

March 11, 2025

## Krishna Jewellers Pearls & Gems: Rating reaffirmed; outlook revised to Positive from Stable

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term – Fund based - Term loan	2.04	11.66	[ICRA]BBB- (Positive); reaffirmed and outlook revised to Positive from Stable
Long term – Fund based - Cash credit	42.00	42.00	[ICRA]BBB- (Positive); reaffirmed and outlook revised to Positive from Stable
Long term - Unallocated limits	35.96	26.34	[ICRA]BBB- (Positive); reaffirmed and outlook revised to Positive from Stable
<b>Total</b>	<b>80.00</b>	<b>80.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The revision in the outlook on the long-term rating of Krishna Jewellers Pearls & Gems (KJPG) considers an expected improvement in operational and financial performances over the medium term, supported by incremental revenues likely to be received from the recently added showroom at Kokapet and sustained healthy footfall at its existing store.

The rating continues to remain supported by the extensive experience of promoters in the jewellery retail business for over two decades and established brand name in Telangana. KJPG's revenues grew by 6.7% on a YoY basis in FY2024, supported by an increase in gold price realisations and a modest increase in volumes. Its revenue growth was affected in H1 FY2025 due to weak demand, but recovered in Q3 FY2025, supported by an increase in sales realisation and modest rise in volumes. Besides, in 9M FY2025 (provisional), KJPG's revenues grew by 7.0% (on an annualised basis) due to rising gold prices. Higher share of studded jewellery in the revenue mix has been supporting its operating margin over the years and the same has improved by 160 bps to 9.1% in 9M FY2025 from 7.5% in FY2024. While the entity has incurred debt-funded capital expenditure of ~Rs. 13 crore in FY2025 towards a new store addition, its financial profile is expected to remain healthy, supported by its comfortable capital structure and healthy coverage indicators. KJPG's total debt to operating profit and interest coverage ratios stood comfortable at 1.3 times and 5.6 times, respectively in FY2024 and are likely to remain comfortable over the medium term.

The rating is, however, constrained by high working capital requirements in the business and possibility of a further rise in the same towards the recently added store at Kokapet. Further, being a partnership firm, KJPG remains exposed to the risk of capital withdrawal by its partners, as witnessed in FY2024 with profit withdrawal of Rs. 18.5 crore (Rs.13.8 crore FY2023), which could impact its capital structure. ICRA notes that the firm is in the process of converting its partnership firm into a private limited company. The rating is also constrained by the moderate scale of operations, with the major portion of revenues derived from two stores, and earnings remaining exposed to fluctuation in gold prices. The rating also remains constrained by intense competition in a fragmented industry structure and regulatory risks, which impacted the retailers' performance in the past.

## Key rating drivers and their description

### Credit strengths

**Extensive experience of the promoters' family in the industry and established market position** – KJPG has a strong retail presence and has a long track record of promoters' presence in the jewellery market of Telangana (since 1983). Vast experience of the promoters in the gold jewellery industry and the entity's focus on providing jewellery tailored to customer needs helped establish a strong brand and a loyal customer base.

**Growth prospects in jewellery segment underpinned by large industry size and fragmented market share** – Increasing regulatory restrictions in the jewellery segment, aimed towards greater transparency and higher compliance costs, have been resulting in a sizeable churn in the unorganised segment, benefiting organised players like KJPG over the years.

### Credit challenges

**High geographical concentration risk and higher working capital intensity** – The entity remains exposed to high geographical and store concentration risks, with the firm remaining dependent on a single store at Jubilee hills, Telangana for the major portion of its revenues. While the commencement of operation at the Kokapet showroom has mitigated the concentration risk of a single store to some extent, store concentration and geographical concentration risks still exist. Further, the working capital intensity has remained higher in the recent years, with the inventory holding period increasing to 166 days in 9M FY2025 from 139 days in FY2024 following the recently added store at Kokapet.

**Performance exposed to intense competition and regulatory risks** – The domestic jewellery sector continues to be exposed to the risks arising from the evolving regulatory landscape, which could have an adverse impact on the business. Restrictions on bullion imports and metal loan funding, mandatory PAN disclosure on transactions above a threshold and imposition of excise duty are some of the regulations that have impacted business prospects in the past. KJPG remains exposed to changes in regulations that may impact its business profile. Further, the jewellery retail business is highly fragmented and is exposed to intense competition from organised and unorganised players. This limits the pricing flexibility enjoyed by retailers to an extent.

**Risks related to partnership nature of the firm** – The partnership constitution of KJPG exposes it to the risk of capital withdrawal by the partners, which could have an adverse impact on its net worth base, capital structure, debt coverage metrics and liquidity profile. In FY2024, the partners have withdrawn capital worth Rs.18.5 crore (Rs.13.8 crore in FY2023). Any sizeable capital withdrawal from the firm is likely to exert pressure on the rating and will continue to be monitored.

### Liquidity position: Adequate

KJPG's liquidity position is expected to remain adequate, supported by steady earnings from operations and adequate unutilised lines of credit. The average utilisation of its fund-based limit of Rs.42 crore stood at ~87.6% over the last 12 months ending in December 2024, which provides adequate buffer to the entity's working capital requirements. It is likely to incur capital expenditure of ~Rs.10 crore in FY2025, funded through term loan of Rs. 9.7 crore and internal accruals. It has debt repayment obligations of Rs. 2.5 crore in FY2025 and Rs. 2.4 crore in FY2026. The company's cash flows are likely to remain comfortable with healthy fund flow from operations and adequate buffer in the working capital limits. Any large cash outflow in the form of partners' drawings would constrain its liquidity and would be monitored.

## Rating sensitivities

**Positive factors** – The rating may be upgraded, if there is a healthy and sustained increase in profitability along with an improvement in the liquidity position.

**Negative factors** – ICRA could revise the outlook to Stable or downgrade the rating if there is sustained pressure on the entity’s operating performance or a deterioration in its working capital cycle, adversely impacting the debt protection metrics. Withdrawal of capital from the business, impacting the entity’s liquidity position may also result in a rating downgrade. Specific credit metric that could result in a rating downgrade include Debt/OPBDITA ratio of more than 2.3 times on a sustained basis.

## Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology Jewellery - Retail</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

## About the company

KJPG was started as a partnership firm in 2018. It is a closely held partnership firm with Mr. Umesh Kumar Agarwal, Mrs. Aarti Agarwal and Mr. Milit Agarwal as partners. It is a part of a larger family business Group, which has operations since 1983. This partnership firm operates from two stores in Telangana, one at Jubilee Hills, and the other at Kokapet (commenced operations from August 2024).

## Key financial indicators (audited)

	FY2023	FY2024	9MFY2025*
Operating income	-	-	-
PAT	19.4	21.1	19.4
OPBDIT/OI	7.2%	7.5%	9.1%
PAT/OI	3.9%	3.9%	4.5%
Total outside liabilities/Tangible net worth (times)	2.6	2.7	2.0
Total debt/OPBDIT (times)	1.0	1.3	1.1
Interest coverage (times)	7.7	5.6	5.1

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortization; Amount in Rs crore, \*Provisional numbers

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

### Rating history for past three years

Instrument	Current rating (FY2025)				Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs. crore)	FY2025		FY2024		FY2023		FY2022	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
<b>Fund based – Term loan</b>	Long term	11.66	Mar 11, 2025	[ICRA]BBB- (Positive)	Feb 16, 2024	[ICRA]BBB- (Stable)	-	-	-	-
<b>Fund based- Cash credit</b>	Long term	42.00	Mar 11, 2025	[ICRA]BBB- (Positive)	Feb 16, 2024	[ICRA]BBB- (Stable)	-	-	-	-
<b>Unallocated limits</b>	Long term	26.34	Mar 11, 2025	[ICRA]BBB- (Positive)	Feb 16, 2024	[ICRA]BBB- (Stable)	-	-	-	-

### Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund based – Term loan	Simple
Long term - Fund based- Cash credit	Simple
Long term - Unallocated limits	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

**Annexure I: Instrument details**

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund based – Term loan	FY2024 - FY2025	NA	FY2027-FY2032	11.66	[ICRA]BBB-(Positive)
NA	Fund based- Cash credit	NA	NA	NA	42.00	[ICRA]BBB-(Positive)
NA	Unallocated limits	NA	NA	NA	26.34	[ICRA]BBB-(Positive)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure II: List of entities considered for consolidated analysis – Not applicable.**

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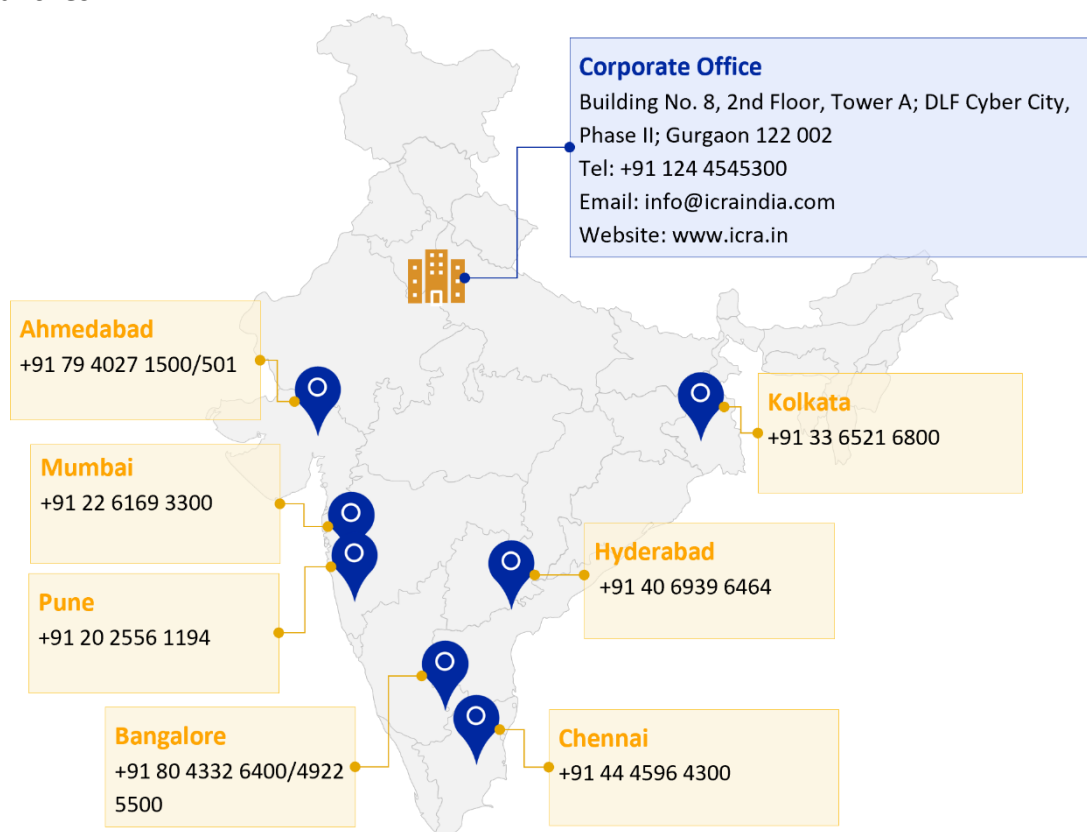
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