

## Davanam Jewellers Private Limited

Instruments	Amount (Rs. Crores)	Rating Action
LT: Fund Based Facilities	73.00	[ICRA]B; upgraded from [ICRA]D
ST: Non-fund based facilities	4.00	[ICRA]A4; upgraded from [ICRA]D
LT/ST: Unallocated Limits	3.26	[ICRA]B / [ICRA]A4; upgraded from [ICRA]D/[ICRA]D

ICRA has upgraded the long term rating on the Rs. 73.00 crore fund based facilities of Davanam Jewellers Private Limited (DJPL/ the company) to [ICRA]B (pronounced ICRA B) from [ICRA]D (pronounced ICRA D). ICRA has also upgraded the short term rating on the Rs. 4.00 crore non fund based facilities of DJPL to [ICRA]A4 (pronounced ICRA A four) from [ICRA]D (pronounced ICRA D). ICRA has also upgraded the rating on the Rs. 3.26 crore unallocated long/short term facilities of the company to [ICRA]B/[ICRA]A4 from [ICRA]D/[ICRA]D.

The rating revision factors in the regularisation of the cash credit facility availed by DJPL as confirmed by the lenders. Receipt of Rs. 3.6 crore of loans and advances extended to group concerns (of the total Rs. 47.1 crore as on March 31, 2016) is likely to reduce the debt levels and ease the liquidity situation. ICRA also draws comfort from the long standing experience of the promoters in the jewellery business supported by the strong operational performance in the region.

The company has over the past extended sizable advances to its group concerns (~Rs. 47.1 crore as on March 31, 2016) which are expected to be received back over the next two years with Rs. 12.0 crore in FY2017 and Rs. 11.0 crore in FY2018. This includes Rs. 7.4 crore of funds extended to a group concern, Davanam Construction Private Limited (DCPL) which is involved in construction of a residential property under a JDA with Jain Heights at Okalipuram, Bangalore. This project was stalled due to some procedural issues, some of which have been resolved over the past three months. Return of funds extended to this group concern as construction and sale of the project progresses, coupled with funds from the promoter group is expected to be used to reduce debt levels at DCPL over the next two years.

Ratings continue to be constrained by the thin operating margins, high interest costs characterised by large working capital borrowings, stretched capital structure; and moderate coverage indicators (with interest coverage at 1.4 times and DSCR at 1.3 times as on 31<sup>st</sup> March 2016). Timely receipt of funds extended to group companies; and use of the same to reduce debt levels and improve credit profile are key monitorables.

### Company Profile

Davanam Jewellers Private Limited (DJPL) is in the business of retailing of gold and silver jewellery in Bangalore. The Company also deals in diamonds and other precious stones. The company presently has three showrooms in Bangalore and intends to add more stores based on the improving operating environment. The company is run by the Davanam Family, which has presence in the jewellery business since 1905.

Other than DJPL, the promoters have interests in other companies viz. Davanam Constructions Private Limited, which is in the business of real estate development and is the land holding company for the group; Kausthubha Project Private Limited, which is in the business of real estate development and Amethyst Hospitality Private Limited, which is operating a 132 room, all suites, four star property called Davanam Sarovar Portico Suite in Bangalore.

### Recent Results

The company recorded a net profit of Rs. 3.0 crores on an operating income of Rs. 320.4 crores in FY2016 provisional. The company registered a net profit of Rs. 3.0 crores on an operating income of Rs. 290.4 crores in FY2015 as against a net profit of Rs. 3.4 crores on an operating income of Rs. 269.4 crores in FY2014.

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