

JANUARY 07, 2015

CARE ASSIGNS AND RECLASSIFIES THE RATINGS ASSIGNED TO THE BANK FACILITIES OF ASIAN STAR CO. LTD AND ASIAN STAR JEWELS PVT LTD

Asian Star Company Ltd

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term/Short term Bank Facilities (Fund-based)	1,182.50	CARE A-/CARE A2+ (Single A Minus/ A Two Plus)	Assigned and reclassified from ST to LT/ST

Based on the unconditional and irrevocable Corporate Guarantee provided by ASCL to its subsidiary ASJPL, CARE has assigned the following rating to the bank facilities of ASJPL:

1. Asian Star Jewels Pvt Ltd

Facilities	Amount (Rs. crore)	Ratings	Remarks
Long term/Short term Bank Facilities (Fund-based)	41 (enhanced from Rs. 30 cr)	CARE A- (SO)/CARE A2+ (SO) [Single A Minus/A Two Plus] (Structured Obligation)	Assigned and reclassified from ST to LT/ST
Long term/Short term Bank Facilities (Fund-based)	2	CARE A- (SO) /CARE A2+ (SO) (In Principle)# [Single A Minus/A Two Plus] (Structured Obligation) (In Principle)	

#In Principle, on account of corporate guarantee of Rs 2 crore which is yet to be executed by the parent company, Asian Star Co Ltd.

Rating Rationale

The ratings assigned to the bank facilities of Asian Star Co. Ltd (ASCL) derive strength from vast experience of its promoters and management in the Gems & Jewellery (G&J) business, the company's robust global marketing network and its presence across the G&J value chain. The rating is further strengthened from ASCL's satisfactory financial performance during FY14 (refers to period between April 1 and March 31) and H1FY15 (refers to period between April 1 and Sept 30) with a geographically diversified revenue profile and its comfortable liquidity position.

The ratings, however, continue to be constrained by ASCL's moderate leverage, its long working capital cycle, thin profitability margins and the highly competitive nature of the G&J industry along with risk associated with volatility in diamond prices.

The ability of ASCL to improve its overall profitability in a continuing challenging external environment would remain the key rating sensitivities. Further, an improvement in the company's capital structure would also augment the overall financial profile of the company.

Background

Asian Star Company Ltd (ASCL) was set up as a partnership firm in 1971 by the Shah and Kothari families. In the year 1990, the management control of the company was vested with the Shah family and in 1995 it was subsequently converted to a public limited company. In 1996, ASCL was listed on the BSE. ASCL is a recognized Four Star Trading House. ASCL's primary business involves cutting and polishing of less than one carat diamonds. The company also manufactures diamond-studded gold and platinum jewellery. ASCL is well integrated across the G&J value chain from procurement of rough diamonds, diamond cutting & polishing to jewellery manufacturing and distribution directly to retailers across the globe.

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

In the year 2008, ASCL ventured into direct retail of jewelry with the launch of its branded jewellery, Shagun Jewels which was, however, discontinued during FY12. Presently, ASCL is engaged in jewellery retailing only through a single couture diamond boutique at Mumbai. The company has a strong global presence with 20 marketing arms spread across key diamond hubs located in Asia, Europe and America. ASCL's production facilities are located at Mumbai, Surat (GJ) and Hosur (TN). The company also has windmills in Maharashtra, Kerala and Tamil Nadu. In FY14, approximately 71.8% of the total revenue was generated through exports.

In FY14, ASCL reported total income of Rs 2,288.30 crore (Rs 2,120.40 crore in FY13) and a PAT of 40.74 crore (Rs 37.56 crore in FY13). Moreover, in H1FY15, the company reported total income of Rs 1,184.46 crore (Rs 1,041.31 crore in H1FY14) and a PAT of Rs 20.09 crore (Rs 18.26 crore in H1FY14).

Analyst Contact

Name: Mr Ravi Kumar Dasari

Tel: (022) 6754 3421

Email: ravi.kumar@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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.

In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

CONTACT

Head Office Mumbai

Mr. D.R. Dogra

Managing Director
 Mobile: +91-98204 16002
 E-mail: dr.dogra@careratings.com

Mr. Rajesh Mokashi

Dy. Managing Director
 Mobile: +91-98204 16001
 E-mail: rajesh.mokashi@careratings.com

Ms. Meenal Sikchi

Vice President - Bank Loan & Instrument Rating
 Mobile: +91-9819009839
 E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva

Vice President - Bank Loan & Financial Services
 Mobile: +91-9819698985
 E-mail: ankur.sachdeva@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
 Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

Other Office:

503, Kaledonia, Sahar Road, Near Andheri Railway Station, Andheri (E), Mumbai - 400 069
 Tel: +91-22-6144 3456 | Fax: +91-22-6144 3556

AHMEDABAD
Mr. Mehul Pandya

32, Titanium, Prahaladnagar Corporate Road,
 Satellite, Ahmedabad - 380 015
 Cell: +91-98242 56265
 Tel: +91-79-4026 5656
 E-mail: mehul.pandya@careratings.com

JAIPUR
Mr. Harsh Raj Sankhla

304, Pashupati Akshat Heights, Plot No. D-91,
 Madho Singh Road, Near Collectorate Circle,
 Bani Park, Jaipur - 302 016.
 Cell: +91 – 94139 69100
 Tel: +91-141-402 0213 / 14
 E-mail: harshraj.sankhla@careratings.com

BENGALURU
Mr. Dinesh Sharma

Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
 No. 30, M.G. Road, Bangalore - 560 001.
 Cell: +91-99000 41975
 Tel: +91-80-4115 0445, 4165 4529
 E-mail: dinesh.sharma@careratings.com

KOLKATA
Ms. Priti Agarwal

3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
 10A, Shakespeare Sarani, Kolkata - 700 071.
 Cell: +91-98319 67110
 Tel: +91-33- 4018 1600
 E-mail: priti.agarwal@careratings.com

CHANDIGARH
Mr. Sajan Goyal

2nd Floor, S.C.O. 196-197, Sector 34-A,
 Chandigarh - 160 022.
 Cell: +91 99888 05650
 Tel: +91-172-5171 100 / 09
 Email: sajan.goyal@careratings.com

NEW DELHI
Ms. Swati Agrawal

13th Floor, E-1 Block, Videocon Tower,
 Jhandewalan Extension, New Delhi - 110 055.
 Cell: +91-98117 45677
 Tel: +91-11-4533 3200
 E-mail: swati.agrawal@careratings.com

CHENNAI
Mr. V Pradeep Kumar

Unit No. O-509/C, Spencer Plaza, 5th Floor,
 No. 769, Anna Salai, Chennai - 600 002.
 Cell: +91 98407 54521
 Tel: +91-44-2849 7812 / 0811
 Email: pradeep.kumar@careratings.com

PUNE
Mr. Rahul Patni

9th Floor, Pride Kumar Senate,
 Plot No. 970, Bhamburda, Senapati Bapat Road,
 Shivaji Nagar, Pune - 411 015.
 Cell: +91-78754 33355
 Tel: +91-20- 4000 9000
 E-mail: rahul.patni@careratings.com

HYDERABAD
Mr. Saikat Roy

401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
 Hyderabad - 500 029.
 Tel: +91-40-4010 2030
 E-mail: saikat.roy@careratings.com

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