

Press Release

RUBY BUS PRIVATE LIMITED

July 03, 2019



Rating Assigned

| | |
|-------------------------------------|----------------------------|
| Total Bank Facilities Rated* | Rs. 25.00 Cr. |
| Long Term Rating | ACUITE B / Outlook: Stable |
| Short Term Rating | ACUITE A4 |

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B**' (**read as ACUITE B**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs. 25.00 crore bank facilities of RUBY BUS PRIVATE LIMITED (RBPL). The outlook is '**Stable**'.

Gujarat based, Ruby Bus Private Limited (RBPL) was established in 1947 as a proprietorship firm by Late Mr. Shantilal Kapashi. The constitution was changed into private limited company in 2003. Currently, the Directors of the company are Mr. Pankaj D. Kapashi, Mrs. Shilpa P. Kapashi, Ms. Rushina P. Kapashi and Mr. Paresh R. Kacheria. The company is engaged in manufacturing of bus bodies for Staff Buses, School Buses and City Buses among others. The manufacturing unit is located at Ahmedabad with installed capacity of 900 bus bodies per annum with ~ 80 percent utilization.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of RBPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

RBPL was established in 1947 as a proprietorship firm and later in 2003, the constitution was changed into private limited company. Thus, the company has an operational track record of over seven decades in automobile industry. Mr. Pankaj D. Kapashi (Managing Director) has an experience of around four decades in the aforementioned line of business. Further, the Directors of the company have an experience of around two decades. The long track record of operations and experienced management have helped the company develop healthy relationships with its customers and suppliers. Acuité believes that RBPL will sustain its existing business profile on the back of established track record of operations and experienced management.

Weaknesses

- **Moderate scale of operations and profitability**

The company has moderate scale of operations marked by operating income of Rs. 50.56 crore in FY2019 (Provisional) as against Rs. 57.50 crore in FY2018. Further, EBITDA margins stood at 8.72 percent in FY2019 (Provisional) as against 10.03 percent in FY2018. Profit after Tax (PAT) margin stood thin at 1.59 percent in FY2019 (Provisional) as against 0.88 percent in FY2018.

- **Working capital intensive operations**

The company has working capital intensive nature of operations marked by Gross Current Assets (GCA) of 443 days for FY2019 (Provisional) as against 196 days for FY2018. This is mainly due to high inventory level which stood at 200 days for FY2019 (Provisional) as against 191 days for FY2018. The debtors stood at 82 days for FY2019 (Provisional) as against 39 days for FY2018. Further, the average bank limit utilization stood high at ~94.54 percent for past six months ended May 2019. Acuité believes that the company's ability to maintain its working capital efficiently will remain a key to maintain stable credit profile.

- **Average financial risk profile**

The financial risk profile of the company stood average marked by average net worth, debt protection metrics and coverage indicators. The net worth of RBPL stood at Rs. 11.79 crore as on 31 March, 2019 (Provisional) as against Rs. 10.96 crore as on 31 March, 2018. The gearing (debt-equity) stood at 2.35 times as on 31 March, 2019 (Provisional) as against 3.23 times as on 31 March, 2018. The total debt of Rs. 27.75 crore as on 31 March, 2019 (Provisional) mainly comprises Rs. 23.61 crore of working capital borrowings, Rs. 0.96 crore of long term debt and Rs. 3.18 crore of unsecured loans. Further, the coverage indicators stood average marked by Interest Coverage Ratio (ICR) which stood at 1.31 times for FY2019 (Provisional) as against 1.23 times for FY2018. Debt to EBITDA stood high at 4.19 times in FY2019 (Provisional) as against 4.48 times in FY2018. Acuité believes that the financial risk profile of the company is expected to remain average backed by average net cash accruals and in the absence of any major debt funded capex in near to medium term.

- **Customer concentration risk**

The company is exposed to customer concentration risk as around 71.68 percent of its total sales in FY2019 (Provisional) have been derived from a single customer - Ashok Leyland Limited (deemed export to Sri Lanka). However, RBPL has started diversifying its customer base and started catering to clients such as Platinum Corporation FZE, SPS Tube Industries, Ideal Travels and Pune Vidyarthi Griha Transport among others.

Liquidity Position

RBPL has weak liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 1.80 crore for FY2019 (Provisional) while its maturing debt obligations were Rs. 0.87 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs. crore to Rs. crore during 2020-22 against repayment obligation of around Rs. crore to Rs. crore during the same period. The company has working capital intensive operations as marked by high GCA days of 443 days for FY2019 (Provisional). The company maintains unencumbered cash and bank balances of Rs. 0.01 crore as on March 31, 2019 (Provisional). The current ratio stood at 1.06 times as on March 31, 2019 (Provisional). Acuité believes that the liquidity of the company is likely to remain weak over the medium term on account of low cash accruals with high GCA days and almost full utilization of cash credit limit.

Outlook: Stable

Acuité believes that RBPL will maintain a 'Stable' outlook over the medium term on the back of its experienced management, reputed clientele and healthy order book position. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in its revenues and profitability while maintaining its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in case of deterioration in the firm's financial risk profile or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

| | Unit | FY19 (Provisional) | FY18 (Actual) | FY17 (Actual) |
|-------------------------------|---------|--------------------|---------------|---------------|
| Operating Income | Rs. Cr. | 50.56 | 57.50 | 39.55 |
| EBITDA | Rs. Cr. | 4.41 | 5.77 | 6.84 |
| PAT | Rs. Cr. | 0.80 | 0.51 | 0.31 |
| EBITDA Margin | (%) | 8.72 | 10.03 | 17.30 |
| PAT Margin | (%) | 1.59 | 0.88 | 0.78 |
| ROCE | (%) | 12.61 | 16.64 | 16.28 |
| Total Debt/Tangible Net Worth | Times | 2.35 | 3.23 | 2.30 |
| PBDIT/Interest | Times | 1.31 | 1.23 | 1.22 |
| Total Debt/PBDIT | Times | 4.19 | 4.48 | 2.73 |
| Gross Current Assets (Days) | Days | 443 | 362 | 414 |

Status of non-cooperation with previous CRA (if applicable)

CRISIL, vide its press release dated September 29, 2018 had denoted the rating of Ruby Bus Private Limited as 'CRISIL B-/Stable/CRISIL A4; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Cr.) | Ratings/Outlook |
|------------------------------------|------------------|----------------|----------------|-----------------------------|-------------------|
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 12.00 | ACUITE B / Stable |
| Dropline Overdraft | Not Applicable | Not Applicable | Not Applicable | 4.17 | ACUITE B / Stable |
| Proposed | Not Applicable | Not Applicable | Not Applicable | 1.83 | ACUITE B / Stable |
| Bank guarantee/Letter of Guarantee | Not Applicable | Not Applicable | Not Applicable | 7.00* | ACUITE A4 |

*Bank guarantee includes sublimit of Letter of Credit to the extent of Rs. 5.00 crore.

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About Acuité Ratings & Research:

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