

Inter Gold (India) Pvt Ltd

December 13, 2017

Ratings

| Facilities | Amount (Rs. crore) | Rating ¹ | Rating Action |
|----------------------------|--|---|---------------|
| Long-term Bank Facilities | 75.00 (75.00) | CARE A-;Stable [Single A Minus; Outlook:Stable] | Reaffirmed |
| Short-term Bank Facilities | 0.50 (0.50) | CARE A2+ [A Two Plus] | Reaffirmed |
| Total Facilities | 75.50 (Rs. Seventy Five crore and Fifty Lakhs only) | | |

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of ratings assigned to bank facilities of Inter Gold (India) Pvt Ltd (IGIPL) factors in experienced promoters, moderate profitability, and comfortable debt coverage indicators with moderate operating cycle, geographical diversification of sales and satisfactory performance in US subsidiary.

However, the rating strengths are tempered by moderate decline in sales, subdued profitability margins, foreign exchange fluctuation risk, volatility in raw material prices and stiff competition from Gems & Jewellery (G&J) industry.

Ability of IGIPL to focus on improving and sustaining profitability margins amidst volatility in the diamond and precious metal prices together with fluctuating foreign exchange rates remains the key rating sensitivity.

Detailed description of the key rating drivers

Key Rating Strengths:

Experienced and reputed promoters in diamond industry

IGIPL is a part of the Rosy Blue Group (RBG) and is a subsidiary of Rosy Blue India Pvt Ltd. (RBIPL), The RBG is one of the pioneers in the Gems and Jewellery (G&J) industry and is an integrated player with more than four decades of operations. RBG owns and markets jewellery under the brand "ORRA" in India. IGIPL is one of the studied jewellery manufacturing arms of the group.

Moderate profitability

Total income for IGIPL has decreased by 16% on y-o-y to Rs.462.33 crore from Rs.550.49 in FY16 on account of lesser volume of sales. The PBILDT margin declined from 7.30% in FY16 to 5.39% in FY17. During H1FY18 (unaudited), IGIPL registered total income of Rs.193.89 crore (Rs.215.64 crore in H1FY17).

Comfortable leverage and debt coverage indicators with moderate operating cycle.

The company continues to have healthy debt protection metrics with comfortable overall gearing ratio of 0.13x as on March 31, 2017 and interest coverage at 13.02x for FY17. Total Debt to GCA deteriorated from 1.25 to 1.42 although there was lower dependence on working capital borrowings. This was account of lower GCA in FY17 of Rs.17.13 from Rs.25.02 in FY16. The working capital cycle was stretched from 88 days in FY16 to 103 days in FY17 on account of increase in collection period.

Satisfactory performance of the US subsidiary

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

As on March 31, 2017, IGIPL continues to have substantial portion of its net worth invested in subsidiaries, primarily in its wholly-owned US based subsidiary Rosy Blue Jewellery Inc (RBJI). RBJI is a jewellery marketing company based in the USA.

Geographical diversification of sales; albeit major presence in the key diamond-jewellery market of USA

IGIPL has been able to diversify its sales into newer territories like Australia, Dubai and Hong Kong vis-a-vis its previously concentrated presence in its traditional markets of USA and UK.

Industry Outlook

The increase in discretionary purchasing power of customers due to ongoing economic recovery in the USA is expected to support demand for diamond jewelry. Also, more encouraging demand trends are expected from Hong Kong/China and India during FY18. Sustained pick-up in demand for diamond jewelry across all the key markets along with steady rough diamond prices would continue to be critical for profitable operations in the mid-stream cutting & polishing segment of the diamond value chain considering its limited bargaining power vis-à-vis both rough diamond mining companies and jewelry retailers.

Going forward, larger integrated players with strong sourcing relationships for raw material (e.g. DTC sight holders or those having direct arrangement with other diamond mining companies), those with better operating efficiencies, superior marketing network, geographically diversified clientele and a conservative forex/working capital management policy, are likely to exhibit more stable credit profiles.

Key Rating Weaknesses:

Foreign exchange fluctuation risk

IGIPL is engaged in 100% export of studded jewellery and its revenues are mainly denominated in USD. The company faces foreign exchange fluctuation risk, although to a large extent hedge exists on account of the procurement of the raw materials denominated in USD. The company's margin is susceptible to the extent of net receivables un-hedged in case of adverse foreign exchange fluctuations

Susceptibility to volatility in raw material prices

The profitability margins of IGIPL are susceptible to the price of rough diamonds and C&P which are market driven and volatile in nature. However, with the vast experience of the promoters of IGIPL, the risk is minimized to certain extent. Moreover, the volatility of gold price would have limited impact on IGIPL, as it procures gold from local banks on cash basis and is always backed by orders.

Analytical approach: Standalone

Applicable Criteria

[CARE's criteria on assigning Outlook to Credit Ratings](#)

[CARE's policy on Default Recognition](#)

[CARE's methodology for Short-term Instruments](#)

[Financial ratios – Non-Financial Sector](#)

[Factoring Linkages in Ratings](#)

About the Company

Inter Gold (India) Pvt. Ltd. (IGIPL), part of the Rosy Blue Group (RBG), is a manufacturer and exporter of diamond-studded, gold, silver and platinum Jewellery. RBG was established in 1960 and has offices, factories and stores across 14 countries and owns the Jewellery brand 'ORRA'. IGIPL is a 100% EOU and derives sales fully from exports. The company is catering to B2B segment mainly in countries such as USA, UK, and Australia etc.

| Brief Financials (Rs. crore) | FY16 (A) | FY17 (A) |
|------------------------------|----------|----------|
| Income | 560.13 | 472.62 |
| PBILDT | 25.45 | 11.06 |
| PAT | 23.30 | 13.84 |
| Overall gearing (times) | 0.17 | 0.13 |
| Interest coverage (times) | 12.71 | 13.02 |

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

| Name of the Instrument | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. crore) | Rating assigned along with Rating Outlook |
|---------------------------|------------------|-------------|---------------|-------------------------------|---|
| Fund-based - LT-EPC/PSC | - | - | - | 75.00 | CARE A-; Stable |
| Non-fund-based - ST-BG/LC | - | - | - | 0.50 | CARE A2+ |

Annexure-2: Rating History of last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating history | | | |
|---------|--|-----------------|--------------------------------|-----------------|---|--|---|---|
| | | Type | Amount Outstanding (Rs. crore) | Rating | Date(s) & Rating(s) assigned in 2017-2018 | Date(s) & Rating(s) assigned in 2016-2017 | Date(s) & Rating(s) assigned in 2015-2016 | Date(s) & Rating(s) assigned in 2014-2015 |
| 1. | Fund-based - LT-EPC/PSC | LT | 75.00 | CARE A-; Stable | - | 1)CARE A-; Stable (31-Dec-16) 2)CARE A- (21-Apr-16) | 1)CARE A- (30-Nov-15) | 1)CARE A- (11-Nov-14) |
| 2. | Non-fund-based - ST-BG/LC | ST | 0.50 | CARE A2+ | - | 1)CARE A2+ (31-Dec-16) 2)CARE A2+ (21-Apr-16) | 1)CARE A2+ (30-Nov-15) | 1)CARE A2+ (11-Nov-14) |

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