



SMERA RATINGS LIMITED

Ruby Ceramics Private Limited (RCPL)

Rating Rationale

July 01, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	6.91	SMERA BB+/Stable (Assigned)
Letter of Credit	6.00	SMERA A4+ (Assigned)
Bank Guarantee*	(1.15)	SMERA A4+ (Assigned)
Buyer's Credit**	(6.00)	SMERA A4+ (Assigned)

*Sublimit of Letter of Credit

**Full Interchangeability with Letter of Credit Limit.

SMERA has assigned rating of '**SMERA BB+**' (read as **SMERA double B plus**) and '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.12.91 crore bank facilities of Ruby Ceramics Private Limited (RCPL, part of the Ruby Group). The outlook is '**Stable**'. The rating is constrained by the group's small scale of operations, weak profitability and moderate financial risk profile. However, the rating draws comfort from the promoter's extensive experience in the zircon processing industry, the group's established market position supported by long-standing relations with its customers and suppliers and exposure to low product substitution risk.

RCPL, setup in 1986, is a Pune-based company engaged in the processing of zircon silicate. The company is promoted by the Dhami family that possesses four decades of experience in the zircon processing industry. RCPL, part of the Ruby group has an established market presence since 1979 and benefits from its long-standing relations with its customers and suppliers. Further, zircon in its various derivative forms is an integral input for industries such as ceramic, electronic, metallurgical, pharmaceutical, foundry and refractory etc. and cannot be substituted for majority of its demand.

The Ruby group has small-scale operations with total operating income of Rs.80.64 crore in FY2013-14 (refers to financial year, April 01 to March 31) in a highly competitive and fragmented industry. Further, the group operates at constrained profit margins. The operating margin stood at 4.33 per cent while the net profit margin was 0.77 percent in FY2013-14 on account of adverse fluctuations in raw material prices and forex rates. The rating is further constrained by the group's moderate financial risk profile marked by moderate gearing with debt-to-equity ratio at 1.74 times (provisional) for FY2014-15, moderate interest coverage ratio at 1.66 times for FY2013-14 and stretched liquidity position with working capital cycle at 77 days for FY2013-14.

The other companies of the Ruby Group are Milled Zircon India Private Limited and Four Field, a partnership firm. SMERA has combined the financial and business risk profiles of RCPL, Milled Zircon India Private Limited (MZIPL) and Four Field (FF) to arrive at the rating as these companies are in the same line of business, have a common management and strong operational and financial synergies.

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**Outlook: Stable**

SMERA believes that the Ruby group will continue to benefit over the medium term on account of the established market position in the zircon processing industry and extensive experience of the promoters. The outlook may be revised to 'Positive' in case of significant growth in the turnover of the group alongwith substantial improvement in its profitability margins or significant improvement in its capital structure resulting from considerable equity infusion by promoters. Conversely, the outlook may be revised to 'Negative' in case of sharp decline in company's profitability margins, stretch in working capital cycle or significant deterioration in the financial risk profile due to debt-funded capital expenditure or elongated working capital cycle.

About the Company

RCPL, the Ruby group's flagship company, was set up in 1986 by Mrs. N. K. Dhami. The group promoted by the Dhami family has been in business for the last four decades. It comprises Milled Zircon India Private Limited (MZIPL) and Four Field (FF), partnership firm. The group managed by Mr. Rajvinder Singh Dhami and Mr. Jasvinder Singh Dhami is engaged in the processing of zirconium silicate used as a raw material in industries such as ceramic, electronic, metallurgical among others. The group's manufacturing plant is located at Bhosari, Pune and has a crushing capacity of 7,000 tonnes per annum.

The Ruby group reported provisional net profit of Rs. 3.10 crore on operating income of Rs. 80.34 for FY2014-15 as compared to net profit of Rs. 0.62 crore on operating income of Rs. 80.64 crore for FY 2013-14. Ruby group's provisional net worth stood at Rs. 12.23 crore as on March 31, 2015, as compared with Rs. 9.51 crore as on March 31, 2014.

RCPL reported provisional net profit of Rs.0.71 crore on operating income of Rs.45.24 for FY2014-15 as compared to net profit of Rs.0.36 crore on operating income of Rs.52.55 crore for FY 2013-14. RCPL's provisional net worth stood at Rs.4.87 crore as on March 31, 2015, as compared with Rs.4.16 crore as on March 31, 2014.

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*Rating
Rationale*

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