

The Ruby Mills Limited

March 6, 2017

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long Term Bank Facilities	128.48	CARE BB-; Stable (Double B Minus; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	12.80	CARE A4 (A Four)	Reaffirmed
Total facilities	141.28 (Rs. One Hundred and forty one crore and twenty eight lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & key rating drivers

The reaffirmation of the rating of the bank facilities of The Ruby Mills Limited [TRML] factors in small size of operations in textile, low occupancy for commercial property, inherent cyclical nature associated with the real estate sector and delay in receipt of Full Occupancy Certificate (OC) for commercial property.

However, the rating continues to derive strength from prior experience of promoters in Textile Industry, favourable location of the real estate project, incremental sales achieved during Q3FY17 and improvement in debt coverage indicators subsequent to refinancing of Lease Rental Discounting (LRD) facility of longer tenure.

TRML's ability to sell/lease the remaining area at envisaged realizations and receive full occupation certificate remains key rating sensitivity.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced Promoters and established track record in textile industry: TRML is in operation since 1921, it is one of the oldest running composite textile mills in Maharashtra. The management of the unit was later taken over by the late Mr. C.N Shah in 1946. Mr. H M Shah (S/o of Mr. M C Shah), Managing Director, along with his father is involved in the day-to-day operations of the company. He has around 40 years of experience in the textile industry. Mr. H M Shah has also held key positions in BTRA (Bombay Textile Research Association, Mumbai) and CITI (Confederation of Indian Textile Industry Association).

Moderate overall gearing and debt servicing parameters: TRML's capital structure is moderate and Overall Gearing stood at 1.15x as on March 31, 2016 as against 1.57x as on March 31, 2015 primarily on account of repayment of term loans. Total Debt/GCA has remained at a constant level of 7.22x in FY16 compared to FY15 in spite of substantial reduction of total debt from Rs.518.25 cr in FY15 to Rs.424.59 cr in FY16, majorly because of decline in PAT from Rs.53.94 cr in FY15 to Rs.40.78 cr in FY16.

Improvement of profitability in the Textile Division and dip in performance of real estate division: TRML's textile division continues to be the major revenue earning division and contributed to 85% of the total revenues in FY16. The revenues from this division increased by 10% from Rs.163.78 cr in FY15 to Rs.179.78 cr in FY16. However, the overall profitability parameters of TRML were dragged down because of performance dip in the real estate division. TRML has reported decline in the PBILDT margin to 35.79% in FY16 as against 41.09% in FY15.

Favorable location of the project: The IT Park is located in Dadar which is an established commercial hub in Mumbai that provides an alternative to the comparatively higher cost commercial space in South Mumbai and BKC with easy access to international and domestic airports as well as the eastern and western express highway. Furthermore, the project is just 0.5 km away from the important Dadar railway station.

Key Rating Weaknesses

¹Complete definitions of the ratings assigned are available at www.careratings.com and other CARE publications.

Part Occupancy Certificate: TRML has experienced cost overrun in the project on account of delay in getting occupation certificate. The proposal to get the full occupancy certificate is pending with BMC. The project cost incurred has increased majorly on account of IDC. Timely receipt of the clearances and sales of the property and realization of the sale proceed is crucial from the credit perspective. As on December 31, 2016 the overall occupancy of the building was only 63%.

Renewability Risk at competitive price: TRML's lease profile is also exposed to renewability risk. Almost all the lease agreements have a minimum lease period of three years, after which tenants have an option to terminate the lease without any charges. Continuation of lease after expiry of minimum lease period is a key risk as the renewability depends on various factors including alternate choices available to tenants, rental rates prevailing and maintenance of the IT Park. With the huge supply of various IT parks in and around Dadar, renewability of the existing lease remains to be seen.

Analytical Approach: Standalone

Applicable criteria:

[Criteria on assigning Outlook to Credit Rating](#)

[CARE's default recognition policy](#)

[Criteria for Short Term Instruments](#)

[Financial ratios - Non Financial Sector](#)

[Rating Methodology-Manufacturing Companies](#)

About the Company

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, 2016, TRML has installed capacity of 21,768 spindles, 744 Autocoro and 128 looms at its plant located at Dhamni, while TRML is engaged in fabric processing activity at its other facilities located at Kharsundi. The plant has its own Process House, which is capable of Bleaching, Dyeing & Finishing.

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 entered into a development agreement with Mindset Estate Private Limited (MEPL, a 100% subsidiary of Rohan Lifescapes) to construct an IT Park on the available land. 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 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.

During FY16, TRML posted a total operating income of Rs. 227.84 crore (vis-à-vis Rs.237.41 crore in FY15) and PAT of Rs.40.78 crore (vis-à-vis PAT of Rs.53.94 crore in FY15).

Status of non-cooperation with previous CRA: Brickwork vide its press release dated August 4, 2016, has mentioned that The Ruby Mills Limited, have not provided required information for carrying out the review of the Rating, despite close follow up and hence the rating is not reviewed.

Rating History: Please refer Annexure-2

Analyst Contact

Name: Pulkit Agarwal

Tel: +91-22-6754 3505

Email: pulkit.agarwal@careratings.com

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

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

Annexure-1

Details of Instruments/Facilities :-

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund Based - LT-Term Loan	-	-	March 2021	105.48	CARE BB-; Stable
Fund Based - LT-Cash Credit	-	-	-	23.00	CARE BB-; Stable
Non-Fund Based - ST-BG/LC	-	-	-	12.80	CARE A4

Annexure-2

Rating History for last three years :-

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund Based - LT-Term Loan	LT	190.69	CARE BB-; Stable	1)CARE BB- (13-Apr-16)	1)CARE D (20-Nov-15)	1)CARE BB- (18-Mar-15) 2)CARE BB- (04-Apr-14)	1)CARE BB (18-Apr-13)
2.	Fund Based - LT-Cash Credit	LT	23.00	CARE BB-; Stable	1)CARE BB- (13-Apr-16)	1)CARE D (20-Nov-15)	1)CARE BB- (18-Mar-15) 2)CARE BB- (04-Apr-14)	1)CARE BB (18-Apr-13)
3.	Non-Fund Based - ST-BG/LC	ST	12.80	CARE A4	1)CARE A4 (13-Apr-16)	1)CARE D (20-Nov-15)	1)CARE A4 (18-Mar-15) 2)CARE A4 (04-Apr-14)	1)CARE A4 (18-Apr-13)

CONTACT**Head Office Mumbai****Mr. Amod Khanorkar**

Mobile: + 91 98190 84000

E-mail: amod.khanorkar@careratings.com**Mr. Saikat Roy**

Mobile: + 91 98209 98779

E-mail: saikat.roy@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**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. Deepak Prajapati**Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-9099028864

Tel: +91-80-4115 0445, 4165 4529

E-mail: deepak.prajapati@careratings.com**CHANDIGARH****Mr. Sajjan Goyal**SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: sajjan.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**COIMBATORE****Mr. V Pradeep Kumar**T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com**HYDERABAD****Mr. Ramesh Bob**401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.

Cell : + 91 90520 00521

Tel: +91-40-4010 2030

E-mail: ramesh.bob@careratings.com**JAIPUR****Mr. Nikhil Soni**304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.

Cell: +91 – 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: nikhil.soni@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. Pratim Banerjee**9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

E-mail: pratim.banerjee@careratings.com

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