

## Inter Gold (India) Private Limited (Revised)

October 21, 2022

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	75.00	<b>CARE A-; Stable (Single A Minus; Outlook: Stable)</b>	<b>Reaffirmed</b>
Short Term Bank Facilities	0.50	<b>CARE A2+ (A Two Plus)</b>	<b>Reaffirmed</b>
<b>Total Facilities</b>	<b>75.50 (Rs. Seventy-Five Crore and Fifty Lakhs Only)</b>		

*Details of instruments/facilities in Annexure I below*

### Detailed rationale and key rating drivers

The ratings assigned to the bank facilities of Inter Gold (India) Private Limited continues to derive strength from established position of the Rosy Blue group in the Gems and Jewellery industry and linkage derived from the parent and group companies, comfortable capital structure and geographical diversification of sales with major presence in the key diamond jewellery market in USA. CARE Ratings has considered the improvement in financial performance of the company during FY22 and Q1FY23 driven by revival in demand for diamond studded jewellery from key export markets of the USA, UK and Australia.

The ratings however are constrained by modest scale and working capital intensive nature of operations. The ratings are also tempered by foreign exchange fluctuation risk and susceptibility to fluctuation in diamond prices along with intensely competitive nature of the industry.

### Rating sensitivities

#### Positive factors – Factors that could lead to positive rating action/upgrade:

- Overall improvement in credit profile of the parent company
- Improvement in operating cycle to below 3 months

#### Negative factors – Factors that could lead to negative rating action/downgrade:

- Deterioration in overall credit profile of the group
- Significant decline in scale of operations and profitability margins

**Outlook:** Stable

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

## Detailed description of the key rating drivers

### Key rating strengths

#### **Experienced promoters in diamond industry and operational synergies between group companies:**

IGIPL is a part of the Rosy Blue Group (RBG) and is a subsidiary of Rosy Blue India Private Limited. (RBIPL). RBG is one of the leading groups 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 the studded jewellery manufacturing arm of the group and it benefits from international marketing network of RBG. IGIPL also gains in the form of sourcing the majority of its diamond requirement from RBIPL for which the company also gets extended credit period.

**Improvement in overall operating performance during FY22:** The performance of the company improved during FY22 and continued to improve during Q1FY23. The total operating income increased by around 38% during FY22 as compared to FY21. PBILDT and PAT margins marginally improved to 7.59% (7.03% for FY21) & 4.97% (4.49% for FY21) during FY22 respectively. The company was able to consistently maintain its PBLIDT margin at over 7% over the period FY20-FY22. IGIPL has attained revenue of Rs.400 Crore for HYFY23 which is more than half of the projected turnover for the year.

#### **Comfortable capital structure and debt protection metrics:**

IGIPL has no term loan from bank or any financial institution. Over-all gearing of IGIPL remains low at 0.17x as on March 31, 2022 (0.21x as on March 31, 2021). IGIPL continues to have healthy debt protection metrics with interest coverage of 12x for FY22.

#### **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 and Hong Kong vis-a-vis its previously concentrated presence in its traditional markets of USA and UK. Sales to top 3 countries i.e USA, Australia and UK contributed to more than 90% of its revenues in FY22. Share of top 10 customers remained high at 87% in FY22 (PY-90%). Rosy Blue Group accounted for 32%of total sales in FY22 (PY-30%).

### Key rating weaknesses

#### **Foreign exchange fluctuation risk:**

IGIPL is engaged in 100% export of studded jewellery and its revenues are denominated in USD. The purchases of gold and finished diamond are also in USD. Since on most occasions, exports are backed by an equivalent amount of imports the company enjoys a natural hedge to a large extent. Additionally, the company hedges its foreign currency exposure through forward contracts and options. As on March 31, 2022, net un-hedged foreign currency exposure of receivables was Rs. 72.85 crores and the company had foreign currency translation gain to the extent of Rs. 11 crores in FY22 (FY21: Rs.5.58 cr.) Thus, the company's margin is susceptible to adverse foreign exchange fluctuations to limited extent.

**Susceptibility to volatility in raw material prices:**

The profitability margins of IG IPL are susceptible to the prices of gold which is market driven and volatile in nature. However, the volatility of gold prices would have limited impact on IG IPL, as it procures gold from local banks on cash basis which is always backed by orders. The company is exposed to volatility in diamond prices. IG IPL purchases around 70-80% of the polished diamond from the parent. The company faces intense competition from the unorganised players as well as from a few established organised players, which limits its pricing power.

**Working capital intensive nature of operations:**

The company's operations continue to remain highly working capital intensive with operating cycle of 4-5 months. However, this has improved during FY22 from 135 days in FY21 to 123 days in FY22. Utilization of working capital limits remain moderate at around 56.52% for last 12 months ending August 2022. Working Capital requirements are generally high due to the need to keep high value raw material items like gold & diamonds, as well as the requirement to maintain finished goods inventory in order to cater the peak seasonal demands. Also, the company's average receivable collection days is high.

**Inherent risk and fragmented nature of CPD:**

India is the world's largest hub for cutting and polishing of diamonds. However, the CPD industry in India is highly fragmented with the presence of numerous unorganized players in addition to the large integrated G&J manufacturers leading to a high level of competition. The export oriented CPD industry is susceptible to various guidelines by Government of India, change in taxation structure, impacting the industry.

**Industry Prospects:**

The overall gross exports of Gems & Jewellery rose by 55.13% in USD terms to US\$ 39.15 bn (Rs. 2,91, 771 crores) in FY22 as compared to US\$ 25.40 bn (Rs. 1, 87, 334 crores) for the same period previous year, as per Gems & Jewellery Export Promotion Council. Given the limited avenues for the discretionary spending during the Pandemic, consumers in the developed markets increased their spending on gems and jewellery. However, demand in the West faded later in March 2022 due to high inflation and energy prices. The impact of Food & Fuel prices are likely to have had a considerable impact on consumer confidence, particularly as they will coincide with phasing out of some federal income support programmes. Core inflation in US remained at a four decade high at over 8 per cent in September 2022 and would likely trigger further interest rate hikes by the Federal Reserve. The ongoing war in Ukraine could potentially have a severe impact on the overall economy in Europe. IG IPL's key markets being US & Europe could potentially experience weakening of demand for jewellery considering the high inflation in these regions. Care Ratings believes that this factor could impact the revenues of the company in the projected years.

**Liquidity:** Adequate

Liquidity continues to remain adequate characterized by stable accruals against no fixed repayment obligations. With a gearing of 0.17 times as of March 31, 2022, the issuer has gearing headroom, to raise additional debt. IG IPL working capital cycle improved to 123 days in FY22 vis a vis 135 in FY21 mainly due to better realization of debtors. Utilization of working capital limits remain moderate at around 56.52% for last 12 months ending August 2022.

**Analytical approach:** Standalone

## Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

[Policy on Withdrawal of 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 (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	Q1FY23(UA)
Total operating income	576.36	800.45	144.93
PBILDIT	40.52	60.75	9.76
PAT	25.92	39.84	5.29
Overall gearing (times)	0.21	0.17	NA
Interest coverage (times)	15.89	12.28	NA

A: Audited; UA: Unaudited

Note: H1FY23 numbers are not available.

## Status of non-cooperation with previous CRA: Nil

**Any other information:** Not applicable

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

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

**Complexity level of various instruments rated for this company:** Annexure-4

**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-EPC/PSC		-	-	-	75.00	CARE A-; Stable
Non-fund-based - ST-BG/LC		-	-	-	0.50	CARE A2+

**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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-EPC/PSC	LT	75.00	CARE A-; Stable	-	1)CARE A-; Stable (08-Nov-21)	1)CARE A-; Stable (12-Mar-21)	1)CARE A-; Stable (27-Feb-20)
2	Non-fund-based - ST-BG/LC	ST	0.50	CARE A2+	-	1)CARE A2+ (08-Nov-21)	1)CARE A2+ (12-Mar-21)	1)CARE A2+ (27-Feb-20)

\*Long term/Short term.

**Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities**

Name of the Instrument	Detailed Explanation
<b>A. Financial covenants</b>	
I. Penal Interest @2%	Divergence of funds

**Annexure-4: Complexity level of various instruments rated for this company**

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-EPC/PSC	Simple
2	Non-fund-based - ST-BG/LC	Simple

**Annexure-5: Bank lender details for this company**To view the lender wise details of bank facilities please [click here](#)

**Note on 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.

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### About us:

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### Disclaimer:

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