

Ruby Ceramics Private Limited (RCPL)

Ruby Ceramics Private Limited: Reaffirmed

| Facilities | Amount (Rs. Crore) | Ratings/Outlook |
|------------------|--------------------|-------------------------------|
| Cash Credit | 6.91 | SMERA BB+/Stable (Reaffirmed) |
| Letter of Credit | 6.00* | SMERA A4+ (Reaffirmed) |

*Includes sublimit of Bank of Guarantee of Rs.1.15 crore and fully interchangeable with buyer's credit

SMERA has reaffirmed the ratings of '**SMERA BB+**' (**read as SMERA double B plus**) and '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs.12.91 crore bank facilities of Ruby Ceramics Private Limited (RCPL). The outlook is '**Stable**'.

To arrive at the rating, SMERA has combined the financial and business risk profiles of RCPL, Milled Zircon India Private Limited (MZIPL) and Four Field (FF) together referred to as the Ruby Group. The consolidation is in view of the common ownership and operational linkages within the group. The ratings are also supported by the group's experienced management and integrated business operations.

The ratings continue to draw comfort from the group's established market position supported by long-standing relations with customers and suppliers and the promoter's extensive experience in the zircon processing industry. The ratings are also strengthened by the limited product substitution risk of zirconium silicate. However, the ratings are constrained by the modest scale of operations, susceptibility of profit margins to volatility in raw material prices and the average financial risk profile.

Update

In FY2015-16 (provisional), the Ruby group reported operating income of Rs.76.22 crore as against Rs.80.39 crore in the previous year registering a marginal decline of ~5 per cent. The prices of the main raw material - zircon sand exhibited a declining trend in FY2015-16 resulting in lower realisation for products as compared to that in the previous year. The operating margin declined to 5.55 per cent in FY2015-16 (provisional) vis-à-vis 7.38 per cent due to low bargaining power with customers in a highly competitive and fragmented industry. The company's profitability continues to remain susceptible to volatility in raw material prices.

The Ruby group, was established in 1979 with the setting up of the partnership firm, Four Field (FF). Subsequently, Ruby Ceramics Private Limited (RCPL) came into being in 1986 followed by Milled Zircon India Private Limited (MZIPL) in 2004. The group is promoted by the Dhami family that possesses around four decades of experience in the zircon processing industry. The Ruby group, has an established market presence since 1979 and benefits from its long-standing relations with its reputed customers such as Orient Bells Limited, Kajaria Ceramics Limited and Ceraflux India Private Limited. Further, zircon, in its various derivative forms is an integral input used in several industries including ceramic, electronic, metallurgical among others.

The financial risk profile of the group continues to remain average marked by interest coverage ratio of 1.58 times for FY2015-16 (provisional) as against 2.32 times in FY2014-15. The gearing stands at 1.08 times as on March 31, 2016 (provisional) as against 1.57 times as on March 31, 2015. The tangible networth as on March 31, 2016 is supported by interest-bearing unsecured loans from directors of Rs.2.75 crore which are subordinated to bank debt. SMERA has treated the unsecured loans as quasi-equity.

Rating Sensitivity Factors

- Scaling up operations while improving profitability
- Effective working capital management

Criteria applied to arrive at the ratings:

- Manufacturing Entities

Outlook-Stable

SMERA believes that the Ruby group will continue to maintain a stable outlook over the medium term on account of its established market position in the zircon processing industry and extensive experience of the promoters. The outlook may be revised to 'Positive' in case of higher than expected growth in revenue, improvement in profitability margins or capital structure resulting from considerable equity infusion by promoters. Conversely, the outlook may be revised to 'Negative' in case of sharp decline in profitability margins or stretch in the working capital cycle. Significant deterioration in the financial risk profile due to debt-funded capital expenditure or elongated working capital cycle may also entail a 'Negative' outlook.

About the Company

The Ruby Group comprising Four Field (FF), Ruby Ceramics Private Limited (RCPL) and Milled Zircon India Private Limited (MZIPL) is engaged in the processing of zirconium silicate. The group is headed by Mr. Rajvinder Singh Dhami and Mr. Jasvinder Singh Dhami. The manufacturing plant is located at Bhosari, Pune and has a crushing capacity of 15,000 tonnes per annum.

The group reported profit after tax (PAT) of Rs.1.62 crore on operating income of Rs.80.39 for FY2014-15 as compared to PAT of Rs.0.62 crore on operating income of Rs.80.64 crore in the previous year. Further, the group reported PAT of Rs.0.86 crore on operating income of Rs.76.22 crore for FY2015-16 (provisional).

Rating History

| Date | Facilities | Amount (Rs. Crore) | Ratings | | Rating Outlook |
|---------------|------------------|-----------------------|-------------------------|-------------------------|-------------------|
| | | | Long Term | Short Term | |
| 01 July, 2015 | Cash Credit | 6.91 | SMERA BB+ (Assigned) | - | Stable |
| | Letter of Credit | 6.00 [^] | - | SMERA A4+ (Assigned) | - |

[^]Includes sublimit of Bank of Guarantee of Rs.1.15 crore and fully interchangeable with buyer's credit

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ABOUT SMERA

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