

## Press Release

28 December, 2017

### Gold Star Centoquattro Jewellery Private Limited (GSCJPL)

#### Rating Reaffirmed



<b>Total Bank Facilities Rated</b>	Rs. 8.00 Cr.
<b>Short Term Rating</b>	SMERA A3

#### Rating Rationale

SMERA has reaffirmed the short-term rating of '**SMERA A3**' (read as **SMERA A three**) on the Rs. 8.00 crore working capital facilities and has withdrawn the rating of '**SMERA A3**' (read as **SMERA A three**) on the Rs. 22.00 crore of proposed facilities of Gold Star Centoquattro Jewellery Private Limited (GSCJPL).

GSCJPL is part of the Gold Star group, an established player in the gold and diamond jewellery business. The group comprises Gold Star Jewellery Private Limited (GSJPL), Gold Star Diamond Private Limited (GSDPL) and GSCJPL. The rating reaffirmation is driven by the established market position of the group in the domestic and global markets. The rating continues to derive comfort from the company's experienced management. However, the rating is constrained by the modest scale of operations and intense competition in the global business. Also, the group plans to consolidate the operations of the company with GSJPL in the next 12 months.

#### Key Rating Drivers

##### Strengths

- **Established market position of the group in the gems and jewellery segment**

The Gold Star group commenced business in the manufacture and export of plain gold and diamond-studded gold jewellery in 1990. The group is also engaged in the cutting and polishing of diamonds and primarily exports to the US. The group has long term relations with renowned wholesalers and retailers and caters to clients in India, Japan, Hong Kong, Australia, Canada etc.

- **Above average financial profile marked by prudent capital structure**

The company reported revenue of Rs. 90.32 crore, a growth of 13.65 percent over the previous fiscal but the same is expected to moderate in the current fiscal in line with the transfer of customers to GSJPL. The operating margins of the company stood at 6.41 percent for FY2017 compared to 6.69 percent in FY2016. The company has moderate working capital cycle which stood at 72 days as on 31 March, 2017, an improvement from FY2016 levels due to reduced inventory holding.

##### Weaknesses

- **Modest scale of operations**

GSCJPL is a moderate sized player in the diamond jewellery business, with a topline of Rs. 90.32 crore in FY2017. The revenues are expected to decline sharply in the current fiscal amidst the ongoing consolidation with GSJPL. This could lead to short term liquidity issues and the company would be dependent on the group for repayments.

- **Increase in the competition in the global jewellery business**

The company derives over 90 per cent of revenue from the European market, which consists of a large number of players and is highly competitive. Also, the company faces competition in the segment with several substitutes - lab grown and synthetic diamonds. The revenues are also exposed to volatility on account of changes in spending pattern of the end consumer.

### About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	90.32	79.47	74.03
EBITDA	Rs. Cr.	5.79	5.31	5.00
PAT	Rs. Cr.	3.30	3.09	2.61
EBITDA Margin	(%)	6.41	6.69	6.75
PAT Margin	(%)	3.65	3.88	3.53
ROCE	(%)	18.97	18.51	16.68
Total Debt/Tangible Net Worth	Times	0.87	1.06	1.77
PBDIT/Interest	Times	3.95	3.88	3.20
Total Debt/PBDIT	Times	2.41	2.54	3.46
Gross Current Assets (Days)	Days	156	205	194

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

None

### Any other information

None

### Applicable Criteria

- Default Recognition-<https://www.smera.in/criteria-default.htm>
- Manufacturing Entities-<https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments-<https://www.smera.in/criteria-fin-ratios.htm>

### Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
25 Oct, 2016	Bullion Loan	Short term	8.00*	SMERA A3 (Reaffirmed)
	Export Packing Credit/ Packing Credit Foreign Currency/ Post Shipment Credit	Short term	6.59*	SMERA A3 (Reaffirmed)
	Proposed Export Packing Credit/ Post Shipment Credit	Short term	22.00	SMERA A3 (Assigned)
23 July, 2015	Export Packing Credit/ Post Shipment Credit	Short term	8.00	SMERA A3 (Assigned)

\*Maximum utilisation of Rs. 8.00 crore between bullion loan and EPC

**\*Annexure – Details of instruments rated**

Name of the facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Export Packing Credit/ Packing Credit Foreign Currency/ Post Shipment Credit/ Bullion Loan	Not Applicable	Not Applicable	Not Applicable	8.00	SMERA A3 (Reaffirmed)
Proposed Export Packing Credit/ Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	22.00	SMERA A3 (Withdrawn)

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