

March 27, 2025

## Emerald Jewel Industry India Limited: Ratings reaffirmed and outlook revised to Positive; rated amount enhanced

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
<b>Fund-based Term Loans</b>	121.52	129.78	[ICRA]A- (Positive); reaffirmed and outlook revised from Stable; assigned for enhanced amount
<b>Long-term fund-based working capital facilities</b>	873.00	1,065.00	[ICRA]A- (Positive); reaffirmed and outlook revised from Stable; assigned for enhanced amount
<b>Long term/ Short term – Unallocated</b>	0.68	0.42	[ICRA]A- (Positive)/[ICRA]A2+; reaffirmed and outlook revised from Stable
<b>Fixed Deposit</b>	100.00	100.00	[ICRA]A- (Positive); reaffirmed and outlook revised from Stable
<b>Total</b>	<b>1,095.20</b>	<b>1,295.20</b>	

\*Instrument details are provided in Annexure I

### Rationale

The revision in the outlook to Positive on the long-term rating of Emerald Jewel Industry India Limited (EJIL) reflects ICRA's expectations that its financial risk profile will improve over the medium term on the back of healthy growth in earnings, resulting in an improvement in its debt protection metrics. The company's revenue rose ~15% in FY2024, on a consolidated basis, driven by healthy sales realisation. In 9M FY2025, the company achieved revenue of Rs. 5,811 crore on a standalone basis<sup>1</sup> with over 5% operating margins and ~5x interest cover. EJIL is expected to report a healthy revenue growth of ~15% in FY2025 with over 70 bps expansion in the operating margins. This is supported by a changing product mix and metal gain from a sustained rise in gold prices. Besides, increasing focus on shop-in-shop (SIS)-based marketing across products, widening of the dealer base for the silver division and improving inventory turnover in the retail segment are likely to support its performance over the medium term. The ratings, however, remain constrained by the inherent competition prevailing in the jewellery manufacturing and retailing industry, which limit the company's pricing flexibility and margins, and the vulnerability of earnings to volatility in gold prices and regulatory risks. Nevertheless, EJIL's strong market position in the organised jewellery segment, with a diversified business profile along with a large and integrated manufacturing set-up, mitigates the same to an extent. While the average working capital utilisation, as a percentage of the sanctioned limits, remains high, EJIL has managed to get enhancement in limits in the past as and when required. Its ability to improve the overall liquidity position remains a monitorable.

### Key rating drivers and their description

#### Credit strengths

**Strong market position in jewellery manufacturing business** – EJIL is one of the leading jewellery manufacturers with an established presence both in the manufacturing and the retail segments. Its flagship brand, Jewelone, enjoys strong recall, and

<sup>1</sup> Provisional

its performance over the years has been supported by its diversified business profile and established network across the value chain. The extensive experience of the promoters, spanning over three decades, has also aided in the company's performance through better operating efficiencies and strong relationships with channel partners.

**Large and integrated manufacturing set-up** – EJIL is one of the largest organised jewellery manufacturers with a production capacity of 36 tonnes of gold jewellery apart from other facilities for silver, platinum etc. Its large scale, highly integrated nature of operations, extensive design library and quality conscious manufacturing process pose strong entry barriers for new entrants as well as established retailers intending to enter the manufacturing space. EJIL's lead time for manufacturing has improved steadily over the years on the back of its strong manufacturing set-up, supporting EJIL to optimise the working capital cycle for its manufacturing operations. The company's product mix has improved in the recent years. With increasing focus on high value-added products amid sustained rise in gold prices, EJIL is relatively better positioned to manage the inventory usage between own gold and party gold (job work) thus minimising the impact of price risk.

**Favourable long-term growth prospects for organised jewellery retailers** – The jewellery manufacturing sector is fragmented with presence of many unorganised players, which has squeezed the margins over the years. However, regulatory changes, mandating increased transparency and compliance, are expected to create difficult operating environment for the unorganised players. The industry tailwinds are likely to benefit the organised jewellery players such as EJIL, leading to an improved market share.

### Credit challenges

**Moderate leverage indicators and profitability** – EJIL's leverage indicators have remained at moderate levels, characterised by consolidated total debt to operating profits and TOL/TNW of 3.6 times and 1.6 times, respectively, in FY2024 on the back of high working capital intensive operations. Further, the consolidated operating margins and return indicators have remained at modest levels of 3.6% and 15.5%, respectively, in FY2024. In 9M FY2025, the company booked revenue of Rs. 5,811 crore, on a standalone basis<sup>2</sup>. The company is expected to report a healthy revenue growth of ~15% in FY2025 with over 70 bps expansion in the operating margin. This is supported by a changing product mix and metal gain from the sustained rise in gold prices. However, with increase in profitability, the return indicators are expected to improve, going forward. While the average working capital utilisation, as a percentage of the sanctioned limits, remains high, EJIL has managed to get enhancement in limits in the past, as and when required. Its ability to improve the overall liquidity position remains a monitorable.

**Exposure to intense competition and regulatory risks** – Intense competition from unorganised players in the manufacturing segment and other established brands in the retail segment limit the company's pricing flexibility and bargaining power to some extent, eroding its profitability and exposing its earnings to fluctuations in gold prices. Further, increased regulatory intervention in the jewellery industry in the recent years has impacted the demand and supply scenario in the industry.

### Liquidity position: Adequate

EJIL's liquidity position is adequate with healthy fund flow from operations relative to its incremental working capital requirements and debt servicing obligations. However, the average working capital utilisation, as a percentage of the sanctioned limits, remains moderately high at 88% over the last one year. Nonetheless, the company has been able to enhance its working capital limits on a timely basis, reflecting comfortable financial flexibility of the entity.

### Rating sensitivities

**Positive factors** – A sustained growth in the scale of operations and earnings, coupled with an improvement in the working capital cycle, which result in better credit metrics and liquidity position, may result in ratings upgrade. Specific credit metrics that could lead to ratings upgrade include an interest coverage of more than 5.0 times on a sustained basis.

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<sup>2</sup> Provisional

**Negative factors** – Pressure on the ratings will emanate if a decline in earnings or an elongation in the working capital cycle results in a deterioration of its credit metrics and liquidity position. Specific credit metrics that could lead to ratings downgrade include an interest coverage of less than 3.5 times on a sustained basis.

## Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of Emerald Jewel Industry India Limited, Emerald Jewellers DMCC (Dubai) and India Jewellery Company Private Limited.

## About the company

EJIL was promoted by Mr. K Srinivasan in 2004. EJIL manufactures and markets gold jewellery. The company is involved in retail business through its showrooms spread across South India under the brand, JewelOne. Targeting both local and export markets, the company has four manufacturing facilities in Coimbatore, carrying out different activities like machine-made jewellery manufacturing, hand-made jewellery, electro-forming, fusion technology, etc. The company has commissioned a unit in Chennai in July 2023. Though gold jewellery has been its major source of revenue, the company also manufactures and sells diamond, platinum and silver jewellery (under its brand, Zilara). EJIL has two subsidiaries, namely, India Jewellery Company Pvt. Limited and Emerald Jewellers DMCC, Dubai.

## Key financial indicators (audited)

Consolidated	FY2023	FY2024
Operating income	5,827.6	6,684.6
PAT	81.4	138.0
OPBDIT/OI	2.8%	3.6%
PAT/OI	1.4%	2.1%
Total outside liabilities/Tangible net worth (times)	1.6	1.6
Total debt/OPBDIT (times)	4.6	3.6
Interest coverage (times)	3.1	3.8

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore

**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)	March 27, 2025	FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating
Term loan	Long term	129.78	[ICRA]A- (Positive)	31-Mar-24	[ICRA]A-(Stable)	27-Jul-22	[ICRA]A- (Stable)	29-Jul-21	[ICRA]A- (Stable)
				13-Feb-24	[ICRA]A-(Stable)	2-Jun-22	[ICRA]A- (Stable)	29-Jun-21	[ICRA]A- (Stable)
				10-Aug-23	[ICRA]A-(Stable)				
				31-Jul-23	[ICRA]A-(Stable)				
Fund based limits	Long term	1065.00	[ICRA]A- (Positive)	31-Mar-24	[ICRA]A-(Stable)	27-Jul-22	[ICRA]A- (Stable)	29-Jul-21	[ICRA]A- (Stable)
				13-Feb-24	[ICRA]A-(Stable)	2-Jun-22	[ICRA]A- (Stable)	29-Jun-21	[ICRA]A- (Stable)
				10-Aug-23	[ICRA]A-(Stable)				
				31-Jul-23	[ICRA]A-(Stable)				
Non-fund-based limits	Short term	-	-	31-Jul-23	[ICRA]A2+	27-Jul-22	[ICRA]A2+	29-Jul-21	[ICRA]A2+
						2-Jun-22	[ICRA]A2+	29-Jun-21	[ICRA]A2+
Interchangeable limits	Long / Short term	-	-	-	-	-	-	29-Jul-21	[ICRA]A-(Stable)/[ICRA]A2+
								29-Jun-21	[ICRA]A-(Stable)/[ICRA]A2+
Unallocated facilities	Long / Short term	0.42	[ICRA]A-(Positive)/[ICRA]A2+	31-Mar-24	[ICRA]A-(Stable)/[ICRA]A2+	27-Jul-22	[ICRA]A-(Stable)/[ICRA]A2+	29-Jul-21	[ICRA]A-(Stable)/[ICRA]A2+
				13-Feb-24	[ICRA]A-(Stable)/[ICRA]A2+	2-Jun-22	[ICRA]A-(Stable)/[ICRA]A2+		
				10-Aug-23	[ICRA]A-(Stable)/[ICRA]A2+				
				31-Jul-23	[ICRA]A-(Stable)/[ICRA]A2+				

<b>Fixed deposit programme</b>	Long term	100.00	[ICRA]A- (Positive)	31-Mar-24	[ICRA]A-(Stable)	27-Jul-22	[ICRA]A-(Stable)	29-Jul-21	MA-(Stable); placed on notice of withdrawal for a period of 6 months
				13-Feb-24	[ICRA]A-(Stable)	2-Jun-22	[ICRA]A-(Stable) migrated from medium term and removed from notice of withdrawal	29-Jun-21	MA-(Stable)
				10-Aug-23	[ICRA]A-(Stable)				
				31-Jul-23	[ICRA]A-(Stable)				

### Complexity level of the rated instruments

Instrument	Complexity indicator
Fund-based Term Loans	Simple
Long-term fund-based working capital facilities	Simple
Long/ Short term – Unallocated	Not Applicable
Fixed Deposit	Very Simple

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	<b>Term Loans</b>	Nov 2017	-	Sep 2028	129.78	[ICRA]A-(Positive)
NA	<b>Long-term fund-based working capital facilities</b>	-	-	-	1065.00	[ICRA]A-(Positive)
NA	<b>Long/ Short term – Unallocated</b>	-	-	-	0.42	[ICRA]A-(Positive)/ [ICRA]A2+
NA	<b>Fixed Deposit</b>	-	-	-	100.00	[ICRA]A-(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**

Entity Name	Ownership	Consolidation Approach
Emerald Jewellers DMCC (Dubai)	100.00%	Full Consolidation
India Jewellery Company Private Limited	72.50%	Full Consolidation

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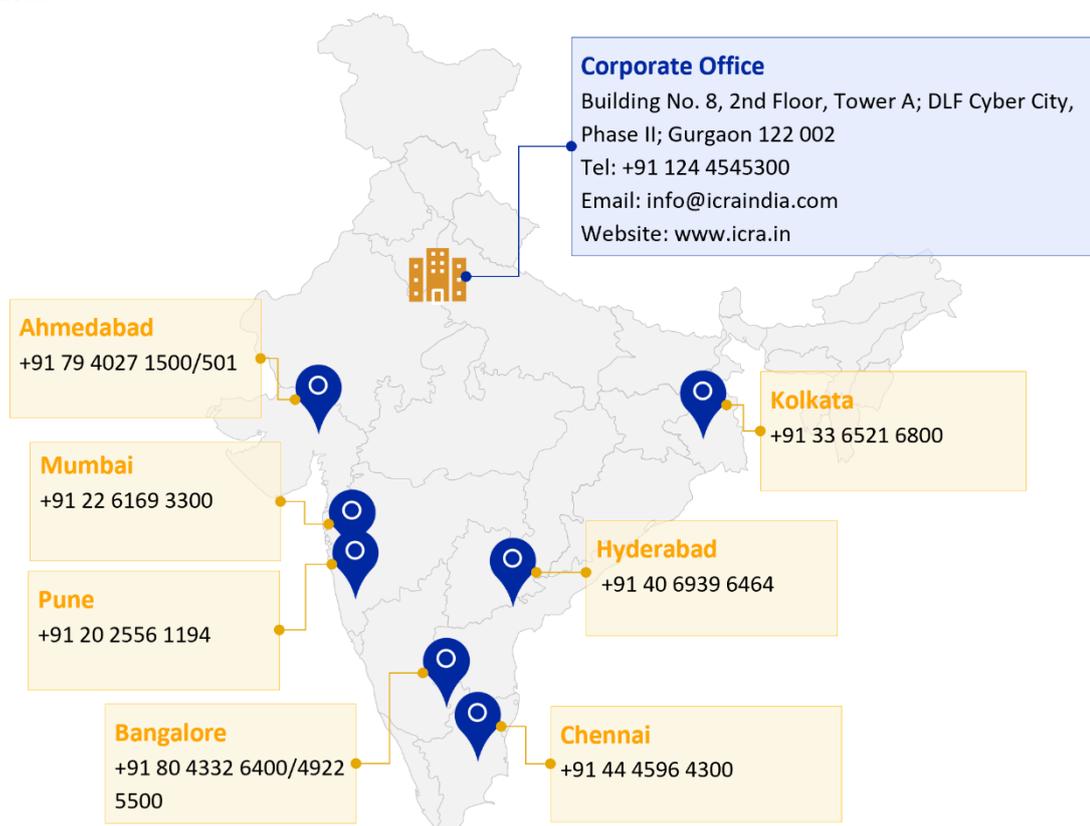
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