

August 4, 2010

**CARE REAFFIRMS RATING ASSIGNED TO BANK FACILITIES OF
SHRENUJ GEMS & JEWELLERY LTD**

Facilities	Amount (Rs. crore)	Ratings¹	Remarks
Long-term bank facilities	43.70 (enhanced from 39.70)	'CARE A- (SO)' [Single A Minus (Structured Obligation)]	Reaffirmed
Total	43.70		

Rating Rationale

The ratings consider credit enhancement in the form of irrevocable corporate guarantee given by the parent company, Shrenuj & Co. Ltd (SCL) to SGJL's lenders with respect to SGJL's debt repayment obligations. In the event of default, SCL, the guarantor will repay the dues to the lenders of SGJL within five business working days of demand on SCL.

SCL's ratings derive strength from the vast experience of SCL's promoters in diamond trading and jewellery business, professional management and DTC sightholder status with an established clientele. The rating also considers presence of the Shrenuj group in diamond processing and jewellery manufacturing business catering to diverse international markets, presence of own brands in international markets and improved operational performance in H1FY10 on a consolidated basis.

The rating is however constrained by SCL's deteriorating operating performance by virtue of being highly correlated with global economic conditions, low profitability margins, increase in collection period and stock of unsold inventory resulting in long working capital cycle and higher dependence on working capital borrowing, leading to high overall gearing. SCL's ability to maintain its profitability margins and manage its working capital requirements amidst strong competition within the sector and economic slowdown are the key rating sensitivities.

Company Profile

Shrenuj Gems & Jewellery Ltd. (SGJL) incorporated in 2004, is a wholly-owned subsidiary of Shrenuj & Co. Ltd (SCL). SGJL is mainly engaged in manufacturing of diamond-studded jewellery. It has manufacturing facility at Seepz, Mumbai. Being operational for only seven months, SGJL posted sales of Rs.12.78 crore and incurred a net loss in FY09.

SGJL posted sales of Rs.54.12 crore and earned PBT of Rs.2.34 crore for 9MFY10 with PBILDT and PBT margin of 8.16% and 4.32% respectively.

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

About Guarantor

SCL, incorporated in 1982 is an integrated gem and jewellery conglomerate having presence through its subsidiaries across 13 countries with activities ranging from diamond processing, jewellery manufacturing, branding and retailing, catering to various domestic and international markets. SCL is a DTC sight holder since 1983.

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CARE has 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.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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