



SMERA RATINGS LIMITED

Gold Star Jewellery Private Limited (GSJPL)

Rating Rationale

July 20, 2015

Facilities	Amount (Rs. Crore)	Ratings
Export Packing Credit	47.20	SMERA A-/Stable (Assigned)
Post Shipment Credit	31.80	SMERA A-/Stable (Assigned)
Standby Line of Credit	8.00	SMERA A-/Stable (Assigned)
Bank Guarantee/ Letter of Credit	10.00	SMERA A2+ (Assigned)
Forward Cover	5.00	SMERA A2+ (Assigned)
Proposed Export Packing Credit/ Post Shipment Credit	13.00	SMERA A-/Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA A-**' (read as **SMERA single A minus**) and a short-term rating of '**SMERA A2+**' (read as **SMERA A two plus**) to the Rs.115.00 crore bank facilities of Gold Star Jewellery Private Limited (GSJPL). The outlook is '**Stable**'.

The ratings derive comfort from the group's established track record of operations, experienced management and diverse revenue profile. The ratings also draw comfort from the group's healthy financial risk profile marked by strong network and comfortable debt-protection metrics. However the ratings are constrained by the group's working-capital-intensive operations. The ratings also factor the group's exposure to foreign exchange fluctuation risk.

For arriving at the ratings, SMERA has combined the business and financial risk profiles of GSJPL, Diam Star Jewellery India Private Limited (DSJIPL) and Gold Star Diamond Private Limited (GSDPL) referred to as the Gold Star Group. The consolidation is in view of the common management, similar line of business, and has significant operational and financial linkages between the companies.

Outlook: Stable

SMERA believes the Gold Star group will continue to maintain a stable business risk profile over the medium term. The group will benefit from its established market position and management's experience in the gems and jewellery industry. The outlook may be revised to 'Positive' in case the group achieves sustained growth in revenues and higher-than-expected improvement in profitability, working capital management and debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of decline in the group's operating profit margin, or in case of deterioration in the group's capital structure on account of higher-than-expected working capital requirements.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.



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About the Group

The Gold Star group manufactures and exports plain gold and diamond-studded gold jewellery. The group is also engaged in cutting and polishing of diamonds. The jewellery business is carried out through GSJPL and DSJPL, and the diamond business through GSDPL. The jewellery business accounts for ~75 per cent of the group's revenue and the diamond business for the balance ~25 per cent.

For FY2014-15 (provisional), the group reported profit before tax (PBT) of Rs.29.89 crore on operating income of Rs.840.85 crore, as compared with profit after tax (PAT) of Rs.21.86 crore on operating income of Rs.957.40 crore in the previous year. The group's net worth stood at Rs.250.00 crore (provisional) as on March 31, 2015, as compared with Rs.219.09 crore a year earlier.

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