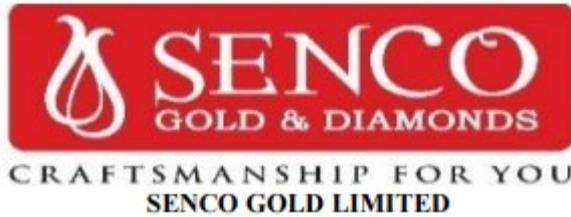




Senco Gold Limited is among very few retail players selling gold and diamond jewellery in organized space, which will be key beneficiary to take advantage of consumer behavior shift from unorganized space to organized space. Company's past financial performance is also robust as its revenue and profit after tax has grown by 24% and 61% in terms of 2 year CAGR respectively. Debt to equity of the company stands at 1.25x for FY2023 as compared to industry average of 0.80x, which can create pressure on the future prospects of the company.

Company is available at P/EPS of 13.82x, which is lower as compared to peer competitors, however the investor needs to be cautious on the company's higher debt. Hence, we have recommended the issue for Listing gains.



#### About the Company:

Senco Gold Ltd is a pan India jewellery retail player with a history of more than five decades. They are the largest organized jewellery and retail player in the eastern region of India based on number of stores and among eastern India based jewellery retailers. They primarily sell gold and diamond jewellery and sell jewellery made of silver, platinum, precious, and semi-precious stones and other metals. As on March 31, 2023, they have 136 showrooms, which have a total area of approximately 409,882 sq. ft., in 96 cities and towns over 13 states across India.

Their wide range of product offerings caters to diverse customer segments. In particular, they cater to the upwardly middle class and younger generation. Further millennials or Gen Y being persons born between 1981 and 1996 tend to have slightly higher disposal income while Gen Z, born after 1996, are yet to hit their peak earning potential, leading to lower disposal incomes. Further, they have a diverse range of offerings within the category of affordable jewellery, with an active catalogue of more than 120,000 designs for gold jewellery designs and more than 69,000 designs for diamond jewellery.

#### Promoters

Mr. Suvankar Sen, Jai Hanuman Shri Siddhivinayak Trust, and Om Gaan Ganpataye Bajrangbali Trust

#### Objective of the Offer

- Funding working capital requirements of the Company
- Sale of Equity Shares of by SAIF Partners India IV Limited (the Selling Shareholder) aggregating up to Rs.135 crores
- General corporate purposes

#### Issue details

Price Band (Rs in per share)	301-317
Issue size (Rs in Crore)	405.00
Fresh Issue size (Rs in Crore)	270.00
OFS Issue size (Rs in Crore)	135.00
Issue open date	04-07-2023
Issue close date	06-07-2023
Tentative date of Allotment	11-07-2023
Tentative date of Listing	14-07-2023
Total number of shares (lakhs)	134.55-127.76
No. of shares for QIBs (50%) (lakhs)	67.28-63.88
No. of shares for NII (15%) (lakhs)	20.18-19.16
No. of shares for retail investors (35%) (lakhs)	47.09-44.72
Minimum order quantity	47
Face value (in Rs)	10
Amount for retail investors (1 lot)	14147-14899
Maximum number of shares for Retail investors at lower Band	658(14 Lots)
Maximum number of shares for Retail investors at upper band	611(13 lots)
Maximum amount for retail investors at lower Band- upper band (in Rs)	198058-193687
Exchanges to be listed on	BSE, NSE

#### RESEARCH ANALYST

Sankita V  
sankita@canmoney.in | Tel 022-43603863





## Financials

Brief Financials			
Particulars (Rs. Cr)*	FY23	FY22	FY21
Share Capital	55.85	53.18	53.18
Net Worth	945.52	725.96	602.62
Revenue from Operations	4108.54	3547.41	2674.92
EBIDTA	347.75	289.95	189.86
EBIDTA Margin	8.46%	8.17%	7.10%
PAT	158.47	129.10	61.48
Basic EPS(Rs)	22.93	19.42	9.25
Net Asset Value (Rs)	136.83	109.20	90.64
P/E#	13.82	NA	NA
P/B#	2.32	NA	NA

Source: RHP # Calculated at the upper price band, \* Restated summary

## Industry Review:

## GLOBAL ECONOMIC OVERVIEW

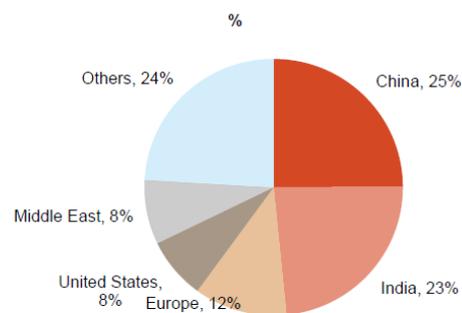
Annual gold demand surged 18% to 4,741 tonnes during CY 2022 because of robust investment demand. Demand for bars and coins grew by 2% to 1,217 tonnes, while holdings in ETFs fell by a smaller amount when compared to CY 2021. Investment demand (excluding OTC) reached 1,107 tonnes – recording a growth of 10%. Higher central bank holdings for two consecutive quarters brought the annual holdings to 1,136 tonnes and contributed to the overall growth in demand.

## Category-wise gold demand

(in tonne)	CY17	CY18	CY19	CY20	CY21	CY22
Jewellery	2,242	2,250	2,127	1,398	2,148	2,086
Investment – bars and coins	1,044	1,090	871	904	1,190	1,217
Investment – ETFs	271	74	400	892	-189	-110
Industrial – dentistry, etc.	333	335	326	303	330	308.5
Central banks	379	656	605	255	450	1136
<b>Total world demand for gold</b>	<b>4,284</b>	<b>4,445</b>	<b>4,354</b>	<b>3,678</b>	<b>4,013</b>	<b>4,741</b>

Source: WGC Gold Demand Trends Full Year 2022

## Region-wise share of gold consumption (jewellery and bars/coins) in 2022, volume



Note: The Middle East includes Saudi Arabia, the UAE, Kuwait, Egypt, Iran and others; Europe includes France, Germany, Italy, Spain, the UK, Switzerland, Austria and others

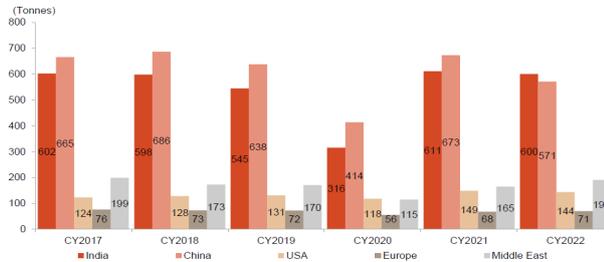
Source: WGC Gold Demand Trends Full Year 2022



### India races ahead of China as largest consumer of gold jewellery in CY 2022

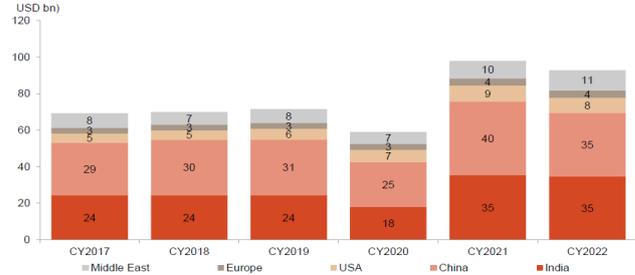
China consumed 571 tonne of gold jewellery in 2022 down from 673 tonnes consumed in CY 2021, recording a fall of 15%. India too witnessed a drop in jewellery demand, but the fall was nominal at 2%. Resultantly, India emerged as the largest consumer of gold jewellery in the world. Together, India and China account for more than half of global gold consumer demand. Other key regions are Europe (71 tonnes) where the fall in demand during the December quarter restricted growth to 4%. Here, a decline in demand from the UK dragged down the overall demand from the European region. US jewellery demand stood at 144 tonnes, lower by 4% when compared to 2021. Much of the fall in demand came during the second half of the year. Additionally, a growing fear of recessions weighed on sentiments and demand.

Region-wise trends in jewellery demand – volume terms



Note: The Middle East includes Saudi Arabia, the UAE, Kuwait, Egypt, Iran and others; Europe includes France, Germany, Italy, Spain, the UK, Switzerland, Austria and others  
Source: WGC Gold Demand Trends 2022

Region-wise trends in jewellery demand – value terms



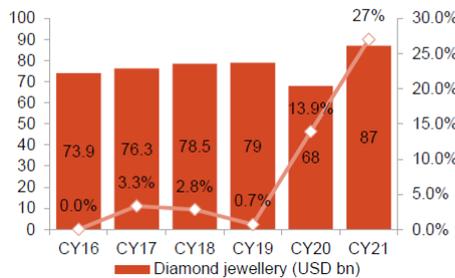
Note: The Middle East includes Saudi Arabia, the UAE, Kuwait, Egypt, Iran and others; Europe includes France, Germany, Italy, Spain, the UK, Switzerland, Austria and others  
Source: WGC Gold Demand Trends 2022

### Global diamond jewellery demand declined 14% in 2020 due to lockdown and mobility restrictions, rose by nearly a third in 2021

Demand for diamond jewellery declined to \$68 billion in 2020, compared with \$79 billion in 2019, owing to lockdown and mobility restrictions. The US delivered the best relative performance with de-growth restricted to 7%, driven by the government’s fiscal stimulus programmes and sentiment-driven shopping by consumers for high-quality gifts. Sales plunged in India because of curtailed discretionary spending following Covid-19, with stores remaining shut for most of the June quarter, and intermittent lockdowns in some states in the September quarter. However, demand gradually improved towards the last quarter. There was a resurgence in demand for diamond jewellery in the run-up to the festive season.

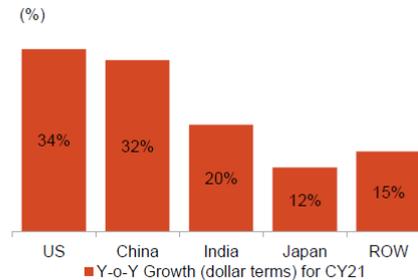
Global demand for natural diamond jewellery witnessed a 27% rise in 2021 to USD 87 billion. This was higher than the demand seen in 2019 by about 10%. This growth in demand was led by an improvement from the US markets, which grew by 34% on a y-o-y basis. Natural diamond jewellery sales in the US rose to USD 47 billion, accounting for over half of overall diamond jewellery sales. The US government’s fiscal stimulus programmes and accumulated savings by customers during the pandemic translated into higher demand. The holiday season at the end of the year witnessed unprecedented growth on an already low base of the pandemic year.

Demand rose by 27% during 2021



Source: De Beers Diamond Insight report

The US registered fastest growth in diamond jewellery sales



Source: De Beers Diamond Insight report

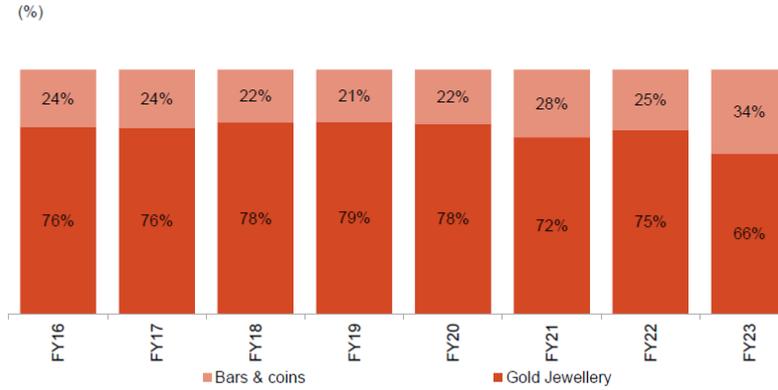


Overview of the Indian gems and jewellery industry

Market estimated at ~Rs 4,700 billion in fiscal 2023

The domestic gems and jewellery market was roughly ~Rs 4,700 billion in fiscal 2023 with gold jewellery dominating the overall market with a 66% share. Domestic jewellery demand has historically been dominated by consumption. Consumption of jewellery studied with diamond, pearls and other precious and semi-precious stones, has also been rising over the past five years but remains significantly lower than that of gold jewellery. Growing demand for studded jewellery could be attributed to changing consumer preferences, a rising presence of organised players and aggressive advertising campaigns.

Domestic gems and jewellery market split



Source: WGC, industry, CRISIL MI&A Research

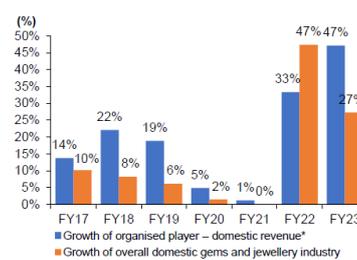
Numerous headwinds led to moderation in gold demand over fiscals 2016-23; organised players grew faster than the industry

The convergence of several growth impediments — moderate growth in GDP per capita, demonetisation, rise in gold prices, the Covid-19 pandemic and adverse regulatory changes (such as an increase in import duty and PMLA implementation) — stalled gold demand growth over fiscals 2016-23. Jewellery demand declined to 558 tonne in fiscal 2017, affected by adverse regulatory changes such as demonetisation of high currency notes in the third quarter of fiscal 2017. It rose to 597 tonne and 604 tonne in fiscals 2018 and 2019, respectively. However, it again declined to 493 tonne and 369 tonne in fiscals 2020 and 2021, respectively, owing to high gold prices, an increase in import duty on gold, as well as Covid-19-induced lockdowns and store shutdowns. Gold jewellery demand rose to 579 tonnes in fiscal 2022 driven by the release of pent-up demand.

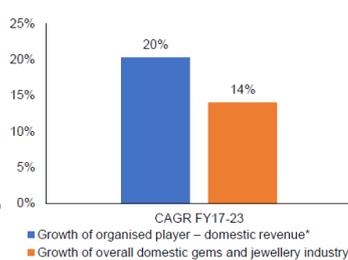
In fiscal 2023, a spike in gold prices during the peak festive season falling in the December quarter as well as an unprecedented rise led by US banking crisis in the March quarter pushed prices up. The rise in prices during the crucial demand season resulted in consumers postponing or entirely deferring purchases. Simultaneously, rising prices were a positive for investment demand resulting in higher offtake of gold bars and coins. As a result, the share of gold jewellery came down from around 75% in fiscal 2022 to 66% in fiscal 2023. Jewellery demand continued to dominate overall gold consumption in India though.

Though affected by an industry-wide slowdown in gold demand in fiscal 2020 and the pandemic in fiscal 2021, organised players continued to grow faster than the industry and gained market share as evident from revenue growth at a 20% CAGR for organised players between fiscals 2017 and 2023 compared with 14% for the industry. To compare growth of the organised players vis-à-vis their unorganised counterparts, CRISIL MI&A Research has considered domestic revenue of a sample of three publicly listed organised jewellery players – Titan (jewellery division), TBZ and Thangamayil.

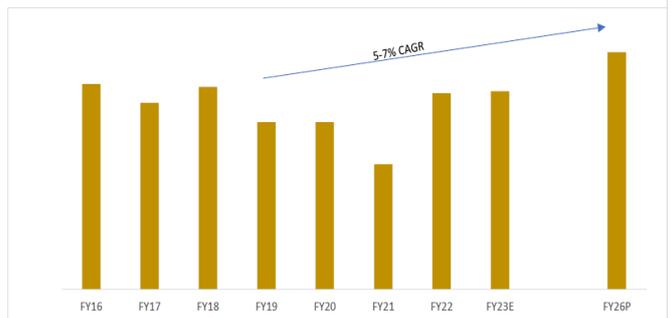
Organised listed players grew faster than the industry in the past six years



Organised players grew at ~20% CAGR vs ~14% for the industry



Trend in gold jewellery demand (volume)



P: Projected  
Source: WGC, CRISIL MI&A Research

Note: organised listed players considered (in both charts) Titan (jewellery division), TBZ and Thangamayil; domestic demand includes gold jewellery and coins  
Source: Company annual reports; WGC; Industry; CRISIL MI&A Research



## Competitive Strengths

### **Strong brand name with heritage and a legacy of over five decades**

They believe their more than five-decade record of accomplishment evokes consumers' trust in their products. To ensure transparency to customers, they have been BIS hallmarking their gold jewellery for all gold jewellery, since 2012, prior to the regulatorily mandated hallmarking, which started from May 2021. They have also installed gold testing machines (XRF machines) to provide assurance to customers for the hallmarked gold jewellery sold by them at all Showrooms and follow stringent and transparent purity checks to ensure quality of their jewellery before being sold to their customers.

### **Strong 'Company Operated Showroom' base complemented by an established asset-light 'franchise' model leading to operating leverage.**

They focus on attaining an optimal balance between their operated Showrooms and expanding their asset-light franchisee model. To capitalise on the shift in consumer demand to organised jewellers from the traditionally unorganised, many brands started to expand their presence at a pan-India level. Apart from opening company-operated showrooms, many also adopted the asset-light, franchisee route for expanding their geographical presence.

They use a 'hub and spoke' approach to enter new geographies and optimize inventory management, which means that they typically foray into large or new cities by way of Company Operated Showrooms and then leverage 'franchise' model to expand into tier-II and tier-III locations. Having implemented this model of growth in West Bengal, with beginnings in Calcutta and subsequent forays into the tier-II and tier-III locations, they have been using it to expand pan India.

### **Calibrated focus on light, affordable jewellery with the intention to cater to the upwardly mobile and younger generation.**

Their wide range of product offerings caters to diverse customer segments. In particular, they cater to the upwardly middle class and younger generation. Further millennials or Gen Y being persons born between 1981 and 1996 tend to have slightly higher disposal income while Gen Z, born after 1996, are yet to hit their peak earning potential, leading to lower disposal incomes. (Source: CRISIL Report) With the increasing number of working women, exposure to global designs and rising number of young consumers who prefer to purchase jewellery for adornment rather than investments, consumer preferences is shifting away from traditional bulky jewellery to lightweight fashion items. Hence, jewellery retailers have started manufacturing lightweight jewellery of contemporary designs, suitable for daily use. (Source: CRISIL Report) Accordingly, their product range, for light and affordable jewellery starts at approximately ₹ 2,000. Further, they have a diverse range of offerings within the category of affordable jewellery, with an active catalogue of more than 120,000 designs for gold jewellery designs and more than 69,000 designs for diamond jewellery.

### **Established Systems and Procedures to mitigate risk and improve efficiencies**

They have established systems and procedures for various facets of business and operations including inventory management, order management, human resource management, finance and controls, CRM, data analytics, management processes and risk management. Their operational processes are set forth in an operating manual, which has been documented by a global consulting firm.



## Risk Factors

### **Risk of losing market share**

They face significant competition in the Indian jewellery market, they risk losing substantial portion of customers and their market share, which will adversely affect their business, financial condition, results of operations and prospects.

### **Changes in gold loan policies**

They obtain gold on loan basis, primarily from bullion banks, which remains subject to RBI regulations. Any adverse change in the regulations governing gold on loan basis may adversely affect their financial condition and results of operations. Further, any inability of one or more of the major bullion banks to loan gold may require them to purchase gold at higher rates thereby adversely affecting the financial conditions.

### **Dependency on skilled personnel**

The business depends on o ability to attract and retain skilled Karigars, designers and sales personnel and employees. Their failure to attract or retain such personnel could materially and adversely affect business, results of operations and financial condition. Further, franchisees employ their own personnel at franchise stores and such personnel are not under their management. Any negative actions by such personnel may have an adverse impact on business and brand image.

**Peer Comparison**

Company	Total Income (in crs)	FV	EPS	NAV	P/E*	P/B*	RoNW (%)	ROCE (%)
Senco Gold Limited	4108.54	10	22.93	136.83	13.82	2.32	18.96%	26.0%
Kalyan Jewellers Limited	14109.33	10	4.20	35.29	35.00	4.17	12.79%	10.50%
Titan Company Limited	40883.00	1	36.61	133.49	83.28	22.84	30.73%	31.90%

*\*P/E & P/B ratio based on closing market price as on June 30th, 2023, At the upper price band of IPO, financial details consolidated audited results as on FY23*

**OUR VIEWS**

Senco Gold Limited is among very few retail players selling gold and diamond jewellery in organized space, which will be key beneficiary to take advantage of consumer behavior shift from unorganized space to organized space. Company's past financial performance is also robust as its revenue and profit after tax has grown by 24% and 61% in terms of 2 year CAGR respectively. Debt to equity of the company stands at 1.25x for FY2023 as compared to industry average of 0.80x, which can create pressure on the future prospects of the company.

Company is available at P/EPS of 13.82x, which is lower as compared to peer competitors, however the investor needs to be cautious on the company's higher debt. Hence, we have recommended the issue for Listing gains.



## Analyst Certification

We/I, Sankita V, MBA, Mcom Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer (s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation (s) or view (s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

## Disclosures and Disclaimers

CANARA BANK SECURITIES LTD (CBSL), a wholly owned subsidiary of CANARA BANK, is a SEBI registered intermediary offering broking services to its institutional and retail clients; we also run a proprietary trading desk. CBSL is member of BSE & NSE. We are registered as RESEARCH ANALYST under SEBI (INH000001253). CBSL or its associates do not have an investment banking business. Hence, they do not manage or co manage any public issue. Neither CBSL nor its associates, neither the research analysts nor their associates nor their relatives (i) have any financial interest in the company which is the subject matter of this research report (ii) holds ownership of one percent or more in the securities of subject company (iii) have any material conflict of interest at the end of the month immediately preceding the date of publication of the research report OR date of the public appearance (iv) have received any compensation from the subject company in the past twelve months (v) have received any compensation for investment banking merchant banking or brokerage services from the subject company in the past twelve months (vi) have received any compensation for any other product or services from the subject company in the past twelve months (vii) have received any compensation or other benefits from the subject company or third party in connection with the research report. (viii) Research Analyst involved in the preparation of Research report discloses that he /she has not served as an officer, director, or employee of subject company (ix) is involved in market making activity of the company.

We shall adhere to SEBI guidelines from time to time.

We may have earlier issued or may issue in future reports on the companies covered herein with recommendations/ information inconsistent or different those made in this report. We may rely on information barriers, such as "Chinese Walls" to control the flow of information contained in one or more areas within us, or other areas, units, groups or affiliates of CBSL. The Research Desk does not solicit any action based on the material contained herein. It is for the general information of the clients / prospective clients of CBSL. CBSL will not treat recipients as clients by virtue of their receiving the research report. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of clients / prospective clients. Similarly, the Research Desk does not have regard to the specific investment objectives, financial situation/circumstances and the particular needs of any specific person who may receive it. The securities discussed in the report may not be suitable for all investors. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. Persons who may receive the research report should consider and independently evaluate whether it is suitable for his/ her/their particular circumstances and, if necessary, seek professional/financial advice. And such person shall be responsible for conducting his/her/their own investigation and analysis of the information contained or referred to in the research report and of evaluating the merits and risks involved in the securities forming the subject matter of the reports. All projections and forecasts in research reports have been prepared by our research team.

The client should not regard the inclusion of the projections and forecasts described herein as a representation or warranty by CBSL. For these reasons; The client should only consider the projections and forecasts described in the research reports after carefully evaluating all of the information in the report, including the assumptions underlying such projections and forecasts. Past performance is not a guide for future performance. Future returns are not guaranteed and a loss of original capital may occur. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. We do not provide tax advice to our clients, and all investors are strongly advised to consult regarding any potential investment. CBSL or its research team involved in the preparation of the research reports, accept no liabilities for any loss or damage of any kind arising out of the use of these reports. The technical levels and trend etc mentioned in our reports are purely based on some technical charts/levels plotted by software used by us and these charts/levels are believed to be reliable. No representation or warranty, express or implied is made that it is accurate or complete. The recommendation expressed in the reports may be subject to change. The recommendations or information contained herein do/does not constitute or purport to constitute investment advice in publicly accessible media and should not be reproduced, transmitted or published by the recipient. This research reports are for the use and consumption of the recipient only. This publication may not be distributed to the public used by the public media without the express written consent of CBSL. The Research reports or any portion hereof may not be printed, sold or distributed without the written consent of CBSL. The research report is strictly confidential and is being furnished to client solely for client's information, may not be distributed to the press or other media and may not be reproduced or redistributed to any other person. The opinions and projections expressed herein are entirely based on certain assumptions & calculations and are given as part of the normal research activity of CBSL and are given as of this date and may be subject to change. Any opinion estimate or projection herein constitutes a view as of the date of this report and there can be no assurance that future results or events will be consistent with any such opinions, estimate or projection. The report has not been prepared by or in conjunction with or on behalf of or at the instigation of, or by arrangement with the company or any of its directors or any other person. Any opinions and projections contained herein are entirely based on certain assumptions and calculations. None of the directors of the company or any other persons in the research team accepts any liability whatsoever for any loss arising from any use of the research report or its contents or otherwise arising in connection therewith. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that the client has read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India (SEBI) before investing in Securities Market. Please remember that investment in stock market is subject to market risk and investors/traders need to do study before taking any position in the market.

**Research Desk**  
**Canara Bank Securities Ltd**  
**SEBI: RESEARCH ANALYST REGISTRATION: INH000001253**  
**BSE: INB 011280238, BSE F&O: INF 011280238**  
**NSE: INB 23180232, F&O: INF 231280232, CDS: 231280232**  
**Maker Chambers III, 7th floor,**  
**Nariman Point, Mumbai 400021**  
**Contact No. : 1800220369/18001031369, 022 - 22802441/42,**  
**43603841/42**  
**Email id: [researchdesk@canmoney.in](mailto:researchdesk@canmoney.in) Website: [www.canmoney.in](http://www.canmoney.in)**