

June 23, 2010

CARE REVISES THE RATINGS ASSIGNED TO THE NCDS & BANK FACILITIES OF GITANJALI GEMS LTD.

Ratings

Facilities /Instruments	Amount (Rs. crore)	Ratings¹	Remarks
Non-Convertible Debentures	150 (outstanding 125)	' CARE A ' [Single A]	Revised from CARE A+ [Single A Plus]
Long-term Bank Facilities	1,138.96 (enhanced from 840)	' CARE A ' [Single A]	Revised from CARE A+ [Single A Plus]
Short-term Bank Facilities	650 (enhanced from 500)	' PR2+ ' [PR Two Plus]	Revised from PR1 [PR One]
Total Instruments /Facilities	1,788.96		

Rating Rationale

The revision in ratings takes into account substantial increase in working capital requirements of the company because of build-up of receivables and consequent pressure on liquidity parameters and significant increase in the company's exposure to its wholly-owned subsidiaries (WOS) by way of corporate guarantees extended for their working capital facilities.

The ratings continue to derive strength from experienced promoters, professional management, Diamond Trading Company (DTC) sightholder status, relatively low leverage, well balanced and diversified portfolio with exports of cut & polished diamonds to various countries and strong presence in the domestic jewellery market.

The ratings also consider benefits derived from the presence of Gitanjali Group in the entire value chain through its subsidiaries and associate companies, popular and established domestic jewellery brands of the WOS and benefits arising from synergies of operations with acquisition of overseas retail chains of Rogers and Samuels. Domestic focus of the group's operations has kept GGL relatively less affected by the global turmoil in FY09.

The ratings continue to be constrained by GGL's high financial charges, competition from players in the organised and unorganised sectors and volatility associated with the Gems & Jewellery (G&J) industry.

Ability of GGL to turn around the loss-making subsidiaries, timely realization of receivables and sustain the revenue and profitability growth in the subdued macro-economic environment and status of conversion of outstanding Foreign Currency Convertible Bonds (FCCBs), are the key rating sensitivities.

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

Company Profile

Gitanjali Gems Ltd (GGL) is the flagship company of the Gitanjali group, promoted by Mr. Mehul Choksi. The group is fully integrated, having presence in the entire value chain from procurement of roughs from DTC, cutting and polishing, exporting, to retailing of jewellery in the domestic market.

GGL posted total income of Rs.2,445 crore (comprising sales from manufacturing and net income from trading activities) and PAT of Rs.127 crore in FY09 against total income of Rs.2,291 crore and PAT of Rs.138 crore respectively in FY08.

During the nine months ended December 31, 2009, GGL posted PAT of Rs.106.79 crore on sales of Rs.2,563.35 crore vis-à-vis PAT of Rs.95.64 crore on sales of Rs.1,989.76 crore in the corresponding period of FY09. However the total amount of outstanding debtors stood at over Rs.2,000 crore as on December 31, 2009 and the total amount of corporate guarantees extended by GGL towards the working capital facilities of its WOS stood at Rs.1,325 crore as on January 31, 2010.

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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.

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