

### Gold Star Centoquattro Jewellery Private Limited: Reaffirmed

Facilities	Amount (Rs Crore)	Ratings/Outlook
Bullion Loan	8.00*	SMERA A3 (Reaffirmed)
Export Packing Credit/Packing Credit Foreign Currency/Post Shipment Credit	6.59*	SMERA A3 (Reaffirmed)
Proposed Export Packing Credit/Post Shipment credit	22.00	SMERA A3 (Assigned)

\*Maximum utilisation of Rs.8.00 crore between bullion loan and Export Packing Credit/Post Shipment Credit

SMERA has reaffirmed the short-term rating of '**SMERA A3**' (read as **SMERA A three**) on the Rs.8.00 crore bank facilities of Gold Star Centoquattro Jewellery Private Limited (GSCJPL). Further, SMERA has also assigned short-term rating of '**SMERA A3**' on the Rs.22.00 crore bank facilities of GSCJPL.

The ratings continue to derive comfort from the company's experienced management and comfortable financial risk profile. However, the ratings are constrained by the moderate scale of operations coupled with geographic concentration risk. The ratings also factor in the company's working capital-intensive operations and exposure to foreign exchange fluctuation risk.

#### Update

GSCJPL's revenues increased from Rs.74.03 crore in FY2014–15 (refers to financial year, April 01 to March 31) to Rs.79.47 crore in FY2015–16. Further, during the period April to August 2016, the company registered revenue of Rs.36.65 crore (provisional). The operating profit margin improved in FY2015 over FY2014 from 5.91 per cent to 6.75 per cent and the same has remained stable at 6.69 per cent in FY2016.

GSCJPL's financial risk profile improved with gearing at 1.06 times as on March 31, 2016 (1.77 times as on March 31, 2015). The interest coverage ratio improved to 3.88 times in FY2016 from 3.20 times in FY2014–15. Further, total debt includes unsecured loans from related parties to the tune of Rs.8.36 crore as on March 31, 2016.

GSCJPL's operations are working-capital-intensive, as reflected in its gross current assets of around 206 days for FY2016. The GCA days are high because of the company's high inventory levels of around 80 days and debtor's days of 120 - 140 days. The company is also exposed to adverse movement in gold and diamond prices and exposure to foreign exchange fluctuation risk. The company also faces intense competition from other jewellery wholesalers in the gems and jewellery industry.

#### Rating Sensitivity Factors

- Efficient working capital management
- Scaling up of operations while maintaining profit margins

#### Criteria applied to arrive at the rating:

- Manufacturing Entities

### About the Company

Incorporated in 2008, GSCJPL manufactures plain gold and diamond-studded jewellery. The company is a 100% Export Oriented Unit (EOU) catering to customers in European markets like UK (Great Britain), Italy, France, Germany and Spain. The Gold Star group manufactures and exports plain gold, diamond-studded gold jewellery and is also engaged in the cutting and polishing of diamonds.

For FY2015–16, GSCJPL reported profit after tax (PAT) of Rs.3.09 crore on operating income of Rs.79.47 crore, as compared with profit after tax (PAT) of Rs.2.61 crore on operating income of Rs.74.03 crore in the previous year.

### Rating History

Date	Facilities	Amount (Rs. Crore)	Rating		Rating Outlook
			Long Term	Short Term	
23 July, 2015	Export Packing Credit/Post Shipment Credit	8.00	-	SMERA A3 (Assigned)	-

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### ABOUT SMERA

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