

## Roys Gold

August 02, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	43.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

\*Issuer did not cooperate; based on best available information.

### Rationale and key rating drivers

Roys Gold has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE Ratings Ltd.'s rating on Roys Gold's bank facility will now be denoted as **CARE BB- /Stable; ISSUER NOT COOPERATING\***.

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.**

The rating of Roys Gold continues to be constrained by modest scale of operations with thin margins exposed to volatility in gold prices, leveraged capital structure, stretched liquidity and competitive nature of the industry. The rating, however, derives strength from the experienced promoters and the firm's long-standing relationship with renowned clientele.

**Analytical approach:** Standalone

**Outlook:** Stable

### Detailed description of the key rating drivers:

At the time of last rating on July 28, 2023 the following were the rating strengths and weaknesses (updated for the available information provided by the company)

#### Key Rating Weaknesses

##### Thin profit margins exposed to volatility in gold prices and customer concentration

The firm primarily sells machine-made gold chains which carry lower margins. However, in FY23, they have diversified into other products like bangles, rings, necklace, etc. The operating margins of the firm stood thin between 1.50%-2.2% due to trading nature of business and limited value additions. The PBILDT margin stood at 3.20% for FY24 (Prov.) (P.Y.: 1.89%) Further, the margins are also exposed to gold prices which are highly volatile depending upon demand & supply conditions, regulatory control, and volatility in the foreign currency exchange rates.

#### Leveraged Capital Structure

The capital structure of the firm stood leveraged marked by overall gearing of 1.56x as on March 31, 2024 (Prov.). The business is however supported by continuous fund infusions by the partners who have infused Rs.15.07 crore in FY23. The debt coverage indicators stood weak with interest coverage at 1.39 times and Total Debt/Gross Cash Accruals at 31.40 years as on March 31, 2024 (Prov.) (P.Y.: 58.86 years).

#### Presence in competitive and regulated industry

The domestic jewelry industry is fragmented and highly competitive with the presence of large numbers of organized and unorganized players. Being wholesale player in the market, Roys gold faces stiff competition which puts pressure on its profitability. The sector has seen high regulatory interventions in the past with curbing gold imports, modifications in gold deposit schemes, increase in import duty etc.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

## Key Rating Strengths

### Extensive experience of promoters

Roys gold was initially established as a proprietorship firm "VK Manufacturers" and later converted to a partnership firm in 2010. The firm is managed by Mr. Roy Johnson Vellanikkara and his wife Mrs. Sheena Roy and are related to the promoters of Alukkas Group in Kerala. Mr. Roy has more than two decades of experience in the field and has extensive relationship with various stakeholders in the industry. The promoter, Mr. Roy is also one of the directors in Jewelima Diamonds Pvt Ltd (rated CARE BB; Stable) which is into manufacturing of diamond jewelry and sells to Alukkas Group.

### Established relationship with renowned customers

Roys Gold is involved in manufacturing of jewelry, primarily chains which is majorly confined to Kerala. The company concentrates on selling its products to local wholesalers with major customers being Alukkas Gold Retail India Private Limited (AGRL) and Joyalukkas India Private Limited (JIPL). Thrissur being the hub for gold jewelers in the state of Kerala, the management is diversifying to other wholesalers with variety of products like bangles, rings, necklace, etc. The firm procures gold bullion from private traders and after procuring, the same is smelted into gold chains. The firm receives repeat orders from Alukkas group, which contributed around 44% of the total sales for the year FY24.

**Assumptions/Covenants:** Not applicable

**Environment, social, and governance (ESG) risks:** Not applicable

## Applicable criteria

[Definition of Default](#)

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

## About the company and industry

### Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Consumer Durables	Consumer Durables	Gems, Jewellery And Watches

Roys Gold was established in 2010 as a partnership firm by Mr. J Roy and his wife Mrs. Sheena Roy. The firm is mainly involved in manufacturing of machine cut gold chains. The company is based out of Thrissur, Kerala and sells its products primarily to Alukkas group which is an established name in Kerala. The entity has an installed capacity to produce 40Kg ornaments per day.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (Prov.)
Total operating income	214.29	289.77	230.70
PBILDT	3.97	5.48	7.39
PAT	0.47	0.52	1.35
Overall gearing (times)	2.53	1.57	1.56
Interest coverage (times)	1.33	1.25	1.39

A: Audited Prov.: Provisional; Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated:** Annexure-4

**Lender details:** Annexure-5**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	43.00	CARE BB-; Stable; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; based on best available information.

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	43.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (28-Jul-23)	1)CARE BB-; Stable (14-Jul-22)	-

\*Issuer did not cooperate; based on best available information. - LT: Long term;

**Annexure-3: Detailed explanation of covenants of the rated instruments/facilities:** Not applicable**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

**Note on the complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

## Contact us

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### About us:

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