

October 10, 2025

P. N. Gadgil & Sons Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long Term - Fund Based – Cash Credit	317.5	365.50	[ICRA]A+ (Stable); reaffirmed and assigned for enhanced amount
Fixed Deposits	50.0	50.0	[ICRA]A+ (Stable); reaffirmed
Short Term – Interchangeable - Others	(55.0)	(55.0)	[ICRA]A1; reaffirmed
Total	367.5	415.5	

*Instrument details are provided in Annexure I

Rationale

The ratings reaffirmation factors in the continued satisfactory financial profile and comfortable liquidity position of P. N. Gadgil & Sons Ltd. (PNGSL) led by steady growth in revenues and profits from its jewellery segment. The company's dependence on debt has remained limited, translating into healthy debt coverage indicators. ICRA expects the financial risk profile of the company to remain comfortable, given the favourable stock rotation level and healthy long-term demand outlook for organised jewellery retailers, including PNGSL. The ratings continue to derive comfort from its strong brand equity in Maharashtra and extensive experience of its promoters in the gold jewellery retail business, which spans over six decades. This has helped PNGSL establish a strong market position in the gold jewellery retail market in Maharashtra, with 31 stores and one store each in Karnataka and Gujarat as on June 30, 2025.

The ratings are, however, constrained by the company's geographical concentration in Maharashtra, despite expansion in other regions. The company's earnings remain vulnerable to fluctuations in gold prices as raw material constitutes about 90% of the operating cost. However, the company follows hedging practices to partly reduce this risk. Though the company's working capital management remains efficient, its sizeable inventory associated with gold deposit schemes (off balance sheet) affects the inventory turnover metrics to some extent. As a result, PNGSL's ratios of total outside liabilities vis-à-vis inventory as well as total outside liabilities vis-à-vis its tangible net worth remain high. The ratings also factor in the intense competition and a fragmented industry structure, which are likely to keep the margins under check. ICRA also notes the inherent regulatory risks in the industry, which can impact the retailers' performance, as seen in the past. While PNGSL has long established relationships with customers, the counterparty credit risk remains. However, the cash-and-carry mode of business limits the risk to a large extent.

The Stable outlook reflects ICRA's expectation that PNGSL will continue to benefit from the favourable demand outlook for organised jewellery retailers and will generate healthy cash flows, relative to its debt service obligations.

Key rating drivers and their description

Credit strengths

Long experience of promoters, strong brand equity and market position in Maharashtra – The promoters as well as the senior management have maintained strong relationships with its suppliers and other industry participants, which has ensured efficient inventory management for the company. Besides, PNGSL has a strong market position in the Maharashtra gold

jewellery retail market with presence of over six decades. It has gained strong brand loyalty despite increasing competition in the market.

Favourable long-term demand outlook for organised jewellery retailers – The long-term outlook for organised jewellery retailers remains favourable, supported by cultural underpinnings, evolving lifestyle, growing disposable income, favourable demographic dividend and growing penetration of the organised sector. Increasing regulatory restrictions aimed towards greater transparency and higher compliance costs are likely to result in a churn in the unorganised segment, thus benefiting the organised players. The company is well positioned to tap the incremental demand, given its reputed brand and established market position.

Healthy financial profile with limited reliance on external debt, low working capital intensity of operations – The company's financial profile is satisfactory, supported by healthy return on capital employed (ROCE) of 16-19% over the last four years, and healthy debt protection metrics. While sales volume growth was limited at 6% in FY2025 owing to a substantial 20% rise in gold prices, it supported a 28% increase in revenues from the jewellery segment for PNGSL, which stood at Rs. 4,640 crore. However, the overall revenue growth was limited at 7% on a YoY basis and stood at Rs. 9,087.9 crore in FY2026, owing to a decline in bullion trading. The operating profit margins (OPM) of PNGSL remained thin at 2.0-3.0% between FY2022 and FY2025 due to lower margin of 0.1% in bullion trading. Nonetheless, PNGSL's ROCE stood at a comfortable level, driven by low working capital intensity of operations, supported by its high inventory turnover of 3.6 times. The debt coverage metrics have also remained comfortable with an interest coverage of 7.1 times in FY2025. These metrics are expected to remain steady, going forward, translating into continued healthy financial profile. Though the company's working capital management remains efficient, its sizeable inventory associated with gold deposit schemes of about 326 kg as on March 31, 2025 (off balance sheet) deteriorates the inventory turnover metrics to some extent. ICRA notes that PNGSL's TOL/Inventory and TOL/TNW remained slightly elevated at 0.9 times and 1.4 times, respectively, as on March 31, 2025.

Credit challenges

Exposed to geographical concentration risk – The company is exposed to geographical concentration risk as the Maharashtra market (mainly Pune and Nashik) accounted for around 97% of its revenues in FY2025, making it susceptible to any demand slowdown in the region. The new stores are also planned in the same state, which will further concentrate its revenues in Maharashtra. However, PNGSL's established market presence and strong customer base in its core regions help reduce this risk to an extent.

Profitability susceptible to fluctuations in gold prices – As prevalent in the gold jewellery retail business, raw material constitutes over 90% of the operating cost. Gold jewellery sales account for 80-90% of the company's jewellery revenues, so its profitability remains susceptible to gold price movements. The share of revenues from gold jewellery is expected to increase in the medium term following transfer of diamond studded jewellery business (which accounted for 5% of its revenues in FY2025) to its associate entity with effect from January 31, 2025. However, hedging practices adopted by the management reduce this risk to an extent.

Exposure to regulatory risks – Increased regulatory intervention in the jewellery industry in the recent years has impacted demand and supply. Measures like 20/80 restriction on imports, mandatory PAN disclosure requirement for purchases above the threshold limit, restrictions on jewellery saving schemes, imposition of excise duty and GST, increase in import duty, demonetisation, among others, have impacted the industry's operations in the past. Increasing supervision by regulators and a cautious lending environment further restricted fund flows to the sector, thus hampering the store expansion plans and liquidity profile of the retailers.

Liquidity position: Adequate

PNGSL's liquidity is adequate with steady cash flow from operations, modest capex plans in the near term and low long-term debt repayment obligations. The capex is envisaged to be around Rs. 25-30 crore each in FY2026 and FY2027 for opening of

two-three stores. Besides, ICRA estimates that new stores will result in additional inventory requirement of Rs. 150 crore in FY2026. These investments will be funded through internal accruals and cash and liquid investment of around Rs. 47 crore as on June 30, 2025. Further, the company had unutilised working capital limits of Rs. 175 crore as on June 30, 2025, which provide additional comfort to the liquidity.

Rating sensitivities

Positive factors – ICRA could upgrade PNGSL's ratings if the company is able to significantly increase its sales volumes in the jewellery business, while maintaining its profit margins. Specific credit metric that could lead to ratings upgrade includes total outside liabilities vis-à-vis the tangible net worth of less than 0.75 times on a sustained basis.

Negative factors – The ratings could be downgraded if a substantial increase in the working capital requirements results in elevated level of debt, leading to a deterioration in the capital structure and debt coverage indicators. Specific credit metric that could lead to ratings downgrade include weakening of total outside liabilities vis-à-vis the tangible net worth to more than 1.5 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Jewellery - Retail
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the standalone financials of the entity

About the company

PNGSL is involved in retail sale of gold, silver and platinum jewellery along with bullion trading. The company enjoys a long legacy of the P N Gadgil brand, which is more than 190 years old. The same was established by the Gadgil family members, who entered the gold jewellery business in 1832 at Sangli, Maharashtra under the name of Purushottam Narayan Gadgil Jewellers. As on June 30, 2025, the company had 33 stores of which 31 are in Maharashtra, and one store each in Karnataka and Gujarat, with an aggregate carpet area of 1,13,822 sq. ft. The diamond studded jewellery business of the company was transferred to its group entity, PNGS Reva Diamond Private Limited on January 31, 2025.

Key financial indicators (audited)

	FY2024	FY2025	Q1 FY2026*
Operating income	8,446.8	9087.9	1793.0
PAT	135.6	135.3	85.3
OPBDIT/OI	2.5%	2.5%	7.2%
PAT/OI	1.6%	1.5%	4.8%
Total outside liabilities/Tangible net worth (times)	1.1	1.4	1.2
Total debt/OPBDIT (times)	2.1	2.6	1.1
Interest coverage (times)	8.6	7.1	13.5

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating				Chronology of rating history for the past 3 years					
	FY2026				FY2025		FY2024		FY2023	
	Type	Amount Rated (Rs Crore)			Date	Rating	Date	Rating	Date	Rating
Fixed deposit	Long Term	50.00	29-SEP-2025	[ICRA]A+ (Stable)	27-SEP-2024	[ICRA]A+ (Stable)	05-SEP-2023	[ICRA]A+ (Stable)	26-MAY-2022	[ICRA]A+ (Stable)
			10-OCT-2025	[ICRA]A+ (Stable)	-		-	-	16-SEP-2022	[ICRA]A+ (Stable)
Long term-cash credit-fund based	Long Term	365.50	29-SEP-2025	[ICRA]A+ (Stable)	27-SEP-2024	[ICRA]A+ (Stable)	05-SEP-2023	[ICRA]A+ (Stable)	26-MAY-2022	[ICRA]A+ (Stable)
			10-OCT-2025	[ICRA]A+ (Stable)	-		-	-	16-SEP-2022	[ICRA]A+ (Stable)
Short term-others-interchangeable	Short Term	(55.00)	29-SEP-2025	[ICRA]A1	27-SEP-2024	[ICRA]A1	05-SEP-2023	[ICRA]A1	26-MAY-2022	[ICRA]A1
			10-OCT-2025	[ICRA]A1	-	-	-	-	16-SEP-2022	[ICRA]A1

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund-based – Cash Credit	Simple
Short -term – Interchangeable – Others	Simple
Long-term – 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	Long-term- Fund Based – Cash Credit	-	-	-	365.50	[ICRA]A+ (Stable)
NA	Short term - Interchangeable – Others	-	-	-	(55.0)	[ICRA]A1
NA	Fixed Deposit	-	7.5%	-	50.0	[ICRA]A+ (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- Not applicable

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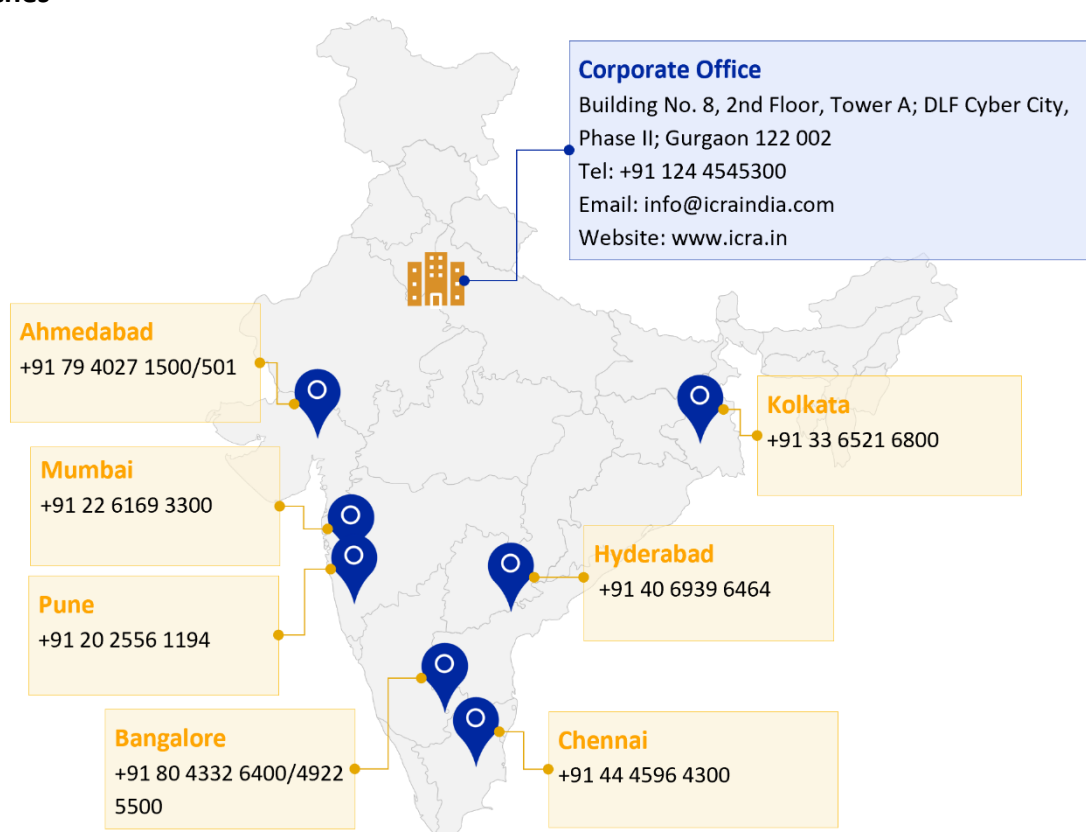
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