

Gold Star Jewellery Private Limited: Reaffirmed

Name of the Instrument	Amount (Rs Crore)	Ratings/Outlook
Export Packing Credit	67.40 (enhanced from 47.20)	SMERA A-/Stable (Reaffirmed)
Post Shipment Credit	56.20 (enhanced from 31.80)	SMERA A-/Stable (Reaffirmed)
Standby Line of Credit	10.80 (enhanced from 8.00)	SMERA A-/Stable (Reaffirmed)
Metal Gold Loan	15.00	SMERA A-/Stable (Assigned)
Overdraft	1.00	SMERA A-/Stable (Assigned)
Bank Guarantee/Letter of Credit	7.00 (revised from 10.00)	SMERA A2+ (Reaffirmed)
Forward Cover	5.00	SMERA A2+ (Reaffirmed)
Proposed Export Packing Credit/Post Shipment Credit	6.60 (revised from 13.00)	SMERA A-/Stable (Reaffirmed)

SMERA has reaffirmed long-term rating of **'SMERA A-' (read as SMERA A minus)** and short-term rating of **'SMERA A2+' (read as SMERA A two plus)** on the above mentioned bank facilities of Gold Star Jewellery Private Limited (GSJPL). The outlook is **'Stable'**.

The ratings continue to 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 networth and comfortable debt-protection metrics. However the ratings are constrained by the working-capital-intensive operations and exposure to forex 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 significant operational and financial linkages between the companies. In FY2014-15, DSJIPL was merged with GSJPL (with effect from April 01, 2014).

Rating Sensitivity Factors

- Efficient working capital management
- Bank limit utilisation

Outlook-Stable

SMERA believes that the Gold Star group will continue to maintain a stable outlook over the medium term and benefit from its established market position and experience of the management 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 operating profit margin or deterioration in the group's capital structure on account of higher-than-expected working capital requirements.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Group

The Gold Star group manufactures and exports plain gold and diamond-studded jewellery. It is engaged in the cutting and polishing of diamonds. The jewellery business is carried out through GSJPL, 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 FY2015-16 (provisional), the group reported profit after tax (PAT) of Rs.28.10 crore on operating income of Rs.781.56 crore, as compared with profit after tax (PAT) of Rs.18.55 crore on operating income of Rs.751.76 crore in the previous year.

Rating History

Date	Name of the Instrument	Amount (Rs. Crore)	Rating Reaffirmed For		Rating Outlook
			Long Term	Short Term	
20 July, 2015	Export Packing Credit	47.20	SMERA A- (Assigned)		Stable
	Post Shipment Credit	31.80	SMERA A- (Assigned)		Stable
	Standby Line of credit	8.00	SMERA A- (Assigned)		Stable
	Bank Guarantee/ Letter of Credit	10.00		SMERA A2+ (Assigned)	
	Forward Cover	5.00		SMERA A2+ (Assigned)	
	Proposed Packing Credit/ Post Shipment Credit	13.00	SMERA A- (Assigned)		Stable

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ABOUT SMERA

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