

Press Release

18 April, 2017

Euroshine Jewellery Works Private Limited

Rating Reaffirmed

Total Bank Facilities Rated *	Rs.15.00 Cr
Long Term Rating	SMERA BB / Outlook: Stable

Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of **'SMERA BB' (read as SMERA BB)** on the Rs. 15.00 crore bank facilities of Euroshine Jewellery Works Private Limited. The outlook is **'Stable'**.

Euroshine Jewellery Works Private Limited (EJWPL), established in 2005, is a 50:50 joint venture between Facet Group of Spain (Facet) and RT Star Group (RTStart). Facet designs, manufactures and sells diamond jewellery while R.T. Star is engaged in the importing of rough diamonds and processing of the same. EJWPL manufactures and exports diamond-studded gold jewellery. The company is an Export Oriented Unit (EOU) and derives ~72 per cent revenue from Facet Jewellery Solutions S.L. Facet caters to the European markets. EJWPL has two manufacturing facilities at Mumbai. The overall operations are led by Mr. Nitin Shah and his son, Mr. Raj N. Shah, the Promoters.

Key Rating Drivers

Strengths

- **Extensive experience of promoters**

EJWPL was established in 2005. The overall operations are led by Mr. Nitin Shah and his son Mr. Raj N. Shah who possess over a decades experience in the aforementioned industry.

- **Moderate financial risk profile**

EJWPL has moderate financial risk profile marked by moderate networth of Rs. 22.17 cr in March 31, 2016 as against Rs.18.65 cr as on March 31, 2015. The adjusted gearing stood at 0.40 times as on March 31, 2016. The coverage indicators are healthy with interest coverage ratio of 4.74 times for FY2015-16. For arriving at the adjusted gearing, unsecured loan of Rs.1.90 cr as on March 31, 2016 from promoters has been considered as part of equity (same is subordinated to bank debt). NCA/TD stood at 0.25 times in FY2016 as against 0.31 times in FY2015.

- **Improved profitability**

The improved operating margin stood at 2.46 percent in FY2016 as against 2.22 percent in FY2015. The PAT margin registered marginal improvement of 1.23 percent in FY2016 over 1.10 percent in FY2015 on account of decline in raw material cost.

Weaknesses

- **Customer concentration risk**

The company is exposed to customer concentration risk since about 72 percent of sales is made to Facet Jewellery Solution S.L.

- **Working capital intensive operations**

EJWPL's operations are working-capital-intensive as reflected in the gross current assets of around 273 as on March 31, 2016. The GCA days are high because of the high debtors days of 156 days and high inventory levels of around 100 days. Further, the bank limits have been fully utilised.

- **Exposure to fluctuations in raw material prices**

Gold and diamonds, the major raw materials are exposed to high volatility in prices. Since the company is also into exports, the profit margins are impacted by fluctuations in raw material prices and forex fluctuation risk.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the entity.

Outlook: Stable

SMERA believes that the outlook on EJWPL's rated facilities will remain stable over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company sustains growth in revenue and achieves 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 revenue or profit margins or deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

For FY2015-16, EJWPL reported profit after tax of Rs.1.62 cr on net sales of Rs.131.08 cr as compared with profit after tax of Rs.1.39 cr on net sales of Rs.126.46 cr in the previous year. Further, the company reported net sales of Rs.130 cr during April 2016 to February, 2017.

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. Cr.)	Ratings/Outlook
13-Jan-2016	Export Packing Credit (EPC)	Long Term	INR 4	SMERA BB / Stable
	Post Shipment Credit (PSC)	Long Term	INR 6	SMERA BB / Stable
	Proposed EPC/PSC	Long Term	INR 5	SMERA BB / Stable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA BB/ Stable
Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA BB/ Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BB / Stable

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ABOUT SMERA

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