

Krishna Jewels

December 06, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	65.00	CARE BBB-; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Krishna Jewels (KJ) factor in the long-standing experience of the promoter in jewellery retailing business, established operational track record, and comfortable capital structure with stable debt coverage indicators. However, ratings are constrained by a single showroom presence, volatile gold prices, partnership nature of constitution and highly competitive and fragmented nature of industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in scale of operations above ₹600 crores.
- Stabilise profit before interest, lease rentals, depreciation, and taxation (PBILDT) margins above 4%.

Negative factors

- Deterioration in overall gearing beyond 1.5x.
- Substantial elongation in working capital cycle leading to deterioration of liquidity profile.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that the firm's credit profile in the medium term would remain stable marked by consistent growth in scale and comfortable capital structure.

Detailed description of key rating drivers:

Key strengths

Established operational track record and brand in the north region of Kerala

"Kunhikannan Jewellery" was established in 1985 by M Kunhikannan as a proprietary concern. Subsequently, it was converted to a partnership firm with partners, C V Ravindranath son-in-law, M Pramod Kumar and M Praveesh, sons of M Kunhikannan and their family. In April 2013, Krishna Jewels, a new jewellery showroom over an area of 1.62 acres land with four floors was inaugurated. The firm has a network of ~100 gold artisans who work for the showroom, and it also sources readymade ornaments through vendors and exhibitions. The firm has a staff of ~200 people who manage the sales, quality check, procurement, and production, among others.

Extensive experience of promoters in jewellery business

Dr C V Ravindranath, the managing partner, is a postgraduate in Hotel Management from IHM – Mumbai and in Sales and Marketing from Cornell University, USA. Ravindranath is supported by his brothers-in-law, M Pramod Kumar, managing operations

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

and Praveesh managing sales. Three daughters of Ravindranath, Sunita, Subha and Sanita and two grandsons of M Kunhikannan, Abhishek and Ratan also joined the firm. In 2019, the firm ventured into the hospitality sector, in name of Krishna Beach Resort in Kannur. The resort spread over five acres of land is a division of KJ and started operations in August 2019. The management plans to diversify the business through scaling up operations in the same. The resort's turnover increased to ₹7.35 crore in FY24 from ₹4.77 crore in the previous year, with a PBILDT of ₹0.66 crore (PY: ₹0.23 crores). The resort segment contributed to 2% of the total income and 5% of PBILDT in FY24.

Comfortable capital structure

The firm does not have any major term loans and enjoys only working capital facilities. The firm's overall gearing stood at 1.10x as on March 31, 2024 (PY: 1.15x as on March 31, 2023). The overall gearing is inclusive of the order advances from customers. There was an embezzlement of ₹7.55 crore reportedly done by the firm's former employee from 2009 to 2021. However, the firm chose not to provide for the embezzlement loss as the matter is currently under litigation and the firm expects to recover the amount from the alleged person. Despite adjusting for the embezzlement money, the overall gearing still remains comfortable at 1.22x as on March 31, 2024.

Key weaknesses

Partnership nature of constitution

The partnership nature of business has an inherent risk of withdrawal of capital by the partners at the time of their personal contingencies leading to adverse effects on capital structure. However, the partners have not done any major capital withdrawal in the last few years and profits are reinvested in the business. Following the identification of embezzlement, the firm established a dedicated internal team to regularly monitor the financial records and also appointed an auditing firm to carry out the internal audit in a timely manner.

Moderation in scale in FY24 and thin margins remain susceptible to volatile gold prices

The firm has experienced moderation in its operational scale with revenue dropping from ₹403.17 crore in FY23 to ₹368.88 crore in FY24. This decrease was primarily due to 22% drop in sales volume, considering an increase in gold rate. Gold prices increased ~17% in FY24 and remained volatile in H1FY25. Volatility in gold prices and regulatory controls have an impact on the margins of players in the gems and jewellery industry. KJ's profit margins are exposed to volatile gold prices and remained thin in the range of 2.5% to 4.5%. The company uses hedging through same day replenishment to safeguard itself against the price movements on a case-to-case basis. The firm also has tie-ups with local vendors to hedge the prices of procurement, which also mitigates the risk to a certain extent. The PBILDT margin improved marginally from 3.25% to 3.50% in FY24 with improved sales realisation.

Single showroom entity in highly competitive and fragmented industry

The firm operates through a single showroom in Kannur spread across 1.62 acres with four floors. The firm does not foresee any addition of a showroom in the near future. With no major showroom additions, and operating from a single showroom, KJ has a high risk of revenue concentration.

The gold and jewellery industry in India is characterised by the presence of many organised and unorganised players with the share of organised jewellery retail sector (comprising national and regional retail chains) at a mere 20%. Increasing penetration of organised players who offer greater variety in the terms of product-mix and jewellery design; and customer's changing lifestyle, increasing urbanisation, growing trend towards online buying and strategic marketing by the jewelers is envisaged to increase the share of organised jewellery retail segment going ahead.

Liquidity: Adequate

KJ's liquidity stood adequate with GCA of ₹5.24 crore in FY24 against negligible debt repayment obligations. The retail jewellery business is characterised by a high inventory holding (typically of 2-3 months of sales) due to the requirement to keep sufficient stock in the form of finished goods at the large format showroom for display and sales, leading to high working capital intensity. The average inventory period varies from 60-100 days in the last five years except in FY24 where inventory period is marginally elongated. The company's operating cycle stood at 104 days as on March 31, 2024 (PY: 86 days). Average working capital utilisation stood high at 95.21% for the last 12 months ended September 2024. The firm's cash and bank balance stood at ₹5.57 crore as on March 31, 2024.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Retail](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Consumer durables	Consumer durables	Gems, jewellery and watches

Krishna Jewels was started in 1985 as M Kunhikannan Jewellery, Kannur by M Kunhikannan as a proprietary concern. It has rose to a partnership firm at 24000 square feet showroom, namely Krishna Jewels with over 200 employees, currently managed by Dr C V Ravindranath, son-in-law of M Kunhikannan, and two sons Pramod Kumar and Praveesh, along with other family members.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY2025 (UA)
Total operating income	403.17	368.88	198.00
PBILDT	13.08	12.91	NA
PAT	2.34	1.60	NA
Overall gearing (times)	1.15	1.10	NA
Interest coverage (times)	2.40	2.23	NA

A: Audited UA: Unaudited NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA:

Brickwork Ratings has conducted a review on the basis of best available information and has classified the ratings of Krishna Jewels under the 'Issuer not cooperating' category vide a press release dated February 29, 2024. The reason provided by Brickwork was non furnishing of sufficient information towards monitoring ratings.

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	65.00	CARE BBB-; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	65.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (03-Jan-24)	1)CARE BBB-; Stable (02-Feb-23)	-

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Analytical Contacts Sandeep P Director CARE Ratings Limited Phone: +91-44-2850 1002 E-mail: sandeep.prem@careedge.in
Relationship Contact Pradeep Kumar V Senior Director CARE Ratings Limited Phone: +91-44-2850 1001 E-mail: pradeep.kumar@careedge.in	Ratheesh Kumar Associate Director CARE Ratings Limited Phone: +91-44-2850 1009 E-mail: ratheesh.kumar@careedge.in
	Athithya Narayanan S Analyst CARE Ratings Limited E-mail: Athithya.narayanan@careedge.in

About us:

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