

## Press Release

### Gold Star Diamond Private Limited

January 30, 2023

### Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	54.00	ACUITE A-   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	54.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) on the bank facilities of Rs.54.00 crore for Gold Star Diamond Private Limited (GDPL). The outlook is '**Stable**'.

#### Rationale for Rating Reaffirmation

The rating reaffirmation takes into account the stable operating and financial performance of Gold Star Group during the review period. The operating income of the Group improved and stood at Rs.1865.39 crore in FY22, as against Rs. 1182.75 crore in FY21. In 9MFY2023, the Group has generated revenue of Rs.1599 Cr and is expected to close the year in the range of Rs.1850 – Rs.1950 Cr. The performance is in line with the industry trend. As per GJEPC reports, the financial year 2021-2022 saw significant resurgence in the gems and jewellery exports which grew by 11.05 % in comparison to the pre-covid level. Subsequently, from April-October 2022, India's gems and jewellery exports recorded a 1.21% rise compared to the previous year's period.

Further, the Group's financial risk profile continues to remain healthy marked by healthy net worth, comfortable gearing and debt protection measures. The rating continues to remain constrained by the working capital intensive nature of operations. Going forward, the Group's ability to significantly improve its operating income and profitability while maintaining its capital structure and restricting elongation in its working capital cycle will remain a key rating monitorable.

#### About Company

Mumbai based, Gold Star Diamond Private Limited (GDPL), incorporated in 1995, is engaged in the cutting, polishing and trading of diamonds and is a part of the Gold Star Group of Companies. The revenue from GDPL constitutes around ~15-30 percent of Gold Star group led by Mr. Ankur Shah and Mr. Sayam Shah.

#### About the Group

The Gold Star group manufactures and exports diamond-studded gold and platinum

jewellery. The group is also engaged in cutting and polishing of diamonds. The jewellery business is carried out through Gold Star Jewellery Private Limited (GJPL) (incorporated in 1990) and the diamond business is carried out through Gold Star Diamond Private Limited (GDPL) (incorporated in 1995). The jewellery division accounts for ~92 per cent of the group's revenue, and the diamond division for the balance ~8 per cent. The Group is managed by Shah family and are supported by seasoned professionals.

## **Analytical Approach**

### **Extent of Consolidation**

- Full Consolidation

### **Rationale for Consolidation or Parent / Group / Govt. Support**

Acuité has considered the consolidated business and financial risk profiles of Gold Star Jewellery Private Limited (GJPL) and Gold Star Diamond Private Limited (GDPL). Hereinafter refer to as 'Gold Star Group'. The consolidation is due to the presence of common promoters, shared brand name, significant operational and financial synergies within the group.

## **Key Rating Drivers**

### **Strengths**

#### **Established track record of operations and experienced management**

The Gold star group has established presence since 1990, in manufacturing and export of diamond-studded gold jewellery and diamonds. The Group has established presence of over three decades in the industry and primarily exports to the USA and Europe. The long-term relations with some of the renowned wholesalers and retailers in the market has helped the group in getting regular flow of orders. Gold star group also deals with customers in Australia, Canada, and Italy to name a few. The directors extensive experience of over three decades in the gems and jewellery industry and long relationship with its customers has resulted in stable revenues. The Board is well supported by second line of experienced management team. The operating income of the Group improved and stood at Rs.1865.39 crore in FY22, as against Rs.1182.75 crore in FY21. In 9MFY2023, the Group has generated revenue of Rs.1599 Cr and is expected to close the year in the range of Rs.1850 – Rs.1950 Cr. The performance is in line with the industry trend. As per GJEPC reports, the financial year 2021-2022 saw significant resurgence in the gems and jewellery exports which grew by 11.05 % in comparison to the precovid level. Subsequently, from April-October 2022, India's gems and jewellery exports recorded a 1.21% rise compared to the previous year's period. Acuité believes that with its long track record of over two decades in the business and long-standing relationship with its customers, the group will continue to benefit from its established market position over the medium term.

#### **Healthy Financial risk profile**

The Group's financial risk profile is healthy marked by its healthy net worth, comfortable gearing and debt protection measures. The tangible net worth of the Group increased to Rs. 564.79 crore as on March 31, 2022 as against Rs. 498.30 crore as on March 31, 2021. The Group's gearing stood at 0.58 times as on March 31, 2022, as against 0.54 times in the March 31, 2021. The total debt of Rs.328.70 crore as on March 31, 2022, consists of long-term borrowings of Rs.41.21 crore and short-term debt obligations of Rs.271.23 crore. The Group in FY2022 availed additional term loan of Rs. 13.80 Cr towards its ongoing capex. The Group had bought a new manufacturing facility adjoining to its existing facility in Seepz. The Group has taken a term loan of Rs.30 crore for the new factory. Further, the working capital limits of its banking facilities were enhanced to Rs.329.76 Cr during the year. However, considering additional debt, the gearing is expected to remain in the range of 0.41-0.55 times over the medium term. Moreover, the debt protection metrics supported by improving scale of operations and profitability margins continue to remain comfortable, marked by an interest coverage ratio of 4.82 times in FY2022 as against 6.79 times in the FY2021. The DSCR stood at 3.04 times in FY2022 as against 6.00 times in FY2021. Acuité believes that the financial risk

profile of the Group is expected to remain healthy in the medium term.

## **Weaknesses**

### **Working capital intensive nature of operations**

GS Group's operations are working capital intensive reflected by Gross Current Assets (GCA) of 201 days as on March 31, 2022, as against 266 days as on March 31, 2021. The inventory days stood at 69 days as on March 31, 2022, as against 65 days as on March 31, 2021. The average inventory holding period of the Group is around 45-50 days.. The debtor days stood at 128 days as on March 31, 2022, as against 186 days as on March 31, 2021. Average credit period allowed to the customers are around 100-150 days. The creditors days stood at 85 days as on March 31, 2022, as against 95 days as on March 31, 2021. Average credit period received from the suppliers is around 60 days. Working capital requirement is funded through bank lines, the average utilisation of bank facilities is ~85 percent for 6 months ended as on November 2022 for Gold Star Jewellery Pvt Ltd and ~63 percent for 6 months ended as on November 2022 for Gold Star Diamond Pvt Ltd. Acuité believes the Group's ability to restrict further elongation in working capital cycle will be a key rating sensitivity.

### **Susceptibility to volatility in raw material prices, foreign exchange fluctuation risk**

The Group is exposed to volatility in gold and diamond prices. The raw material is procured from the domestic market and overseas market. Hence the Group is exposed to raw material price fluctuation risk. Furthermore, the Gold Star Group derives most of its revenues from export sales. Hence, the profits are susceptible to fluctuations in forex rates. However, these risks are partially mitigated as the Group has export forwards as well as gold forwards with the banks.

## **Rating Sensitivities**

Ability to improve its scale of operations while maintaining its profitability and capital structure  
Any further elongation in its working capital cycle

## **Material Covenants**

None

## **Liquidity position: Adequate**

The Group's liquidity profile is adequate marked by healthy net cash accruals against maturing debt obligations. The group generated cash accruals of Rs.94.53 crore in FY2022 as against debt obligations of Rs.9.69 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.84.66-125.75 crore during FY2023-25 against repayment obligations ranging from Rs.14.64 crore to Rs.17.77 crore for the same period. The average utilisation of bank facilities is ~85 percent for 6 months ended as on November 2022 for Gold Star Jewellery Pvt Ltd and ~63 percent for 6 months ended as on November 2022 for Gold Star Diamond Pvt Ltd. The group maintains unencumbered cash and bank balances of Rs.11.97 crore as on March 31, 2022. The current ratio stood at 1.78 times as on March 31, 2022. Acuité believes that group's liquidity position will remain adequate in the medium term.

## **Outlook: Stable**

Acuité believes that Gold Star group will maintain a 'Stable' outlook over medium term on account of extensive experience of its management, established track record of operations and healthy financial risk profile. The outlook may be revised to 'Positive' in case the Company achieves higher than expected improvement in its scale of operations while maintaining its profitability and capital structure. Conversely, the outlook may be revised to 'Negative' in case of any significant debt funded capex leading to deterioration of financial risk profile or any further elongation in its working capital cycle impacting its liquidity profile.

## Other Factors affecting Rating

None

## Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	1865.39	1182.75
PAT	Rs. Cr.	85.13	57.37
PAT Margin	(%)	4.56	4.85
Total Debt/Tangible Net Worth	Times	0.58	0.54
PBDIT/Interest	Times	4.82	6.79

## Status of non-cooperation with previous CRA (if applicable)

None

## Any Other Information

None

## Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entity: <https://www.acuite.in/view-rating-criteria-61.htm>

## Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
21 Feb 2022	Post Shipment Credit	Long Term	7.27	ACUITE A-   Stable (Reaffirmed)
	Packing Credit	Long Term	2.73	ACUITE A-   Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	9.30	ACUITE A-   Stable (Reaffirmed)
	Packing Credit	Long Term	5.25	ACUITE A-   Stable (Reaffirmed)
	Standby Line of Credit	Long Term	6.00	ACUITE A-   Stable (Reaffirmed)
	Packing Credit	Long Term	2.08	ACUITE A-   Stable (Reaffirmed)
	Post Shipment Credit	Long Term	15.75	ACUITE A-   Stable (Reaffirmed)

	Post Shipment Credit	Long Term	5.62	ACUITE A-   Stable (Reaffirmed)
22 Jun 2021	Packing Credit	Long Term	2.73	ACUITE A-   Stable (Reaffirmed)
	Packing Credit	Long Term	2.08	ACUITE A-   Stable (Reaffirmed)
	Post Shipment Credit	Long Term	15.75	ACUITE A-   Stable (Reaffirmed)
	Packing Credit	Long Term	5.25	ACUITE A-   Stable (Reaffirmed)
	Packing Credit	Long Term	4.50	ACUITE A- (Withdrawn)
	Post Shipment Credit	Long Term	5.62	ACUITE A-   Stable (Reaffirmed)
	Post Shipment Credit	Long Term	4.80	ACUITE A- (Withdrawn)
	Standby Line of Credit	Long Term	6.00	ACUITE A-   Stable (Reaffirmed)
	Post Shipment Credit	Long Term	7.27	ACUITE A-   Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	9.30	ACUITE A-   Stable (Assigned)
07 Apr 2020	Proposed Bank Facility	Long Term	16.91	ACUITE A- (Withdrawn)
	Post Shipment Credit	Long Term	33.44	ACUITE A-   Negative (Reaffirmed)
	Packing Credit	Long Term	14.56	ACUITE A-   Negative (Reaffirmed)
	Standby Line of Credit	Long Term	6.00	ACUITE A-   Negative (Reaffirmed)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indusind Bank Ltd	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	5.25	ACUITE A-   Stable   Reaffirmed
Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	3.64	ACUITE A-   Stable   Reaffirmed
Kotak Mahindra Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	2.08	ACUITE A-   Stable   Reaffirmed
Kotak Mahindra Bank	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.62	ACUITE A-   Stable   Reaffirmed
Bank of India	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.45	ACUITE A-   Stable   Reaffirmed
Indusind Bank Ltd	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	Simple	21.75	ACUITE A-   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.16	ACUITE A-   Stable   Reaffirmed
Indusind Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	7.74	ACUITE A-   Stable   Reaffirmed
Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.31	ACUITE A-   Stable   Reaffirmed



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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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