

August 6, 2010

**CARE ASSIGNS 'CARE BBB- & PR3' RATINGS TO THE BANK FACILITIES OF KHAZANA JEWELLERY PVT LTD.****Ratings**

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long/Short-term Bank Facilities	400.00	'CARE BBB-/ PR3' (Triple B Minus/ PR Three)	Assigned
<b>Total Facilities</b>	<b>400.00</b>		

**Rating Rationale**

The ratings derive strength from established track record of the promoter, strong brand image, established presence across three states with 17 showrooms served by a wide network of goldsmiths producing handmade jewellery.

The ratings are however constrained by low profit margins, moderate debt coverage indicators, working capital intensive nature of operations with relatively high gearing ratio and high level of inventory, exposing the company to fluctuation in gold prices and highly competitive nature of the industry.

Going forward, ability of the company to handle fluctuation in gold price movement, improvement in sales growth in existing stores and ensuring higher inventory turnover is very critical for its financial sustainability and will be the key rating sensitivities.

**Company Profile**

KJPL is primarily engaged in the retailing of gold jewellery. It was promoted by Mr. Kishore Kumar Jain who is engaged in the business of gold jewellery since 1975. Currently KJPL operates out of 17 showrooms in Andhra Pradesh, Tamil Nadu and Karnataka. During FY10, KJPL earned a PAT of Rs.12 cr on a total operating income of Rs.1253 cr.

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<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other publications of CARE

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