



**Press Release**  
**DAVARIYA BROTHERS PRIVATE LIMITED**  
**April 30, 2025**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	142.49	ACUITE BBB-   Negative   Reaffirmed   Stable to Negative	-
Total Outstanding Quantum (Rs. Cr)	142.49	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

Acuité has reaffirmed its long-term rating of ‘ACUITE BBB-’ (read as ACUITE Triple B minus) on the Rs. 142.49 crore bank facilities of Davariya Brothers Private Limited (DBPL). The outlook has been revised from ‘Stable’ to ‘Negative’.

**Reason for reaffirmation and revision of outlook**

The outlook revision from ‘Stable’ to ‘Negative’ is due to the continuous deterioration in operating performance and financial risk profile of the company amidst challenging industry environments. Further, the rating reaffirmation considers the declining revenues albeit stable profitability margins and moderation in the financial risk profile, with an adequate liquidity position supported by promoters’ infusion of funds. However, the rating is constrained by the company’s working capital intensive operations and the susceptibility of profitability margins to volatility in diamond prices and forex fluctuations.

**About the Company**

Davariya Brothers Private Limited (DBPL) is a Mumbai based company engaged in manufacturing and trading of cut and polished diamonds. Started as a partnership firm in 1986 by Mr. Manubhai B. Davariya and Mr. Chandubhai Davariya, it was subsequently reconstituted as a private limited company in 2012. The company has a manufacturing facility at Surat with a total cutting and polishing capacity of ~15000 carats per month. The company is into manufacturing as well as trading of the cut and polished diamonds wherein trading constitutes ~ 25-30 per cent of total revenue. DBPL deals in both natural diamonds as well as lab grown diamonds of size less than 50 cents. These diamonds are largely used in jewelry, watches, and other luxury products. DBPL caters to both domestic as well as overseas markets with exports forming ~51 per cent in total sales. It primarily exports to Hong Kong, USA, and Belgium.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

Acuité has considered the standalone business and financial risk profile of DBPL for arriving at this rating.

## **Key Rating Drivers**

### **Strengths**

**Experienced management and long track record of operations**

DBPL's operations were started by Mr. Manubhai B. Davariya and Mr. Chandubhai Davariya in 1986 to process and sell polished diamonds. DBPL is currently owned and managed by the founders along with their brothers and sons. The management of the company has an industry experience of over three decades. This has helped the company in maintaining good business relations with clients. DBPL exports around 51 percent of its total sales primarily in the markets of Hongkong, USA and Belgium and imports around 60 percent of its total requirement of rough diamonds. Acuite believes the experience of the promoters is likely to help the company in maintaining their business risk profile over the near to medium future.

#### **Stable profitability margins albeit decline in revenues**

The company's revenue declined by 21.79 percent and stood at Rs. 357.18 crore in FY2024 compared to Rs. 456.66 crore in FY2023. The Cut and Polished Diamond (CPD) industry recorded a year-on-year decline of 25.23 percent in total exports between FY2024 and FY2023. The revenue and profitability of the company are directly attributable to the growth and outlook of the CPD Industry. As of March 31, 2025, DBPL reported a revenue of Rs. 312.15 crore with an estimated operating margin of around 6.3 percent. On an industry basis, the CPD industry recorded a decline of 14.93 percent in FY2025 compared to FY2024. Despite this, operating margins improved to 6.04 percent in FY2024 from 5.11 percent in FY2023. The PAT margin moderated to 1.24 percent in FY2024 from 1.28 percent in FY2023.

Acuite believes, the operating performance of the company would remain subdued on the back of challenging industry environment in domestic as well as export market.

#### **Moderate financial risk profile**

DBPL has a moderate financial risk profile marked by moderate net worth, moderate gearing and average debt protection metrics. The tangible net worth of the company stood at Rs.143.97 crore as on March 31, 2024, as against Rs. 139.56 crore as on March 31, 2023. The gearing of the company stood below unity at 0.83 times as on March 31, 2024, as against 1.05 times as on March 31, 2023. The total debt of the company consists of long-term debt of Rs. 20.14 crore, unsecured loan of Rs. 3.12 crore, and maturing debt repayment obligations of Rs. 6.83 crore and short-term debt of Rs. 90.12 crore as on March 31, 2024. The interest coverage ratio stood at 1.64 times as on March 31, 2024, as against 1.96 times as on March 31, 2023. The DSCR stood at 1.44 times as on March 31, 2024, as against 1.71 times as on March 31, 2023. Acuite believes, the financial risk profile of the company would remain moderate on the back of no major debt funded capex plans.

#### **Weaknesses**

##### **Working Capital Intensive Operations**

The company's operations remained working capital intensive, as evidenced by the GCA days of 291 days as of March 31, 2024, compared to 225 days as of March 31, 2023. Inventory days increased to 195 days in FY24 from 134 days in FY23, with an average inventory holding period of around 90 days. Inventory levels rose in FY24 due to low market demand, leading to a buildup of inventory and the company stocking rough and cut polished diamonds to meet customer preferences. Debtor days stood at 102 days in FY24, up from 97 days in FY23, with an average credit period allowed to customers of around 90 to 120 days. Creditor days increased to 69 days in FY24 from 31 days in FY23, with an average credit period received from suppliers of around 30 to 60 days. The average utilization of bank limits stood at approximately 83.07 percent for the last six months ending March 31, 2025.

##### **Susceptibility of profitability margins to volatility in input prices and fluctuations in forex risk**

The company runs an inherent risk of volatility in raw material prices. It imports 60 percent of its raw material requirement, i.e., rough and polished diamonds, and exports around 50 percent of its total sales. While the forex risk on imports is largely covered against exports, the price volatility risk in rough diamonds threatens the thin profitability margins of the company due to long working capital cycles and unhedged forex risk.

#### **Rating Sensitivities**

- Sustain improvement in revenues and profitability
- Elongation in the working capital cycle
- Deterioration in financial risk profile

#### **Liquidity Position Adequate**

The company has an adequate liquidity position marked by moderate net cash accruals against the maturing debt

obligations. The company generated cash accruals of Rs. 6.82 crore in FY24 as against maturing debt obligations of Rs. 0.57 crore over the same period. The company is estimated to generate cash accruals of around Rs. 6.7 crore during the period of FY2025 against maturing debt obligations of Rs. 6.83 crore over the same period. Further, DBPL has also infused USL from Directors of Rs. 7.53 crore to the existing Rs. 43.12 crore for timely servicing of its debt obligations going ahead. The company maintains encumbered cash and bank balance of Rs. 4.57 crore as on March 31, 2024. The current ratio stood at 1.90 times as on March 31, 2024. The average utilization of the fund- based bank limits around ~83.07 per cent for six months ending March 2025.

**Outlook: Negative**

**Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	357.18	456.66
PAT	Rs. Cr.	4.41	5.85
PAT Margin	(%)	1.24	1.28
Total Debt/Tangible Net Worth	Times	0.83	1.05
PBDIT/Interest	Times	1.64	1.96

### Status of non-cooperation with previous CRA (if applicable)

Not Applicable

### Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

Not applicable

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
01 Feb 2024	PC/PCFC	Long Term	51.60	ACUITE BBB-   Stable (Reaffirmed)
	PC/PCFC	Long Term	3.60	ACUITE BBB-   Stable (Reaffirmed)
	Post Shipment Credit	Long Term	8.40	ACUITE BBB-   Stable (Reaffirmed)
	Post Shipment Credit	Long Term	51.59	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	27.30	ACUITE BBB-   Stable (Reaffirmed)
04 Nov 2022	PC/PCFC	Long Term	25.00	ACUITE BBB-   Stable (Upgraded from ACUITE BB+   Stable)
	PC/PCFC	Long Term	13.46	ACUITE BBB-   Stable (Upgraded from ACUITE BB+   Stable)
	PC/PCFC	Long Term	3.60	ACUITE BBB-   Stable (Upgraded from ACUITE BB+   Stable)
	Post Shipment Credit	Long Term	8.40	ACUITE BBB-   Stable (Upgraded from ACUITE BB+   Stable)
	Post Shipment Credit	Long Term	64.73	ACUITE BBB-   Stable (Upgraded from ACUITE BB+   Stable)
	Term Loan	Long Term	27.30	ACUITE BBB-   Stable (Upgraded from ACUITE BB+   Stable)
10 Oct 2022	PC/PCFC	Long Term	25.00	ACUITE BB+   Stable (Reaffirmed)
	PC/PCFC	Long Term	13.46	ACUITE BB+   Stable (Assigned)
	PC/PCFC	Long Term	3.60	ACUITE BB+   Stable (Assigned)
	Post Shipment Credit	Long Term	8.40	ACUITE BB+   Stable (Assigned)
	Post Shipment Credit	Long Term	64.73	ACUITE BB+   Stable (Assigned)
	Term Loan	Long Term	27.30	ACUITE BB+   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Union Bank of India	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	51.60	Simple	ACUITE BBB-   Negative   Reaffirmed   Stable to Negative
Punjab National Bank	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3.60	Simple	ACUITE BBB-   Negative   Reaffirmed   Stable to Negative
Punjab National Bank	Not avl. / Not appl.	Post Shipment Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	8.40	Simple	ACUITE BBB-   Negative   Reaffirmed   Stable to Negative
Union Bank of India	Not avl. / Not appl.	Post Shipment Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	51.59	Simple	ACUITE BBB-   Negative   Reaffirmed   Stable to Negative
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.69	Simple	ACUITE BBB-   Negative   Reaffirmed   Stable to Negative
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2028	21.61	Simple	ACUITE BBB-   Negative   Reaffirmed   Stable to Negative

## Contacts

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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