

October 12, 2010

**CARE REAFFIRMS RATING ASSIGNED TO THE STD/CP OF
SHREE GANESH JEWELLERY HOUSE LTD.(FOR ENHANCED AMOUNT)**

Rating Assigned

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Short-term debt (including Commercial Paper)	400.0 (enhanced from 200.0)	'PR1+' (PR One plus)	Retained

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.

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.

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

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.

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