February 07, 2025

Oro Precious Metals Private Limited: [ICRA]A- (Stable); assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long term – Cash Credit	45.00	[ICRA]A- (Stable); assigned
Total	**45.00**	

Instrument details are provided in Annexure I

Rationale

The ratings assigned to Oro Precious Metals Private Limited (OPMPL) factors in the extensive experience of the promoters and established presence of the company in the gold and platinum jewellery manufacturing business. Driven by Oro's increasing customer base, its healthy market position as well as regular enhancement in manufacturing capacities in the last three years, the company's revenues have increased at a healthy compounded annual growth rate (CAGR) of 35% during FY2021-FY2024. Further, led by the benefits of operating leverage and consolidation of manufacturing facilities, which resulted in operational efficiencies, there has been a steady increase in accruals. Its financial profile also remains satisfactory with comfortable debt coverage indicators.

The ratings, however, are constrained by Oro's moderate, albeit growing, scale of operations. Notwithstanding the healthy growth in revenues in the last three years, its scale of operations remains moderate (relative to the rating category). The ratings also factor in the working capital intensive nature of its operations, marked by the high receivable and inventory holding period. However, OPMPL's practice of order-backed production provides comfort to a large extent. The ratings also consider intense competition prevailing in the jewellery manufacturing industry, which limit the company's pricing flexibility and margins, and the vulnerability of earnings to volatility in gold prices and regulatory risks.

The Stable outlook assigned to OPMPL reflects ICRA's opinion that the company will continue to witness healthy volume growth, benefitting from its established relationships with customers. Besides limited capital expenditure plans, this will lead to satisfactory debt coverage indicators.

Key rating drivers and their description

Credit strengths

Extensive experience of the promoters – OPMPL, incorporated in 2008, has an established presence in the gold and platinum jewellery manufacturing industry for more than a decade. The company's operations are managed by Mr. Avinash Pahuja, having more than three decades of extensive experience and Mr. Ravish Pahuja, who have more than two decades of experience in the gems and jewellery business. Besides, the business carries a legacy spanning four generations.

Established market position of OPMPL in gold manufacturing industry, long relationships with customers – OPMPL has been involved in the manufacturing of gold industry since 2008. The product profile of the company includes gold and platinum jewellery, with bangles accounting for majority of revenues. The company has long relationship with its marquee customers, which results in repeat orders.

Healthy ramp-up in revenues, comfortable financial profile – Driven by Oro's increasing customer base, its healthy market position and regular enhancement in manufacturing capacities in the last three years, the company's revenues have increased at a healthy CAGR of 35% during FY2021 to FY2024. In the gold jewellery segment, the company largely caters through job work with significant volume offtake through this model, resulting in high job work income. Aided by healthy ramp-up of operations and net cash accruals, OPMPL's dependence on external debt has remained moderate. This has resulted in comfortable financial profile, marked by a gearing of 1.8 times as on September 30, 2024 (provisional estimates). Besides, debt coverage indicators also remain satisfactory with an interest cover of 6.9 times and total debt vis-à-vis the operating profit as on September 30, 2024 (provisional). Its liquidity position is also adequate with cash and liquid investment of Rs. 8.7 crore and unutilised fund-based limits of Rs. 19.7 crore as on September 30, 2024. Increasing regulatory restrictions in the jewellery industry, aimed towards greater transparency and standardisation over the years, have accelerated the shift in the market share from unorganised to organised jewellers. The industry tailwind would continue to benefit organised manufacturing jewellers like OPMPL, going forward, as it caters to organised retailers.

Credit challenges

Moderate, albeit growing, scale of operations – Notwithstanding the healthy growth in revenues and profits, OPMPL, with a net worth base of Rs. 138 crore as on September 30, 2024, remains a moderate sized player in the jewellery manufacturing industry. That said, over the last three years, Oro has been regularly enhancing its capacities.

Working capital intensive nature of operations – The company's working capital intensity of operations, as reflected by the net working capital vis-à-vis the operating income, remained high at 20% as on September 30, 2024. This was primarily on account of its high receivables and inventory holding period. The company provides credit of 45-90 days to its customers and holds an inventory of 45-60 days. However, OPMPL's practice of order-backed production provides comfort to a large extent. Moreover, ICRA notes that there is no stretch in receivables as the significant portion of receivables outstanding as on December 24, 2024 is less than 60 days.

Exposure to intense competition and regulatory risks – Intense competition from unorganised players in the manufacturing segment and other established brands in the retail segment limit the company's pricing flexibility and bargaining power to some extent, eroding its profitability. The earnings remain exposed to volatility in gold prices, however, the company's practice of order-backed procurement mitigates the exposure to a large extent. Further, increased regulatory intervention in the jewellery industry in the recent years has impacted the demand and supply scenario in the industry.

Liquidity position: Adequate

The company's liquidity position is adequate, marked by cash and liquid balance of Rs. 8.7 crore as on September 30, 2024. Dependence on working capital limit remained high with an average utilisation of 85% in the last 12-month period ended in December 2024. The company is expected to generate healthy cash flows in FY2025, backed by high volume offtake and better gross margin. Against this, the company has repayment obligations of Rs. 12 crore in FY2025 and Rs. 11.6 crore in FY2026. Besides, OPMPL will undertake limited capex of Rs. 12-24 crore per annum in the near-to-medium term, which is expected to be funded in a prudent mix of debt and internal accruals.

Rating sensitivities

Positive factors – ICRA may upgrade the rating of OPMPL if the company is able to register a significant growth in revenues and earnings, leading to an improvement in net cash accruals on a sustained basis.

Negative factors – ICRA may downgrade the rating of OPMPL if the company reports significant decline in revenues and earnings, which adversely impacts its debt coverage indicators and liquidity position on a sustained basis. Specific credit metric that could lead to a rating downgrade includes interest cover remaining below 4 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	[Corporate Credit Rating Methodology]
Parent/Group support	Not applicable
Consolidation/Standalone	Not Applicable

About the company

Oro Precious Metals Private Limited, established in 2008, manufactures hallmarked gold and platinum bangles under its flagship brand, ORO. The company is jointly managed by its Directors, Mr. Avinash Pahuja and Mr. Ravish Pahuja. The company's facility is located at Navi Mumbai (Maharashtra).

Key financial indicators (audited)

Oro Precious Metals Private Limited	FY2023	FY2024	H1 FY2025*
Operating income	820.1	1,087.6	745.2
PAT	22.9	27.0	30.8
OPBDIT/OI	5.8%	5.4%	6.6%
PAT/OI	2.8%	2.5%	4.1%
Total outside liabilities/Tangible net worth (times)	2.0	1.7	1.9
Total debt/OPBDIT (times)	2.8	2.9	2.5
Interest coverage (times)	5.0	4.7	6.9

*Source: Company, ICRA Research; * Provisional numbers; 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

		Current rating (FY2025)		Chronology of rating history for the past 3 years					
		FY2025		FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs. crore)	Feb 7, 2025	Date	Rating	Date	Rating	Date	Rating
Fund based – Cash Credit	Long term	45.00	[ICRA]A-(Stable)	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term – Fund-based Cash Credit	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	**Cash Credit**	NA	NA	NA	45.00	[ICRA]A-(Stable)

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis: Not Applicable

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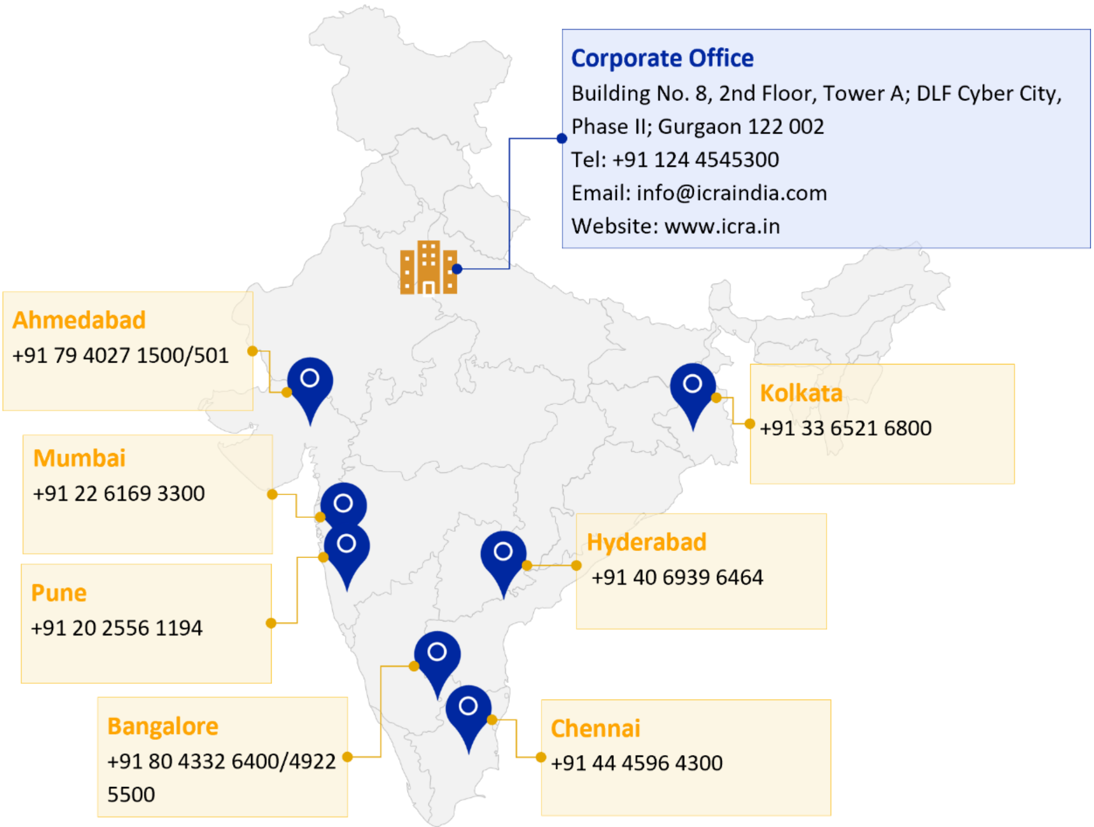

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