

February 27, 2025

The KTM Jewellery Limited: Ratings reaffirmed and withdrawn

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term - Fund based - Cash credit	240.00	240.00	[ICRA]BBB- (Stable); reaffirmed and withdrawn
Long term – Fund based - Term loan	19.62	19.62	[ICRA]BBB- (Stable); reaffirmed and withdrawn
Long term/Short term - Unallocated	0.38	0.38	[ICRA]BBB- (Stable)/[ICRA]A3; reaffirmed and withdrawn
Total	260.00	260.00	

*Instrument details are provided in Annexure I

Rationale

ICRA has reaffirmed and withdrawn the ratings assigned to the bank facilities of The KTM Jewellery Limited (KTM). The ratings have been withdrawn at the request of the company and based on the receipt of No Objection Certificate (NOC) from the bankers, and in accordance with ICRA's policy on withdrawal of credit ratings.

The ratings reaffirmation on the bank lines of KTM considers an expected improvement in operational and financial performances over the medium term, supported by extensive experience of the promoters and established brand names of The Chennai Silks and Sree Kumaran Thangamaligai in the textile and jewellery segments, respectively. The operating income of KTM grew by 23.4% on a YoY basis to Rs. 989.3 crore in FY2024, driven by new store additions and an increase in gold prices, resulting in better realisation. Besides, its operating margins improved by 30 bps on a YoY basis to 4.6% due to better margins derived from jewellery retail business, despite weak profitability seen in spinning and textile retail segments. The operating margins from textile retail operations weakened in FY2024 due to temporary closure of the Tuticorin showroom and delay in resumption of power connection. However, with re-opening of operations in the Tuticorin showroom from July 2024 and resumption of power from the state electricity board from November 2024, the entity's operating margins improved. Despite the increase in gold prices due to moderation in volumes, growth in the operating income and the margin is likely to remain flat in FY2025 and improve subsequently with the likely increase in footfalls at its existing stores. The ratings further consider the strategic location of its showrooms, higher share of jewellery sales (84.1% in FY2024) in the overall sales mix, and favourable long-term growth prospects in the market share of organised jewellers with an accelerated shift in the medium term, which is likely to benefit KTM.

The ratings, however, remain constrained by the weak operating profitability owing to low margins from the gold jewellery business amid low share of studded jewellery and continued weak performance of the textile division. The profitability in the gold jewellery segment remains exposed to volatility in gold prices. ICRA notes the working capital-intensive nature of operations of KTM, addition of working capital term loans and debt-funded acquisition of the spinning unit, which resulted in an increase in bank borrowings. Despite the rise in bank borrowings, with an increase in scale and profitability, the entity's coverage indicators witnessed a modest improvement in FY2024 and are likely to remain at the same level over the medium term. The ratings are also constrained because of intense competition in a fragmented industry structure, geographical concentration and regulatory risks associated with the jewellery business.

The Stable outlook on the long-term rating reflects ICRA's expectation that KTM is likely to register a modest revenue growth and an improvement in margins over the medium term. Further, the outlook underlines ICRA's expectation that the entity's incremental capex, if any, to further increase the 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

Experience of promoters in the industry spanning several decades and an established brand name – KTM has an established presence in the southern part of Tamil Nadu, especially in Tirunelveli and Coimbatore markets, for over two decades. Vast experience of the promoters in textile and gold jewellery retailing, coupled with the company's focus on providing ornament designs that suit specific tastes and preferences of the customers enabled KTM to establish its strong brand name and widen the customer base, which have driven its revenue growth through repeat purchases. Despite entry of several regional players, KTM's established brand name enabled a steady revenue growth in the recent years after the impact of the pandemic had waned. Also, the firm enjoys operational synergies for being a part of The Chennai Silks Group. Its textile purchases are made through centralised purchases from their Group company, enabling better margins from the textile retailing business.

Growth prospects in jewellery segment underpinned by large industry size and fragmented market share – Increasing regulatory restrictions in the jewellery segment, aimed towards greater transparency, and higher compliance costs have been resulting in a sizeable churn in the unorganised segment, thus benefiting organised players like KTM over the years.

Credit challenges

Modest operating profitability – The entity's operating margins are expected to remain at a moderate level, constrained by negligible contribution from the studded jewellery, limited margins and lack of pricing flexibility owing to intense competition in key markets. Further, its earnings remain exposed to volatile gold prices, as seen in the past. A part of the price volatility risk is mitigated by KTM's partial hedging and bargaining power to procure gold at competitive rates.

Exposed to intense competition and geographical concentration risks – The gold jewellery retail business is highly fragmented and competitive. The pricing flexibility of industry players remained under pressure owing to continuous store expansion by larger retailers in the recent years. This coupled with limited value addition in the products keeps the operating margins lower for most of the players, including KTM. Nevertheless, the competition is mitigated to an extent by KTM's long presence in the industry along with its brand image. The entity also faces geographical concentration risk as its entire revenues are derived from Tamil Nadu. This trend is expected to continue, however, new store additions in tier-2 cities mitigate the risk to some extent.

Exposure to regulatory risks – Although certain regulatory restrictions have aided the shift towards organised trade, some adverse regulatory developments impacted the domestic gold jewellery industry in the past. Restrictions on bullion imports and metal loan funding, mandatory Permanent Account Number disclosure on transactions above a certain threshold and imposition of excise duty are some of the adverse regulatory developments that have taken place over the last decade. KTM will remain exposed to the risk of any such future regulatory actions that may impact its business profile.

Liquidity position: Adequate

KTM's liquidity position is expected to remain adequate, supported by steady earnings from operations and adequate unutilised lines of credit. The average utilisation of its fund-based limits over the last 12 months ending in December 2024 stood at ~62.1%, which provides adequate buffer for the company's working capital requirements. KTM is likely to incur capital expenditure of ~Rs.10 crore in FY2025, to be funded through internal accruals and has debt repayment obligations of ~Rs. 6.6 crore in FY2025 and Rs. 11.6 crore in FY2026 and its cash flows are likely to remain comfortable with healthy fund flow from operations and adequate buffer in working capital limits.

Rating sensitivities

Positive factors – NA

Negative factors – NA

The rating sensitivities have not been captured in the PR as the rated instruments have been withdrawn. The previous rating rationale is available at the following link: [Click here](#)

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Jewellery - Retail Retail Policy on Withdrawal of Credit Ratings
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of The KTM Jewellery Limited. Details of the entities considered for consolidation have been enlisted in Annexure-2.

About the company

The KTM Jewellery Limited was incorporated in July 2000. It is a part of The Chennai Silks Group, which was founded in 1962 by Mr. A Kulandaivel Mudaliar. The Group has been involved in textile retailing business for nearly five decades under the brand, The Chennai Silks (TCS) and jewellery retailing business for over two decades under the brand, Sree Kumaran Thanga Maligai (SKTM). In 2012, the Chennai Silks Group went through the process of demerger among the family members, wherein the existing businesses were distributed among seven sons of Mr. Kulandaivel Mudaliar, as a part of the succession plan and settlement among the brothers. Post demerger of the Group, Mr. T.K. Chandiran, son of Mr. A. Kulandaivel Mudaliar, carried on the business under The KTM Jewellery Ltd. (TKJL), as per the succession plan. KTM is involved in the business of jewellery and textile retailing through its retail showrooms in the southern part of Tamil Nadu. The company has a 2-MW solar power plant and a spinning mill with an installed capacity of 14,500 spindles.

Key financial indicators (audited)

The KTM Jewellery Limited (Consolidated)	FY2023	FY2024	H1FY2025*
Operating income	801.6	989.3	487.5
PAT	13.0	16.6	-
OPBDIT/OI	4.3%	4.6%	4.7%
PAT/OI	1.6%	1.7%	-
Total outside liabilities/Tangible net worth (times)	2.9	2.7	-
Total debt/OPBDIT (times)	5.1	4.4	-
Interest coverage (times)	2.6	2.7	-

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore; *Provisional
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	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years						
		Amount Rated (Rs. crore)	FY2025		FY2024		FY2023		FY2022	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund based- Cash credit	Long term	240.00	Feb 27, 2025	[ICRA]BBB-(Stable); reaffirmed and withdrawn	Nov 27, 2023	[ICRA]BBB-(Stable)	-	-	-	-
Fund based – Term loan	Long term	19.62	Feb 27, 2025	[ICRA]BBB-(Stable); reaffirmed and withdrawn	Nov 27, 2023	[ICRA]BBB-(Stable)	-	-	-	-
Unallocated limits	Long term/ Short term	0.38	Feb 27, 2025	[ICRA]BBB-(Stable)/[ICRA]A3; reaffirmed and withdrawn	Nov 27, 2023	[ICRA]BBB-(Stable) / [ICRA]A3	-	-	-	-

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/Short term -Unallocated	NA

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	Fund based - Cash credit	NA	NA	NA	240.00	[ICRA]BBB- (Stable); reaffirmed and withdrawn
NA	Fund based Term loan	FY2023	NA	FY2028	19.62	[ICRA]BBB- (Stable); reaffirmed and withdrawn
NA	Unallocated limits	NA	NA	NA	0.38	[ICRA]BBB-(Stable) / [ICRA]A3; reaffirmed and withdrawn

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	The KTM Jewellery Limited Ownership	Consolidation approach
KKV Chakra Limited	100%	Full Consolidation

Source: KTM

ANALYST CONTACTS

Shamsher Dewan
+91 124 4545 300
shamsherd@icraindia.com

Srikumar Krishnamurthy
+91 44 45964318
ksrikumar@icraindia.com

G S Ramakrishnan
+91 44 4596 4300
g.ramakrishnan@icraindia.com

Vilasagaram Nandakishore
+91 40 4547 4829
vilasagaram.nandakishore@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)
info@icraindia.com

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ICRA Limited



Registered Office

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

Tel: +91 11 23357940-45



Branches



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