

The Ruby Mills Limited

April 06, 2018

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	71.00	CARE BB-; Stable (Double B Minus; Outlook:Stable)	Reaffirmed
Short Term Bank Facilities	12.80	CARE A4 (A Four)	Reaffirmed
Total facilities	83.80 (Rs. Eighty Three crore and eighty lacs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of the ratings for the bank facilities of The Ruby Mills Limited (TRML) continues to factor in small scale of operations in textile segment, low occupancy for commercial property, cost overrun in real estate project, 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, stability in profitability and moderate overall gearing and 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. Further, the impact of the ongoing litigation on the operations and promoters of the company remains key rating monitorable.

Detailed description of the key rating drivers

Key Rating Weaknesses

Fragmented nature of the textile industry and volatility associated with raw materials

The Indian textiles industry, currently estimated at around US\$ 120 billion, is expected to reach US\$ 230 billion by 2020. The Indian Textile Industry contributes approximately 4 per cent to India's Gross Domestic Product (GDP), and 14 per cent to the overall Index of Industrial Production (IIP). The total area under cultivation of cotton in India is expected to increase by 7 per cent to 11.3 million hectares in 2017-18, on account of expectations of better returns from rising prices and improved crop yields during the year 2016-17. Indian exports of locally made retail and lifestyle products grew at a compound annual growth rate (CAGR) of 10 per cent from 2013 to 2016, mainly led by bedding bath and home decor products and textiles. The Government of India targets textile and garment sector exports at US\$ 45 billion for 2017-18.

Reduced income from development rights

TRML's income in Real Estate division is from lease rental (leasing of office premise), sale of office premises and transfer of development rights as per the development agreement with MEPL. TRML's income from development rights declined to Rs. 27.15 crore in FY17 from Rs. 31.76 crore in FY16, TRML has not sold/Leased any area since December, 2016.

Concerns due to delay in receipt of 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 company has received the occupancy certificate upto 20th floor, TRML has applied for the occupancy certificate is awaiting for the same. The project cost incurred has increased from Rs.1,085 crore as on March 31, 2016 to Rs.1135.06 cr as on September 30, 2017 majorly on account of IDC.

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

Renewability Risk at competitive price

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.

Global Factors affecting the Industry

Financial, real estate, and professional services saw growth of 9.1%, a drop from 10.5% from the previous quarter ending June 2016. Software industry body National Association of Software and Services Companies (NASSCOM) expects the country's IT industry to grow at 12.0-14.0% during 2016-17 despite concerns regarding the future of outsourcing from the United States (US). Also, there are quite a few IT Parks and commercial properties in the nearby vicinity viz Kohinoor Mills, One Indiabulls Centre and Indiabulls Finance centre from which the Company faces competition.

Key Rating Strengths

Moderate overall gearing and debt servicing parameters

Overall gearing of the company improved to 1.01x as on March 31, 2017 as against 1.15x as on March 31, 2017 primarily on account of reduction in total debts as the company has prepaid the LRD Facility of Allahabad Bank and Indus Ind Bank and availed the fresh LRD facility from HDFC bank of Rs. 230 crore which lead to reduction in overall debt.

Stability in profitability in the Textile Division

The textile division contributed about 87% of the total revenues of TRML in FY17. The revenues from this division reduced marginally from Rs.180.80 cr in FY16 to Rs.175.00 cr in FY17 on account of lower demands in market. The demand was hampered on account of demonization and implementation of GST. TRML's PBILDT dipped to Rs. 71.24 crore in FY17 compared to Rs. 81.56 crore in FY16. Consequently PBILDT margins reduced to 32.73% in FY17 from 35.80% in FY16. Further, PAT also reduced to Rs. 37.57 crore in FY17 from Rs. 40.78 crore in FY16.

Analytical approach: Standalone

Applicable Criteria

[CARE's criteria on assigning Outlook to Credit Ratings](#)

[CARE's policy on Default Recognition](#)

[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, 2017, TRML has installed capacity of 26,992 spindles, 744 Autocoro and 136 looms at its plant located at Dhamni, while TRML is engaged in fabric processing activity with capacity of 80,000 meters per day 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 13.75 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.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	227.84	217.67

PBILDT	81.56	71.24
PAT	40.78	37.57
Overall gearing (times)	1.15	1.01
Interest coverage (times)	6.25	6.69

A: Audited

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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

About CARE Ratings:

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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-Cash Credit	-	-	-	23.00	CARE BB-; Stable
Fund-based - LT-Term Loan	-	-	?????	48.00	CARE BB-; Stable
Non-fund-based - ST-BG/LC	-	-	-	12.80	CARE A4

Annexure-2: Rating History of 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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	48.00	CARE BB-; Stable	-	-	1)CARE BB-; Stable (06-Mar-17) 2)CARE BB- (13-Apr-16)	1)CARE D (20-Nov-15)
2.	Fund-based - LT-Cash Credit	LT	23.00	CARE BB-; Stable	-	-	1)CARE BB-; Stable (06-Mar-17) 2)CARE BB- (13-Apr-16)	1)CARE D (20-Nov-15)
3.	Non-fund-based - ST-BG/LC	ST	12.80	CARE A4	-	-	1)CARE A4 (06-Mar-17) 2)CARE A4 (13-Apr-16)	1)CARE D (20-Nov-15)

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