



D'amas

Damas Asks For Debt Standstill

Dubai-based jewellery retail giant Damas recently said that it must secure additional funding and restructure its operations in order to stay in business after incurring heavy losses due to large write-downs of underperforming loans and some bad investments.

The jeweller may shutter some of its 450 stores and relocate others to reduce expenses, sources close to the matter told *Gulf News*. For the six months that ended on 30 September 2009, Damas reported a loss of \$194.6 million (Dh714.9 million) on revenues of \$454 million (Dh1.66 billion).

Damas said the increasing spot price of gold has resulted in a decline in sales and an increase in margin calls from financial institutions from which it obtains gold loans. "These factors combined with the amounts withdrawn by a director have resulted in a significant decline in the liquidity of the company. It has also resulted in the group defaulting on certain of their facilities subsequent to the period end and a number of financial institutions reassessing their facilities with the group," the firm said in a statement.

The company made headlines in October last year when it fired its chief executive officer Tawhid Abdullah and his two brothers for making "unauthorised transactions" totalling \$165 million. According to the *Gulf News* report, the Abdullah

brothers invested in around 50 non-jewellery-related projects, including investments in a number of residential and commercial buildings in the United Arab Emirates (UAE), a shopping mall in Turkey and a stake in the Bupa Cromwell hospital in London. The brothers have agreed to repay the full amount in cash in 18 months, the company said in an earlier statement.

Damas noted that talks are currently ongoing with banks regarding the restructuring of facilities and securing sustained funding to carry on its operations. "As part of this process the group has signed an agreement with certain institutions that may result in certain diamond inventory being sold at a loss in future as an additional cost of finance. Additional funding is required to ensure that the company can continue its operations and meet its financial obligations as they fall due," the statement added.

Damas also plans to recover \$85 million (Dh312 million) from Dubai Ventures Group, an investment unit of the Dubai government-owned conglomerate Dubai Holding. Damas had provided the unit with a loan of

\$80 million (Dh294 million), which was to be repaid at an interest rate of 6 per cent by August 2009. However, on 18 August, Damas signed an agreement with Dubai Ventures to convert the loan into an investment account over which Dubai Ventures would have discretionary management powers.

Damas was later informed that the investment management account held only shares in Damas International with a value of \$20 million (Dh73.5 million) and that no other assets were available to the company.

"Although discretion had been given to Dubai Ventures in respect of investment choice, the board of directors of Damas International had not authorised Dubai Ventures to invest in shares of the company," Damas said in a statement.

"The board intends to dispute Dubai Ventures actions in this regard and will seek to recover the full amount due under the original loan facility agreement. For reasons of prudence a provision has been made amounting to Dh312 million against the total loan amount including accrued interest," it added.



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