
June 15, 2010

**CARE REAFFIRMS THE RATINGS OF THE BANK FACILITIES OF
BHAVANI GEMS**

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	349.85	'CARE BBB' (Triple B)	Reaffirmed
Short-term Bank Facilities	69.00	'PR2' (PR Two)	Reaffirmed
Total Facilities	418.85		

The rating assigned by CARE is based on the capital deployed by the partners and the financial strength of BG at present. The rating may undergo a change in case of withdrawal of capital or of the unsecured loans brought in by the partners in addition to changes in the financial performance and other relevant factors.

Rating Rationale

The ratings continues to derive strength from the vast experience of the partners in the diamond trading and jewellery business, diversified geographical presence, insured receivables, improvement in global economic scenario and DTC sight holder status. The rating has taken into account the improvement in profit margins in recent past from the drastic fall during FY09.

The ratings are however constrained by the constitution of BG being a partnership firm, currency risk on un-hedged foreign currency loans, high leverage, long working capital cycle leading to high interest cost and low profitability margins.

Further, ability to receive payments from its clients in a timely manner and manage its working capital cycle are the key rating sensitivities.

¹Complete definition of the ratings assigned are available at www.careratings.com and in other CARE publications.

Company Profile

M/s Bhavani Gems (BG) is a partnership firm established in 1988 and later reconstituted on April 01, 2000. The firm is ISO 9001-2000 certified and is a Diamond Trading Company (DTC) sightholder engaged in import of rough diamonds as well as manufacturing and export of cut and polished diamonds. As on 31st December 2009, the firm has 13 factories located in five cities of Surat, Lathi, Babra, Bhavnagar and Ahmedabad in Gujarat. In FY09, BG has achieved a total operating income of Rs.798.38 crore with PBILDT margin of 12.83% and PAT margin of 0.12%. The overall gearing ratio of BG at the end of FY09 was 3.05x. As per un-audited 9MFY10 results, BG has achieved total sales of Rs.510 crore and PBILDT and PAT margins of 6.71% and 2.21% respectively.

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CARE classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries /regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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