

Senco Gold

Retail | India

IPO | 01 July 2023

Pan-India Jewellery Retailer

About the Company

Senco Gold Limited is a jewellery retailer with its presence across several states in India. The products are sold under its brand name "Senco Gold & Diamonds". The company is primarily engaged in the business of selling gold and diamond jewellery. In addition, it sells jewellery made of silver, platinum, precious and semi-precious stones, and other metals. The company also offers costume jewellery, gold, and silver coins, and utensils made of silver. As of Mar'23, the company leverages multiple channels which includes 75 company operated showrooms, 61 franchisee showrooms and various online platforms, including its own website. It is the largest organised jewellery retail player in the eastern region of India based on number of stores. Among eastern India based jewellery retailers, it has the widest geographical footprint in non-eastern region. The company is coming up with an IPO which comprises of fresh issue of 8.5mn shares and OFS of 4.3mn shares, aggregating to ~Rs4,050mn in the upper price band.

Expansive Set of Jewellery Offerings

The company boasts an expansive catalogue with more than 120,000 designs for gold jewellery and more than 69,000 designs for diamond jewellery. It offers a variety of designs of handcrafted jewellery, most of which are designed and manufactured in-house in collaboration with over 170 skilled local craftsmen in Kolkata and across the country. As on Mar'23, the company has a team of 20 designers. It also manufactures machine-made lightweight jewellery in gold and diamonds in its manufacturing facility based on designs prepared by its inhouse designers, and sources jewellery from third-party vendors.

Brand Reputation & Quality Control

Senco Gold's brand reputation and five-decade long track-record evokes consumers' trust in its products. It ensures quality using the gold testing machines in its showrooms which follow stringent and transparent purity checks. The company aims to achieve the optimal balance between its operated showrooms and expanding its asset-light franchisee model. The company uses a 'hub and spoke' approach to enter new geographies and optimize its inventory management. The company plans to further expand its presence implemented this model of growth in West Bengal, with its beginnings in Calcutta and subsequent forays into the tier-II and tier-III locations.

Financials in Brief

During FY21-23, its revenue/EBITDA/Adj. PAT has grown at a CAGR of 24%/34%/61%. For FY23, its revenue was at Rs40,774mn while EBITDA stood at Rs3,166mn. EBITDA margin increased from 6.6% in FY21 to 7.8% in FY23. Adj. PAT during FY21, FY22 and FY23 stood at Rs615mn, Rs1,291mn and Rs1,585mn respectively. Return ratios are healthy with average RoE/RoCE of 14.9%/11.9% during FY21-23. Average Net Asset Turnover during FY21-23 was at 14.3x.

Our View

On FY23 financials, the IPO is valued at 15.5x P/E, 10.1x EV/EBITDA and 0.8x EV/Sales, at the upper price band, which seems reasonable for the company. While, the company's financials have improved over the last 2 years, its higher concentration in the Eastern region poses challenge. As diamond jewellery market is relatively unorganised, expansive product offerings and the plans to venture into other regions in the country to improve its brand recall and customer base would take some more time for the company. On the other hand, market growth provides an opportunity for expansion going ahead. Current valuation leaves limited upside. We believe it is more or less fairly valued.

IPO Details

Price Band (Rs)	301-317
Face Value (Rs)	10
Issue Open/Closing Date	4-Jul-23/6-Jul-23
Fresh Issues (mn)	8.5
OFS (mn)	4.3
Total Issue (mn)	12.8
Minimum Bid Qty. (Nos)	47
Issue Size (Rs bn)*	4.05
QIB / HNI / Retail	50%/15%/35%
Implied Market Cap (Rs bn)*	24.6

*At higher band

Object of the Issue

- ▶ Funding capex.
- ▶ General corporate purposes.

Key Risk

- ▶ Significant competition in the Indian jewellery market
- ▶ Requires significant amounts of working capital for continued growth
- ▶ Failure to get certain approvals, permits and licenses in the ordinary course of business.
- ▶ Have been subject to a 'search and seizure' operation by the income-tax department in the past
- ▶ Dependent on the ability to attract and retain skilled karigars, designers and sales personnel
- ▶ Factors affecting the procurement of gold or sales of gold jewellery.
- ▶ Have not registered certain trademarks used by for business.
- ▶ Fall in brand's reputation or that brand ambassadors.
- ▶ Majority of the sale of products are dependent on winning bids.
- ▶ failure to effectively implement production schedules

Shareholding (%)	Pre-Issue	Post-Issue
Promoters	76.9	68.5
Others	23.1	31.5

Key Financials

(Rs mn)	FY21	FY22	FY23
Revenue	26,604	35,346	40,774
EBITDA	1,753	2,772	3,166
EBITDA Margin (%)	6.6	7.8	7.8
PAT	615	1,291	1,585
PAT Margin (%)	2.3	3.7	3.9
EPS (Rs)	7.9	16.6	20.4
P/E (x)	40.0	19.1	15.5
EV/EBITDA (x)	16.3	11.0	10.1
EV/Sales (x)	1.1	0.9	0.8
Net Worth	6,026	7,260	9,455
RoE (%)	10.2	17.8	16.8
Gross Debt	5,324	8,630	11,772
Net Block	2,118	2,232	2,797
Net Asset Turnover (x)	12.6	15.8	14.6

Source: RHP

Research Analyst:

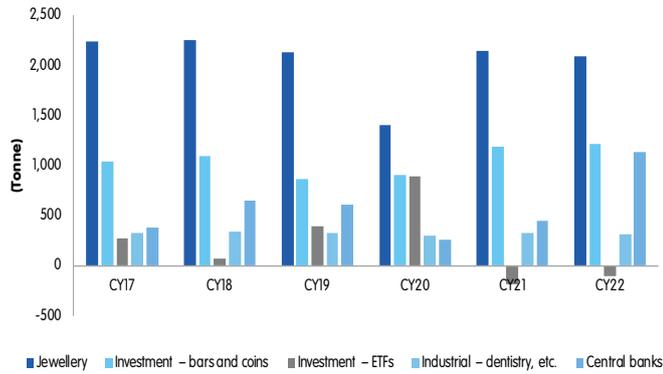
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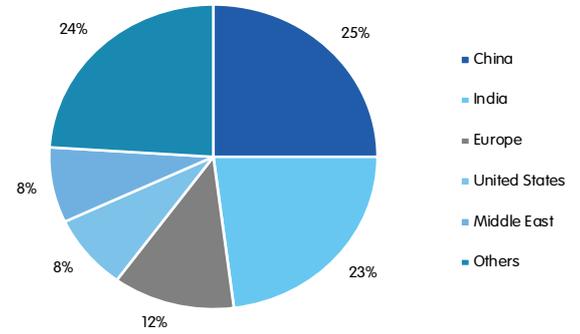
Industry Data

Exhibit 1: Category-Wise Gold Demand



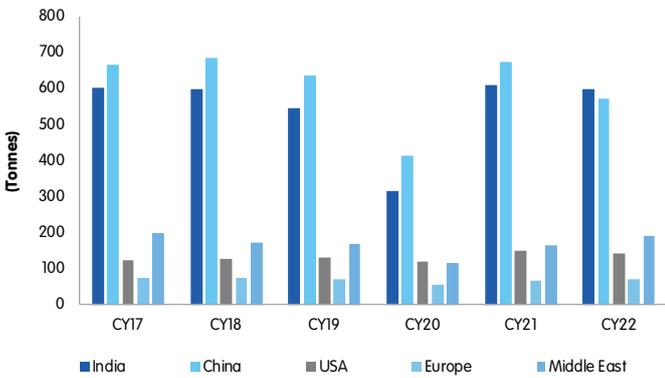
Source: RHP, WGC Gold Demand Trends Full Year 2022

Exhibit 2: Region-Wise Volume Share of Gold Consumption 2022 (%)



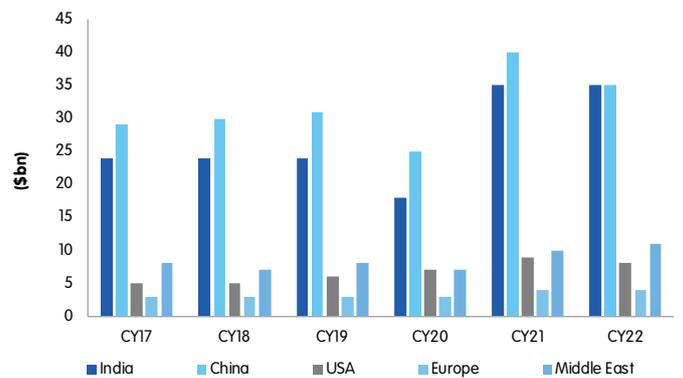
Source: RHP, WGC Gold Demand Trends Full Year 2022

Exhibit 3: Region-Wise Volume Trends in Jewellery Demand



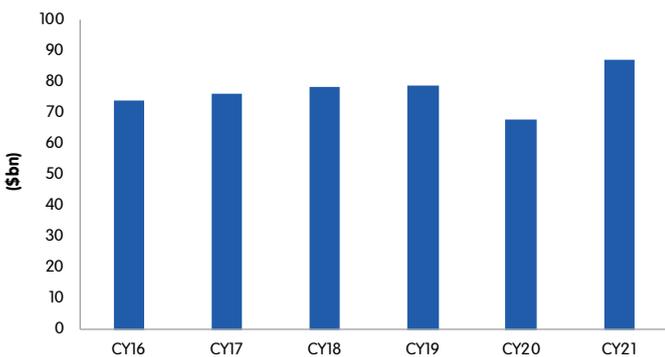
Source: RHP, WGC Gold Demand Trends Full Year 2022

Exhibit 4: Region-Wise Value Trends in Jewellery Demand



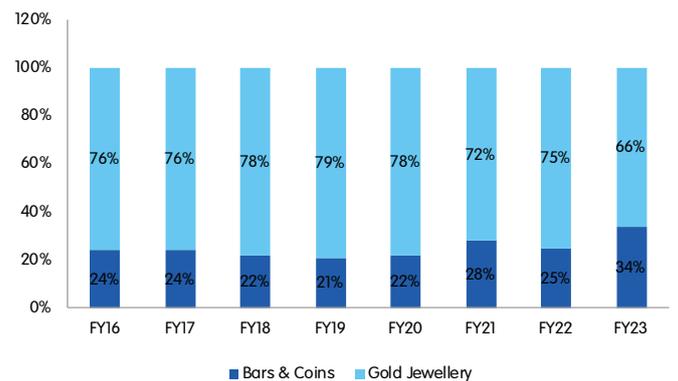
Source: RHP, WGC Gold Demand Trends Full Year 2022

Exhibit 5: Global Diamond Jewellery Demand



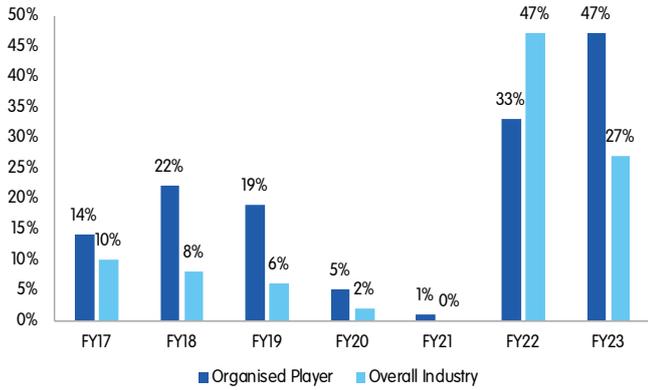
Source: RHP, De Beers Diamond Insight report

Exhibit 6: Domestic Gems and Jewellery Market Split (%)



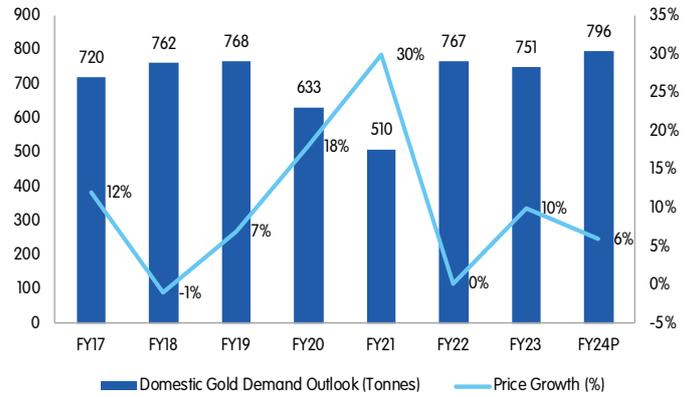
Source: RHP, WGC, Industry, CRISIL MI&A Research

Exhibit 7: Organised Vs Overall Domestic Gems & Jewellery Industry Growth (%)



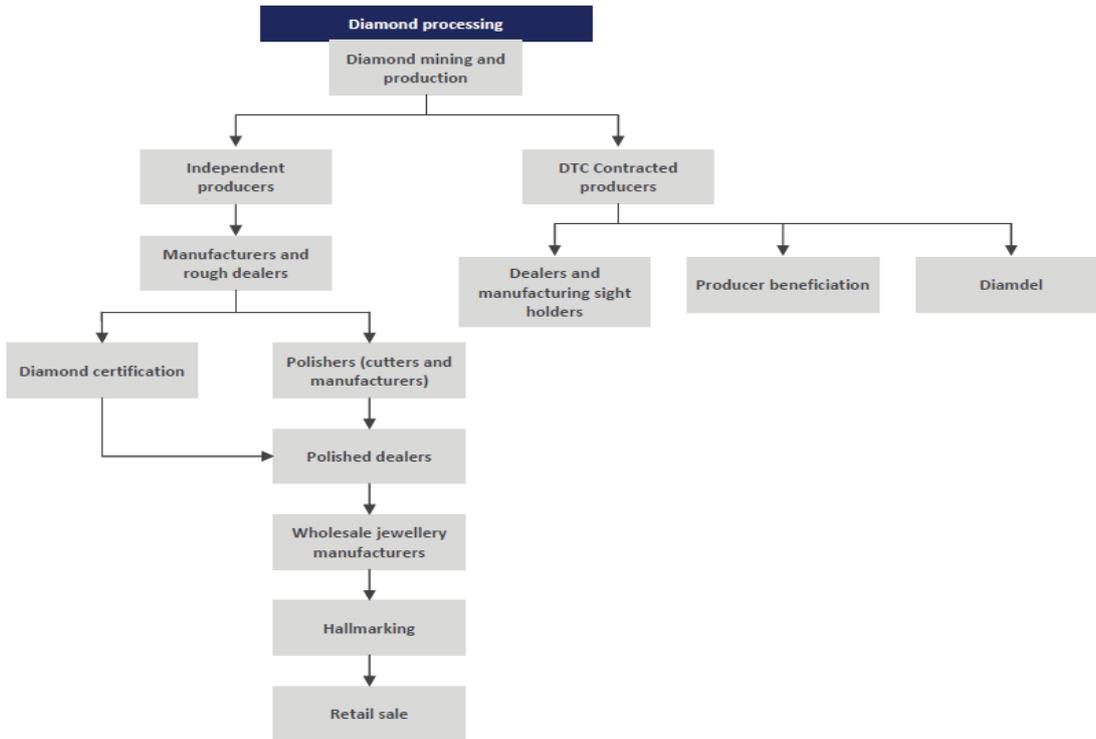
Source: RHP, WGC, Industry, CRISIL MI&A Research

Exhibit 8: Gold Demand to Improve in FY24



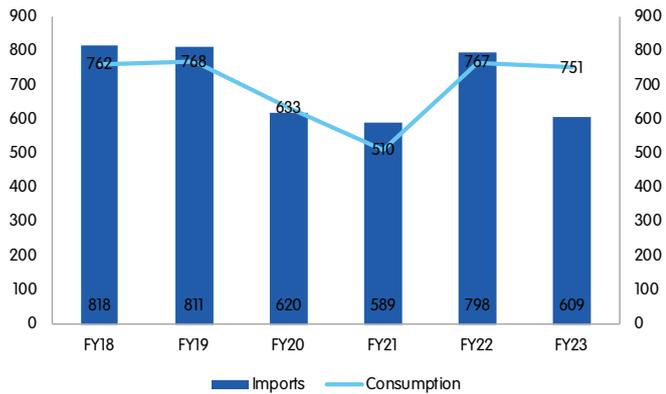
Source: RHP, WGC, CRISIL MI&A Research

Exhibit 9: Diamond processing



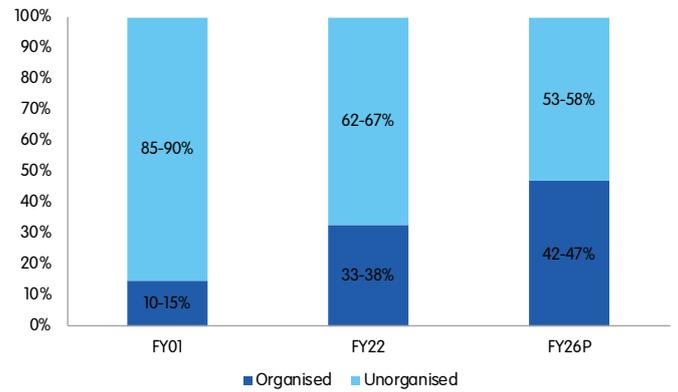
Source: RHP, CRISIL MI&A Research

Exhibit 10: India's Gold Supply (Tonnes)



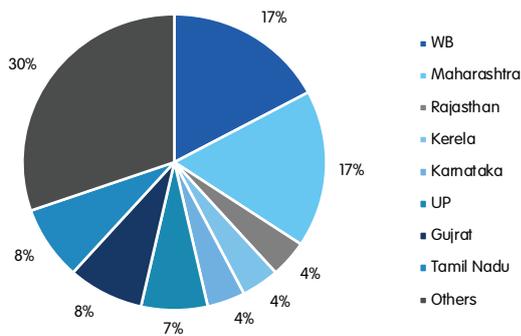
Source: RHP, WGC, MCX, Ministry of Commerce & Industry, CRISIL MI&A Research

Exhibit 11: Organised Vs Unorganised Share Retail Jewellery Market (%)



Source: Industry, CRISIL MI&A Research

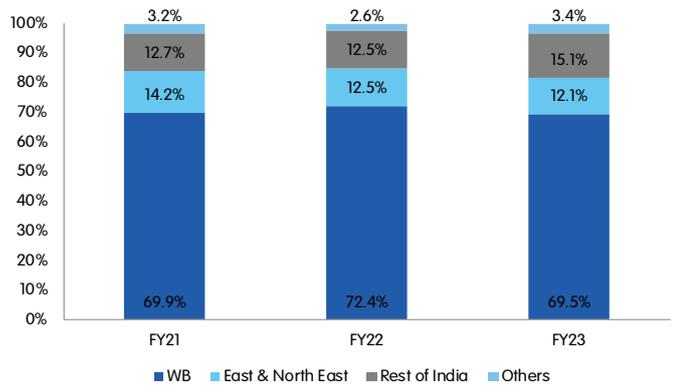
Exhibit 12: BIS-Registered Hallmarked Gold Jewellery Retailers Region-Wise Share (%)



Source: RHP, BIS, CRISIL MI&A Research

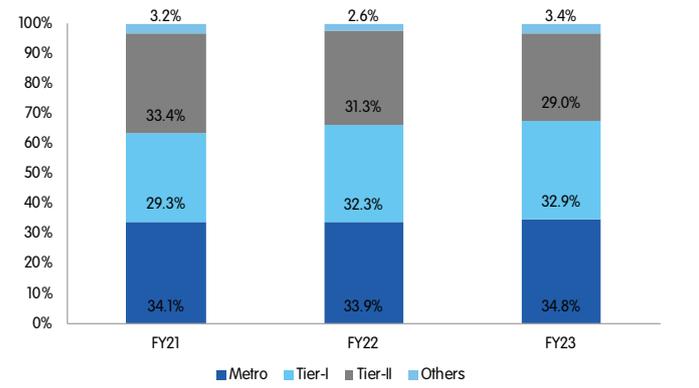
Company Data

Exhibit 13: Geographical Revenue Split (%)



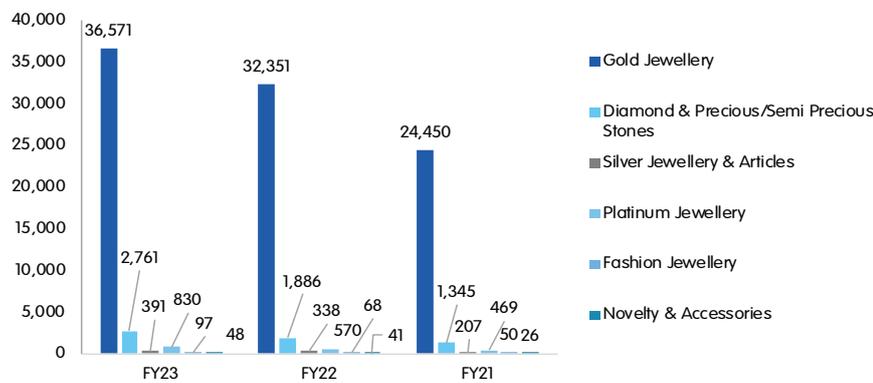
Source: RHP

Exhibit 14: Revenue Split by Region (%)



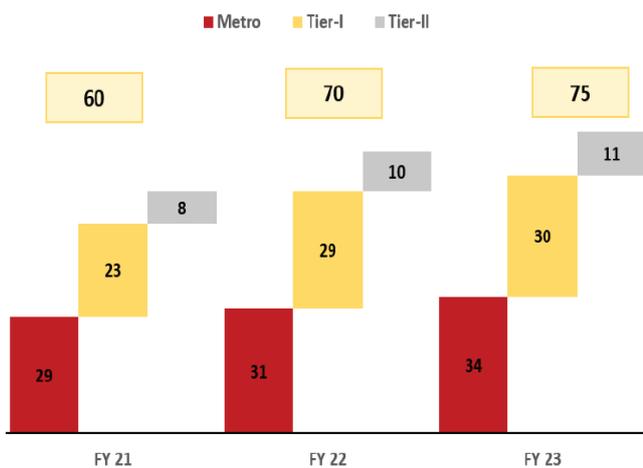
Source: RHP

Exhibit 15: Revenue by Product Type (Rs mn)



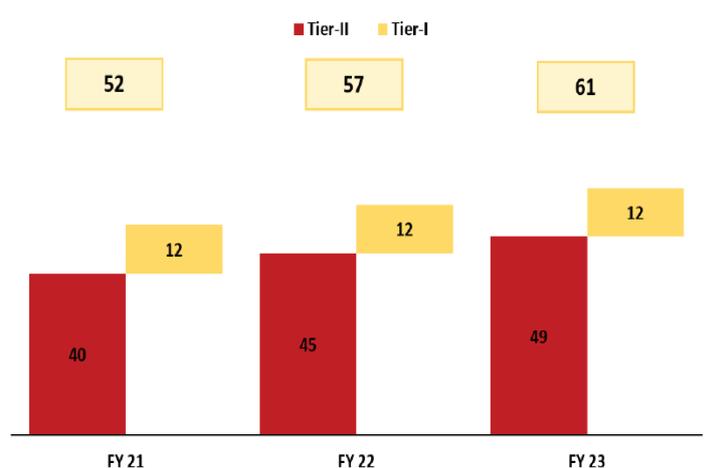
Source: RHP

Exhibit 16: Company Owned Showrooms



Source: RHP

Exhibit 17: Franchisee Showrooms



Source: RHP

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