

July 17, 2025

## Kalyan Jewellers India Limited: Ratings upgraded; rated amount enhanced for fixed deposit programme

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term/Short-term - Fund-Based Working Capital/ Cash Credit	2,345.00	2,275.00	[ICRA]AA- (Stable)/[ICRA]A1+; Upgraded from [ICRA]A+ / [ICRA]A1 and Outlook revised from Positive
Short-term – Interchangeable Limits	(1347.00)	(1,340.00)	[ICRA]A1+; Upgraded from [ICRA]A1
Short-term – Non-Fund Based Limit - Forward Cover	50.00	50.00	[ICRA]A1+; Upgraded from [ICRA]A1
Long term/ Short term – Unallocated Limits	205.00	275.00	[ICRA]AA- (Stable)/[ICRA]A1+; Upgraded from [ICRA]A+ / [ICRA]A1 and Outlook revised from Positive
Long term - Fixed deposit programme	525.00	1,250.00	[ICRA]AA- (Stable); Upgraded from [ICRA]A+ and Outlook revised from Positive; Assigned for enhanced amount
<b>Total</b>	<b>3125.00</b>	<b>3,850.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The ratings upgrade reflects Kalyan Jewellers India Limited's (KJIL) improved credit profile, driven by strong revenue and earnings growth, greater geographical and product diversification and lower working capital intensity, supported by business expansion through the asset-light franchisee route. Steady ramp-up of operations of the newly opened stores, healthy same-store-sales growth (around 20% in FY2025 and 18% in Q1 FY2026) and ongoing store expansion led to a robust compounded annual growth rate (CAGR) of around 32% in the company's consolidated operating income between FY2022 and FY2025. Its consolidated cash accrual rose to Rs. 879 crore from Rs. 449 crore during the same period. In Q1 FY2026, the company achieved a healthy YoY revenue growth of 31%. KJIL's geographical diversification has improved significantly due to a rapid increase (CAGR of 52%) in its revenue from the non-South markets over the last three fiscals. Consequently, its share of standalone revenue from the non-South markets improved to 51.9% in FY2025 from 34.0% in FY2022. The company's focus on expansion in the non-South markets primarily through the asset-light FOCO<sup>1</sup> model, in which the inventory at the store level is held by franchisees, is also resulting in a steady and sustained reduction in working capital intensity and improvement in debt protection metrics.

The ratings continue to consider KJIL's large scale of operation, its established market position as among the top few players in the organised jewellery retail industry, well diversified operational profile, strong brand name and track record of over three decades in the industry. These, coupled with increasing footprint outside tier-I cities, supported by sizeable store expansion (135 stores added in FY2025 and 170 new stores planned for FY2026) and a gradual shift in the customer preferences from unorganised to organised trade amid formalisation of the sector are likely to provide tailwinds for KJIL's further business expansion. The company's presence in West Asia, which contributed around 13% to its consolidated revenue in FY2025, its recent foray into the US market and focus to expand the lightweight/ affordable jewellery segment (Candere) strengthen the business profile further. The ratings, however, also consider the risks of intense competition both from organised and unorganised players, which limits players' pricing flexibility, vulnerability of earnings to the volatility in gold prices and the

<sup>1</sup> Franchisee owned, company operated

inherent regulatory risks in the gems and jewellery industry. Any negative regulatory or legal development concerning the company or the Group would also be a risk factor.

KJIL introduced the FOCO model in FY2023 and added 193 FOCO stores till FY2025 (including Candere, West Asia and the US stores) vis-à-vis only 41 own/COCO<sup>2</sup> stores added since FY2023, out of which 36 COCO stores were added for Candere only. It has converted some of the COCO stores in India and West Asia into FOCO stores. An increasing share of revenue from the asset-light FOCO stores, which contribute nearly 40% of the turnover at present, has resulted in a steady decline in KJIL's inventory days and NWC/OI ratio to 156 and 21% respectively, in FY2025 from 221 and 41%, respectively, in FY2022. KJIL's consolidated ROCE has steadily increased to 14.4% in FY2025 from 8.9% in FY2022, and is likely to improve further, going forward, with lower capital requirements. The company's deleveraging plans and focus on asset-light expansion strategies are likely to support the leverage and coverage metrics, going forward. As on March 31, 2025, the company's consolidated TOL/TNW stood at 2.1 times (net TOL/TNW, adjusted for cash, stood at 1.9 times), and the same is expected to improve, going forward, given the company's plans to reduce debt and its increasing net worth aided by healthy accretion to reserves. Profit sharing with the franchisee partners, which has increased over time, resulted in a gradual moderation in KJIL's consolidated operating margin in recent years. Besides, a one-time loss due to customs duty cut in July 2024 impacted KJIL's operating margin by around 50 basis points in FY2025. However, scale-related benefits due to a sizeable revenue growth, rising share of revenue from the non-South markets, in which margins remain inherently higher, and improving product profile, as reflected by an uptrend in the share of value-accretive studded jewellery would continue to support KJIL's operating profitability, going forward. Its planned debt reduction and an expected reduction in the cost of debt are likely to keep its interest expenses under check, thereby supporting the net margin.

The Stable outlook on the long-term rating reflects ICRA's opinion that KJIL will continue to successfully expand through the FOCO model in the medium term, leading to a healthy growth in its revenues and earnings, while keeping the debt level and interest expenses under check. Hence, its leverage and coverage metrics are expected to improve and remain commensurate with the current rating level.

## Key rating drivers and their description

### Credit strengths

**Healthy scale of operations, aided by significant store additions in the recent years** – KJIL's consolidated operating income rose by 35% in FY2025 following a growth of 30% in FY2023 and 32% in FY2024 and maintained a healthy YoY growth of 31% in Q1 FY2026. The company added 135 stores (including 60 stores for Candere, the affordable/lightweight jewellery brand) in FY2025, following 28 stores and 71 stores added in FY2023 and FY2024, respectively. The expanding network of stores coupled with improved realisations, increasing share of studded jewellery sales and stable consumption supported the company's revenue growth over the last three fiscals. The company plans to add 170 stores (including 80 Candere stores) in FY2026. Going forward, faster conversion of unorganised into organised trade (with increasing formalisation of the sector) is expected to support KJIL's same store sales growth, which stood at around 20% in FY2025 and 18% in Q1 FY2026. Besides, increasing footprints outside tier-I cities are likely to result in sustained growth in its revenues and cash accruals.

**Improved geographical and product diversification strengthen business risk profile** – The share of non-South markets in KJIL's Indian operation increased in recent years and stood at around 52% in FY2025, rising from around 34% in FY2022, on a standalone basis. Besides, out of KJIL's consolidated revenue, around 13% was derived from West Asian countries in FY2025. Sizeable store expansion in non-South markets along with plans to expand the international business in West Asia and other countries (two stores have been opened in the US in the recent past) are likely to drive further improvement in KJIL's geographical revenue mix. The company's share of studded jewellery remained healthy and improved consistently to 30% in FY2025 from 26% in FY2023 and 28% in FY2024, on a standalone basis, supported by expansion in the non-South markets, where demand for studded jewellery is relatively higher. The studded share in West Asia stood at 18% in FY2025. Improving

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<sup>2</sup> Company owned, company operated

geographical diversification and rising share of studded jewellery, which fetches relatively higher margins, will strengthen KJIL's business profile further.

**Expansion through the asset-light franchisee model, backed by KJIL's established market position and brand, reduces capital requirements and supports return metrics** – KJIL opened its first franchisee store in Q1 FY2023 and has since adopted the FOCO model as the preferred mode of retail expansion. The model minimises incremental capital requirements as the stores' inventory and most of the operating expenses are borne by the franchisee partners in return of a share of KJIL's gross margins. As on March 31, 2025, KJIL had 193 FOCO stores (including 152 Kalyan stores and 37 Candere stores in India and 4 Kalyan stores in West Asia) vis-à-vis 195 own stores. Expansion through the asset-light FOCO model led to a gradual reduction in the company's inventory days to 156 in FY2025 from 221 in FY2022, in turn, reducing its NWC/OI to 21% in FY2025 from 41% in FY2022. Reduced working capital intensity has translated into a rise in the company's ROCE to 14.4% in FY2025 from 8.9% in FY2022, which is likely to rise further in the medium term.

**Formal hedging policy to mitigate risk of gold price volatility and provide margin stability** – Volatility in gold prices may lead to variation in profitability of jewellers. However, KJIL hedges the entire gold inventory through gold metal loans, gold-on-lease and derivative routes, which mitigate its exposure to adverse fluctuation in gold prices, rendering stability to profit margins.

**Favourable long-term growth prospects of organised jewellers** – Increasing regulations in the jewellery segment, aimed at greater transparency and standardisation and higher compliance costs have been resulting in the shifting of market share in favour of the organised jewellery retailers. This is likely to be an advantage for KJIL due to its pan-India presence and brand equity. ICRA expects KJIL to continue to increase its revenue base while riding on industry tailwinds over the medium term, supported by a loyal customer base and an extensive network of stores. The customs duty cut by 9% in July 2024 is expected to disincentivise illegal import, benefiting organised players like KJIL.

## Credit challenges

**Intense competition and fragmented nature of the industry limit pricing flexibility** – The jewellery retail business is highly fragmented and is exposed to intense competition from organised and unorganised players. These limit the retailers' pricing flexibility to an extent, though the same is mitigated by an established brand and differentiated products offered by large, organised players like KJIL.

**Exposed to regulatory risks and seasonality in demand** – The domestic jewellery sector continues to remain exposed to the regulatory risks, which could have an adverse impact on the business. Restrictions on bullion imports, 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. Revenues and cash flows of the jewellery players are also exposed to seasonality in demand, based on the numbers of auspicious days, festivals, crop harvest etc.

## Environmental and social risks

**Environmental considerations** – Exposure to environmental risks remains low for entities in the jewellery retail industry. Few concerns include episodes of excessive rainfall/ flooding in the operating regions, impacting its jewellery stores. Additionally, possibility of rural demand for jewellery moderating during periods of crop loss, caused by physical climate change, also pose risks to revenue growth and profitability.

**Social considerations** – Exposure to social risks remains moderate for entities in the jewellery retail industry. The sector has witnessed increased focus on product quality and transparency in pricing, which supported consumer confidence. Yet, the industry participants remain exposed to changes in consumer behaviour, including a shift towards less gold intensive daily/fashion jewellery. Additionally, with a relatively higher requirement of work force for store operations and jewellery manufacturing, the level of wages and associated fixed costs could weigh on the margins, given the skilled nature of work.

## Liquidity position: Adequate

KJIL's liquidity position is adequate. Its consolidated cash flow from operations (CFO) remained healthy above Rs. 660 crore in FY2025 and is likely to increase by around 20% in FY2026, supported by a healthy growth in earnings and reduction in working capital intensity amid expansion through the FOCO model. KJIL incurred a capex of around Rs. 350 crore in FY2025 (excluding right-of-use assets). In its new FOCO model, the capex for franchisee stores in the non-South markets will be undertaken by the business partners. Hence, the annual capex is likely to remain lower within Rs. 250 crore in FY2026. As on March 31, 2025, on a consolidated basis, KJIL had sizeable, encumbered cash of Rs. 669 crore, representing margin money and collaterals, however, its free cash and liquid investments remained healthy at Rs. 376 crore. This, along with absence of any long-term debt repayment obligation (excluding lease liabilities) and an adequate cushion in working capital limits support KJIL's liquidity position.

## Rating sensitivities

**Positive factors** – The ratings may be upgraded if the company is able to maintain a healthy growth in revenue and earnings and reduce its working capital intensity on a sustained basis. Improvement in liquidity, capital structure and debt coverage metrics would also remain critical for ratings upgrade.

**Negative factors** – Pressure on the ratings could arise if there is sustained pressure on KJIL's operating performance or a deterioration in its working capital cycle, adversely impacting the coverage metrics and liquidity position. Specific credit metrics that could lead to ratings downgrade include TOL/TNW above 2.0 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	For arriving at the ratings, ICRA has considered the consolidated financials of KJIL along with its subsidiaries and step-down subsidiaries listed in Annexure-II.

## About the company

Kalyan Jewellers India Limited (KJIL), promoted by Mr. T. S. Kalyanaraman and his sons, is an established jewellery retailer in India with an established market presence for more than three decades. It is one of the top jewellery retailers in India having showrooms in 23 states and Union Territories. As of June 30, 2025, the company had 368 stores in India including 287 Kalyan stores and 81 stores of Candere, the lightweight/affordable jewellery brand of the Group. Candere is housed under a wholly-owned subsidiary, Enovate Lifestyle Private Limited (Enovate). The company also has 36 Kalyan showrooms in West Asia. The stores in West Asia are operated through its overseas wholly-owned subsidiary, Kalyan Jewellers FZE (UAE) and other step-down subsidiaries. The company entered the US market in Q3 FY2025, through a US-based wholly-owned subsidiary, with the opening of a showroom in New Jersey, and opened another showroom in Chicago in April 2025. KJIL is listed on BSE and NSE since March 2021.

**Key financial indicators (audited)**

KJIL Consolidated	FY2024	FY2025
Operating income	18,500.0	25,033.6
PAT	596.3	714.2
OPBDIT/OI	6.9%	6.1%
PAT/OI	3.2%	2.9%
Total outside liabilities/Tangible net worth (times)^	2.0	2.1
Total debt/OPBDIT (times)^	3.5	3.3
Interest coverage (times)	3.9	4.2

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; ^Total outside liabilities and total debt include lease liabilities

Note: The financial indicators mentioned above are as per the company's reported numbers, however, ICRA also makes various adjustments for analysis

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

Any other information: None

**Rating history for past three years**

Current rating (FY2026)				Chronology of rating history for the past 3 years					
Instrument	Type	Amount rated (Rs. crore)	July 17, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Fund-based Working Capital/ Cash Credit	Long-term/short-term	2,275.00	[ICRA]AA- (Stable) / [ICRA]A1+	Dec-31-24	[ICRA]A+ (Positive) / [ICRA]A1	Nov-03-23	[ICRA]A+ (Stable) / [ICRA]A1	Oct-28-22	[ICRA]A+ (Stable) / [ICRA]A1
				-	-	Sep-25-23	[ICRA]A+ (Stable) / [ICRA]A1	Jun-03-22	[ICRA]A (Stable) / [ICRA]A2+
				-	-	Apr-20-23	[ICRA]A+ (Stable) / [ICRA]A1	-	-
Interchangeable Limits	Short-term	(1,340.00)	[ICRA]A1+	Dec-31-24	[ICRA]A1	Nov-03-23	[ICRA]A1	Oct-28-22	[ICRA]A1
				-	-	Sep-25-23	[ICRA]A1	Jun-03-22	[ICRA]A2+
				-	-	Apr-20-23	[ICRA]A1	-	-
Non-Fund Based Limit - Forward Cover	Short-term	50.00	[ICRA]A1+	Dec-31-24	[ICRA]A1	-	-	-	-
Unallocated Limits	Long term/Short term	275.00	[ICRA]AA- (Stable) / [ICRA]A1+	Dec-31-24	[ICRA]A+ (Positive) / [ICRA]A1	-	-	-	-
Term Loans	Long-term	-	-	-	-	-	-	Jun-03-22	[ICRA]A (Stable)
Unallocated Limits	Long-term	-	-	-	-	Sep-25-23	[ICRA]A+ (Stable)	Oct-28-22	[ICRA]A+ (Stable)

		-	-	-	-	Apr-20-23	[ICRA]A+ (Stable)	Jun-03-22	[ICRA]A (Stable)
<b>Fixed Deposit Programme</b>	Long-term	1,250.00	[ICRA]AA- (Stable)	Dec-31-24	[ICRA]A+ (Positive)			Oct-28-22	[ICRA]A+ (Stable)
		-	-	-	-	Apr-20-23	[ICRA]A+ (Stable); withdrawn	Jun-03-22	[ICRA]A (Stable)

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term/Short-term – Fund-based Working Capital /Cash Credit	Simple
Short-term – Interchangeable Limits	Simple
Short-term – Non-Fund Based Limit - Forward Cover	Very Simple
Long term/ Short term – Unallocated Limits	Not applicable
Long term - Fixed deposit programme	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
N.A.	Fund-based Working Capital /Cash Credit	NA	NA	NA	2,275.00	[ICRA]AA- (Stable)/ [ICRA]A1+
N.A.	Interchangeable Limits	NA	NA	NA	(1,340.00)	[ICRA]A1+
N.A.	Non-Fund Based Limit - Forward Cover	NA	NA	NA	50.00	[ICRA]A1+
N.A.	Unallocated Limits	NA	NA	NA	275.00	[ICRA]AA- (Stable)/ [ICRA]A1+
N.A.	Fixed Deposit Programme	NA	NA	NA	1250.00	[ICRA]AA- (Stable)

Source: Company

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

**Annexure II: List of entities considered for consolidated analysis**

Company Name	KJIL Ownership	Consolidation Approach
Kalyan Jewellers India Limited	Rated entity	Full Consolidation
<b>Subsidiaries</b>		
Kalyan Jewellers FZE, UAE	100.00%	Full Consolidation
Kalyan Jewellers, Inc., USA	100.00%	Full Consolidation
Kalyan Gold & Diamond Jewellery Limited, UK	100.00%^	Full Consolidation
Enovate Lifestyles Private Limited (Candere)	100.00%*	Full Consolidation
<b>Step-down Subsidiaries</b>		
Kalyan Jewellers LLC, UAE	100.00%	Full Consolidation
Kalyan Jewellers for Golden Jewelries, W.L.L., Kuwait	100.00%**	Full Consolidation
Kalyan Jewellers W.L.L., Qatar	100.00%**	Full Consolidation
Kalyan Jewellers SPC, Oman	100.00%	Full Consolidation
Kenouz Al Sharq Gold Ind. LLC, UAE	100.00%	Full Consolidation
Kalyan Jewellers Procurement LLC, UAE	100.00%	Full Consolidation
Kalyan Al Sharq Procurement Jewellery W.L.L., Qatar	100.00%^	Full Consolidation
Kalyan Jewellers Procurement SPC, Oman	100.00%	Full Consolidation

Source: KJIL's financial statements

^New UK-based entity formed in FY2025

^^New Qatar-based entity formed in FY2025

\*Shareholding increased to 100% in FY2025 from 85% as on March 31, 2024; KJIL acquired the minority stake of 15% in Candere for Rs. 42 crore from the erstwhile promoter Mr. Rupesh Jain.

\*\*Stake increased in FY2025 from 49%

## ANALYST CONTACTS

**Mr. Jitin Makkar**  
+91 124 4545 300  
[jitinm@icraindia.com](mailto:jitinm@icraindia.com)

**Ms. Kinjal Shah**  
+91 22 6114 3400  
[kinjal.shah@icraindia.com](mailto:kinjal.shah@icraindia.com)

**Mr. Sujoy Saha**  
+91 33 6521 6805  
[sujoy.saha@icraindia.com](mailto:sujoy.saha@icraindia.com)

**Mr. Sovanlal Biswas**  
+91 33 6521 6808  
[sovanlal.biswas@icraindia.com](mailto:sovanlal.biswas@icraindia.com)

## RELATIONSHIP CONTACT

**L. Shivakumar**  
+91 22 6114 3406  
[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**  
Tel: +91 124 4545 860  
[communications@icraindia.com](mailto:communications@icraindia.com)

## HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

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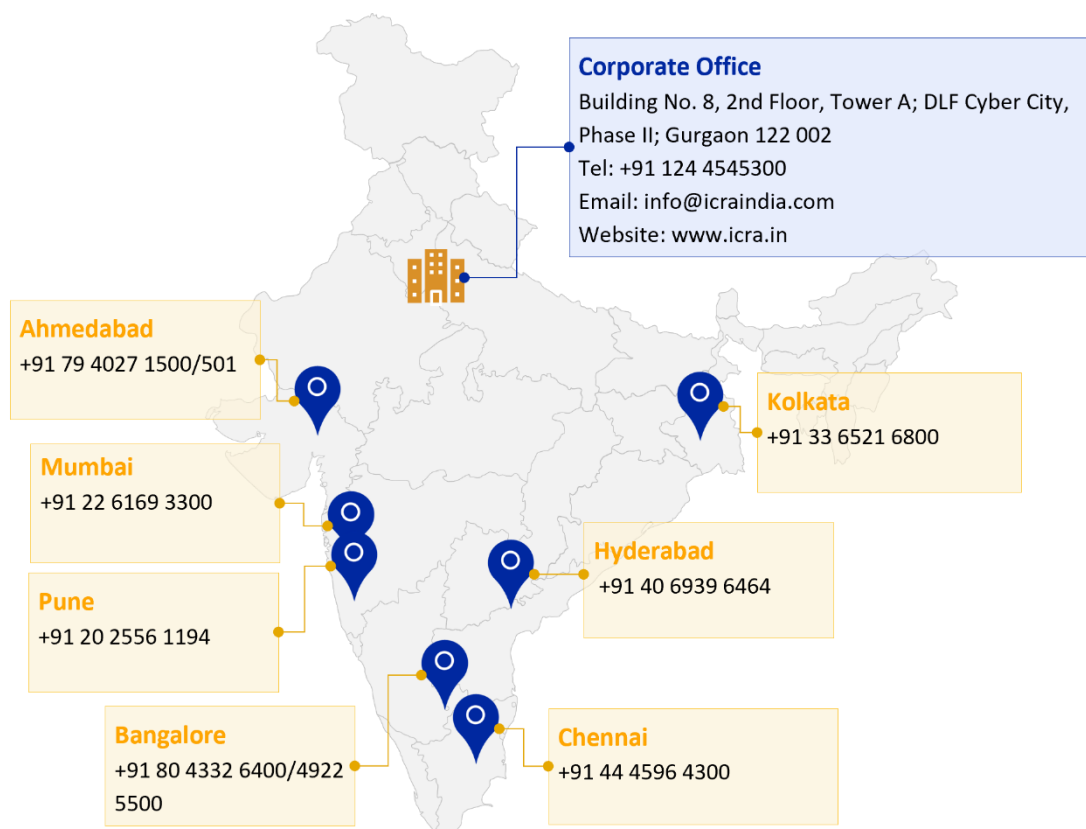
### Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



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