March 12, 2025 (Revised)

Joyalukkas India Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term – Fund-based Limits – Term Loan	18.48	10.00	[ICRA]A+ (Stable), reaffirmed
Long term/ short term – Fund-based Limits – Working Capital Facilities	1493.52	913.00	[ICRA]A+ (Stable)/ [ICRA]A1, reaffirmed
Short term – Fund-based/ Non-Fund-based Limits – Interchangeable	(978.00)	-	-
Short-term – Non-Fund-based Limits – Interchangeable	-	(10.00)	[ICRA]A1, reaffirmed
Long term/ short term – Unallocated Limits	-	589.00	[ICRA]A+ (Stable)/ [ICRA]A1, reaffirmed
Total	**1,512.00**	**1,512.00**	

**Instrument details are provided in Annexure I*

Rationale

The ratings reaffirmation continues to favourably factor in the healthy operational and financial profiles of Joyalukkas India Limited (JIL) and expected sustenance of the same in the near-to-medium term. JIL's long presence in the jewellery retailing business and strong brand recall (Joyalukkas) continue to support its business profile. Its top line witnessed a steady growth over the past couple of fiscals (16% in FY2024 and around 18% in FY2025[estimated]) and is likely to continue in the near-to-medium term, driven by addition of stores planned by the entity and elevated gold prices even though volumes are subdued. The overall profits and cash accruals from the business also witnessed a rising trend over the past few years on the back of healthy margins and increasing scale of operations. JIL's comfortable debt protection metrics, as reflected by adequate coverage ratio, continue to support the ratings. The ratings also draw comfort from the healthy financial flexibility of the company and the favourable long-term growth prospects of organised jewellers with an accelerated shift in demand towards organised players, supported by increasing formalisation of the industry.

The ratings, however, are constrained by the vulnerability of JIL's earnings to volatility in gold prices in the absence of formal hedging policy, an intense competition on the back of a fragmented industry structure and competition stemming from other national, regional and local jewellery retailers, and aggressive store expansion plans undertaken by large jewellers, along with the inherent regulatory risks associated with the jewellery business and a cautious lending environment. The ratings continue to factor in the high working capital intensive nature of operations, necessitated from large inventory holding due to its nature of business, which results in higher dependence on working capital loans. Moreover, the same is likely to increase in the coming quarters to fund the incremental inventory requirement for new stores and may impact its inventory turnover (2.3 times in FY2024). The ratings also consider the ongoing legal matters pertaining to the alleged contravention of certain FEMA provisions and proceedings under the Prohibition of Benami Properties Transactions Act. ICRA will continue to monitor the developments in this regard.

The Stable outlook on the long-term rating reflects ICRA's opinion that JIL's operational and financial performances will continue to benefit from its established market position, increased focus on expansion into new markets and generation of adequate cash flows relative to its debt service obligations.

Key rating drivers and their description

Credit strengths

Established market position, expanding retail network along with strong brand recognition, precisely in southern India – JIL is among the prominent branded jewellery retailers in India with a focused presence in the south Indian market. The healthy recall of the 'Joyalukkas' brand in most of its key operating regions support its operating performance, as demonstrated by the healthy revenue growth over the past three years. JIL has been operating through a wide network of 101 company-owned and company-operated (COCO) showrooms as of February 2025, including eight stores, which were added during the current fiscal. Going forward, it plans to add 10-15 stores annually, strengthening its presence in tier-1 cities to capitalise on its brand recognition, which is expected to benefit JIL's business diversification. JIL commands a strong market share in Andhra Pradesh, Telangana, Tamil Nadu, Karnataka and Kerala, which cumulatively accounted for 89% of JIL's revenue in H1 FY2025. Focus on jewellery designs as per specific tastes and preferences of the customers, enabled the company to establish its presence across the markets in which it operates and capture a loyal customer base. Its strong brand equity is illustrated by a steady revenue growth across the states despite the entry of many large regional chains in the recent years. Incremental sales from the ongoing store expansion along with its established presence are expected to drive footfall and revenues over the medium term.

Steady growth in top line, increasing profits and cash accruals from business – JIL's operating income witnessed a steady growth over the past few years (~20% CAGR over the last four years), driven by its product mix and better price realisations, even though volume growth was subdued. The company has been adding new stores over the past few years, which also augmented revenue growth. Moreover, increase in revenue from diamond jewellery, which accounted for ~18% of its revenue in FY2024, also supported its top-line growth over the past years. ICRA notes that a growing scale of operations resulted in increasing profits and cash accruals from the business in the last few fiscals. The sales volume of gold jewellery witnessed a fall of ~3% on a YoY basis in 9M FY2025. Nevertheless, the company's revenue witnessed a ~19% YoY growth, led by better price realisations and product mix. Despite a planned addition of retail outlets and an established market position in southern India, the overall sales volume of gold jewellery is likely to fall in FY2025, in line with the industry.

Comfortable financial risk profile, aided by healthy operating performance – JIL's capital structure has remained conservative and improved gradually with the gearing and TOL/TNW of 0.6 times and 1.1 times, respectively as on March 31, 2024, on the back of heathy accretion to reserves along with limited addition to external liabilities. Its debt profile is characterised by working capital loans. In view of healthy profits and cash accruals along with relatively lower debt level, the debt protection indicators remain strong (TOL/Inventory of ~58% in FY2024). Going forward, while its debt level is likely to increase with the rising scale of operations, in view of sizeable profits and cash accruals from the business, ICRA does not foresee any major deterioration in the capital structure and debt protection metrics of the company.

Favourable long-term growth prospects for organised jewellery retailers – Increasing regulations in the jewellery retail industry in the recent years, aimed at improving transparency and standardisation, have accelerated the shift in the market share from the unorganised players to organised ones. The industry tailwinds are expected to benefit organised jewellery retailers like JIL over the medium term, supported by its expanding retail presence. Also, the customs duty cut of 9% on gold, in the Union Budget in July 2024, is also likely to have disincentivised illegal import, benefiting the organised players.

Credit challenges

Performance exposed to intense competition and regulatory risks in retail jewellery segment – Jewellery retail business is inherently competitive, with competition emanating from both organised and a large share of unorganised trade. This coupled with robust store expansion by larger retailers across locations in the recent years has intensified competition and limited the pricing flexibility of industry players, including JIL. The jewellery retail industry has witnessed increased regulatory intervention in the recent years, which impacted the operating environment and consequently the performance of the jewellers. Increasing supervision and cautious lending environment further restricted fund flows to the sector. However, JIL enjoys a stable relationship with banks and has been able to secure its working capital limits on a timely basis.

Earnings exposed to volatility in gold prices in the absence of any formal hedging mechanism – JIL's revenue and profitability remain exposed to volatility in gold prices in the absence of formal hedging mechanisms. However, JIL mitigates the risk to an extent by matching its daily gold purchases with sales, thereby maintaining its average inventory costs at comfortable levels.

High working capital intensive nature of operations – Jewellery retailing business is highly working capital intensive in nature, given the need to display varied designs of jewellery to its customers. JIL generally maintains an inventory of 5-6 months on an average, across its stores, depending on the footfall and the stockholding surge during the festive season. However, the net working capital relative to the operating income of the company marginally increased to 32% in FY2024 from 31% in FY2023, largely driven by reduced payables. Besides rising gold prices, JIL's inventory requirements are likely to increase further, owing to the aggressive store expansion plans over the medium term and the absence of a franchisee model. JIL's ability to manage its inventory levels and liquidity position, while increasing the scale will be monitored.

Ongoing legal and taxation matters – As of March 2024, JIL had disputed value added tax (VAT) demand of ~Rs. 188 crore pertaining to the period FY2012-FY2018 from Kerala VAT department. In this aspect, the company availed the new amnesty scheme in FY2025 proposed under the Kerala State Finance Budget 2024-25. Accordingly, the company opted to pay the principal tax demand in FY2025 and the case has been settled. JIL received show cause notices from Enforcement Directorate (ED) concerning certain matters under the FEMA, 1999. The matter is with the Adjudicating Authority, wherein the hearing has been completed, and the final outcome is currently awaited. ICRA also notes the ongoing proceedings under Prohibition of Benami Properties Transactions Act, wherein notices were initially issued to eight other entities with a copy to the company, which was identified as beneficial owner. Following appeals, the matter is currently with the Hon'ble Appellate Tribunal, New Delhi wherein out of the eight orders, four were rejected and the remaining four appeals are yet to be taken by the tribunal for hearing. Based on the legal opinion, the management does not expect adverse ruling over the matter. ICRA will continue to monitor these developments and for any adverse impact on the company's credit profile.

Liquidity position: Adequate

The company generated positive cash flow from operations in the past few years. However, a significant growth in the top line expected in FY2025 as well as in FY2026 via addition of new stores and elevated gold prices would lead to higher inventory holding and is likely to impact the cash flow from operations. The average fund-based working capital utilisation stood at ~80% during the last 15 months, ended in December 2024. However, the company has enhanced its working capital limits (with commensurate drawing power) in the recent past, which would support its liquidity. JIL had unencumbered cash/ bank balance and liquid investments of ~Rs. 201 crore as on December 31, 2024. The company has long-term debt repayment obligations of Rs. 50-60 crore, including lease liabilities, over the next two years. JIL is expected to generate cash accruals of more than Rs. 1,500 crore in FY2025 and FY2026, which along with incremental customer advances under the jewellery savings scheme would be adequate to meet its incremental working capital requirements, long-term debt repayment obligations and moderate capital expenditure of Rs. 125-250 crore. ICRA expects the overall liquidity position of the company to remain adequate, going forward.

Rating sensitivities

Positive factors – JIL's ratings may be upgraded if there is a sustained healthy improvement in its revenues and earnings on the back of improving business diversification through store addition and an increase in the share of studded jewellery, while maintaining healthy profitability and comfortable debt protection metrics, and improving liquidity position. Successful resolution of pending litigations may also be considered favourably for ratings upgrade.

Negative factors – Pressure on JIL's ratings could arise if there is sustained pressure on the operating performance or a deterioration in the working capital cycle, adversely impacting the coverage metrics and the liquidity position. Any legal action, adversely impacting the operating or financial performances of the company, could also result in ratings downgrade. Specific credit metrics that could lead to ratings downgrade include TOL/TNW above 1.3 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 financial statements of the entity

About the company

Incorporated in 2002 and promoted by Mr. Alukkas Varghese Joy and family, Joyalukkas India Limited (JIL) is a pan-India jewellery retailer. JIL is one of the largest organised jewellery retailers in southern India with an established presence in Tamil Nadu, Kerala, Andhra Pradesh, Telangana and Karnataka. The company is currently involved in retailing of gold/ silver/ diamond/ platinum and various studded jewellery and operates through its wide network of 101 showrooms as of February 2025.

Key financial indicators (audited)

JIL, Standalone	FY2023	FY2024	9M FY2025*
Operating income	14,513.4	16,902.5	14,826.6
PAT	899.3	1,020.5	1,191.6
OPBDIT/OI	10.5%	10.4%	12.9%
PAT/OI	6.2%	6.0%	8.0%
Total outside liabilities/Tangible net worth (times)	1.2	1.0	1.0
Total debt/OPBDIT (times)	1.5	1.4	1.3
Interest coverage (times)	7.7	7.4	10.0

*Source: Joyalukkas India Limited, 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

Current rating (FY2025)				Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs. crore)	Mar 12, 2025	Date	Rating	Date	Rating	Date	Rating
Fixed Deposits	Long term	-	-	Mar 26, 2024	[ICRA]A+ (Stable); withdrawn	Mar 23, 2023	[ICRA]A+ Rating Watch with Negative Implications	Mar 28, 2022	[ICRA]MA+ (Stable)
				Feb 15, 2024	[ICRA]A+ (Stable)	Mar 03, 2023	[ICRA]A+ Rating Watch with Negative Implications	Nov 18, 2021	-
				Oct 12, 2023	[ICRA]A+ Rating Watch with Negative Implications	Jun 03, 2022	[ICRA]A+ (Stable)	-	-
Term Loans	Long term	10.00	[ICRA]A+ (Stable)	Mar 26, 2024	[ICRA]A+ (Stable)	Mar 23, 2023	[ICRA]A+ Rating Watch with Negative Implications	Mar 28, 2022	[ICRA]A+ (Stable)
				Feb 15, 2024	[ICRA]A+ (Stable)	Mar 03, 2023	[ICRA]A+ Rating Watch with Negative Implications	Nov 18, 2021	[ICRA]A+ (Stable)
				Oct 12, 2023	[ICRA]A+ Rating Watch with Negative Implications	Jun 03, 2022	[ICRA]A+ (Stable)	-	-
Fund-based working capital facilities	Long term/ Short term	913.00	[ICRA]A+ (Stable)/ [ICRA]A1	Mar 26, 2024	[ICRA]A+ (Stable)/ [ICRA]A1	Mar 23, 2023	[ICRA]A+ Rating Watch with Negative Implications/ [ICRA]A1 Rating Watch with Negative Implications	Mar 28, 2022	[ICRA]A+ (Stable)/ [ICRA]A1
				Feb 15, 2024	[ICRA]A+ (Stable)/ [ICRA]A1	Mar 03, 2023	[ICRA]A+ Rating Watch with Negative Implications/ [ICRA]A1 Rating Watch with Negative Implications	Nov 18, 2021	[ICRA]A+ (Stable)/ [ICRA]A1
				Oct 12, 2023	[ICRA]A+ Rating Watch with Negative Implications/ [ICRA]A1 Rating Watch with Negative Implications	Jun 03, 2022	[ICRA]A+ (Stable)/ [ICRA]A1	-	-
Fund-based/ Non-fund-based – Interchangeable	Short term	-	-	Mar 26, 2024	[ICRA]A1	Mar 23, 2023	[ICRA]A1 Rating Watch with Negative Implications	Mar 28, 2022	[ICRA]A1
				Feb 15, 2024	[ICRA]A1	Mar 03, 2023	[ICRA]A1 Rating Watch with Negative Implications	Nov 18, 2021	[ICRA]A1
				Oct 12, 2023	[ICRA]A1 Rating Watch with Negative Implications	Jun 03, 2022	[ICRA]A1	-	-

Non-fund-based – Interchangeable	Short term	(10.00)	[ICRA]A1	-	-	-	-	-	-
Unallocated limits	Long term/ Short Term	589.00	[ICRA]A+ (Stable)/ [ICRA]A1	-	-	Mar 23, 2023	[ICRA]A+ Rating Watch with Negative Implications/ [ICRA]A1 Rating Watch with Negative Implications	Mar 28, 2022	[ICRA]A+ (Stable)/ [ICRA]A1
				-	-	Mar 03, 2023	[ICRA]A+ Rating Watch with Negative Implications/ [ICRA]A1 Rating Watch with Negative Implications	Nov 18, 2021	[ICRA]A+ (Stable)/ [ICRA]A1
				Oct 12, 2023	[ICRA]A+ Rating Watch with Negative Implications/ [ICRA]A1 Rating Watch with Negative Implications	Jun 03, 2022	[ICRA]A+ (Stable)/ [ICRA]A1	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund-based – Term Loan	Simple
Long-term/ short-term fund-based – Working Capital	Simple
Short-term non-fund-based – Working Capital	Very Simple
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	Term Loan	FY2021	-	FY2027	10.00	[ICRA]A+ (Stable)
NA	Fund-based working capital facilities 1	-	-	-	50.00	[ICRA]A+ (Stable)/ [ICRA]A1
NA	Fund-based working capital facilities 2	-	-	-	50.00	[ICRA]A+ (Stable)/ [ICRA]A1
NA	Fund-based working capital facilities 3	-	-	-	100.00	[ICRA]A+ (Stable)/ [ICRA]A1
NA	Fund-based working capital facilities 4	-	-	-	60.00	[ICRA]A+ (Stable)/ [ICRA]A1
NA	Fund-based working capital facilities 5	-	-	-	73.00	[ICRA]A+ (Stable)/ [ICRA]A1
NA	Fund-based working capital facilities 6	-	-	-	75.00	[ICRA]A+ (Stable)/ [ICRA]A1
NA	Fund-based working capital facilities 7	-	-	-	150.00	[ICRA]A+ (Stable)/ [ICRA]A1
NA	Fund-based working capital facilities 8	-	-	-	100.00	[ICRA]A+ (Stable)/ [ICRA]A1
NA	Fund-based working capital facilities 9	-	-	-	70.00	[ICRA]A+ (Stable)/ [ICRA]A1
NA	Fund-based working capital facilities 10	-	-	-	90.00	[ICRA]A+ (Stable)/ [ICRA]A1
NA	Fund-based working capital facilities 11	-	-	-	95.00	[ICRA]A+ (Stable)/ [ICRA]A1
NA	Non-Fund-based working capital facilities#	-	-	-	(10.00)	[ICRA]A1
NA	Unallocated Limits	-	-	-	589.00	[ICRA]A+ (Stable)/ [ICRA]A1

Source: Joyalukkas India Limited

 # Non-fund based working capital facilities is the sub-limit of the fund based working capital facilities

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Not applicable

Corrigendum

Rationale dated March 12, 2025 has been revised with the changes as below:

- On receipt of better clarity and documentation from the company, the content in the section of 'Ongoing legal and taxation matters', in Page – 3, has been modified
- The same has been appropriately modified in the section of 'Rationale' in Page - 1

ANALYST CONTACTS

Mr. Shamsher Dewan
+91 124 4545328
shamsherd@icraindia.com

Ms. Kinjal Shah
+91 22 6114 3400
kinjal.shah@icraindia.com

Mr. Sujoy Saha
+91 33 6521 6805
sujoy.saha@icraindia.com

Mr. Sandipan Kumar Das
+91 33 6521 6807
andipan.das@icraindia.com

RELATIONSHIP CONTACT

Mr. 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

ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches