

October 22, 2025

Uday Jewellery Industries Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund based- Cash credit	40.00	40.00	[ICRA]BBB (Stable); reaffirmed
Long-term – Fund based- Term loan	0.84	0.84	[ICRA]BBB (Stable); reaffirmed
Long-term – Unallocated limits	0.08	0.08	[ICRA]BBB (Stable); reaffirmed
Total	40.92	40.92	

*Instrument details are provided in Annexure-I

Rationale

On September 4, 2025, the board of Uday Jewellery Industries Limited (UJIL) filed a joint second motion application with the National Company Law Tribunal (NCLT), Hyderabad Bench, in connection with the proposed scheme of arrangement for the amalgamation of Narbada Gems and Jewellery Limited (NGJL, transferor company) with UJIL (transferee company). The scheme of amalgamation is likely to become effective upon receipt of approval from the NCLT.

Based on the proposed scheme, shareholders of NGJL would be allotted 4,623 equity shares of UJIL for every 10,000 equity shares in NGJL, subject to the approval of various stakeholders of both companies. Besides, at the Annual General Meeting convened on September 29, 2025, UJIL obtained shareholders' approval for increasing its borrowing powers to Rs. 150 crore and for undertaking related party transactions with Sanghi Jewellers Private Ltd (SJPL) and NGJL for the purchase and sale of products. ICRA has noted these developments and will closely monitor any further developments related to this event and take appropriate action if necessary.

The rating reaffirmation on the bank lines of UJIL considers the healthy increase in the scale of operations and the expected improvement in operational and financial performance over the medium term, backed by its established presence, anticipated long-term benefits from recent capacity additions, and its comfortable financial profile. UJIL's revenues grew by 65.3% on a YoY basis to Rs. 287.3 crore in FY2025, owing to an increase in realisations and volumes. However, the rise in raw material prices resulted in a 200 bps contraction in operating margins to 5.7%. In Q1 FY2026, the entity registered revenues of Rs. 112.9 crore with an OPBDITA of Rs. 10.9 crore.

UJIL's financial profile remains comfortable, supported by its conservative capital structure and healthy coverage indicators. In FY2025, the debt-to-operating profit and interest coverage ratios improved to 1.5 times and 9.7 times, respectively, against 1.8 times and 9.0 times in FY2024. Further, UJIL's credit metrics and liquidity position have improved and are likely to strengthen further over the medium term. UJIL raised Rs. 19.1 crore in equity in FY2025 and plans to raise Rs. 15.6 crore in FY2026 by issuing shares on a preferential basis. The rating also factors in the company's established relationships with reputed jewellery retail chains in both domestic and export markets, as reflected in repeat business generated over the years.

The rating, however, remains constrained by the high working capital-intensive nature of operations, with NWC/OI remaining high at 42.8% in FY2025. The ratings are also constrained by UJIL's high customer concentration risk, with 59.7% of its revenues derived from its top five customers in FY2025. However, comfort can be drawn from the fact that UJIL has established long-term relationships with most of these clients, leading to repeat orders and continued new customer additions. The rating also factors in the intense competition in the gold manufacturing segment, which limits its pricing ability and exposes earnings to fluctuations in gold prices.

The Stable outlook on the long-term rating reflects ICRA's expectations that UJIL is likely to improve its revenues and operating metrics. Further, the outlook underlines ICRA's expectations that the entity's incremental capex, if any, to further increase capacity will be funded in a manner that it is able to durably maintain its debt protection metrics commensurate with the existing ratings.

Key rating drivers and their description

Credit strengths

Established presence in the industry – UJIL is part of the Hanumant Rai Sanghi Group, which has more than two decades of experience in manufacturing gold jewellery. This has supported the company in establishing relationships with large jewellery retailers in both domestic and export markets, as reflected in repeat business generated over the years. Further, steady demand, recent capacity additions, and regulatory changes mandating increased transparency, compliance, and mandatory hallmarking are expected to drive steady revenue growth over the medium term.

Business profile marked by marquee clientele – The company manufactures fashion gold jewellery studded with CZ (Cubic Zirconia) and other coloured stones. UJIL continues to have marquee clients in the jewellery industry. Key customers include Kalyan Jewellers India Limited, Joyalukkas India Limited, and Malabar Gold and Diamonds Limited. The company has its corporate office and manufacturing facility at Hyderguda, Hyderabad. In November 2023, the company shifted its manufacturing facilities to a new unit spread across 10,000 sq. ft (owned by the promoters). This increased its available manufacturing capacity to 125 kg per month, from 35 kg per month in FY2023. Although the current capacity utilisation level stood at around 45 kg per month, it can be scaled up to 125 kg per month based on requirements.

Comfortable financial profile – UJIL's capitalisation levels remain comfortable, supported by steady earnings, reduced reliance on working capital borrowings, and the absence of major debt-funded capital expenditure in recent fiscals. The gearing and total outside liabilities-to-tangible net worth stood at 0.2 times and 0.3 times, respectively, in FY2025. Further, the coverage indicators improved in FY2025, with interest coverage and total debt-to-operating profit of 9.7 times and 1.5 times, respectively, supported by lower working capital limit utilisation. With no major expansion envisaged and steady earnings, UJIL's debt protection metrics are expected to remain comfortable going forward.

Credit challenges

High working capital intensity – The company's operations are working capital intensive due to the inherent nature of the industry. UJIL's working capital intensity remains high, characterised by high receivable and inventory days. The company provides a credit period of 80-90 days to most of its customers, resulting in high receivable days. While working capital intensity reduced to 42.8% in FY2025 from 52.6% in FY2024, aided by lower inventory levels and a decrease in credit offered to customers, it remains at an elevated level.

Intense competition limits pricing flexibility – The company faces intense competition from unorganised players in the manufacturing segment and other established brands in the market, which limit its pricing flexibility. Besides, a high inventory of unhedged raw materials exposes the company's profitability to volatility in gold prices.

Environment and Social Risks

Environmental considerations: Exposure to environmental risks remains low for entities in the jewellery wholesale industry. A few concerns include episodes of excessive rainfall or flooding in operating regions, which may impact jewellery stores. Additionally, the indirect risk of rural demand for jewellery moderating during periods of crop loss caused by physical climate change also poses risks to revenue growth and profitability.

Social considerations: Exposure to social risks remains moderate for entities in the jewellery wholesale industry. The sector has witnessed increased focus on product quality and pricing transparency, which has supported consumer confidence. Yet, industry participants remain exposed to changes in consumer behaviour. Additionally, given the relatively high workforce requirement for jewellery manufacturing, the level of wages and associated fixed costs could weigh on margins, especially considering the skilled nature of the work.

Liquidity position: Adequate

UJIL's liquidity position is expected to remain adequate, supported by steady earnings and adequate unutilised lines of credit. The average utilisation of its working capital facilities stood at 72.1% of the sanctioned limits of Rs. 35 crore over the 12 months ending September 2025. Further, UJIL is expected to raise equity to the extent of Rs. 15.6 crore in FY2026. Against these sources of cash, the entity is likely to incur maintenance capital expenditure of around Rs. 2 crore, funded through internal accruals, and has minimal debt repayment obligations of Rs. 0.4 crore.

Rating sensitivities

Positive factors – The rating may be upgraded if the company demonstrates healthy growth in revenues and earnings, strengthens its net worth position, and improves its working capital cycle.

Negative factors – The rating may be downgraded in case of any sustained pressure on operating performance or further elongation of its working capital cycle, which would adversely impact its coverage metrics and liquidity. A specific credit metric that could lead to a rating downgrade includes a TOL/TNW of more than 1.5 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	The rating is based on the standalone financial statements of the rated entity.

About the company

UJIL is a part of the Hanumant Rai Sanghi Group and was incorporated in May 1999. It is engaged in the manufacturing and trading of fashion jewellery made from coloured stones (gems) and precious stone-studded gold jewellery, with a specialisation in Cubic Zirconia stone-studded designs. The company's corporate office and manufacturing facilities are in Hyderguda, Hyderabad. It was listed on the Bombay Stock Exchange in December 2015. The company is managed by Mr. Ritesh Kumar Sanghi and his family, who hold a 74.9% stake in the company, while the remaining shares are held by public shareholders. The entity carried out a preferential issue of shares and raised Rs. 19.06 crore in FY2025, and it is likely to receive Rs. 15.59 crore by the end of FY2026.

Key financial indicators

	FY2024	FY2025	Q1FY2026*
Operating income	173.8	287.3	112.9
PAT	8.7	10.9	7.8
OPBDIT/OI	7.7%	5.7%	9.7%
PAT/OI	5.0%	3.8%	6.9%
Total outside liabilities/Tangible net worth (times)	0.4	0.3	
Total debt/OPBDIT (times)	1.8	1.5	
Interest coverage (times)	9.0	9.7	22.2

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years					
	Type	FY2026		FY2025		FY2024		FY2023	
		Amount rated (Rs. crore)	Oct 22, 2025	Date	Rating	Date	Rating	Date	Rating
Fund Based-Cash credit	Long Term	40.00	[ICRA]BBB (Stable)	Sep 25, 2024	[ICRA]BBB (Stable)	Jun 26, 2023	[ICRA]BBB (Stable)	-	-
Fund Based-Term loan	Long Term	0.84	[ICRA]BBB (Stable)	Sep 25, 2024	[ICRA]BBB (Stable)	Jun 26, 2023	[ICRA]BBB (Stable)	-	-
Unallocated-Unallocated	Long Term	0.08	[ICRA]BBB (Stable)	Sep 25, 2024	[ICRA]BBB (Stable)	Jun 26, 2023	[ICRA]BBB (Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term – Fund based- Cash credit	Simple
Long term – Fund based-Term loan	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	Cash credit	NA	NA	NA	40.00	[ICRA]BBB (Stable)
NA	Term loan	FY2021	NA	FY2029	0.84	[ICRA]BBB (Stable)
NA	Unallocated limits	NA	NA	NA	0.08	[ICRA]BBB (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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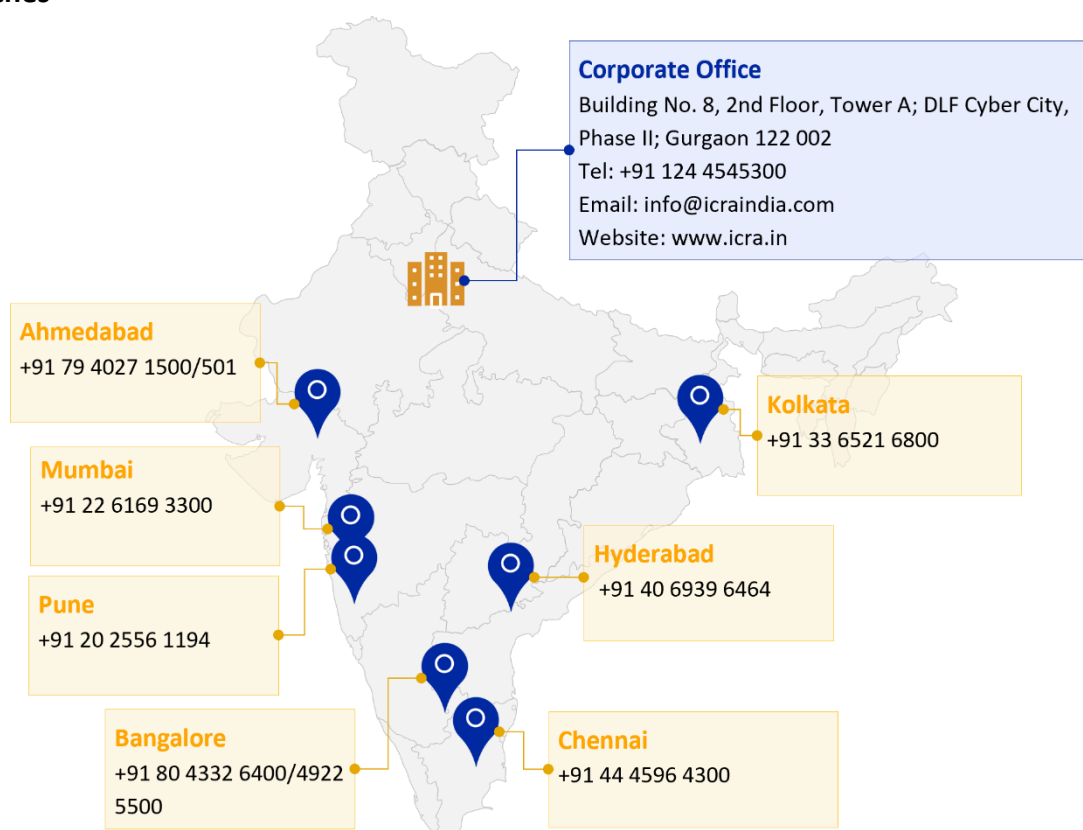
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