

January 08, 2025

Rosy Blue (India) Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term/Short-term: Fund-based Working Capital Limits	1,030.00	1,030.00	[ICRA]A- (Stable)/[ICRA]A2+; reaffirmed
Total	1,030.00	1,030.00	

*Instrument details are provided in Annexure-I

Rationale

The ratings continue to draw comfort from Rosy Blue (India) Private Limited's (RBIPL) established market position in the Indian cut and polished diamond (CPD) industry, extensive domain experience of its promoters and its professional management set-up. The ratings favourably factor in the company's sight-holder status and sourcing arrangements with miners, including De Beers, Artic Canadian Diamond Company (Dominion) and Rio Tinto Mining Corporation, among others, which lend it a competitive advantage. Rosy Blue is a well-recognised brand globally and the company caters to reputed customers in the US and European markets. Its capital structure is satisfactory, characterised by below unity gearing as on March 31, 2024. RBIPL's liquidity position also remains comfortable, underpinned by cash and investment balances of ~Rs. 300.0 crore as on September 30, 2024 (including free cash/bank balances, market value of listed investments and mutual funds) at the standalone level. The company had a cushion in the form of undrawn working capital limits of Rs.698.7 crore (at standalone level) as on November 30, 2024.

Given the demand headwinds faced by the CPD industry due to the inflationary pressures in FY2024, RBIPL's revenues on consolidated basis moderated by 30% and is expected to decline further by 22-25% in FY2025. Along with unfavourable rough polished price differential, this will exert pressure on its profit margins and, thus, its credit metrics in FY2025. The adverse impact on the financial profile will be partially mitigated by RBIPL's prudent inventory management and its adequate liquidity position, which help limit dependence on debt. The debt coverage indicators are also expected to improve from FY2026, with gradual increase in demand. This remains a key rating monitorable.

The ratings, however, remain constrained by RBIPL's high working capital intensity of operations inherent to the CPD and jewellery business. The profit margins also remain exposed to adverse fluctuations in diamond prices and stiff competition from the unorganised as well as organised players. The company's profitability also remains susceptible to the foreign exchange (forex) fluctuation risk due to its export-dominated revenue profile, though a natural hedge by the import of rough diamonds mitigates the risk to a large extent.

The Stable outlook on the [ICRA]A- rating reflects ICRA's opinion that RBIPL's credit profile will remain supported by its prudent inventory management, limited capital expenditure (capex) and adequate liquidity position, which will help limit its dependence on debt. Gradual improvement in rough-price differential is also expected from Q4 FY2025, which will help support the debt coverage indicators.

Key rating drivers and their description

Credit strengths

One of the leading CPD exporter with a good market position; established brand name and distribution network – RBIPL is an established player in the diamond manufacturing business with a track record of over six decades, supported by the extensive domain experience of its promoters. Such extensive experience, coupled with a professional management team, enhances the competitive position of the company in the industry. RBIPL is a well-recognised brand globally, catering to reputed customers in the US, European and Indian markets.

Sight-holder status with De Beers and sourcing arrangement with mining companies ensure steady supply of roughs at competitive rates – The CPD industry depends heavily on global miners such as De Beers and Rio Tinto, among others, for sourcing rough diamonds. However, due to stringent qualification requirements of the miners, only a few companies across the globe have direct access to the rough supply. RBIPL features among these top global companies and is a sight-holder with De Beers, with access to rough supply from Dominion and Rio Tinto, among others. This lends competitiveness to the company's operations in the form of steady supply of quality roughs at competitive prices. The company directly procures 80-85% (including procurement from associate companies) of its rough requirements from primary sources, which include sights and auctions. Given the ongoing demand slowdown, De Beers has announced price cuts in the range of 10-15% in the current fiscal year, which should help improve spreads between rough and polished diamonds, going forward.

Comfortable liquidity position and capital structure – The company's liquidity position remains comfortable with cash and investments of ~Rs.300 crore (including free cash and bank balances, market value of listed investments and mutual funds) as on September 30, 2024, at the standalone level. The company also has a cushion in the form of undrawn working capital limits of Rs. 698.7 crore (at standalone level) as on November 30, 2024. Besides, RBIPL's debt profile on standalone and consolidated levels, like most CPD and jewellery companies, is largely short-term in nature for meeting its high working capital requirement. RBIPL's gearing remained comfortable at below unity as on March 31, 2024, at the standalone and consolidated levels. Moreover, the total outside liabilities to net worth remained comfortable at 0.7 times as on March 31, 2024.

Credit challenges

Demand headwinds faced by the industry; credit metrics expected to moderate in FY2025 – RBIPL's revenues declined 30% YoY to Rs.4,433 crore in FY2024 on a consolidated basis amid global demand headwinds due to inflationary pressures in key consuming nations. Coupled with an unfavourable rough-polished diamond price differential, this resulted in weakened operation profit margins in FY2024. The differential has remained unfavourable in H1 FY2025 as well; although some improvement in the same is expected in Q4 FY2025, with the recent correction in rough prices and pick up in certain categories of polished diamond. The global demand, however, remains weak, which will result in revenue decline and continued pressure on profitability in FY2025. ICRA, however, draws comfort from the entity's limited reliance on debt, along with its adequate liquidity position.

High working capital intensity of operations – The company's working capital intensity of operations, as reflected by the net working capital vis-à-vis the operating income remains high in the range of 35-40% due to the inherently elongated working capital cycle of the CPD and jewellery businesses, primarily characterised by high inventory days. However, the company's utilisation of bank limits remained moderate at 43% during the 15-month period ending on November 30, 2024 (at the standalone level), giving it an adequate liquidity buffer. The company has controlled its inventory holding in the current year, which has helped it limit its dependence on debt in YTD FY2025.

Exposed to intense competition from unorganised and organised players, margins susceptible to fluctuations in forex rates and diamond prices – The diamond industry is fragmented, with low value addition and intense competition. RBIPL faces intense competition from unorganised players as well as from a few established organised players, which limits its pricing

power. However, the company's established presence in the industry and reputed brand name have helped it develop healthy business relationships with its customers as well as suppliers. Further, as a substantial part of RBIPL's revenues is denominated in foreign currency (primarily in USD), the company is exposed to adverse fluctuations in the currency markets. However, the company's exports are mostly backed by an equivalent amount of imports and, hence, it enjoys a natural hedge to a large extent. The company is also exposed to adverse fluctuations in the prices of rough and polished diamonds.

Liquidity position: Adequate

RBIPL's liquidity position remains adequate, supported by balances of Rs. 300 crore comprising free cash and bank balance along with investments in equity shares and mutual funds as on September 30, 2024, at a standalone level. The company has a sizeable cushion in the form of undrawn working capital limits with average utilisation of ~43% of bank limits during the last 15 months that ended in November 2024, at the standalone level. As the company's debt profile, like most CPD and jewellery entities, is short-term in nature for meeting its working capital requirements, it does not have any scheduled debt repayments. Apart from the maintenance capital expenditure (capex) of Rs. 5-10 crore, RBIPL does not have any major capex plans.

Rating sensitivities

Positive factors – The ratings may be upgraded if there is a sustained improvement in the scale of operations and profitability along with a reduction in the working capital intensity of operations, resulting in an improvement in RBIPL's credit metrics. An improvement in the interest cover to over 4.5 times on a sustained basis at the consolidated level will also be a positive rating factor.

Negative factors – Pressure on RBIPL's ratings could arise if there is a deterioration in its earnings or a stretch in the working capital cycle, resulting in a deterioration in its financial profile and/or the liquidity position on sustained basis. Specific credit metric that could lead to ratings downgrade includes interest coverage remaining below 3.0 times on a sustained basis at the consolidated level.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology - Gems & Jewellery (Cut & Polished Diamonds)
Parent/Group Support	Not applicable
Consolidation/Standalone	The ratings are based on the consolidated financials of the company. As on March 31, 2024, RBIPL had three subsidiaries and three step-down subsidiaries, which are listed in Annexure-2. ICRA has also factored in the corporate guarantee of Rs. 254.2 crore, given by RBIPL, for the bank facilities of its erstwhile subsidiary, Orra Fine Jewellery Private Limited, as on March 31, 2024.

About the company

Late Bhanuchandra Bhansali and Late Arunkumar Mehta incorporated the partnership firm, B. Arunkumar, in 1960 to cut and polish rough diamonds in Mumbai. The firm, which began as a contract manufacturer, soon started procuring roughs from the open market and manufactured CPDs in its own name. As the business expanded across geographies, the management adopted a brand name to encompass all its business operations. Consequently, the company (Everest Gems) was renamed as Rosy Blue (India) Private Limited. It is beneficially owned by the Bhansali and Mehta families, along with certain minority shareholders. The Rosy Blue Group includes its subsidiaries, which are primarily involved in the jewellery manufacturing business.

RBIPL's key subsidiaries/ step-down subsidiaries include Inter Gold (India) Private Limited and Rosy Blue Jewellery Inc., US, which are involved in manufacturing and wholesale exporting/selling of diamond-studded jewellery. In FY2021, RBIPL acquired

a 100% stake in Leo Schachter Diamonds India Private Limited and renamed it as Rosy Blue Diamonds Private Limited (RBDPL), which also deals in CPD. RBDPL has subsequently been merged with RBIPL effective from October 01, 2023, since the operations of both entities were similar in nature.

Orra Fine Jewellery Private Limited ceased to be a subsidiary from July 03, 2023, though its bank facilities continue to be backed by corporate guarantee from RBIPL. The outstanding corporate guarantee stood at Rs. 254.2 crore as on March 31, 2024.

Key financial indicators - Consolidated

	FY2023 (audited)	FY2024 (audited)
Operating income	6,367.7	4,433.1
PAT	271.9	153.1
OPBDIT/OI	7.3%	5.2%
PAT/OI	4.3%	3.5%
Total outside liabilities/Tangible net worth (times)	1.1	0.7
Total debt/OPBDIT (times)	2.2	2.0
Interest coverage (times)	4.5	3.2

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years							
	Type	Amount Rated (Rs Crore)	Jan 08, 2025	FY2025		FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating		
Fund-based Working Capital Limits	Long Term /Short Term	1,030.00	[ICRA]A-(Stable)/[ICRA]A2+	05-Jan-24	[ICRA]A-(Stable)/[ICRA]A2+	02-Jan-23	[ICRA]A-(Stable)/[ICRA]A2+	08-April-2021	[ICRA]BBB+(Stable)/[ICRA]A2		
								28-Jan-2022	[ICRA]A-(Stable)/[ICRA]A2+		

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term/ Short-term – Fund-based working capital Limits	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or

complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund-based working capital facilities	NA	NA	NA	1030.00	[ICRA]A-(Stable)/[ICRA]A2+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Rosy Blue (India) Private Limited	Rated entity	Full Consolidation
Inter Gold (India) Private Limited	Subsidiary	Full Consolidation
Rosy Blue Jewellery Inc	Step-down subsidiary	Full Consolidation
Tai Shan Gems Limited	Subsidiary	Full Consolidation
Inter Gold Europe NV	Step-down subsidiary	Full Consolidation
Sitara Diamond Private Limited	Step-down subsidiary	Full Consolidation
Rosy Blue Foundation	Subsidiary	Full Consolidation

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