Date: January 2, 2024

To,
Listing Compliance Department
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex
Bandra East, Mumbai – 400051.

Dear Sir,

Sub: Press Release for credit rating assigned
Ref: D. P. Abhushan Limited (Symbol: DPABHUSHAN)

Please find enclosed the press release being released to the Media for credit rating assigned to the Company.

The above information will also be available on the website of the company at www.dpjewellers.com.

Kindly take the same on record and acknowledge.

For, D. P. Abhushan Limited

SANTOSH KATARIA

Digitally signed by SANTOSH KATARIA
Date: 2024.01.02 18:47:37 +05'30'

D.P. Abhushan Limited RATLAM

Santosh Kataria
Chairman and Managing Director
DIN: 02855068
Place: Ratlam

Annexure-I
Draft Press Release
D.P. Abhushan Limited
January 02,2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	59.68	CARE BBB+; Positive	Assigned
Long Term / Short Term Bank Facilities	140.32	CARE BBB+; Positive / CARE A2	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating to the bank facilities of D. P. Abhushan limited (DPAL) derives strength from the experience of its promoters in the jewellery retail market and its well-established operational track record of more than eight decades leading to strong brand recall 'DP Jewellers' in the MP and Rajasthan jewellery market. The rating also takes cognizance of DPAL's growth in its scale of operations, efficient inventory management, its comfortable financial risk profile and adequate liquidity.

The rating, however, remain constrained by DPAL's moderate profitability, which is susceptible to volatile gold prices, inherent regulatory risk and, its presence in a highly fragmented and competitive Gems & Jewellery (G&J) industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growth in scale of operations along with geographical diversification of its revenue marked by total operating income (TOI) of more than Rs.2300 crore while maintaining its PBILDT margin above 4% on a sustained basis.

Negative factors

- Decline in sales volume leading to its TOI falling below Rs.1000 crore with PBILDT margin below 3% on a sustained basis.
- Elongation in its operating cycle beyond 100 days along with increase in physical inventory of gold and jewellery without any store expansion leading to higher utilization of its working capital limits.
- Deterioration in its overall gearing beyond unity on a sustained basis.

Analytical approach: Standalone

Outlook: Positive

The positive outlook assigned is on account of envisaged growth in TOI on the back of expansion by retail space by opening of two new stores in Ratlam and Neemuch city along with continuing growth from the existing eight stores. The outlook may be revised to 'Stable' in case of lower than envisaged growth in scale of operations or profitability or major increase in debt level resulting in deterioration in leverage or liquidity.

Detailed description of the key rating drivers:

Key strengths

Experienced promoter and well-established operational track record of more than eight decades in jewellery retail backed by strong brand presence in MP and Rajasthan market:

Promoted by Late Shri Dhulchand Kataria in 1940, DPAL started as a sole proprietorship firm and was later converted to partnership firm which in turn was converted into a public limited company in 2017. DPAL got listed on NSE in November 2017. Currently DPAL is managed by the third and fourth generation, Mr. Ratanlal Kataria, Mr. Anil Kataria, Mr. Santosh Kataria and Mr. Vikas Kataria. The promoters are assisted by a team of well-qualified professionals. The company has well established operational track record of more than eight decades in the G&J industry under its brand name 'DP Jewellers' and over the years it has built strong brand recall and trust among the consumers especially in the MP and Rajasthan gold jewellery retail segment. Currently DPAL operates eight mid-large format showrooms with total area aggregating to 40,467 sq. ft as on March 31, 2023, for all stores combined. Over the medium term, DPAL's expansion of retail network is expected to further strengthen its brand.

Continuous growth in TOI:

DPAL's has reported continuous increase in its TOI marked by compounded annual growth rate (CAGR) of 19% during last five years ended on March 31,2023 and a y-o-y growth of 14% to Rs.1975 crore during FY23 (FY refers to the period April 01 to March 31; FY22: Rs.1731 crore. While the sales volume of gold ornaments remained largely stable in FY23, the growth was supported by increase in gold prices. The average revenue per square feet has increased from Rs.3,01,028 in FY21 to Rs.4,88,082 during FY23. CARE Ratings Limited (CARE Ratings) expects DPAL's to report growth in its scale of operations in the medium term, backed by strong same store sales growth (SSSG) and ongoing store expansion plan.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Comfortable capital structure and debt coverage indicators :
DPAL's capital structure remained comfortable marked by below unity overall gearing of 0.66x as on March 31, 2023 (0.86x as on March 31, 2022). DPAL has low long-term debt and reliance on bank borrowings continued to remain low for meeting working capital requirements due to prudent inventory management. Its debt coverage indicators are also comfortable marked by an interest coverage of 6.02x during FY23 (FY22: 4.95x) and Total Outside Liabilities (TOL)/ Tangible net worth at 1.03x (FY22:1.29x) as on March 31, 2023.

Prudent working capital management:
The company, being a jewellery retailer, maintains a wide variety of designs of finished goods inventory at its showrooms for display and sales, in addition to the bullion. This normally leads to high inventory holding and working capital intensity. DPAL meets its requirements through low-cost sources of funds like customer advances, internal accruals, and unsecured loans from the promoters, apart from working capital limits. During FY23, DPAL reported an inventory turnover ratio of 5.47 times (FY22: 4.98 times) ensuring faster rotation of inventory. DAPL has a centralized system for managing inventory at its head office at Ratlam and follows inventory replenishment model for hedging. CARE Ratings believes that the company will continue to prudently manage its working capital over the medium term.

Key weaknesses
Moderate profitability:
DPAL's profitability has remained moderate with PBILDT and PAT margin in the range of 3.4%-4.4% and 1.45% -2.30% respectively during last four years ended FY23. During FY23, DAPL has registered PBILDT margin of 3.97% (FY22:4.34%) along with PAT margin of 2.29% (FY22:2.34%). In absolute terms, PAT increased to Rs.45.32 crore (FY22: Rs. 40.44 crore) with gross cash accruals at Rs. 50.23 crore (FY22: Rs. 45.78 crore).

Presence in highly competitive and fragmented G&J industry:
The retail gold jewellery industry is highly fragmented with a high level of competition from both the organised and largely unorganised sector catering to different customer segments. These factors combined, limits the pricing flexibility and scope for margin expansion.

Exposure to gold price volatility; mitigated to a certain extent by inventory replenishment:
The key raw material, Gold, constituting over 90-95% of its total cost, has exhibited sharp volatility in the past and continue to be driven by global demand supply dynamics, economic growth, forex and interest rates, etc. Moreover, jewellery demand is largely discretionary in nature and is directly linked with macroeconomic factors such as disposable income, inflation levels, consumer sentiments, etc. However, inventory replenishment model followed by DPAL helps in mitigating the risk associated with volatility in gold prices to an extent.

Susceptibility to regulatory risks in the jewellery industry:
The sector has been one of the most regulated, given the fact that gold makes India's second-largest import bill only after petroleum. To reduce the current account deficit (CAD), various measures are announced on the domestic consumption of gold. Measures like 20/80 restriction on imports, mandatory PAN disclosure requirement for purchases above the threshold limit, restrictions on jewellery saving schemes, the imposition of excise duty and the Goods and Services Tax (GST), the increase in import duty, demonetisation, etc, have affected the demand and supply in the past. The sector continues to be vulnerable to regulatory risk, as any adverse measures taken by the government, or the Reserve Bank of India (RBI) will pose a risk to demand for gold.

Liquidity: Adequate
DAPL has adequate liquidity marked by moderate utilisation of working capital limits, low long-term debt repayment obligations, moderate operating cycle, and high inventory turnover ratio. Average utilisation of working capital facilities remained moderate at ~50% during the trailing 12 months ended July 2023 and its operating cycle remained comfortable 55 days in FY23 (FY22: 59 days) owing efficient inventory management. Additionally, cash-and-carry type business model along with credit period availed from the jewellery suppliers helps DAPL is managing its working capital intensity. Free cash and bank balances stood at Rs. 5.03 crore as on March 31,2023 (As on March 31,2022; Rs. 4.71 crore). Additional liquidity cushion is there in the form of unutilized Cash credit limit (total sanctioned limit: Rs. 85 crore). DAPL is envisaged to have nominal long term debt repayment obligation of Rs. 7-9 crore during the period of FY24-FY26. The current ratio stood comfortable at 1.82 times as on March 31,2023. (As on March 31,2022:1.52 times).

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria
Policy on default recognition
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Short Term Instruments
Retail

About the company and industry
Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Consumer Durables	Consumer Durables	Gems, Jewellery And Watches

D. P. Abhushan Limited (DPAL; CIN: L74999MP2017PLC043234) was incorporated as a sole proprietorship firm in the name of "M/s D.P. Jewellers" by Late Shri Dhulchand Ji Kataria in the year 1940. DAPL is engaged in manufacturing, sale and trading of Gold Jewellery, Diamond Jewellery, Platinum Jewellery, Silver Jewellery and other precious Metals. Over the years, DPAL has expanded into a retail chain with branches in Ratlam, Indore, Udaipur, Bhopal, Ujjain, Bhilwara, Kota & Banswara (total 8 branches) with total area aggregating to 40,467 sq. ft as on March 31, 2023.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	September 30,2023 (UA)
Total operating income	1,731.41	1,975.12	1017.72
PBILDT	75.17	78.37	47.19
PAT	40.44	45.32	28.95
Overall gearing (times)	0.86	0.66	0.61
Interest coverage (times)	4.95	6.02	8.05

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	51.00	CARE BBB+; Positive
Fund-based - LT-Term Loan		-	-	01/01/2025	8.68	CARE BBB+; Positive
Fund-based - LT/ ST-Working Capital Limits		-	-	-	132.85	CARE BBB+; Positive / CARE A2
Fund-based/Non-fund-based-LT/ST		-	-	-	7.47	CARE BBB+; Positive / CARE A2

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT/ ST-Working Capital Limits	LT/ST*	132.85	CARE BBB+; Positive / CARE A2				
2	Fund-based - LT-Term Loan	LT	8.68	CARE BBB+; Positive				
3	Fund-based - LT-Cash Credit	LT	51.00	CARE BBB+; Positive				
4	Fund-based/Non-fund-based-LT/ST	LT/ST*	7.47	CARE BBB+; Positive / CARE A2				

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - LT/ ST-Working Capital Limits	Simple
4	Fund-based/Non-fund-based-LT/ST	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For the detailed Rationale Report and subscription information,
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