March 25, 2025

Novel Jewels Limited: Ratings upgraded to [ICRA]A (Stable) / [ICRA]A1; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund Based - Term Loans	50.00	250.0	[ICRA]A (Stable); Upgraded from [ICRA]A- (Stable) and assigned for enhanced amount
Long-term – Fund Based/ Non-Fund Based - Working Capital Facilities	1,200.00	1,350.0	[ICRA]A (Stable); Upgraded from [ICRA]A- (Stable) and assigned for enhanced amount
Long-term/short-term – Unallocated Limits	200.00	1,400.0	[ICRA]A (Stable) / [ICRA]A1; Upgraded from [ICRA]A- (Stable) / [ICRA]A2+ and assigned for enhanced amount
Total	**1,450.00**	**3,000.0**	

**Instrument details are provided in Annexure I*

Rationale

The ratings upgrade for Novel Jewels Limited (NJL) primarily considers commencement of the company's operations from July 2024 with a clearly laid out branding and differentiation strategy, its plans for an accelerated ramp-up in store count and operations along with commensurate changes in the Aditya Birla Group's (ABG/Group) capital infusion plan to frontload the equity infusion. Demonstrated equity infusion by the Group so far, in line with the funding plan, has also been considered as one of the key factors for the ratings upgrade. NJL commenced jewellery retail operations by opening its first few stores in July 2024 and launched its jewellery brand 'Indriya' in the same month. Since then, the company has opened stores in multiple cities across various states and its store count is expected to reach more than 20 by the end of FY2025. The company has revised its business plan to step up store expansion from FY2026, primarily through a faster adoption of the franchisee model. The capex for all types of franchisee stores and the inventory for franchisee owned, company operated (FOCO) stores will be funded by the business partners. This will result in lower funding requirement per store for future expansion. Nevertheless, the overall gross margin and the operating margin will be lower due to margin sharing with the franchisees. The Group has infused an additional capital of Rs. 1,000 crore in the current fiscal, taking the total equity capital to Rs. 1,274 crore, which is in line with the targeted equity infusion till March 2025. Significant marketing and brand building expenses coupled with other store-level fixed expenses would keep NJL's operating profitability in the negative territory in the initial years. However, the Group's plan to prepone the proposed capital infusion in alignment with the acceleration in the store count, as per the revised business plan, is likely to support NJL's liquidity and capital structure.

The ratings continue to factor in the company's strong parentage for being a part of the ABG along with its strong managerial, operational and financial linkages with the Group. NJL was incorporated in FY2023 by ABG to enter the domestic jewellery retailing industry and set up a pan-India jewellery brand, while benefitting from the industry tailwinds of accelerated formalisation, leveraging the strong brand recall of the Group among Indian consumers and the Group's experience in domestic retail. Accordingly, ABG plans to invest ~Rs. 5,000 crore in NJL, in a phased manner, over five years from FY2024. The ratings also factor in the Group's willingness to support NJL through regular equity infusion over the near-to-medium term to fund the latter's initial operational losses and debt servicing obligations owing to NJL's strategic importance to the Group's business diversification plans and reputation. The ratings also derive comfort from the strong leadership team of NJL, comprising senior leadership of ABG and other senior executives with experience in the jewellery and other consumer-oriented industries, which is expected to aid in execution of the business plan. NJL's geographical concentration risks will remain limited, given its planned expansion across the country. Moreover, its policy to hedge the entire gold inventory and an expected high share of studded jewellery (more than 25%) are likely to result in a stable and healthy gross margin. The ratings are, however, constrained by the execution risks, including profitable scale-up of stores in a timely manner. Being a new entrant in the industry, the company faces intense competition from larger national and regional players. NJL needs to invest significantly in establishing its brand among jewellery consumers while also differentiating itself from the competitors. Moreover, entities in the jewellery industry are exposed to regulatory risks, which could impact demand/supply conditions.

The Stable outlook on the long-term rating reflects ICRA's expectations that NJL will be able to ramp up its revenues significantly over the medium term, driven by its extensive marketing initiatives and plans to accelerate store count. Besides, ABG will support NJL through regular capital infusion to fund its initial operational losses along with a part of the working capital requirement and meet its debt service obligation. NJL's exceptional financial flexibility for being a part of the ABG would also support its credit profile.

Key rating drivers and their description

Credit strengths

Strong parentage of the Aditya Birla Group – NJL is the jewellery retail venture of the Aditya Birla Group and is among the strategic priorities of the Group to deepen its presence in the consumer retail sector. The company is expected to benefit from the financial strength of the Group along with its experience in consumer retail through the Group's fashion retail operations. ICRA derives comfort from the Group's capital commitment of ~Rs. 5,000 crore for NJL over the medium term and the company's strong managerial linkages with the Group, as evident from NJL's board of directors comprising senior leadership of the Group. The Group has already infused ~Rs. 1,274 crore into NJL through equity and compulsorily convertible preference shares, which reflects the Group's willingness to support the company and provides comfort.

Experienced leadership team – The senior leadership of the retail businesses of the Aditya Birla Group have been inducted in NJL's board of directors. Moreover, the company's top management comprises senior executives with long experience in consumer businesses including jewellery retail industry (mostly heading the company's business functions) and executives from the Group's other businesses (mostly heading the company's corporate functions) to create a balance between industry insights and the Group's culture and policies. ICRA expects the experienced leadership team to provide a strong foundation and aid NJL in executing its business plans.

Favourable long-term growth prospects for organised jewellers – Increasing regulations in the jewellery retail industry, aimed at improving transparency and standardisation over the recent years, have accelerated the shift in the market share from unorganised to organised jewellers. The industry tailwind is likely to benefit the organised jewellers over the medium term. The customs duty cut by 9%, from 15% in July 2024, is expected to disincentivise unofficial imports, thus benefiting the organised players.

Credit challenges

Substantial investment requirements for a new retailer and exposure to execution risks – Being a new venture, NJL is exposed to execution risks and needs substantial initial capital for setting up a jewellery chain along with significant investment towards creating and establishing its brand. While commencement of operations with a clearly laid out branding and differentiation strategy renders comfort, slower-than-expected ramp-up in revenue from the stores could strain the company's liquidity position and impact its credit profile. The risks are, however, mitigated to an extent by the company's strong parentage and experienced management team and capital commitment by ABG.

Exposed to intense competition and regulatory risks – The domestic jewellery retail 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 limit, imposition of GST and demonetisation are some regulatory developments that have impacted demand and supply in the past. The company remains exposed to regulatory changes, which may impact its business performance. Additionally, the sector is highly fragmented and is exposed to intense competition from large organised and unorganised players, which limits the pricing flexibility of retailers to an extent.

Liquidity position: Adequate

NLJ's liquidity position is expected to remain adequate, supported by capital commitments from ABG. The company is likely to have sizeable capital requirement over the near-to-medium term towards working capital, capital expenditure on planned stores and operating losses, which are expected to be funded by capital infusion from the Group. ICRA derives comfort from the willingness of the ABG to extend support to NJL in the initial years of its operations owing to the strategic importance to the Group. The Group has invested ~Rs. 1,274 crore in NJL and is expected to infuse funds as per business requirements. The company has also tied up bank facilities, including Rs. 1,350-crore working capital and Rs. 250-crore term loans, so far, which provides liquidity comfort. The company's exceptional financial flexibility for being a part of ABG, will mitigate its funding risks.

Rating sensitivities

Positive factors – The ratings could be upgraded in case of a significant ramp-up in the company's revenue while maintaining a healthy gross margin and comfortable liquidity position.

Negative factors – Pressure on the ratings could arise in case of slower-than-expected ramp-up in revenue from the stores, translating into extended losses and substantial pressure on the company's capital structure and liquidity. Any weakening in linkages with the Group or a deterioration in the Group's credit risk profile could also result in ratings downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Jewellery - Retail
Parent/Group support	**Parent Group: Aditya Birla Group** ICRA expects the Aditya Birla Group to be willing to extend need-based financial support to Novel Jewels Limited to fund its initial growth capital, operating losses and debt servicing obligations based on the capital commitments by its leadership, owing to its strategic significance to the Group.
Consolidation/Standalone	Standalone

About the company

Novel Jewels Limited (NJL) was incorporated on September 12, 2022 as the jewellery retail arm of the Aditya Birla Group. The company is a subsidiary of Essel Mining and Industries Limited (rated [ICRA]A1+), which holds a ~54% equity stake (on a fully diluted basis, as on January 31, 2025), while the balance is held by two other promoter group companies. NJL launched its jewellery brand 'Indriya' in July 2024 and commenced opening of stores from the same month. The company's store count stood at 14 till mid-February 2025 and is likely to reach above 20 by the end of March 2025.

Key financial indicators

Standalone	9M FY2025 (provisional)
Operating income	235
PAT	-217
OPBDIT/OI	-74.1%
PAT/OI	-92.3%
Total outside liabilities/Tangible net worth (times)*	1.8

Standalone	9M FY2025 (provisional)
Total debt/OPBDIT (times)*	-7.3
Interest coverage (times)	-4.6

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

*PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation Note: The company's operating revenue generation did not commence till FY2024; *Total debt and total outside liabilities include lease liabilities*

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)	Date & rating in FY2025		Date & rating in FY2024		Date & rating in FY2023	Date & rating in FY2022
				March 25, 2025	May 16, 2024	Feb 01, 2024	Dec 01, 2023	-	-
1	**Term Loans**	Long term	250.00	**[ICRA]A (Stable)**	**[ICRA]A- (Stable)**	**[ICRA]A- (Stable)**	-	-	-
2	**Fund-based/non-fund based - Working Capital Facilities**	Long term	1,350.00	**[ICRA]A (Stable)**	**[ICRA]A- (Stable)**	**[ICRA]A- (Stable)**	-	-	-
3	**Unallocated Limits**	Long term/ short term	1,400.0	**[ICRA]A (Stable)/ [ICRA]A1**	**[ICRA]A- (Stable)/ [ICRA]A2+**	**[ICRA]A- (Stable)/ [ICRA]A2+**	**[ICRA]A- (Stable)/ [ICRA]A2+**	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Term Loans	Simple
Long-term – Fund-based/non-fund based - Working Capital Facilities	Simple
Long-term/short-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	**Term Loans**	FY2024	NA	FY2030	250.00	[ICRA]A (Stable)
NA	**Fund-based/non-fund based - Working Capital Facilities**	NA	NA	NA	1,350.00	[ICRA]A (Stable)
NA	**Unallocated Limits**	NA	NA	NA	1,400.0	[ICRA]A (Stable)/ [ICRA]A1

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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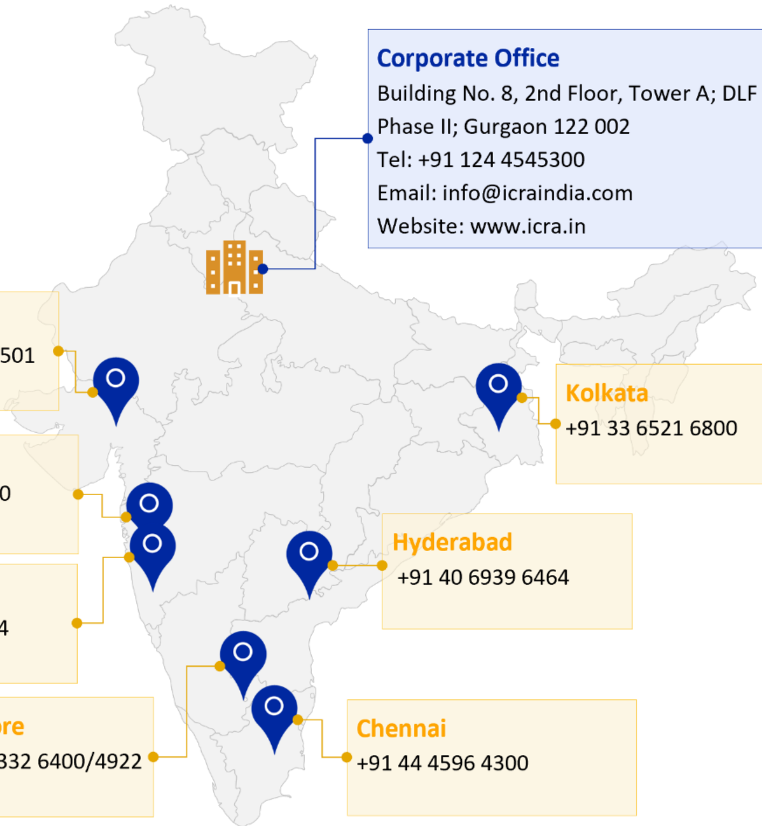

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