

June 18, 2010

**CARE REVISES RATING OF SHORT-TERM FACILITIES/INSTRUMENTS OF SHREE GANESH JEWELLERY HOUSE LTD.****Ratings**

Facilities/instruments	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Short term bank facilities	2,000.0 (enhanced from 1,300.0)	'PR1+' (PR One plus)	Revised from 'PR1' [PR One]
Short-term debt (including Commercial Paper)	200.0	'PR1+' (PR One plus)	Revised from 'PR1' [PR One]

**Rating Rationale**

The rating revision takes into account successful completion of IPO issue, substantial reduction in overall gearing ratio post-IPO and notable improvement in profitability parameters during FY10. This apart, the aforesaid rating continues to derive strength from rich experience of the promoters with satisfactory track record, established brand name, internationally accepted designs with strong presence in overseas market, strong skilled craftsmen base, the status of a nominated agency by Govt of India (GoI) to import gold directly, strategic location of manufacturing units at Special Economic Zone (enjoying various tax holidays), significant growth in revenue & profit, comfortable profitability & financial position and high entry barrier in the gold jewellery market. The rating also factors in the company's concentration on single product, concentration of sales in Middle East, low margin nature of business, dominance of unorganised sector players in domestic jewellery market, seasonality of demand and slow recovery of the economy after the severe slowdown. Future prospects of the gem & jewellery (G&J) industry, sustainability of turnover level & margins and completion of the proposed projects in a timely manner will remain the key rating sensitivities.

**Company Profile**

SGJHL, incorporated in August 2002, belongs to Shree Ganesh Group of Kolkata, is engaged in trading and manufacturing & export of gold and gemstone & diamond studded jewellery over the last 70 years. It is one of the largest exporters of the handcrafted gold jewellery from India. The current promoters of the group are Shri Nilesh Parekh and Shri Umesh Parekh, two brothers, having more than two decades of experience in gold jewellery business. SGHL carries out its manufacturing activities at Manikanchan SEZ Kolkata [100% Export Oriented Unit (EOU)], having capacity to process 17,500 kgs of gold per annum. The company markets its jewellery products under the brand name, 'GAJA'.

The company has successfully raised about Rs.315 crore through its IPO made during March, 2010 to utilise the proceeds for the proposed expansion in retail business and to meet its long term working capital requirement.

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

Financial performance of the company is characterised by steady growth in net sales and PAT level, substantial cash accruals, improving profitability & comfortable liquidity position. Though overall gearing ratio was generally on the higher side, the same witnessed a significant improvement to 1.49 as on Mar.31, 2010 (unaudited) from 2.21 as on Mar.31, 2009.

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