies. Extent of consolidation: Full

### About the Firm

Shri Ram Precision (SRP) was formed in 2003 and promoted by the Sonthalia family under the flagship company of Shri Ram Multicom Private Limited. SRP is a franchisee and an authorised dealer of the Tanishq brand (Gems & Jewellery division of Titan Industries Ltd), and has its showroom at Dhanbad.

### About the Group

Shri Ram Ozone Group is promoted by the Dhanbad based Sonthalia family and has diversified interest in real estate, 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. In addition the group has taken over a 5 star hotel namely Jalan Intercontinental Hotel managed by the Taj group and is undertaking to 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

## Key Rating Drivers

### Strengths

#### Experienced management and long track record

Promoted by the Sonthalia family the group has a long track record of over two decades in diversified business. The group started with trading of TMT bars and over the years has diversified its business into real estate, franchise of (Tanishq) etc. The group is managed by Mr. Pradeep Kumar Sonthalia and his son Mr. Nityanand Sonthalia,

#### Diverse business profile and Stable lease income from properties

The group 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. Acuite notices that there has been a significant rise in debt levels of the group though stable cash flows from its leased out properties and expected growth in business should hold the group in good stead over the medium term.

### Healthy financial risk profile

The financial risk profile of the group is healthy marked by net worth of Rs. 146.01 crores as on 31st March 2018 as against Rs. 111.91 crores as on 31 March 2017. The improvement is mainly on account improvement in profits and infusion of capital by the directors. The gearing stood high at 2.53 times as on 31 March 2018 as against 2.95 times as on 31 March 2017. The high gearing is on account of rise in debt levels to fund the takeover of hotel and procurement of land to develop plots. The debt protection metrics stood comfortable at 3.23 times as on 31<sup>st</sup> March'18 as compared to 3.08 times as on 31<sup>st</sup> March'17. Going forward, though Acuite expects marginal deterioration in the debt protection on account of the rise in interest obligation due to the significant rise in debt levels in the last 2 years ended FY 2019.

### Weaknesses

#### Implementation risk of the new project & stabilization of the recently taken over hotel

The Project cost of the Fairfield Hotel 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 high compared to the group's net worth. The project is susceptible to implementation risk, which if materializes may impact group's liquidity. Any deviation in the occupancy rate and any time or cost overrun in the project will remain rating sensitivity factor. Further, the ability of the group to stabilise the operations of the taken over hotel namely Jalan Intercontinental Hotel and run at a healthy capacity will also remain a key rating sensitivity. Any significant fall in the occupancy rate will impact the cash flow of the group thereby impact the overall credit risk profile of the group.

### Liquidity:

The group has healthy liquidity profile marked by net cash accruals in the range of ~ Rs.35 crore during the last the FY 2018) crore against its Rs 18.94 crore debt obligations during the same period. The fund based working capital limit remains utilised at ~ 75 per cent level of during the 12 months period ended January 2019.

### Outlook: Negative

Acuite has revised the outlook of Shriram Ozone group to 'Negative' based on significant rise in debt levels, project implementation and stabilization risk and expected deterioration in debt protection metrics. The rating may get downgraded in case of further rise in the debt levels or significant delay in commencement of operation of the Fairfield Hotel and decrease in the occupancy rate of the Jalan Intercontinental Hotel . The outlook may be revised to 'Stable' if the Fairfield Hotel commences operation without any delay and the occupancy levels reaches the expected levels thereby improving the overall cash flows. Further stabilization and sustenance of the occupancy rate in the Jalan Intercontinental Hotel may lead to 'Stable' outlook.

### About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	550.02	382.54	253.03
EBITDA	Rs. Cr.	58.25	31.90	19.97
PAT	Rs. Cr.	23.46	15.32	(23.13)
EBITDA Margin	(%)	10.59	8.34	7.89
PAT Margin	(%)	4.26	4.01	(9.14)
ROCE	(%)	10.09	7.86	3.25
Total Debt/Tangible Net Worth	Times	2.53	2.95	4.15
PBDIT/Interest	Times	3.23	3.08	0.72
Total Debt/PBDIT	Times	6.21	7.38	14.89
Gross Current Assets (Days)	Days	132	169	224

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

None

**Any other information**

None

**Applicable Criteria**

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Service Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Consolidation - <https://www.acuite.in/criteria-consolidation.htm>

**Note on complexity levels of the rated instrument**

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

**Rating History (Upto last three years)**

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
08-February-2018	Cash Credit	Long Term	2.00	ACUITE BBB/Stable (Assigned)
	E-DFS	Long Term	19.00	ACUITE BBB/Stable (Assigned)
	Overdraft	Long Term	4.00	ACUITE BBB/Stable (Assigned)

**\*Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB / Negative
E-DFS	Not Applicable	Not Applicable	Not Applicable	19.00	ACUITE BBB / Negative
Overdraft	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BBB / Negative

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**About Acuité Ratings & Research:**

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