June 10, 2025

Thangamayil Jewellery Limited: Ratings upgraded to [ICRA]A+ (Stable)/ [ICRA]A1

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fixed Deposit Programme	95.00	95.00	[ICRA]A+ (Stable), upgraded from [ICRA]A (Stable)
Long-term – Fund-based Limits – Working Capital Facilities	257.00	-	-
Long-term – Interchangeable Limits	(153.00)	-	-
Short-term – Fund-based Limits	254.00	-	-
Short-term – Interchangeable Limits	(257.00)	-	-
Long-term/ Short-term – Fund-based Limits – Working Capital Facilities	-	511.00	[ICRA]A+ (Stable)/ [ICRA]A1, upgraded from [ICRA]A (Stable)/ [ICRA]A2+
Short-term – Non-Fund-based Limits – Interchangeable Limits$	-	(225.00)	[ICRA]A1, upgraded from [ICRA]A2+
Total	**606.00**	**606.00**	

**Instrument details are provided in Annexure I*

$ Sub-limit of the fund-based working capital facilities

Rationale

The ratings upgrade of Thangamayil Jewellery Limited (TMJL) considers its improved financial profile, post the rights issue in March 2025 and a steady growth in its turnover over the past few years, which ICRA expects to continue in the medium term, given the store expansion planned by the entity and continuing rise in gold prices. ICRA notes that the company raised around Rs. 510 crore from fresh issue of equity shares through a rights issue, which strengthened its net worth, and positively impacted the capital structure. ICRA notes that TMJL incurred a one-time loss due to reduction in import duty on gold, which along with front-loaded expenses towards sales and promotional initiatives, employee costs and other overheads towards upcoming store opening programme, resulted in a decline in the operating margin by around 110 bps to 4.4% in FY2025 over the previous fiscal. However, the same is likely to recover in FY2026, supported by reduced overheads and benefits arising from the economies of scale.

The ratings continue to favourably factor in the long experience of the promoters in the retailing business of jewellery made of gold, silver, platinum and diamond, along with TMJL's long presence and strong brand recall in Tamil Nadu. In view of the planned expansion of its retail outlets and rising gold prices, the top line of the company is likely to register a sizeable growth in the medium term. The RoCE of the company is likely to remain at a healthy level in the near-to-medium term. TMJL's comfortable financial risk profile, as reflected by adequate coverage metrics, also supports the ratings. The ratings further consider the favourable long-term growth prospects for organised jewellers with an accelerated shift in the market share from unorganised jewellers over the medium term, which is likely to benefit TMJL.

The ratings, however, are constrained by the vulnerability of TMJL's earnings to volatility in gold prices, an intense competition on the back of a fragmented industry structure and aggressive store expansion plans undertaken by large players, 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. The ratings are also impacted by the high geographical and product concentration risks as TMJL derives its entire revenue from Tamil Nadu and around 90% of its revenue comes from gold jewellery.

The Stable outlook on the long-term rating reflects ICRA's opinion that TMJL'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 along with strong brand recognition in Tamil Nadu – TMJL operates through 62 company-owned and company-operated stores and commands a strong market presence in the tier-II and tier-III cities of Tamil Nadu along with a dominant position in the Madurai market. The promoters' extensive experience in the jewellery retail industry and TMJL's healthy brand recall in most of its key operating regions support its operating performance, as demonstrated by the healthy revenue growth over the years. The company's established market position is also reflected by the healthy scale-up of some of its new stores in new markets in the recent past. ICRA notes that the company has entered the Chennai market in February 2025, with its flagship outlet, which is expected to strengthen its brand position. ICRA expects TMJL's strong brand equity to aid in its revenue growth in existing and new markets over the medium term, also reflected by its revenue growth of around 41% on a YoY basis to Rs. 1,381 crore in Q4 FY2025. The company has plans to open around ten mid-level retail outlets across Tamil Nadu in FY2026.

Steady growth in top line, likely to continue over the medium term – The operating income of the company witnessed a steady growth over the past few years, primarily driven by the increase in gold price, although volume contribution played a significant role towards the growth trajectory. The company has been adding new stores over the past few years, which also augmented revenue growth. The operating income of the company grew to around Rs. 4,911 crore in FY2025, registering a YoY growth of around 28%. Moreover, increase in revenue from non-gold jewellery, which accounted for ~10% of its revenue in FY2025, also supported its top line growth. In view of the planned addition of retail outlets and a strong brand equity of the company, the overall volume of sales in FY2026 is likely to grow, though the same may moderate on a YoY basis. However, the company's operating income is likely to rise by around 25%, on a YoY basis, in the current fiscal on the back of a sharp increase in gold price. The overall profits and cash accruals from the business are also estimated to increase in FY2026, driven by the growing scale of operations along with improved margins.

Successful execution of rights issue, leading to an improvement in the capital structure; debt protection metrics continue to remain comfortable – The overall debt level of the company has gone up in FY2025, on a YoY basis, due to an increase in the working capital borrowings to support revenue growth. However, infusion of equity worth Rs. 510 crore through rights issue, led to an improvement in the capital structure of the company with a gearing and TOL/TNW of 0.7 times and 1.3 times as on March 31, 2025, and the debt coverage indicators continue to remain comfortable. Despite a likely increase in the overall borrowings, precisely working capital, of the company, ICRA does not foresee any major deterioration in the capital structure and coverage indicators of the company, going forward.

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 the organised jewellery retailers like TMJL over the medium term, supported by its expanding retail presence. Also, reduction in customs duty on gold by 9% from July 24, 2024 is also likely to have curbed illicit import of gold into India, benefitting the organised jewellery sector.

Credit challenges

Performance exposed to intense competition and regulatory risks in retail jewellery segment – Jewellery retail business is very competitive, with a large share of unorganised trade. This coupled with robust store expansions by larger retailers into tier-2 and tier-3 cities in the recent years has intensified competition and limited the pricing flexibility. TMJL remains exposed to intense competition with limited pricing flexibility with the presence of a large number of organised and unorganised players, which would keep its margins under check. Further, the share of studded jewellery remains low, in line with the consumer preferences in the state in which TMJL operates, which limits its profitability to an extent. ICRA notes that the company incurred a one-time loss due to reduction in import duty on gold, which along with front-loaded expenses towards sales and promotional initiatives, employee costs and other overheads towards upcoming store opening programme, resulted in a decline in the OPM to 4.4% in FY2025 from 5.5% in FY2024. The net profit margin (NPM) followed suit and moderated to 2.4% in FY2025 from 3.2% in FY2024. ICRA expects the OPM of the company to remain in the range of 5-6%, going forward. In view of the growing scale of operations, supported by improved margins, the overall profits and cash accruals from the business are estimated to increase in FY2026. The RoCE of the company are also estimated to remain at a comfortable level of 15-16%, going forward. The jewellery retail industry has witnessed increased regulatory intervention in the recent years, like restrictions on bullion imports, limited access to gold metal loans, limitation on jewellery saving schemes, mandatory PAN disclosure on transactions above a threshold limit, implementation of the Goods and Service Tax etc., 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, TMJL enjoys a healthy relationship with banks and has been able to increase its working capital limits on a timely basis.

Exposure to high geographical concentration risk – The company remains dependent on the Tamil Nadu market, with all its showrooms located within the state (with higher concentration in the Madurai market). This exposes its revenue and earnings to fluctuations in demand within the state. While ICRA notes that the company has been entering new markets within the state to increase its market share, its revenue would continue to remain concentrated in Tamil Nadu. TMJL's earnings and profitability remain exposed to volatility in gold prices. The risk is, however, largely mitigated by TMJL's defined inventory hedging policy wherein around 96% of its inventory in FY2025 (89% in FY2024) was hedged through gold metal loans, customer advances and financial derivatives.

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. TMJL maintains an inventory of 3-4 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 increased to 29% in end-March 2025 from 20% in FY2024, largely driven by a rise in the inventory holding, a portion of which was allocated towards the upcoming stores. With a large stockholding requirement, dependence on working capital loans remains high. The company's ability to manage its inventory levels and liquidity position, while increasing the scale will be the key determinants of its financial risk profile.

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.

Liquidity position: Adequate

Cash accruals generated from business in FY2025 was over Rs. 125 crore and the same is expected to increase beyond Rs. 180 crore in the current fiscal. The company's cash flow from operations turned negative in FY2025, primarily on the back of a sizeable increase in the working capital requirement to support the enhanced scale of operations. A sizeable growth in the top line is expected in FY2026 via addition of new stores and increasing gold prices, which would lead to higher inventory holding and is likely to keep the cash flow from operations negative in FY2026 as well, though the same would improve from FY2025. The average fund-based working capital utilisation of the company stood at a moderate level of 71% during the last twelve months, ended in April 2025, leaving adequate room for future working capital requirement. Moreover, the company is in the process of tying up additional working capital facilities with the banks, which if sanctioned, would add to its liquidity buffer. The company has long-term debt repayment obligations of around Rs. 52 crore, including lease liabilities, in the current fiscal. In view of surplus cash/ bank balance, which along with incremental customer advances would be adequate to meet its incremental working capital requirements, long-term debt repayment obligations and moderate capital expenditure of around Rs. 30 crore. ICRA expects the overall liquidity position of the company to remain adequate, going forward.

Rating sensitivities

Positive factors – ICRA may upgrade the ratings of TMJL if there is a sustained healthy growth in revenues and earnings along with an improvement in the inventory turnover, which would strengthen its credit metrics, return indicators and liquidity position.

Negative factors – ICRA may downgrade the ratings of TMJL if there is a sharp deterioration in the company's earnings or an elongation in its working capital cycle, adversely impacting its debt protection metrics and liquidity position. Specific credit metrics that could result in rating downgrade include TOL/TNW above 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 financial statements of the company

About the company

Thangamayil Jewellery Limited (TMJL) is a jewellery retailer based in Tamil Nadu. The company was initially established as a proprietorship firm by Late Baluswamy Chettiar in 1947. The company went public in January 2010 and is listed on BSE and NSE. At present, the company is managed by Mr. Balaram Govind Das, Mr. Ba. Ramesh and Mr. N. B. Kumar, sons of the promoter. The company is involved in retailing of gold/ silver/ diamond/ platinum and various studded jewellery and operates through 62 showrooms, as of May 2025, spread across Tamil Nadu.

Key financial indicators (audited)

TMJL, Standalone	FY2023	FY2024	FY2025
Operating income	3,153.1	3,827.3	4,911.2
PAT	80.5	123.3	119.4
OPBDIT/OI	4.8%	5.5%	4.4%
PAT/OI	2.6%	3.2%	2.4%
Total outside liabilities/Tangible net worth (times)	2.2	2.0	1.3
Total debt/OPBDIT (times)	3.8	2.5	3.7
Interest coverage (times)	4.9	6.7	6.0

Source: Thangamayil Jewellery Limited, 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

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					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Jun 10, 2025	Date	Rating	Date	Rating	Date	Rating
Fixed Deposit	Long Term	95.00	**[ICRA]A+ (Stable)**	Aug 2, 2024	[ICRA]A (Stable)	Mar 26, 2024	[ICRA]A- (Positive)	Aug 25, 2022	[ICRA]A- (Stable)
			-	-	-	Oct 4, 2023	[ICRA]A- (Positive)	Jun 3, 2022	[ICRA]A- (Stable)
			-	-	-	Jul 3, 2023	[ICRA]A- (Positive)	-	-
Fund-based – Working Capital Facilities	Long Term/ Short Term	511.00	**[ICRA]A+ (Stable)/ [ICRA]A1**	-	-	-	-	-	-
Non-fund based – Interchangeable#	Short Term	(225.00)	**[ICRA]A1**	-	-	-	-	-	-
Working Capital Facilities	Long Term	-	-	Aug 2, 2024	[ICRA]A (Stable)	Mar 26, 2024	[ICRA]A- (Positive)	Aug 25, 2022	[ICRA]A- (Stable)
			-	-	-	Oct 4, 2023	[ICRA]A- (Positive)	Jun 3, 2022	[ICRA]A- (Stable)
			-	-	-	Jul 3, 2023	[ICRA]A- (Positive)	-	-
Interchangeable Limits	Long Term	-	-	Aug 2, 2024	[ICRA]A (Stable)	Mar 26, 2024	[ICRA]A- (Positive)	Aug 25, 2022	[ICRA]A- (Stable)
			-	-	-	Oct 4, 2023	[ICRA]A- (Positive)	-	-
			-	-	-	Jul 3, 2023	[ICRA]A- (Positive)	-	-
Fund-based Limits	Short Term	-	-	Aug 2, 2024	[ICRA]A2+	Mar 26, 2024	[ICRA]2+	Aug 25, 2022	[ICRA]2+
			-	-	-	Oct 4, 2023	[ICRA]2+	Jun 3, 2022	[ICRA]2+
			-	-	-	Jul 3, 2023	[ICRA]2+	-	-
Interchangeable Limits	Short-term	-	-	Aug 2, 2024	[ICRA]A2+	Mar 26, 2024	[ICRA]2+	Aug 25, 2022	[ICRA]2+
			-	-	-	Oct 4, 2023	[ICRA]2+	Jun 3, 2022	[ICRA]2+
			-	-	-	Jul 3, 2023	[ICRA]2+	-	-
Unallocated Limits	Long Term/ Short Term	-	-	-	-	Oct 4, 2023	[ICRA]A- (Positive)/ [ICRA]A2+	Aug 25, 2022	[ICRA]A- (Stable)/ [ICRA]A2+

 # Sub-limit of the fund-based working capital facilities

Complexity level of the rated instruments

Instrument	Complexity indicator
Fixed Deposit	Very Simple
Long-term/ Short-term fund-based – Working Capital Facilities	Simple
Short-term Non-Fund-based – Interchangeable	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	Fixed Deposit	-	-	-	95.00	[ICRA]A+ (Stable)
NA	Fund-based Working Capital Facilities 1	-	-	-	100.00	[ICRA]A+ (Stable)/ [ICRA]A1
NA	Fund-based Working Capital Facilities 2	-	-	-	99.00	[ICRA]A+ (Stable)/ [ICRA]A1
NA	Fund-based Working Capital Facilities 3	-	-	-	137.00	[ICRA]A+ (Stable)/ [ICRA]A1
NA	Fund-based Working Capital Facilities 4	-	-	-	75.00	[ICRA]A+ (Stable)/ [ICRA]A1
NA	Fund-based Working Capital Facilities 5	-	-	-	50.00	[ICRA]A+ (Stable)/ [ICRA]A1
NA	Fund-based Working Capital Facilities 6	-	-	-	50.00	[ICRA]A+ (Stable)/ [ICRA]A1
NA	Short-term Non-fund-based Interchangeable Limits 1#	-	-	-	(100.00)	[ICRA]A1
NA	Short-term Non-fund-based Interchangeable Limits 2#	-	-	-	(75.00)	[ICRA]A1
NA	Short-term Non-fund-based Interchangeable Limits 3#	-	-	-	(50.00)	[ICRA]A1

Source: Thangamayil Jewellery Limited

 # 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

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