

July 11, 2025

Narbada Gems & Jewellery Limited: Ratings assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term/short-term- Fund based - Working capital facilities	35.00	[ICRA]BBB-; Rating Watch with Developing Implications/[ICRA]A3; Rating Watch with Developing Implications; assigned
Short-term - Fund based – EPC/PCFC (Sublimit)	(6.00)	[ICRA]A3; Rating Watch with Developing Implications; assigned
Short-term- Fund based - Bill discounting (Sublimit)	(16.00)	[ICRA]A3; Rating Watch with Developing Implications; assigned
Short-term- Non-fund based- BG (Sublimit)	(10.00)	[ICRA]A3; Rating Watch with Developing Implications; assigned
Total	35.00	

*Instrument details are provided in Annexure-I

Rationale

The ratings assigned to the bank lines of Narbada Gems and Jewellery Ltd (NGJL) consider the company's established presence and the promoters' experience in the studded jewellery manufacturing business along with the stable demand outlook. The rating watch with developing implications considers the ongoing scheme of amalgamation¹ of NGJL and Uday Jewellery Industries Limited (UJIL, rated [ICRA]BBB(Stable)) and the watch will be resolved after completion of the proposed scheme.

NGJL is a part of the Hanumant Rai Sanghi Group, which has more than two decades of experience in manufacturing gold jewellery. The company reported revenue of Rs. 85.4 crore in FY2025 with operating and net margins of 11.0% and 5.7%, respectively, in FY2025. NGJL has a comfortable credit risk profile with a conservative capital structure (Total Debt/Tangible Net Worth) of 0.5 times as on March 31, 2025, and healthy coverage indicators marked by interest coverage ratio at 4.0 times and debt service coverage ratio at 2.5 times for FY2025. The ratings also consider NGJL's established relationships with reputed jewellery retail chains in the domestic markets, as reflected in repeat business over the years.

The ratings are, however, constrained by its small scale and working capital-intensive nature of operations, with Net Working Capital/Operating Income (NWC/OI) being high. The ratings also are constrained by NGJL's high customer concentration risk with 72.5% of its revenues derived from its top five customers in FY2025. However, comfort can be drawn from NGJL's established relationships with most of these customers, hence yielding repeat orders. The ratings also factor in the intense competition in the gold manufacturing segment, which limits its pricing ability and exposes earnings to fluctuation in gold prices.

¹ On August 31, 2024, the board of Narbada Gems and Jewellery Limited (NGJL) provided in-principle approval for the amalgamation of Uday Jewellery Industries Limited (UJIL) with NGJL and has constituted a specific committee. Further, on September 16, 2024, the board had approved the scheme of arrangement for amalgamation of NGJL (transferor company) with UJIL (transferee company). Basis the proposed scheme, shareholders of NGJL would be allotted 4,623 equity shares of UJIL for every 10,000 equity shares in NGJL. Subsequently, NGJL received an order on June 13, 2025 from National Company Law Tribunal (NCLT) to convene a meeting of shareholders.

Key rating drivers and their description

Credit strengths

Established presence in the industry - NGJL is a 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 forging established relationships with large jewellery retailers such as Malabar Gold Limited, GRT Jewellers (India) Pvt Ltd etc., reflected in repeat business over the years.

Regulations in industry support organised players - The increasing regulations in the jewellery industry, aimed at improving transparency and standardisation over the recent years, have accelerated the shift in market share to organised from unorganised players. The overall growth prospects remain favourable for organised jewellery manufacturers over the medium term.

Comfortable financial risk profile - NGJL's capitalisation is comfortable, driven by steady increase in retained earnings and no major debt-funded capital expenditure incurred over the last three fiscals. The gearing and TOL/TNW stood at 0.5 times and 0.7 times, respectively, as on March 31, 2025. Besides, coverage indicators remained healthy with an interest coverage ratio and debt servicing coverage ratio of 4.0 times and 2.5 times, respectively, for FY2025.

Credit challenges

Elongated working capital cycle - The operations of NGJL are working capital intensive due to the inherent nature of the industry and the company's policy of purchasing diamond and other stones in bulk towards availing volume discounts. Besides, NGJL provides credit of 60-90 days to its customers. The average inventory holding of NGJL stood high at 323 days as on March 31, 2025, resulting in a high NWC/OI of 89.2% in FY2025.

Moderate scale of operations and high customer concentration limit pricing flexibility – NGJL's scale of operations is modest with the entity registering an operating income of Rs. 85.4 crore in FY2025. Besides, NGJL is exposed to high customer concentration risk with 72.5% of its revenues being derived from the top five customers in FY2025. However, its established relationships with most of these clients yield repeat orders, which provide some comfort. NGJL also faces intense competition from unorganised players in the manufacturing segment and other established brands in the market, which limits its pricing flexibility, and the high inventory of unhedged raw materials exposes its 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. Few issues of concern include episodes of excessive rainfall/flooding in the operating regions, impacting its jewellery stores. Additionally, the indirect risk 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 wholesale 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. Additionally, with a relatively high requirement of workforce for jewellery manufacturing, the level of wages and associated fixed costs could weigh on margins, especially given the skilled nature of work.

Liquidity position: Adequate

NGJL's liquidity position is expected to be adequate, supported by cash generated from operations in the range of Rs. 5-6 crore in FY2026, and adequate unutilised lines of credit. The average utilisation of its working capital facilities stood at 85.2% of the sanctioned working capital limit of Rs. 30 crore, over the last 12 months ended May 2025. ICRA further notes that the company does not have any major debt repayment and capex plan in the coming years, and its cash flows are expected to be sufficient in supporting its working capital requirements.

Rating sensitivities

Positive factors – ICRA would resolve the watch on completion of the proposed merger leading to an improvement in the overall credit profile of the merged entity.

Negative factors – The ratings may be downgraded, in case of a sustained pressure in the operating performance, or any elongation of its working capital cycle adversely impacting its liquidity.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the standalone financial statement of the rated entity

About the company

NGJL, incorporated in 1992, is a part of the Hanumant Rai Sanghi Group. In September 2006, the company was taken over by the present management and the name was changed to Narbada Gems and Jewellery Limited. NGJL is engaged in the manufacturing of flat diamond studded and coloured precious stone-studded jewellery. The company's corporate office and manufacturing facilities are at Hyderguda, Hyderabad. The entity is listed on the Bombay Stock Exchange.

Key financial indicators (audited)

Standalone	FY2024	FY2025 [^]
Operating income	84.4	85.4
PAT	5.1	4.9
OPBDIT/OI (%)	10.7%	11.0%
PAT/OI (%)	6.0%	5.7%
Total outside liabilities/Tangible net worth (times)	0.6	0.7
Total debt/OPBDIT (times)	2.7	3.0
Interest coverage (times)	5.1	4.0

Source: Company, ICRA Research; [^]Results; All ratios as per ICRA's calculations; Amounts in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: NA

Any other information: None

Rating history for past three years

Instrument	Current Ratings (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs. Crore)	July 11, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Fund based- Working capital facilities	Long-term/ Short-term	35.00	[ICRA]BBB-; Rating Watch with Developing Implications / [ICRA]A3; Rating Watch with Developing Implications	-	-	-	-	-	-
Fund based – EPC/PCFC (Sublimit)	Short-term	(6.00)	[ICRA]A3; Rating Watch with Developing Implications	-	-	-	-	-	-

Fund based- Bill Discounting (Sublimit)	Short-term	(16.00)	[ICRA]A3; Rating Watch with Developing Implications	-	-	-	-	-	-
Non-fund based- BG (Sublimit)	Short Term	(10.00)	[ICRA]A3; Rating Watch with Developing Implications	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term / short term- Fund based- Working capital facilities	Simple
Short term-Fund based – EPC/PCFC (Sublimit)	Simple
Short term- Fund based- Bill Discounting (Sublimit)	Simple
Short term- Non-fund based- BG (Sublimit)	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/Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Working capital facilities	NA	NA	NA	35.0	[ICRA]BBB-; Rating Watch with Developing Implications / [ICRA]A3; Rating Watch with Developing Implications
NA	EPC/PCFC (Sublimit)	NA	NA	NA	(6.0)	[ICRA]A3; Rating Watch with Developing Implications
NA	Bill Discounting (Sublimit)	NA	NA	NA	(16.0)	[ICRA]A3; Rating Watch with Developing Implications
NA	BG (Sublimit)	NA	NA	NA	(10.0)	[ICRA]A3; Rating Watch with Developing Implications

Source: LLP

[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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