

June 18, 2010

CARE REVISES THE RATING ASSIGNED TO THE BANK FACILITIES OF TARA JEWELS PVT LTD & REMOVES RATING FROM CREDIT WATCH

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	264.30 (enhanced from Rs.155 crore)	'CARE BBB+' [Triple B Plus]	Revised from 'CARE A-' (credit watch)
Short-term Bank Facilities	115.00 (reduced from Rs.120 crore)	'PR3+' [PR Three Plus]	Revised from 'PR2+' (credit watch)
Total Facilities	379.30		

Rating Rationale

The rating revision considers deterioration in TJPL's financial performance in terms of low profitability margins and interest coverage ratio during FY09. The ratings are further constrained by TJPL's venture into retail business which may result in high inventory thus elongating the working capital cycle further and high correlation of fortunes of Gems & Jewellery (GJ) sector to economic cycles and slowdown in global economic conditions.

The rating continues to derive strength from the vast experience of TJPL's promoters in the jewellery business, increased scale of operations on successful merger with group companies, established clientele and its practice of insisting on credit insurance on most of the receivables.

TJPL's ability to breakeven and generate sustainable operating cash flow from its newly-started retail operations, improve its profitability margins, maintain its working capital cycle and sustained recovery of GJ sector are the key rating sensitivities.

Company Profile

TJPL is a part of the Tara group promoted by Mr. Rajeev Seth a known pioneer in the jewellery business. TJPL was formed by the merger of T Two International Pvt Ltd (TTIPL) and Tara Jewels Exports Pvt Ltd (TJEPL) with Tara Ultimo Pvt Ltd (TUPL). Post the merger, TUPL was renamed as "Tara Jewels Pvt Ltd" (TJPL). The said merger was sanctioned by The High Court of Judicature at Bombay during January 2009.

Net sales of TJPL fell by 11% to Rs.746 crore in FY09 while PAT fell by 58% to Rs.9.78 crore in FY09.

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

TJPL posted net sales of Rs.545.40 crore and PAT of Rs.17.58 crore during the nine-month period ended December 2009 with PBILDT and PAT margin at 8.68% and 3.22% respectively.

Analyst Contact

Name: Ms. Rashmi Narvankar

Tel # 022 6754 3429

Board # 022 6754 3456

Email: rashmi.narvankar@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.Ashwini Jani 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 – 91766 47599 E-mail : ashwini.jani@careratings.com</p>	<p>Mr. Rahul Patni Regional Manager 401, Ashoka Scintilla 3-6-520, Himayat NagarHyderabad - 500 029 Tel – 040 _40102030 Mobile – 91600 04563 E-mail: rahul.patni@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>