

Davanam Jewellers Private Limited

Instruments	Amount (Rs. crores)	Rating Action
Fund Based Facilities	73.00	[ICRA]D / revised from [ICRA]BB+(Stable)
Non-fund based facilities	5.46	[ICRA]D/ revised from [ICRA]A4+
Unallocated Limits	1.80	[ICRA]D / [ICRA]D revised from [ICRA]BB+(Stable)/[ICRA]A4+

ICRA has revised the long term rating on the Rs.73.00 crore fund based facilities of Davanam Jewellers Private Limited (“DJPL”/ the company) to [ICRA]D (pronounced ICRA D) from [ICRA]BB+ (Stable) (pronounced ICRA double B plus). ICRA has also revised the short term rating on the Rs.5.46 crore of DJPL to [ICRA]D (pronounced ICRA D) from [ICRA]A4+ (pronounced ICRA A four plus). ICRA has also revised the rating on the Rs.1.80 crore unallocated facilities of the company to [ICRA]D/[ICRA]D (pronounced ICRA D/ ICRA D) from [ICRA]BB+(Stable)/[ICRA]A4+ (pronounced ICRA double B plus / ICRA A four plus).

The rating revision factors in the consistent and long over-drawls in the company’s working capital facility owing to weak liquidity position and support extended to group companies. As against expectations of large cash inflows from a group concern (Davanam Constructions Private Limited) which would be used to reduce debt, stalled construction in the joint development project at DCPL impacted group cash flows. Competition also hit the company’s anticipated store expansion plans during FY2016. Despite which, the company recorded a healthy revenue growth of 10% in FY2016E. Operating and net margins however continued to be thin during FY2015 and FY2016, though there was some improvement in accruals (in 9M FY2016) due to supportive gold prices. The company’s credit profile is characterised by large working capital debt, stretched capital structure with gearing at 1.9 times; and moderate coverage indicators with Interest coverage at 1.4 times and DSCR at 1.3 times as on 31st March 2015.

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. The company is run by the Davanam Family, which has a presence in 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 also 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.5.3 crores on an operating income of Rs.276.1 crores in 9m FY2016. 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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