MARCH 18, 2015

CARE REAFFIRMS RATINGS ASSIGNED TO THE BANK FACILITIES OF THE RUBY MILLS LIMITED

Ratings

Facilities*	Amount (Rs. crore)	Ratings[1]	Remarks
Bank Facilities-Fund-based - LT-Term Loan	378.34 (547.03)	**CARE BB- (Double B Minus)**	**Reaffirmed**
Bank Facilities-Fund-based - LT-Cash Credit	23.00 (23.00)	**CARE BB- (Double B Minus)**	**Reaffirmed**
Bank Facilities-Non-fund-based - ST-BG/LC	12.80 (12.80)	**CARE A4 (A Four)**	**Reaffirmed**
Total Facilities	**414.14 (582.83)**		

Rating Rationale

The ratings of The Ruby Mills Limited (TRML) continue to be constrained by the delay in receiving the clearance for the entire project despite completion stage of the real estate project, losses in textile operations, moderate overall gearing, low occupancy level for its commercial real estate project, the company's presence in highly fragmented textile industry and cyclical real estate industry.

The ratings continue to derive strength from the experience of the promoters in the textile industry and favorable location of the real estate project.

The ability of company to market and sell/lease the property in timely manner, obtain the occupancy certificate for remaining area and ability to improve its profitability margin in textile business and its capital structure are the key rating sensitivities.

Background

The Ruby Mills Limited (TRML) was incorporated in 1917 and started its commercial operations in 1921. TRML is one of the oldest running textile mills in Mumbai and also has presence in real estate development. TRML is a composite mill engaged in manufacturing cotton/ blended yarn and fabric at its plant in Dadar (Mumbai), Kharsundi and Dhamni (Raigad, Maharashtra). As on March 31, 2014, TRML has installed capacity of 21,768 spindles, 744 autocoro and 128 looms at its plant located at Dhamni, while TRML is engaged in the fabric processing activity at its other facilities located at Kharsundi.

TRML is primarily engaged in the manufacturing and selling of fabric (almost entire yarn produced is used for captive consumption) in the domestic market, around 99% of the total income in FY14 (refers to the period April 01 to March 31), generated from textile business is from the sales of fabric in domestic market.

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

In 2007, TRML shifted part of its operations from Dadar to Raigad resulting in availability of land at prime location for real estate development. TRML has developed an IT park, namely, "**The Ruby**" on the aforesaid land with total leasable/saleable area of 12.50 lakh sq ft on a total FSI of 2.66 times. The total project cost is estimated at Rs.1,081.23 crore as on September 30, 2014. The Ruby, IT Park, has 39 floors, of which office area comprises of top 36 floors. TRML is engaged in both selling and leasing of the area in IT Park. TRML also books the income from IT Park as transfer of the development rights at the time of receipt of the proceeds from the sale/lease of the floors in IT Park.

The Ruby House, annexed to IT Park, at a total area of 1.25 lakh sq ft has leased around 0.75 lakh sq ft. TRML generates lease income from the leased space in Ruby House. In FY14, the contribution to the total operating income from real estate and leasing business was 29% and contribution from the textiles business was 71%.

During FY14, TRML reported a total income of Rs.223.77 crore and PAT of Rs.44.90 crore. For 9MFY15, TRML reported a total income of Rs.184.46 crore and PAT of Rs.46.78 crore.

Analyst Contact
Name: Mr. Pulkit Agarwal
Tel: 022-67543505
Email: pulkit.agarwal@careratings.com

****For detailedRationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

CONTACT

Head Office Mumbai

Mr. D.R. Dogra
Managing Director
Mobile: +91-98204 16002
E-mail: dr.dogra@careratings.com

Mr. Rajesh Mokashi
Dy. Managing Director
Mobile: +91-98204 16001
E-mail: rajesh.mokashi@careratings.com

Ms. Meenal Sikchi
Vice President - Bank Loan & Instrument Rating
Mobile: +91-9819009839
E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
Vice President - Bank Loan & Financial Services
Mobile: +91-9819698985
E-mail: ankur.sachdeva@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED
Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

Other Office:
503, Kaledonia, Sahar Road, Near Andheri Railway Station, Andheri (E), Mumbai - 400 069
Tel: +91-22-6144 3456 | Fax: +91-22-6144 3556

AHMEDABAD
Mr. Mehul Pandya
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-98242 56265
Tel: +91-79-4026 5656
E-mail: mehul.pandya@careratings.com

BENGALURU
Mr. Dinesh Sharma
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91-99000 41975
Tel: +91-80-4115 0445, 4165 4529
E-mail: dinesh.sharma@careratings.com

CHANDIGARH
Mr. Sajan Goyal
2nd Floor, S.C.O. 196-197, Sector 34-A,
Chandigarh - 160 022.
Cell: +91 99888 05650
Tel: +91-172-5171 100 / 09
Email: sajan.goyal@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Saikat Roy
401, Ashoka Scintilla, 3-6-502, HimayatNagar,
Hyderabad - 500 029.
Tel: +91-40-4010 2030
E-mail: saikat.roy@careratings.com

JAIPUR
Mr. Harsh Raj Sankhla
304, PashupatiAkshatHeights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 9413969100
Tel: +91-141-402 0213 / 14
E-mail: harshraj.sankhla@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr. Rahul Patni
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, SenapatiBapat Road,
ShivajiNagar, Pune - 411 015.
Cell: +91-78754 33355
Tel: +91-20- 4000 9000
E-mail:rahul.patni@careratings.com

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