

December 10, 2015

## CARE REVISES RATINGS ASSIGNED TO BANK FACILITIES OF TARA JEWELS LTD

**Ratings**

Facilities*	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term / Short-term (Fund-based)	486	<b>CARE BB (Double B) / CARE A4 (A Four)</b>	Revised from CARE BBB+ (Triple B Plus) / CARE A2 (A Two)
Long-term / Short-term (Non-fund Based)	257		
<b>Total Facilities</b>	<b>743</b> <b>(Seven hundred and forty three crore)</b>		

\*100% interchangeability between Fund and Non –Fund based limits

**Rating Rationale**

The revision in ratings assigned to bank facilities of Tara Jewels Ltd (TJL) takes into consideration stressed liquidity position of the company due to elongated working capital cycle on account of increase in receivable days.

The ratings further continue to be constrained by the company's stressed liquidity profile marked by almost full utilization of working capital limits due to its elongated working capital cycle, subdued performance in the retail jewellery segment, high operating risk arising out of geographical and customer concentration of sales and the inherent risk of volatility in raw material prices impacting profit margins. The ratings however, continue to derive strength from the experience of the promoters in the Gems & Jewellery (G&J) industry, presence across the jewellery value chain and established clientele. The ability of TJL to manage liquidity position by improving its working capital cycle, amidst an uncertain economic situation in the developed markets like US and Europe & intense competition within the G&J industry and volatile raw material prices remain the key rating sensitivities.

**Background**

Tara Jewels Limited (TJL) was incorporated in 1998 as Tara Ultimo Pvt Ltd (TUPL) by Mr. Rajeev Sheth (current Chairman and MD). In FY09, Tara Ultimo Pvt. Ltd. (TUPL) was merged with T Two International Pvt. Ltd. (TTIPL), trading in diamond and jewellery, and Tara Jewels Exports Pvt. Ltd. (TJEPL), engaged in cutting and polishing of diamonds for the Tara group. Post merger, TUPL was renamed 'Tara Jewels Pvt Ltd.' (TJPL). In September 2010, the company was converted into a public limited company and the name was changed to Tara Jewels Ltd. (TJL). TJL is an integrated player in the jewellery industry with presence in designing, manufacture and retailing of diamond studded jewellery. TJL has been accorded Star Trading House status by Government of India and subsequently also been designated as a nominated agency under foreign trade policy by the Ministry of Commerce.

For FY15 (A) (refers to the period April 01 to March 31), TJL reported a consolidated total income of Rs. 1751 crore and PAT of Rs. 43 crore as against total income of Rs. 1703 crore and PAT of Rs. 50 crore in FY14. Further in H1FY16 (UA) TJL reported total income of Rs. 658 crore and PAT of Rs. 14.65 crore on consolidated basis.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

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**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**

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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.

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