

Press Release
Euroshine Jewellery Works Private Limited

July 18, 2018



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long term rating of '**ACUITE BB**' (**read as ACUITE double B**) 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 (RTStar). 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 ~70 percent revenue from Facet Jewellery Solutions S.L. Facet caters to the European markets. EJWPL has two manufacturing facilities at Mumbai (Maharashtra). The overall operations are led by Mr. Nitin Shah and his son, Mr. Raj N. Shah, the Promoters.

Key Rating Drivers

Strengths

• **Experienced management**

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 decade experience in the aforementioned industry.

• **Moderate capital structure**

EJWPL's capital structure continues to be moderate marked by net worth of Rs.22.42 crore in March 31, 2017 as against Rs.20.27 crore as on March 31, 2016. The gearing deteriorated marginally to 0.84 times as on March 31, 2018 (Estimated) from 0.49 times as on March 31, 2017 mainly on account of new term loan availed. The debt of Rs.19.19 crore mainly consists of term loans of Rs.7.62 crore, unsecured loans of Rs.1.70 crore and working capital borrowings of Rs.9.88 crore as on March 31, 2018 (Estimated). The interest coverage ratio stood at 2.89 times for FY2017 as against 4.74 times in FY2016.

Weaknesses

• **Uneven revenues and profitability**

EJWPL registered revenue of Rs.153.26 crore in FY2017 as against Rs.131.08 crore in FY2016. Further in FY2018 (Estimated), the company has registered the revenue of Rs.146.90 crore. The profitability margins have declined during the period under study. The operating margins declined to 1.14 percent in FY2017 from 2.46 percent in FY2016. The decline was mainly on account of increase in the raw material prices. The net margins also declined to 0.39 percent in FY2017 from 1.23 percent in FY2016.

• **Working capital intensive operations**

EJWPL's operations are working capital intensive marked by high Gross Current Assets (GCA) of 297 days in FY2017 compared to 274 days in FY2016. The GCA days are mainly dominated by high debtor days of 193 in FY2017 compared to 156 days in FY2016. The average working capital utilisation for the past six months stood at ~95 percent. Acuité believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

- **Customer concentration risk**

The company is exposed to customer concentration risk since about 70 percent of sales is made to its group company Facet Jewellery Solution S.L.

- **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

Acuité has considered the standalone business and financial risk profiles of the EJWPL to arrive at this rating.

Outlook: Stable

Acuité believes that EJWPL will continue to maintain a 'Stable' business risk profile over the medium term as the company will benefit from its experienced management. The outlook may be revised to 'Positive' in case the company 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 company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	153.26	131.08	126.46
EBITDA	Rs. Cr.	1.75	3.23	2.81
PAT	Rs. Cr.	0.61	1.62	1.39
EBITDA Margin	(%)	1.14	2.46	2.22
PAT Margin	(%)	0.39	1.23	1.10
ROCE	(%)	4.27	9.75	8.13
Total Debt/Tangible Net Worth	Times	0.49	0.53	0.42
PBDIT/Interest	Times	2.89	4.74	5.38
Total Debt/PBDIT	Times	5.43	3.10	2.46
Gross Current Assets (Days)	Days	297	274	273

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
18-Apr-17	Export Packing Credit (EPC)	Long term	4.00	ACUITE BB/Stable (Reaffirmed)
	Post Shipment Credit (PSC)	Long term	6.00	ACUITE BB/Stable (Reaffirmed)
	Proposed EPC/PSC	Long term	5.00	ACUITE BB/Stable (Reaffirmed)
13-Jan-16	Export Packing Credit (EPC)	Long term	4.00	ACUITE BB/Stable (Assigned)
	Post Shipment Credit (PSC)	Long term	6.00	ACUITE BB/Stable (Assigned)
	Proposed EPC/PSC	Long term	5.00	ACUITE BB/Stable (Assigned)

*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	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BB/Stable
Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BB/Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB/Stable

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About Acuité Ratings & Research:

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