

September 2, 2010

**CARE ASSIGNS 'CARE A+' RATING TO THE NCD ISSUE &
REAFFIRMS RATING ASSIGNED TO THE FACILITIES/INSTRUMENTS OF
SHREE GANESH JEWELLERY HOUSE LTD.**

Ratings

Facilities/instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Non-convertible Debenture*	250.0	'CARE A+' (Single A plus)	Assigned
Short term bank facilities	2,000.0	'PR1+' (PR One plus)	Reaffirmed
Short-term debt (including Commercial Paper)	200.0	'PR1+' (PR One plus)	Reaffirmed

*The proposed NCD would be repaid in five equal half yearly installments after a moratorium of three years from the date of placement

Rating Rationale

The aforesaid ratings 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) for direct import of gold, strategic location of manufacturing units at Special Economic Zone (enjoying various tax holidays), comfortable financial position with continuous growth in revenue & profit level and high entry barrier in the gold jewellery market. Notable improvement in the profitability parameters in FY10, equity infusion by way of IPO issue in March, 2010 and substantial improvement in solvency related parameters post-IPO also support the ratings. The ratings also factor in the company's concentration of sales in Middle East - which witnessed economic turbulence in the past, low margin nature of business, dominance of unorganised sector players in domestic jewellery market, seasonality of demand, risks associated with implementation of the ongoing project and stiff competition from existing players in the domestic retail jewellery market. 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 plain & studded gold jewellery and diamond jewellery over the last five decades. The company markets its jewellery products under the brand name, 'GAJA'. It is one of the largest exporters of the handcrafted gold jewellery from India.

In March, 2010, SGJHL has successfully raised about Rs.315.0 crore through its IPO issue to utilise the proceeds for the planned expansion in retail business and to meet its long term working capital requirement.

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

SGJHL is, currently, expanding its manufacturing capacity through setting up new units (Domjur & Mondalpara, West Bengal) and intends to open 49 retail outlets at an aggregate cost of Rs.213.0 crore. All the projects, in entirety, are expected to be completed by March, 2013.

On total income of Rs.3,002.4 crore, SGJHL earned PBILDT and PAT (after defd. tax) of Rs.266.5 crore and Rs.165.9 crore respectively in FY10. Long-term debt equity ratio was nil and overall gearing ratio was 2.27 as on Mar.31, 2010. However, considering infusion of equity through IPO in March, 2010 (proceeds received during first week of April, 2010), overall gearing improves to 1.42 as on March 31, 2010.

As per the unaudited working results for Q1FY11, net sales improved by 123% vis-à-vis Q1FY10. Higher increase (104%) in PBILDT vis-à-vis increase in capital charge led to a notable increase in PAT level, interest coverage & GCA.

Analyst Contact

Name: Saurav Chatterjee/Sumit Chakraborty

Tel # 033-22831800

Mobile # 98307 14920/98308 68107

Email: saurav.chatterjee@careratings.com / sumit.chakraborty@careratings.com

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CARE is headquartered in Mumbai, with Offices all over India. The office addresses and contact numbers are given below:

HEAD OFFICE: MUMBAI

Mr. D.R. Dogra

Managing Director

Cell : +91-98204 16002

E-mail : dr.dogra@careratings.com

Mr. Rajesh Mokashi

Dy. Managing Director

Cell : +91-98204 16001

E-mail: rajesh.mokashi@careratings.com

Mr. Ankur Sachdeva

Head - Business Development

Cell : +91-9819698985

E-mail: ankur.sachdeva@careratings.com

4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway,
Sion (East), **Mumbai 400 022** Tel.: (022) 67543456 Fax: (022) 67543457

Website: www.careratings.com

OFFICES

<p>Mr.Mehul Pandya Regional Manager 32 TITANIUM Pralhadnagar Corporate Road, Satellite, Ahmedabad - 380 015. Tel – 079 4026 5656 Mobile - 98242 56265 E-mail: mehul.pandya@careratings.com</p>	<p>Mr.Sundara Vathanan Regional Manager Unit No. 8, I floor, Commander's PlaceNo. 6, Raja Ram Mohan Roy Road, Richmond Circle, Bangalore - 560 025. Tel – 080 2211 7140 Mobile – 98803 60878 E-mail: sundara.vathanan@careratings.com</p>
<p>Mr. Pradeep Kumar Regional Manager Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, Chennai 600 002 Tel: 044 2849 7812/2849 0811 Mobile – 98407 54521 E-mail :Pradeep.kumar@careratings.com</p>	<p>Mr. Ashwini Jani Regional Manager 401, Ashoka Scintilla 3-6-520, Himayat Nagar Hyderabad - 500 029 Tel – 040 40102030 Mobile – 91766 47599 E-mail: ashwini.jani@careratings.com</p>
<p>Mr. Sukanta Nag Regional Manager 3rd Floor, Prasad Chambers (Shagun Mall Building) 10A, Shakespeare Sarani Kolkata - 700 071. Tel – 033 2283 1800/1803 Mobile – 98311 70075 E- mail: sukanta.nag@careratings.com</p>	<p>Ms.Swati Agrawal Regional Manager 710 Surya Kiran, 19 K.G. Road, New Delhi - 110 001. Tel – 011 2331 8701/2371 6199 Mobile – 98117 45677 E-mail :swati.agrawal@careratings.com</p>