

# All you need to know about SENCO GOLD LIMITED

Face Value:  
**INR 10**

Issue Size:  
**INR 405 CR**

Bid Lot & Size:  
**47 EQUITY SHARES**

Issue Type:  
**100% BOOK BUILDING**

Price Band  
**INR**  
**301-317**

Issue Opens: 4<sup>th</sup> July 2023 | Issue Closes: 6<sup>th</sup> July 2023

Post money market cap of ₹2461.92 crores-at upper price band

| Shareholding (%)                   | Pre IPO | Post IPO | Share Reservation | Net issue (%) |
|------------------------------------|---------|----------|-------------------|---------------|
| <b>Promoter and Promoter Group</b> | 76.92   | 68.50    | <b>QIB</b>        | 50            |
| <b>Public</b>                      | 23.08   | 31.50    | <b>NII</b>        | 15            |
|                                    |         |          | <b>Retail</b>     | 35            |

\*Source: RHP

| Issue Managers   |   |
|------------------|---|
| <b>Brlms</b>     | IIFL Securities Limited, Ambit Private Limited, SBI Capital Markets Limited |
| <b>Registrar</b> | KFin Technologies Limited   |

| Company Leadership |   |
|--------------------|---|
| Ranjana Sen        | Chairperson and Whole Time Director           |
| Suvankar Sen       | Managing Director and Chief Executive Officer |
| Sanjay Banka       | Chief Financial Officer                       |

This document summarizes a few key points related to the issue and should not be treated as a comprehensive summary. Investors are requested to refer to the Red Herring Prospectus for further details regarding the issue, the issuer company and the risk factors before taking any investment decision. Please note that investment in securities is subject to risks including loss of principal amount and past performance is not indicative of future performance. Nothing herein constitutes an offer of securities for sale in any jurisdiction where it is unlawful to do so. This document is not intended to be an advertisement and does not constitute an invitation or form any part of any issue for sale or solicitation of an offer to subscribe for or purchase any securities and neither this document nor anything contained herein shall form the basis for any contract or commitment whatsoever.



## Company Overview

Senco Gold Limited is a pan-India jewellery retail player with a history of more than five decades. It has a fourth generation entrepreneur in the jewellery industry as its promoter. The company 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 states (Source: CRISIL Report). The company primarily sells gold and diamond jewellery and also sells jewellery made of silver, platinum and precious and semi-precious stones and other metals. Its other offerings also include costume jewellery, gold and silver coins and utensils made of silver. Its products are sold under the “Senco Gold & Diamonds” trade name, through multiple channels, including 75 Company Operated Showrooms and 61 Franchisee Showrooms (as on March 31, 2023) (including four franchisee owned and company operated Showrooms) and various online platforms, including through its website [www.sencogoldanddiamonds.com](http://www.sencogoldanddiamonds.com). The company’s strategy of operating through multiple channels enables it to allocate capital as required, as it continues to expand geographic presence and work towards an omni channel network. With a catalogue offering more than 120,000 designs for gold jewellery and more than 69,000 designs for diamond jewellery, it offers a large variety of designs of handcrafted jewellery, most of which are designed and manufactured in-house by designers in close collaboration with skilled local craftsmen (generally termed Karigars) in Kolkata and across the country. Machine made light weight jewellery in gold and diamonds are also manufactured at its manufacturing facility based on designs prepared by its inhouse designers and also sourced from third partner manufacturing vendors.

### Objects of the Offer

The Offer is of Rs 4,050 million, comprising of a fresh issue of Rs 2,700 million and an Offer for sale of Rs 1,350 million. Out of the fresh issue, Rs 1,960 million would be used for funding working capital requirements of the company and the balance will be used for general corporate purposes.

### Consistent Track Record of Financial Performance

The company’s revenue from operation increased from ₹26,603.79 million in FY21 to ₹40,774.04 million in FY23 at a CAGR of 23.8%. The company’s EBITDA increased from ₹1,898.69 million in FY21 to ₹3,477.58 million in FY23 while net profit increased from ₹614.82 million in FY21 to ₹1,584.79 million in FY23.

| (₹ in million)                 | Fiscal 2021 | Fiscal 2022 | Fiscal 2023 |
|--------------------------------|-------------|-------------|-------------|
| <b>Revenue from Operations</b> | 26,603.79   | 35,346.41   | 40,774.04   |
| <b>EBITDA</b>                  | 1,898.69    | 2,899.53    | 3,477.58    |
| <b>EBITDA Margin (%)</b>       | 7.10        | 8.17        | 8.46        |
| <b>Net Profit</b>              | 614.82      | 1,291.02    | 1,584.79    |
| <b>ROCE (%)</b>                | 13.22       | 15.58       | 14.22       |
| <b>ROE (%)</b>                 | 10.65       | 19.43       | 18.96       |
| <b>EPS</b>                     | 9.25        | 19.42       | 22.93       |



## Competitive Strengths

### Strong brand name with a legacy of over five decades

Senco Gold Limited believes that its more than five decade track-record evokes consumers' trust in its products. To ensure transparency for its customers, the company has been BIS hallmarking its jewellery for all gold jewellery, since 2012, prior to the regulatorily mandated hallmarking which started from May 2021. It has also installed gold testing machines (XRF machines) to provide assurance to customers for the hallmarked gold jewellery sold by the company at all its showrooms and follows stringent and transparent purity checks to ensure quality of its jewellery before being sold to its customers. Majority of the gold used as raw material by the company is sourced by way of gold metal loan facilities offered by bullion banks and loose diamonds are mostly procured from reputed sightholders and the manufacturing of jewellery is carried out either by the skilled Karigars in West Bengal for hand made products or by organised manufacturers in Mumbai, Maharashtra or Kerala or Coimbatore, Tamil Nadu or Rajkot, Gujarat or in house at its manufacturing facility at Ankurhati, Howrah. The company's commitment to quality and transparency has enabled it to position "Senco Gold & Diamonds" as a strong and trusted brand in markets in which it operates- East and North-East India- as a jewellery retailer with a wide range of gold, silver and diamond jewellery products.

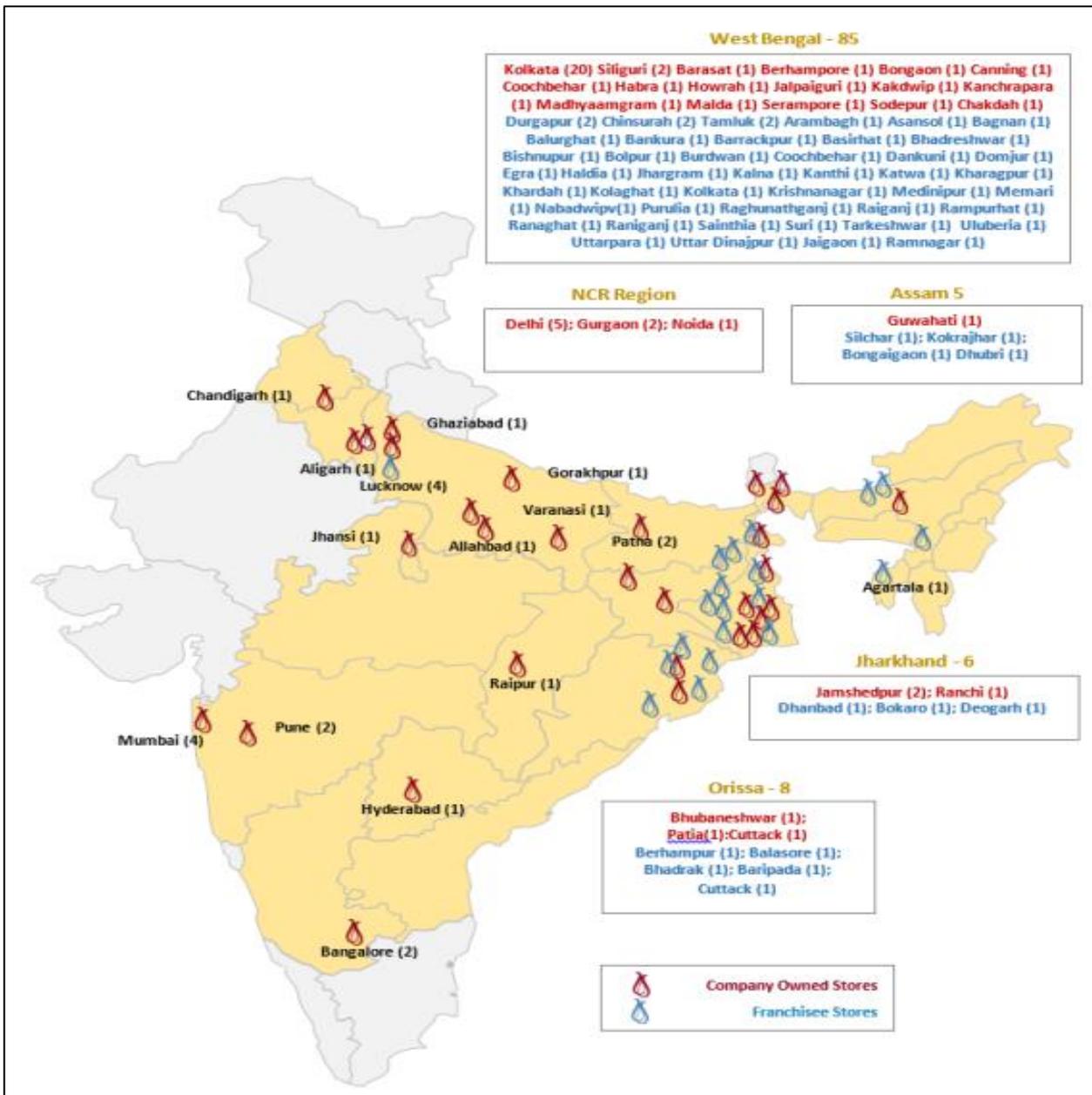
### Strong 'Company Operated Showroom' base complemented by an established asset-light 'franchise' model

Senco Gold Limited focuses on attaining an optimal balance between its operated Showrooms and expanding its asset-light franchisee model. To capitalise on the shift in consumer demand to organised jewellers from the traditionally unorganised jewellers, 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. This reduced the capital expenditure (capex) requirement and enabled faster expansion (Source: CRISIL Report). The company's showroom count as on March 31, 2023 is 75 Company Operated Showrooms and 61 Franchisee Showrooms (including four franchisee owned and Company operated Showrooms). Among the eastern India based jewellery retailers, it has the widest geographical footprint in non-eastern states (Source: CRISIL Report). The company uses a 'hub and spoke' approach to enter new geographies and optimize its inventory management, which means that it typically forays into large or new cities by way of company operated showrooms and then leverage its 'franchise' model to expand into tier-II and tier-III locations. Having implemented this model of growth in West Bengal, with its beginnings in Calcutta and subsequent forays into the tier-II and tier-III locations, it intends to use it now for pan-India expansion.

### Largest organized jewelry retail player in the eastern region of India based on number of stores

Senco Gold Limited is the largest organised jewellery retail player in the eastern region of India based on number of stores. Among eastern India based jewellery retailers, the company has the widest geographical footprint in non-eastern states (Source: CRISIL Report). Its oldest operational

showroom is located in the Bowbazar area of Kolkata (a jewellery market hub), where the company has been present, through Senco Jewellery Museum (an erstwhile family run proprietary concern), for over five decades. From its roots in Kolkata, West Bengal, it has strategically expanded its presence to 13 states across India. As on March 31, 2023, the company has 75 Company Operated Showrooms and 61 Franchisee Showrooms (including four franchisee owned and Company operated Showrooms) located across 96 cities and towns in India with an aggregate area of approximately 409,882 sq. ft. In line with its expansion strategy, while entering new state geographies, the company endeavours to register its presence in the state capital or the largest city in the state through company operated showrooms before venturing into tier-II and tier-III locations in such states, primarily through franchisee showrooms in order to leverage logistical efficiency of inventory and return on capital.



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

Senco Gold Limited has a wide range of product offerings catering to diverse customer segments. In particular, its target segment now is the upwardly mobile 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 investment, consumer preferences are shifting away from traditional bulky jewellery to light-weight fashion items. Hence, jewellery retailers have started manufacturing light-weight jewellery of contemporary designs, suitable for daily use (Source: CRISIL Report).

Accordingly, Senco Gold Limited's product range, for light and affordable jewellery, starts at approximately ₹ 2,000. Further, it has 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. The company's focus on design and innovation; its ability to recognize consumer preferences and market trends; the intricacy of its designs and the quality and finish of its products are among its key strengths. The company has a wide range and variety of products and has been able to demonstrate its ability to recognise trends in the jewellery industry in order to cater to its customers. In addition, the company's proximity to a wide range of skilled Karigars from West Bengal allows it to offer a diverse product range, catering to latest consumer trends.

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

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

### Efficient Inventory Management

Senco Gold Limited's inventory of jewellery for both the company operated showrooms and its franchisee showrooms are bar coded and monitored and controlled through its ERP. The company inventory for each Showroom is planned at the beginning of each year in amounts and quantity determined to achieve the desired sales and inventory turnover after considering factors including market potential and competition

### Strong Technology Focus

The company has POS systems at all Showrooms which are integrated with its centralised ERP system and use the ERP across all showrooms and offices in order to maintain greater control over

business operations such as inventory management, showroom management, accounting, logistics management and customer data storage, amongst others.

### **Quality Control**

Senco Gold Limited stringently follows the hallmarking process for all its gold jewellery. Most of its diamonds, comprising jewellery and loose diamonds, are certified by SGL, and additionally, certain specific diamonds of its Perfect Love brand such as Hearts & Arrows cut diamonds are certified by GEMEX. Loose diamond stock is regularly accessed for valuation to derive greater transparency for its business.

### **Procurement advantage**

Senco Gold Limited's operations integrate its sourcing, manufacturing, retail and export sales, to provide it with several competitive advantages, including the ability to adjust its product range to continuously address shift in customer preferences, just in time inventory availability, and changes in demand.

### **Safety, Security and Surveillance Systems**

Safety security and surveillance of its facilities and locations is a critical part of its business as well as risk management systems. At the end of every day, the entire stock at each of its showrooms is shifted to a secure strong room within the showroom. Its factory and procurement departments are managed with its 24\*7 CCTV surveillance. Additionally, all of its showrooms are equipped with night vision CCTV cameras, burglar alarms, fire management systems and remote sensors.

### **Comprehensive Corporate Planning and Budgeting**

The company has a well-defined corporate plan as well as an annual budgeting process. The annual budgeting process is designed to achieve functional and divisional goals and profitability for the year. Its annual budget also accounts for new showroom expansion plans and estimated revenue expected to be generated from such new showrooms and rational allocation of expenditure for existing and projected showrooms with a level wise approval process for any expenditure above the budgeted plan.



## **Strategies Going Forward**

### **Further expand its presence through a strong and diverse distribution channel**

Senco Gold Limited use a 'hub and spoke' approach to enter new geographies. This means that it typically forays into large or new cities by way of company operated showrooms and then leverage its 'franchise' model to further penetrate into the smaller tier-II and tier-III locations. Accordingly, the company intends to continue to open company operated showrooms in metro cities and tier-I cities and towns, including strengthening its presence in Kolkata and expanding in

states where its presence is comparatively low, with a focus on high growth and high per capita income areas. The company has recently opened showrooms in Chandigarh, Lucknow, Uttar Pradesh and Gurugram, Haryana and intends to continue to expand its network in the northern states in India in the near future. As part of its expansion strategy and becoming future ready company, the company intends to customise its showroom formats based on location and target segment. To ensure that it reaches to geographies beyond its physical showrooms, the company intends to continue building brand presence in the country through available e-commerce and online channels, including continued and seamless customer experience for online and offline sales through its websites, mobile, chat-bots, its mobile application and its showrooms.

### **Focus on increasing the overall operating margins by adapting optimal product mix**

The company intends to continue to increase its gross margins by focusing on product categories which yield higher margins. It intends to prioritise diamond jewellery, as diamond studded jewellery typically involves higher gross margins than gold jewellery, according to CRISIL Report. The company intends to further increase diamond jewellery sales as a portion of its overall sales, and thereby attempt to increase its overall profit margins. Senco Gold Limited intends to increase light-weight diamond jewellery sales through various initiatives such as the introduction of its own branded jewellery lines, development of light-weight products with competitive pricing, increasing its range of diamond jewellery to cater to customer segments such as younger generation and upwardly mobile ones, and advertising and promotional campaigns focused on diamond jewellery.

### **Continue to invest in its marketing and brand building initiatives through hyperlocal strategy**

Going forward, Senco Gold Limited's strategy is to increasingly market its products to millennial customers through digital media, such as social media websites. The company believes that its branding strategy helps it to retain existing customers and attract new customers. The company intends to continue investing in its marketing initiatives and brand building exercise, including advertising through various media. The company would also continue to provide effective training to its sales personnel in sales techniques and product knowledge. Effective marketing is important for future revenue growth; enhancing its brand visibility; establishing relationships with target customers; and selling its products in a competitive cost-effective manner.

### **Focus on catering to the younger generation and the upwardly mobile in India**

Demand for lightweight, daily-wear fashion jewellery is expected to rise with the younger generation entering the workforce. This augurs well for jewellery retailers as this group accounts for bulk of gold demand (Source: CRISIL Report). Senco Gold Limited's presence in shopping malls will help it cater to the younger generation and the upwardly mobile. Further, through Everlite and Gossip collections, the company intends to cater to the younger generations. It will continue to build-up its digital presence by developing websites, mobile applications and cataloguing products. It also intends to continue to focus on its handcrafted affordable gold and diamond

jewellery wedding collection under the Vivaha collection, as this too is specifically targeted at the younger generation and upwardly mobile in India.

### **Leverage technology to enhance operational efficiency, customer experience and delight.**

With the increasing use of the internet in India and the continued development of online channels, Senco Gold Limited will be able to expand its customer reach and increase its sales through the digital channel with relatively low investments. In addition, the company can enhance its brand awareness among internet users and cater to a wider customer segment. It has launched its online platforms, [www.sencogoldanddiamonds.com](http://www.sencogoldanddiamonds.com) and [www.mygossip.in](http://www.mygossip.in) and a mobile application, MySenco, through which it offers its jewellery products and gold coins to a diverse range of customers. The company's strategy is to increase its business through the digital platform and leverage its manufacturing capability for creation of an asset light sales channel thereby offering a seamless combination of both offline and online buying choice for customers.



## **Management**

- **Ranjana Sen (Chairperson and Whole Time Director):** She holds a bachelor's degree in arts from the University of Calcutta. She has been associated with the company since the incorporation of the company and has over 29 years of experience in the jewellery industry.
- **Suvankar Sen (Managing Director and Chief Executive Officer):** He holds a degree in bachelor's of science with Honours in Economics from St. Xavier's College, University of Calcutta. He also holds a post-graduate diploma in business management from the Institute of Management Technology, Ghaziabad. He has been associated with the company since 2005 and has over 17 years of experience in the jewellery industry.
- **Sanjay Banka (Chief Financial Officer):** He is a fellow member of the ICAI and ICSI. He is also a member of All India Management Association and Chartered Institute of Securities and Investment, United Kingdom. He has a bachelor's degree in commerce from St. Xavier's College, University of Calcutta.

## Products

Some of the brands and collections include:



| Brand                                  | Description   |
|--|---|
| <b>Everlite</b>                        | Everlite is crafted for the modern Indian women. The inspiration for its lightweight collection comes from the various aspects of life that the working women espouse. The products offered are Denim, Venus, Nature, Tribe, Magnificence and Floral. The objective of such various collections is to promote daily usage of jewellery which is inspired from nature or geometrical shapes. |
| <b>Gossip</b>                          | 'Gossip' brand is made of sterling silver or base metal with precious and semi-precious stones, including zirconia, to cater to the silver jewellery needs of the customers   |
| <b>AHAM</b>                            | Aham collection has been designed especially for the cosmopolitan man and can be used as part of daily wear as well as on social occasions. To cater to the needs of male customers, the company has launched the Aham collection which offers a collection of rings, bracelets, cufflinks, ear-studs, chains and pendants in diamond, platinum, gold and silver.                           |
| <b>The Vivaha Collection</b>           | The Vivaha Collection (marketed under the Senco-Di-wedding campaign) has a wide range of jewellery for wedding in the family, including the bride, the groom and their respective families. Its Vivaha collection includes intricate and exquisitely detailed designs in gold and diamonds.   |
| <b>Perfect Love Diamond Solitaires</b> | This collection offers exquisite range of solitaire earrings, rings, pendants, nose pins and single diamond studs. The Perfect Love collection is based on perfectly-cut Hearts & Arrows cut diamonds. It's colour, clarity, carat and cut ensure that it exudes maximum brilliance and exhibits a perfect symmetry of eight arrows.  |

- It faces significant competition in the Indian jewellery market, and risks losing substantial portion of its customers and its market share which will adversely affect its business.
- The company requires significant amounts of working capital for continued growth. Its inability to meet its working capital requirements, on commercially acceptable terms, may have an adverse impact on its business.
- The company's business depends on its ability to attract and retain skilled Karigars, designers and sales personnel and employees. Its failure to attract or retain such personnel could materially and adversely affect its business.
- If it is unable to continue to develop innovative, fashionable and popular designs, demand for its jewellery may decrease, thereby adversely affecting its revenues and financial condition.
- Volatility in the market price of gold and diamonds has a bearing on the value of its inventory and may affect its income.
- The company may face risks associated with implementation of regulatory oversight on the purchase and sale of gold through digital channels, which in turn may subject it to regulatory action.

**For complete list of risk factors kindly refer to the Red Herring Prospectus.**

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