

**Press Release**  
**THE RUBY MILLS LIMITED**  
**October 22, 2024**  
**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
Total Outstanding Quantum (Rs. Cr)	260.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating at '**ACUITE BBB-**' (read as **ACUITE triple 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 Rating 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 further considers the overall improvement recorded in the financial risk profile marked by increase in net worth, improved profitability and decrease in debt levels. Further, the operating profitability improved to 23.37% in FY2024 from 19.86% in FY2023 primarily due to increased share of income from the real estate division. However, the revenue of the company moderated to Rs.237.01 Cr. in FY2024 from Rs.259.65 Cr. in FY2023, primarily on account of moderation in the revenue from the textile segment due to industry headwinds in the textile sector leading to subdued demand levels and lower realisations. 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 cyclicity 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.

**Unsupported Rating**

Not Applicable

**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 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.

### **Healthy financial risk profile**

The financial risk profile of the company is healthy marked by healthy net worth, low gearing, and healthy debt protection metrics. The net worth stands at Rs. 595.67 Cr. as on March 31st, 2024 (Prov.) against Rs. 554.91 Cr. as on March 31st, 2023. The gearing stands at 0.36 times in FY24 (Prov.) against 0.43 times in FY23. Further, the debt protection metrics stood healthy with Interest coverage ratio of 14.78 times in FY24 against 13.69 times in FY23. The debt service coverage ratio of the company stood at 2.30 times in FY24 against 1.92 times in FY23. The Debt-Ebitda of the company stood at 3.11 times in FY24 against 4.26 times in FY23. The net cash accrual to total debt (NCA/TD) stood at 0.25 times in FY24 against 0.18 times in FY23.

Acuité expects TRML's financial risk profile to improve further over the medium term on account of likely improvement in operating performance.

### **Weaknesses**

#### **Susceptibility of timely receipt of dues from developers coupled with the inherent cyclicity 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. 456.74 crore as on 31<sup>st</sup> March 2024. 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.

#### **Intensive working capital operations**

The working capital operations of the company is intensive in nature marked by GCA days of 350 days for FY24 as against 387 days in FY23. The inventory maintained by the company are backed by orders at hand. The inventory holding period of the company stands at 116 days for FY24 as against 90 days in FY23. The debtor collection period of the company remained in line with the previous year at 38 days for FY24 as against 39 days for FY23. The other current assets of the company stood at Rs. 152.21 crore as on March 31, 2024 including current portion of dues from developer and cash and cash equivalents as against Rs. 204.35 crore as on March 31, 2023. However, the reliance of the company on bank limits is low marked by average bank limit utilization of ~51 percent for 6 months ended Sep 2024.

Acuité 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 developer

Any further significant stretch in working capital operations and deterioration in liquidity position

### **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 stood at Rs. 52.94 Cr. for FY24 as against debt service obligation of Rs. 20.11 Cr. The company is likely to generate adequate cash accruals and recovery from developers to meet its debt service obligation over the medium term. Further, the company's reliance on bank limits is low with ~51 percent utilisation of its bank limits for 6 months ended Sep 2024. The cash and bank balance of the company stood at Rs. 23.64 Cr. as on March

31, 2024.

Acuite believes that the liquidity position will remain adequate on account of steady accruals generation, gradual recovery of dues from the developer and buffer available from the moderately utilised working capital limits.

**Outlook**

Stable

**Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	237.01	259.65
PAT	Rs. Cr.	44.54	35.23
PAT Margin	(%)	18.79	13.57
Total Debt/Tangible Net Worth	Times	0.36	0.43
PBDIT/Interest	Times	14.78	13.69

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

Not Applicable

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <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, Acuité 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
25 Jul 2023	Lease Rental Discounting	Long Term	173.33	ACUITE BBB-   Stable (Reaffirmed)
	Lease Rental Discounting	Long Term	7.68	ACUITE BBB-   Stable (Reaffirmed)
	Lease Rental Discounting	Long Term	14.02	ACUITE BBB-   Stable (Reaffirmed)
	Lease Rental Discounting	Long Term	7.22	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	7.26	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	0.97	ACUITE BBB-   Stable (Reaffirmed)
	Cash Credit	Long Term	7.78	ACUITE BBB-   Stable (Reaffirmed)
	Cash Credit	Long Term	8.97	ACUITE BBB-   Stable (Reaffirmed)
	Cash Credit	Long Term	6.25	ACUITE BBB-   Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	3.72	ACUITE BBB-   Stable (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	1.80	ACUITE A3 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	1.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	10.00	ACUITE A3 (Reaffirmed)
21 Feb 2023	Lease Rental Discounting	Long Term	180.88	ACUITE BBB-   Stable (Assigned)
	Lease Rental Discounting	Long Term	8.10	ACUITE BBB-   Stable (Assigned)
	Lease Rental Discounting	Long Term	15.36	ACUITE BBB-   Stable (Assigned)
	Lease Rental Discounting	Long Term	7.68	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	8.09	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	1.31	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	7.78	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	8.97	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	6.25	ACUITE BBB-   Stable (Assigned)
	Buyers Credit	Short Term	2.78	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	5.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	5.00	ACUITE A3 (Assigned)
	Bank Guarantee (BLR)	Short Term	1.80	ACUITE A3 (Assigned)
	Bank Guarantee (BLR)	Short Term	1.00	ACUITE A3 (Assigned)

**Annexure - Details of instruments rated**

<b>Lender's Name</b>	<b>ISIN</b>	<b>Facilities</b>	<b>Date Of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Quantum (Rs. Cr.)</b>	<b>Complexity Level</b>	<b>Rating</b>
State Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1.80	Simple	ACUITE A3   Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1.00	Simple	ACUITE A3   Reaffirmed
Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	6.25	Simple	ACUITE BBB-   Stable   Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	7.78	Simple	ACUITE BBB-   Stable   Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	8.97	Simple	ACUITE BBB-   Stable   Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Lease Rental Discounting	01 Dec 2016	Not avl. / Not appl.	01 Dec 2028	173.33	Simple	ACUITE BBB-   Stable   Reaffirmed
Indusind Bank Ltd	Not avl. / Not appl.	Lease Rental Discounting	01 May 2019	Not avl. / Not appl.	01 May 2032	7.68	Simple	ACUITE BBB-   Stable   Reaffirmed
Indusind Bank Ltd	Not avl. / Not appl.	Lease Rental Discounting	01 Jan 2019	Not avl. / Not appl.	01 Dec 2030	14.02	Simple	ACUITE BBB-   Stable   Reaffirmed
Indusind Bank Ltd	Not avl. / Not appl.	Lease Rental Discounting	01 Nov 2018	Not avl. / Not appl.	01 Nov 2030	7.22	Simple	ACUITE BBB-   Stable   Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE A3   Reaffirmed
Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE A3   Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE A3   Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3.72	Simple	ACUITE BBB-   Stable   Reaffirmed
Indusind Bank Ltd	Not avl. / Not appl.	Term Loan	01 Jul 2021	Not avl. / Not appl.	01 Jul 2028	7.26	Simple	ACUITE BBB-   Stable   Reaffirmed
Bank of India	Not avl. / Not appl.	Term Loan	01 Nov 2021	Not avl. / Not appl.	01 Nov 2024	0.97	Simple	ACUITE BBB-   Stable   Reaffirmed

## Contacts

Mohit Jain Senior Vice President-Rating Operations	<b>Contact details exclusively for investors and lenders</b>
Apurva Kumari Associate Analyst-Rating Operations	Mob: +91 8591310146 Email ID: <a href="mailto:analyticsupport@acuite.in">analyticsupport@acuite.in</a>

### 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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