



**Press Release**  
**The Ruby Mills Limited**  
**July 25, 2023**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	237.20	ACUITE BBB-   Stable   Reaffirmed	-
Bank Loan Ratings	22.80	-	ACUITE A3   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	260.00	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating at '**ACUITE BBB-**' (read as **Acuite t riple B minus**) and short-term rating of '**ACUITE A3**' (read as **Acuite A three**) on Rs. 260.00 crore bank facilities of The Ruby Mills Limited (TRML). The outlook is '**Stable**'.

**Rationale for reaffirmation**

The rating continues to factor in the established market position of the company in the textile industry especially across the state of Maharashtra. The rating draws comfort from the healthy Y-o-Y growth 30.43 percent in its operating income and healthy financial risk profile. The revenue of the company stood at Rs. 259.65 crore for FY23 as against Rs.199.08 crore for FY22. However, the profitability of the company has witnessed a continuous deterioration on account of reduced income from real estate segment and increase power and fuel cost led by increased coal prices. The operating profit margins of the company stood at 19.86 percent in FY23 as against 27.54 percent in the previous year. The rating further remains constrained by the susceptibility of operating margins to the volatility in the raw material prices and risk of timely receipt of dues from developers coupled with the inherent cyclicality in the real estate industry and risk of timely renewal and renegotiation of the lease agreements entered into by TRML.

**About the Company**

Incorporated in 1917, TRML is a Maharashtra based textile manufacturing company having PAN India presence engaged in manufacturing of various types of cotton and synthetic fabrics and development, renting and sale of commercial space. The spinning and weaving unit of the company is located at Dhamni and fabric processing unit located at Kharsundi in Maharashtra.

**Analytical Approach**

Acuite has considered the standalone business and financial risk profile of TRML to arrive at the rating

**Key Rating Drivers**

**Strengths**

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

Incorporated in 1917, The Ruby Mills Limited (TRML) is a Maharashtra based composite textile manufacturing company engaged in manufacturing of various types of cotton and synthetic fabrics. The company is also engaged in development, sale and renting of commercial space. The company is promoted by Shah family and presently run and managed by the 3<sup>rd</sup> Generation Promoter Director Mr Hiren M Shah, Chairman; Mr Bharat M Shah, Managing Director; and Mr. Viraj M Shah, Managing Director and 4<sup>th</sup> Generation Promoter Director Mr. Purav H Shah, Executive Director, CEO and CFO; and Mr. Rishabh V Shah, President who has wide experience in textile and real estate industry. The operations of the company are managed by qualified and well experienced senior management team who are ably supported by a strong line of mid-level managers. The experienced of promoters and long track record of operations in the textile industry has helped the company to maintain healthy and long-term relationships with both its customers and suppliers. Acuité believes that TRML will continue to benefit from their established presence in the industry backed by promoters' vintage and established track record of operations.

## **Improvement in scale of operations; albeit deteriorating profitability**

The scale of operations of the company has seen a healthy improvement with a Y-o-Y growth of 30.43 percent. The operating income of the company stood at Rs. 259.65 crore for FY23 as against Rs.199.08 crore for FY22. The improvement in operating income comes at the back of steady demand of the products along with price realisation. The revenue of the company majorly comprises of income from its textile segment followed by real estate segment. The income from real estate comprises of lease rent income and share of the company in the sale of property. The income from real estate segment of the company has reduced on account of lower sales of property in FY23.

The profitability of the company has deteriorated in FY23 majorly on account of decreased lease rent income. Further, the power and fuel cost of the company increased significantly on account of increased coal prices. The operating profit margins of the company have thereby deteriorated and stood at 19.86 percent in FY23 (Prov.) as against 27.54 percent. The PAT margins have also deteriorated and stood at 13.57 percent in FY23 (Prov.) as against 15.59 percent in FY22.

Acuite believes that going forward the ability of the company to sustain its scale of operations while improving its profitability will remain a key rating sensitivity.

## **Healthy financial risk profile**

The financial risk profile of the company is healthy marked by a healthy network, low gearing and healthy debt protection metrics. The tangible network of the company stood at Rs. 555.11 crore as on March 31, 2023 as against Rs. 524.69 crore as on March 31, 2022. Improvement in network is on account of increased accretion of profits to reserves. The total debt of the company stood at Rs. 240.53 crore as on March 31, 2023 as against Rs. 279.89 crore as on March 31, 2022. The debt profile of the company includes Rs. 13.50 crore of short-term debt and Rs. 227.03 crore. The management has a conservative financial policy reflected by its peak gearing levels of 0.79 times as on March 31, 2021. The gearing of the company has improved since at 0.53 times as on March 31, 2022 as against 0.43 times as on March 31, 2023. The TOL/TNW of the company has also improved at 0.72 times as on March 31, 2023 as against 0.83 times as on March 31, 2022. The debt protection metrics of the company after considering the finance cost which gets directly charged to dues form developers in the balance sheet also remain healthy. The adjusted DSCR remains healthy at 2.90 times for FY23 as against 1.25 times for FY22. The adjusted interest coverage ratio also stood at 4.91 times for FY23 as against 1.48 times for FY22.

Acuite expects TRML's financial risk profile to remain healthy over the medium term on account of likely improvement in operating performance.

## **Weaknesses**

### **Susceptibility of timely receipt of dues form developers coupled with the inherent cyclicality of the real estate industry**

The company had entered into a development agreement with Mindset Estates Pvt Ltd to

develop a commercial space i.e 'The Ruby tower' at Dadar, Mumbai. The Ruby tower is a 40-floor skyscraper (basement + podium + 3 upper levels of parking and 36 upper floors). The land is owned by TRML and the company had taken bank loans on behalf of the developer to fund the development of commercial space thereby leading to huge outstanding dues receivable from developers of Rs.535.92 crore as on 31<sup>st</sup> March 2023. Further, occupancy certificate for the said property has been received in a phased manner in 2011 and 2022. The company is yet to receive occupancy certificate for the top floor in the tower. The company has however been able to recover ~99 crore in FY23 and the outstanding from developers stood at Rs. 535.92 crore as on March, 2023. Acuite observes that the receipt of the dues from the developer has remained much slower in the past and the recovery of these advances has been sporadic. Timely recoverability of such dues from developer remain susceptible to the inherent cyclicity of the real estate company and will remain a key rating sensitivity.

### **Intensive working capital operations**

The working capital operations of the company remain driven by the inventory holding period along with other current assets. The GCA days of the company stood at 384 days for FY23 as against 301 days in FY22. The inventory maintained by the company are backed by orders at hand. The inventory holding period of the company remained in line with the previous year at 90 days for FY23 as against 92 days in FY22. The debtor collection period of the company has improved at 38 days for FY23 as against 47 days for FY22. The other current assets of the company stood at Rs. 197.77 crore as on March 31, 2023 including cash and cash equivalents as against Rs. 110.46 crore as on March 31, 2022. Other current assets as on March 31, 2023 majorly includes current portion of dues from developers and cash and cash equivalents. The reliance of the company on bank limits is low marked by average bank limit utilization of ~30 percent for 6 months ended May 2023.

Acuite believes that the working capital management of the company will continue to remain a key rating sensitivity going ahead.

### **Susceptibility to volatility in prices of key raw materials**

Cotton, Viscose and Polyester are the key raw materials for the company. Prices of such raw materials have exhibited considerable volatility in the recent past due to various reasons, such as government policies, effects of monsoon, demand-supply scenario, etc. The Profitability margins of textile manufacturers are exposed to adverse movement in prices of these raw materials thus any unprecedented increase in the raw material going forward, may impact the profitability margins of TRML.

### **Rating Sensitivities**

Sustained growth in scale of operations and profitability  
Timely recovery of dues from developers  
Stretch in working capital and deterioration in liquidity position

### **Material covenants**

None

### **Liquidity Position**

#### **Adequate**

The liquidity of the company is adequate marked by adequate cash accruals to meet its debt service obligation. The net cash accruals including recovery from developers stood at Rs.143.34 crore for FY23 as against debt service obligation of Rs. 20.85 crore. The company is likely to generate adequate cash accruals and recovery from developers to meet its debt service obligation. Further, the company's reliance on bank limits is low with ~30 percent utilisation of its bank limits for 8 months ended May 2023. The cash and bank balance of the company stood at Rs.84.69 crore as on March 31, 2023 including deposits of Rs. 79 crore.

## **Outlook: Stable**

Acuité believes that TRML will maintain a 'Stable' outlook over the medium term on the back of its experienced track record of operations and long track record of operations. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in its revenue and profitability while improving 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 company's financial risk profile or slower recovery of dues from developers.

## **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	259.65	199.08
PAT	Rs. Cr.	35.23	31.05
PAT Margin	(%)	13.57	15.59
Total Debt/Tangible Net Worth	Times	0.43	0.53
PBDIT/Interest	Times	13.69	5.76

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

None

### Any other information

TRML and its promoters had been involved in a controversy on a particular NPA account of a lender where the borrower had made an advance to TRML. The management has however, informed Acuite that they were not a party in the legal proceedings against the prospective buyer by their lenders. Acuite takes cognizance of the issue and any adverse action against the company or its promoters will remain a key monitorable.

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
21 Feb 2023	Cash Credit	Long Term	8.97	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	7.78	ACUITE BBB-   Stable (Assigned)
	Bank Guarantee	Short Term	1.80	ACUITE A3 (Assigned)
	Lease Rental Discounting	Long Term	180.88	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	6.25	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	8.09	ACUITE BBB-   Stable (Assigned)
	Lease Rental Discounting	Long Term	8.10	ACUITE BBB-   Stable (Assigned)
	Letter of Credit	Short Term	5.00	ACUITE A3 (Assigned)
	Lease Rental Discounting	Long Term	15.36	ACUITE BBB-   Stable (Assigned)
	Buyers Credit	Short Term	2.78	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	1.00	ACUITE A3 (Assigned)
	Lease Rental Discounting	Long Term	7.68	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	1.31	ACUITE BBB-   Stable (Assigned)
	Letter of Credit	Short Term	5.00	ACUITE A3 (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	1.80	ACUITE A3   Reaffirmed
Bank of Baroda	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE A3   Reaffirmed
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	6.25	ACUITE BBB-   Stable   Reaffirmed
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	7.78	ACUITE BBB-   Stable   Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	8.97	ACUITE BBB-   Stable   Reaffirmed
HDFC Ltd	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	173.33	ACUITE BBB-   Stable   Reaffirmed
Indusind Bank Ltd	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	7.68	ACUITE BBB-   Stable   Reaffirmed
Indusind Bank Ltd	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	14.02	ACUITE BBB-   Stable   Reaffirmed
Indusind Bank Ltd	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	7.22	ACUITE BBB-   Stable   Reaffirmed
Bank of Baroda	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A3   Reaffirmed
Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A3   Reaffirmed
Bank of Baroda	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A3   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	3.72	ACUITE BBB-   Stable   Reaffirmed
Indusind Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	7.26	ACUITE BBB-   Stable   Reaffirmed
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Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.97	BBB-   Stable   Reaffirmed
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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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