



March 11, 2010

ICRA reaffirms LBB+ and A4+ rating for the enhanced working capital facilities of Auro Gold Jewellery Private Limited; assigns stable outlook to long term rating

ICRA has re-affirmed the rating assigned to the Rs. 900.0 million (enhanced from Rs. 750 million) fund based (Cash credit) facilities of Auro Gold Jewellery Private Limited (AJPL) at LBB+ (pronounced L double B plus)[†]. The rating carry stable outlook. ICRA has also re-affirmed A4+ rating assigned to the Rs. 600 million (Export packing credit+ Metal Gold loan) fund based facilities of AJPL[†]. The Rs. 600 million (EPC+ Metal Gold loan) is a sublimit of Rs. 900 million Cash credit facilities, as such the total utilization should not exceed Rs.900 million at any point of usage.

The rating continues to reflect AJPL's stretched liquidity position as highlighted by high working capital utilization, modest cash accruals as of 9MFY10 and negative fund flow from operations. The industry-wide challenging operating environment contributed by poor demand off-take from key export markets has led to lower realizations and sharp drop in operating margins for AJPL for FY09. The ratings however draws comfort from revival in demand to an extent as reflected by rise in margins as of 9MFY10 and enhancement in banking limits which were curtailed earlier leading to strained liquidity position of the company.

Company Profile:

Auro Gold Jewellery Pvt. Ltd., incorporated in 1993 is in the business of manufacturing, exporting, whole selling and more recently, retailing of non-branded gold jewellery. It is a family run business. The current Managing Director of the company, Mr. Ritesh Jain is the third generation in the business. The company generates the bulk of its revenue from its whole selling business and has a robust distribution model spanning almost entire country, revenues being concentrated to some extent towards southern India. The company is primarily into the B2B segment; with the retailing business started a couple of years back with its first showroom in Mulund, Mumbai. The export business is based out of two units in SEZ Surat, which cater to U.A.E. and Singapore markets. The company concentrates on the high volume and low value jewellery, primarily manufacturing bangles, ear rings, chains, which is also the main product for the company wherein the ticket size ranges from 2-80gms.

Recent Results (Audited Standalone) Auro Gold Jewellery Private Limited reported a profit before tax of Rs. 183.8 million on operating income of Rs. 8814.7 million for the nine months ending FY10.

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ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

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