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ICRA revises the ratings assigned to Rubamin Limited's bank lines

ICRA has revised the rating assigned earlier to Rs. 1.1 billion cash credit facility and Rs. 527 million long term loans of Rubamin Limited (Rubamin) from LA- (pronounced L A minus) to LBBB+ (pronounced L triple B plus)[†]. ICRA has also downgraded the rating for Rs. 4.5 million non-fund based lines of Rubamin from A1 (pronounced A one) to A2 (pronounced A two). The long term rating has been assigned stable outlook.

The ratings revision reflects significant deterioration in Rubamin's operational and financial risk profile marked with sharp fall in operating income and profitability, higher than expected gearing and non-operating losses on account of unhedged buyers credit and sale of subsidiary which have affected its capital structure and debt protection indicators. The ratings are also constrained by Rubamin's vulnerability to volatility in metal and raw material prices. Rubamin witnessed 17% and 24% decline in operating income in 2008-09 and 9M 2009-10 respectively owing to lower volume offtake & fall in realisation. Due to crash in metal prices during H2 2008-09, Rubamin suffered inventory loss in its metal division due of absence of hedging mechanism for cobalt which account for majority of metal division's revenues. The ratings continue to draw comfort from Rubamin's position as leading manufacturer of zinc oxide and cobalt compounds, its customer base across multiple user segments.

Company Profile

Incorporated in 1987, Rubamin was promoted by two first generation entrepreneurs namely Atul Dalmia and Anil Patel. It is the flagship company of Rubamin Group and engaged in manufacturing non-ferrous metals and their compounds. Rubamin commenced operations in 1987 with the production of zinc oxide. In 1998, the company also started manufacturing cobalt metal and various salts of cobalt like cobalt sulphate, cobalt oxide, cobalt carbonate, cobalt chloride, cobalt acetate along with various nickel products like nickel oxide, nickel sulphate & nickel carbonate. In 2006, the company de-merged its specialty chemicals business and merged group firms engaged in the zinc oxide business, thus focusing on metallurgy.

Rubamin has manufacturing facilities in Halol, Gujarat to manufacture zinc oxide, cobalt metal, copper metals, nickel metal and their compounds. The other facility is in Daman for manufacturing zinc oxide that Rubamin acquired in 2006-07 from two registered partnership firms formed by the promoters. The company has presence in Congo through its subsidiary Rubaco SPRL engaged in trading of copper ore and copper blister, and sourcing cobalt ore for its Indian operations. Rubaco SPRL has started copper and cobalt smelting operations in DRC.

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ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

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