Ideal Fiscal Services Limited

March 13, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Short-term bank facilities	200.00	CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The short-term rating assigned to bank facilities of Ideal Fiscal Services Limited (IFSL) continues to derive strength from its experienced and resourceful promoter group having an established track record of over three decades in bullion trading business, sound risk management policies considering currency rate fluctuations and gold price fluctuations adopted by IFSL, the company's ability to scale up its jewellery export business, nil external debt of the company and adequate liquidity.

However, ratings strengths are partially offset by IFSL's thin operating margin which is susceptible to volatility associated with commodity (gold bars) prices, high customer concentration and low net worth base despite improvement in capital structure.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant improvement in its profit margins on a sustained basis while maintaining its comfortable leverage on net debt basis by strictly following its stated policy to back its entire bank/external debt by way of fixed deposits and / or letter of credit (LC) from its customers' banks.
- Improvement in profit before interest, lease rentals, depreciation, and taxation (PBILDT) interest coverage above 1.50x on a sustained basis.

Negative factors

- Availment of major fund-based bank finance without it being entirely backed by FD and/ or customers' banks LC.
- Keeping its currency and commodity risk open on a sustained basis.
- Adverse regulatory changes affecting its demand or operating environment.

Analytical approach: Standalone while factoring in strong managerial and financial linkages with its parent, Augmont Enterprises Private Limited (AEPL).

Outlook: Not applicable

Detailed description of key rating drivers

Key strengths

Experienced and resourceful promoter group

Ideal Fiscal services Limited (IFSL) is a part of Mumbai-based Augmont Group. The flagship company of the Augmont group, Augmont Enterprises Private Limited (AEPL) was incorporated in October 2012, by the second generation of Kothari family and operates in the domestic bullion trading market through a network of 18 branches. The family's first generation is engaged in the similar bullion trading business through another entity named RiddiSiddhi Bullions Limited since 1994.

AEPL holds a strong market position in the bullion trading segment as reflected by its total sales of ₹34,015 crore in FY24 (FY23: ₹30,513 crore) on a consolidated basis. As on March 31, 2024, AEPL had free cash and liquid investments of ₹209.59 crore against external debt of ₹38.15 crore on a consolidated basis.

Sound risk management policies and low credit risk

IFSL's procurement of precious commodities (gold bars) is entirely backed by confirmed order from the customers, resulting in minimal inventory and susceptibility to price volatility risk. The company also enters back-to-back forward contracts for exports and imports to minimise price and forex fluctuation risk. IFSL's export sales are either backed by LC drawn from client's bank or avails export packing credit which is entirely backed by fixed deposits.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Growing scale of operations albeit high customer concentration risk
IFSL has short track record of operations of nearly three years under new management with FY23 being its first full year of operations. FY24, IFSL was able to scale up its operations achieving a TOI of Rs.1509 crore as against Rs.743 crore in FY23. Further, during 9MFY25, IFSL has achieved TOI of Rs. 3901 crore. IFSL is located in SEZ, Jaipur and its entire sales is concentrated in four countries viz. UAE, Singapore, Hongkong and Turkey. During FY24, top-5 customers contributed around 83% of TOI, reflecting high customer concentration risk.

Key weaknesses

Thin profitability, which is susceptible to volatility associated with precious commodity trading business and regulatory risk
Due to its presence in an intensely competitive and low value-added standardised plain gold jewellery segment, the company's profitability remained low marked by PBILDT and PAT margin of 1.99% and 0.88% during FY24 (FY23: 2.99% and 0.38%) respectively. During 9MFY25, PBILDT margin further moderated to 0.92%. While the company has a defined hedging mechanism in place, its profitability remains susceptible to regulatory risk and exchange rate fluctuation risk in case exposure remains unhedged.

Low net worth base albeit improvement in capital structure
IFSL's capital structure remained leveraged marked by overall gearing of 4.93x as on March 31, 2024. The company operates on a low net worth base of ₹21.26 crore against a total debt of ₹104.89 crore consisting of EPC borrowings and unsecured loans from the holding company (AEPL). However, the EPC debt availed by the company is entirely backed by FDs and hence on a net debt basis the company has nil bank debt.
In 9MFY25, with improvement in IFSL's networth base, and the company's reduction in total debt to ₹19.44 crore as on December 31, 2024, the overall gearing improved at 0.44x as on December 31, 2024. The total debt reduced significantly as the company opted for sales on spot payment basis post Directorate General of Foreign Trade (DGFT) imposing restriction on availment of interest subvention only up to ₹10 crore in a financial year.

Liquidity: Adequate

The company's liquidity profile remained adequate considering its entire working capital bank borrowings being secured against fixed deposit or LC issued by the customer's bank which is discounted with the bank by the company immediately. The company's operations are funded from its net worth base and infusion of need-based funds by AEPL.
IFSL had free cash and bank balance of ₹104.02 crore as on March 31, 2024, apart from lien marked FD's of ₹37.93 crore. IFSL's operating cycle remained lean at 5 days in FY24 (FY23: 4 days), owing to low inventory levels and discounting of customer's LC with the bank.

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

Applicable criteria

Definition of Default
Factoring Linkages Parent Sub JV Group
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Consumer durables	Consumer durables	Gems, jewellery and watches

Ideal Fiscal Services Limited, subsidiary company of Mumbai based Augmont Enterprises Private Limited (AEPL) is engaged in bulk gold jewellery manufacturing and export business.
AEPL, flagship company of Augmont group acquired 45% stake in Ideal Fiscal Services Limited (IFSL) in November 2021 and has thereafter ventured in the gold jewellery manufacturing business exclusively to cater international markets. In FY23, AEPL and its promoters acquired 100% stake in IFSL. As on March 31, 2024 AEPL held 91.40% stake in IFSL and the balance shares were held by Kothari family. IFSL has its own fully equipped manufacturing facility at Sitapura SEZ, Jaipur.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	743.46	1,509.29	3,901.29
PBILDT	22.20	30.11	35.90
PAT	2.81	13.25	22.65
Overall gearing (times)#	52.46	4.93	0.44
Interest coverage (times)	1.00	1.86	5.46

A: Audited; UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - ST-FBN / FBP		-	-	-	55.00	CARE A3
Fund-based - ST-FBN / FBP		-	-	-	145.00	CARE A3

Annexure-2: Rating history for 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 - ST-FBN / FBP	ST	55.00	CARE A3	-	1)CARE A3 (07-Feb-24)	-	-
2	Fund-based - ST-FBN / FBP	ST	145.00	CARE A3	-	1)CARE A3 (07-Feb-24)	-	-

ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - ST-FBN / FBP	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

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

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