

Issue Details

Issue Opens	4 th July, 2023
Issue Closes	6 th July, 2023
Issue Size (Rs. Crs)	405
Fresh Issue (Rs Crs)	270
Offer For Sale (Rs Crs)	135
Authorized Shares (Inc. CCPS)	11,40,00,000
Issued, Subscribed and Paid Up Sh. Pre offer	6,91,45,806
Face Value	Rs 10
Lot Size (Sh)	47 shares
Price Band	Rs 301 – Rs 317
Issue Type	Book Built Issue
Book Value (in Rs.)(FY23)	134.75
BRLMs	IIFL Securities, Ambit, SBI Caps
Registrar	KFIN Technologies Ltd
Listing Venue	BSE, NSE
Finalization of Allotment	On or about 11 th July, 2023
Initiation of refund	On or about 12 th July, 2023
Credit to Demat Account	On or about 13 th July, 2023
Listing	On or about 14 th July, 2023

Issue Structure

Categories	Allocation
QIBs	50%
Non-Institutional	15%
Retail Portion	35%
Total	100%

Shareholding Pattern

Categories	Pre issue	Post Issue
Promoter & Promoter Group	76.92	68.08
Public	23.08	31.92
Total	100.00	100.00

Recommendation
SUBSCRIBE
Company Background

Senco Gold Ltd is a PAN India based jewellery retail player with five decades of experience. It is the largest organized retail player in the eastern region of India based on the number of stores and among eastern India based jewellery retailers, has the widest geographical footprint in non-eastern states. It primarily sells gold and diamond jewellery and also sells jewellery made of silver, platinum and precious and semi-precious stones and other metals. Other offerings also include costume jewellery, gold and silver coins and utensils made of silver.

Objects of the Issue

- Funding working capital requirements of the company.
- General corporate purposes.

Key Points

- The offer size of Rs 405 Crs consists of a fresh issue of equity shares worth Rs 270 Crs and an offer for sale of shares worth Rs 135 Crs from selling shareholder SAIF Partners IV Ltd who holds 19.23% stake.
- The company plans to use Rs 196 Crs of the net proceeds from the fresh issue towards funding working capital requirements and the rest towards general corporate purposes. It is not going to get any proceeds from the OFS portion.
- Senco Gold has 136 showrooms of which 75 are company-operated showrooms and rests are franchisee showrooms. It has presence in 96 cities and towns across 13 states in India. The products are sold under the “Senco Gold & Diamonds” trade name, through multiple channels.
- Senco now has customised showroom formats catering to all segments of customers with a bouquet of brands like Everlite (lightweight), Gossip (Silver and Fashion), Vivaha (Bridal), Perfect Love (Solitaire Diamonds) and Aham (Mens).
- Senco’s top line has grown from Rs 2,660 Crs in FY21 to Rs 4,077 Crs in FY23, growing at a 2 year CAGR of 24%. Net Profit has grown by 2.6x during the same period from Rs 61 Crs to Rs 158 Crs.
- ROCE and ROE stood at 16.94% and 19.28% respectively at the end of March 2023. Stable debt to equity ratio of 1.25x and Current Ratio of 1.40x. An interest coverage ratio of 3.2x indicates its ability to honour its debt obligations timely.
- Senco Gold has strong credit rating with a rating of “ICRA A” for working capital facilities with a stable outlook for long term facilities and a rating of “ICRA A2+” for short term facilities.
- Senco Gold has been in the group of most trusted jewellery brands and has improved its ranking from 4th most trusted jewellery brand by TRA’s (Trust Research Advisory) Brand Trust Report 2017 to 2nd most trusted jewellery brand by TRA’s Brand Trust Report 2020. It has also been awarded the 2nd most trusted brand in jewellery category for the past three years in India by TRA and the Best Brand in Jewellery Category by The Economic Times in 2021.

Recommendation –

Senco Gold is the leading jewellery player in the eastern region of the country and has maintained the position despite the stiff competition from the leading national and regional players. A healthy financial profile and strategic expansion plans are expected to consolidate its position further. We would hence recommend a SUBSCRIBE to the issue.

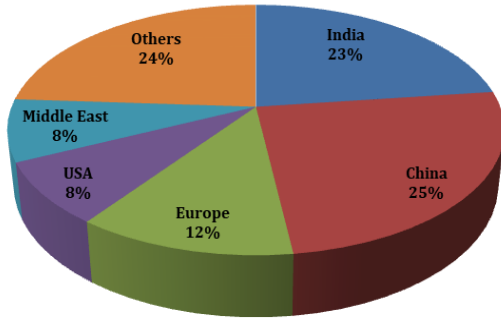
Consolidated Financials In INR Crs	FY23	FY22	FY21
Net Revenue	4,077.40	3,534.64	2,660.38
Operating Profit (excl OI)	328.77	286.61	181.69
Profit Before Tax (PBT)	216.15	176.96	83.66
Profit After Tax (PAT)	158.48	129.10	61.48
EPS	28.02	24.02	11.18
Equity	55.85	53.19	53.19
Book Value	134.75	107.19	88.65

Source: Company’s RHP, Ace Equity, AUM Research

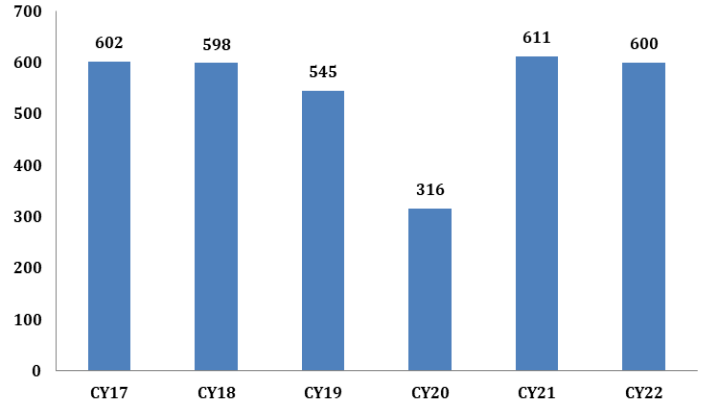
Sectoral Outlook

India amongst the leading consumers

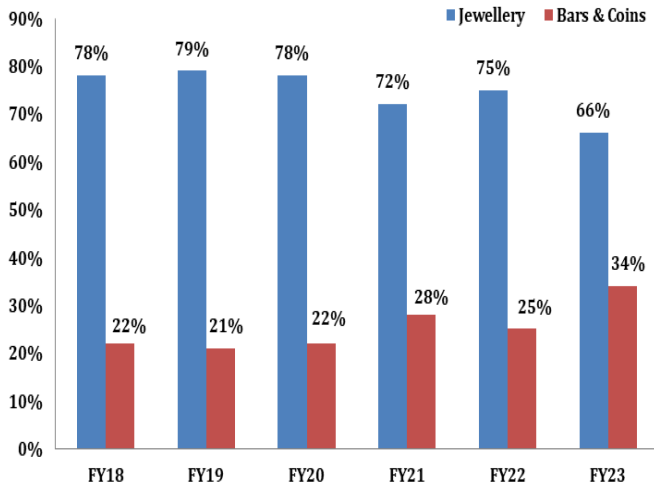
Share Of Gold Consumption In 2022



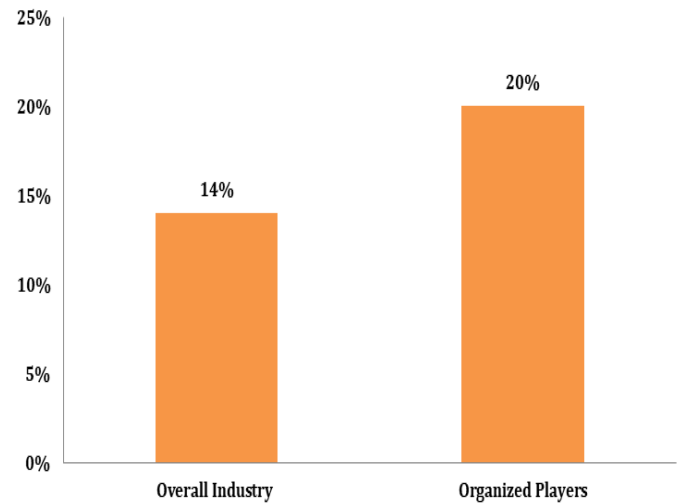
India Gold Demand In Tonnes



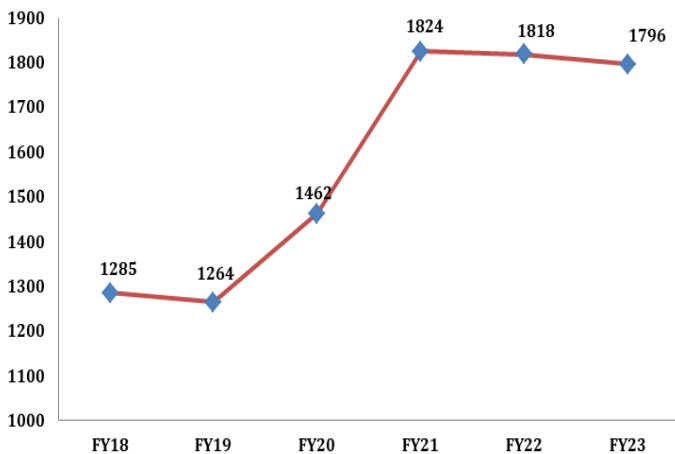
Demand Split



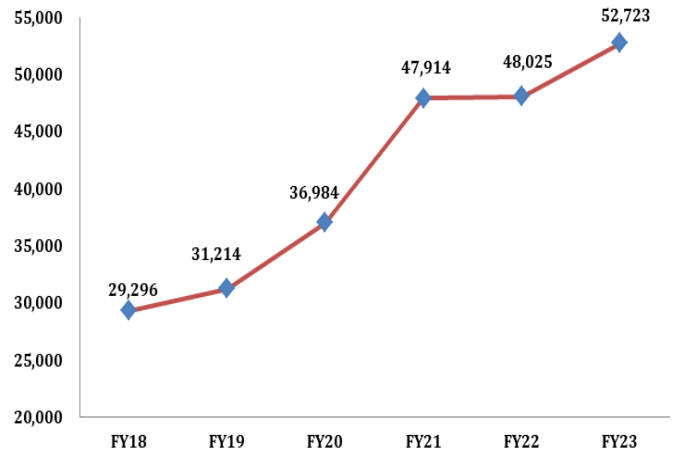
FY17-23 CAGR Growth



International Prices USD/Troy Ounce



Domestic Prices Rs/10 Gms



Source: Company's RHP, AUM Research

Gold jewellery demand to grow over the next 5 years

- **Improving economic prospects:-** A rise in disposable income, growing young working class population etc are more than likely to lead to an incremental demand for gold jewellery.

Growth to be led by the organized segment

- **Widespread presence:-** National and regional jewellery retailers typically have a wider presence across several cities and locations compared with their smaller, standalone counterparts.
- **Migration to big cities from small tier towns:-** Rise in the migratory population augurs well for organized jewellers since these consumers mostly do not have strong relationships with local jewellers and are typically more inclined towards organized stores that offer contemporary designs
- **Hallmarking registration:-** An increasing number of national and regional jewellers are opting for hallmarking registration to win customer trust. Launch of other schemes such as buyback of gold further helps reinforce their focus on quality.
- **Better inventory management:-** National and regional players have better inventory management systems owing to higher number of stores and, thus, presence over a wider region. This enables the players to shift inventory from stores showing low demand for a particular product to stores where there is more demand for the same or similar items.
- **Raw material sourcing:-** Jewellers have to rely on imports to source raw gold since India has negligible diamond and gold mining operations. With raw materials accounting for the largest share of a jeweller's operating costs, ability to source them efficiently is a major success factor. Large organised players have easier access to credit at more competitive rates than smaller, unorganized jewelers.
- **Investments in brand building:** National and regional jewellery retailers invest large amounts in brand building and advertising initiatives compared with the standalone players, which helps establish trust and create brand recall value for customers.
- **Launch of new collections and brands:** Given their scale and size of operations, national and regional jewellery retailers are able to develop and design jewellery according to regional tastes as well as global trends, and launch new collections and brands at regular intervals, thus providing the customer with a wider choice.
- **Emergence of online formats:** Players are increasingly adopting the online format as an alternative sales channel, especially in metropolitan cities. As per industry sources, although the share of online in total gems and jewellery sales is currently miniscule (around 4% of the total industry), it is poised for fast growth of 28-33% and is expected to account for 7-8% of the gems and jewellery segment by fiscal 2025.
- **Better customer service and policies:** Organized players provide standard terms and conditions to all their customers in terms of exchange, refund and repairs, which play a pivotal role in driving repeat footfall and customer loyalty.
- **Regulatory changes:** GST implementation reduced the erstwhile tax arbitrage aiding unorganized players. Furthermore, measures such as demonetization to curb unaccounted money flowing into the gold industry are expected to have aided organized players.

Southern region dominates the jewellery market

Particulars	South	West	North	East
Indicative Market Share	40%-45%	24%-26%	18%-23%	14%-16%
Carat Preference	22K	22K, 18K, 14K	23K, 22K, 18K, 14K	22K
Import Centres	Chennai, Hyderabad, Kochi, Bengaluru	Mumbai, Ahmedabad	New Delhi, Jaipur	Kolkata

Source: Company's RHP, AUM Research

Trends by jewellery type

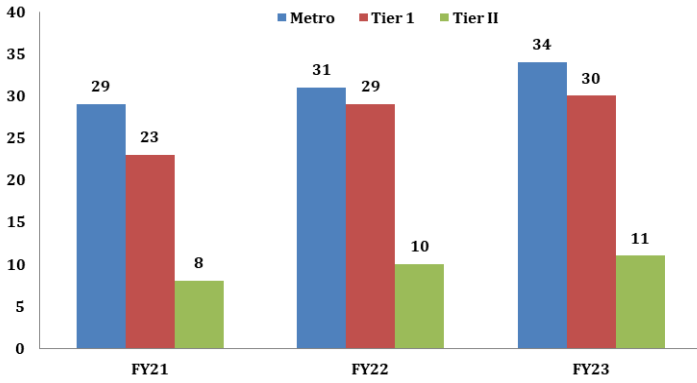
Particulars	Bridal	Daily Wear	Fashion
Indicative Market Share By Weight	50%-55%	35%-40%	5%-10%
Carat Preference	23K, 22K, 18K	22K, 18K	18K, 14K
Average Weight (Gm)	20 to 250	5 to 30	5 to 20

Source: Company's RHP, AUM Research

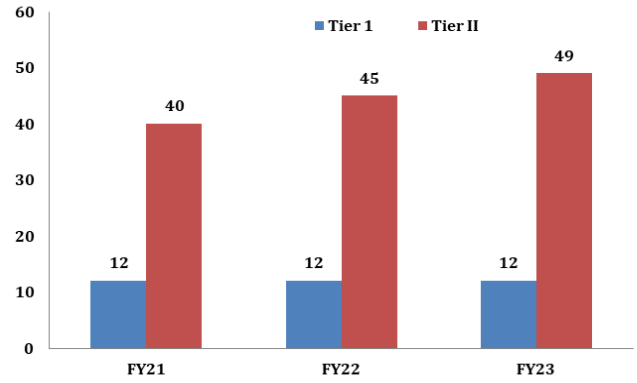
Company Overview

Showrooms

Company Owned Showrooms

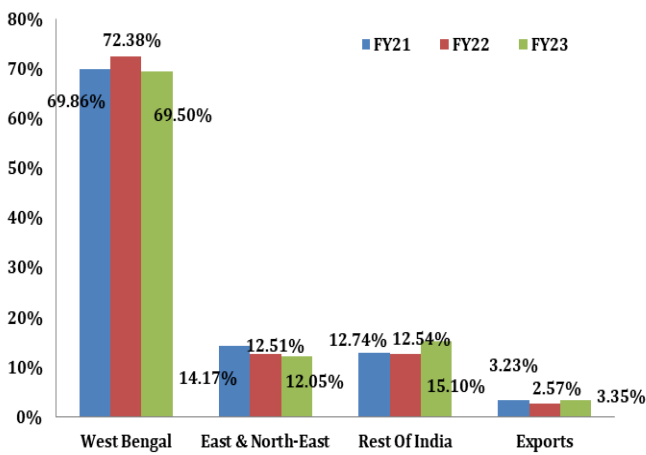


Franchisee Showrooms

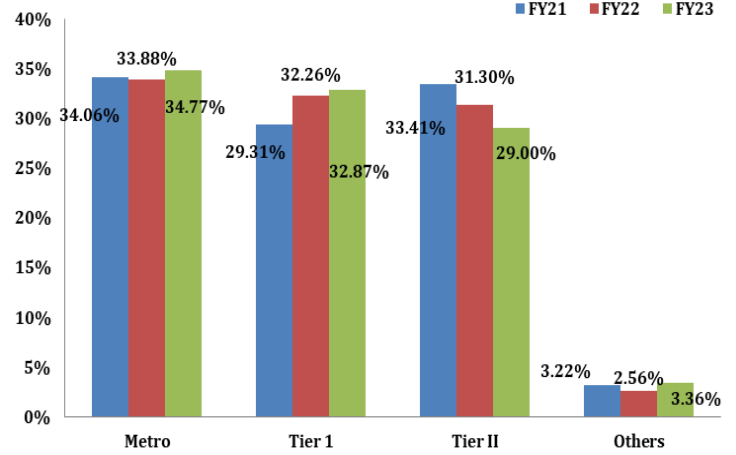


Regional Split

Region Wise Revenue Split

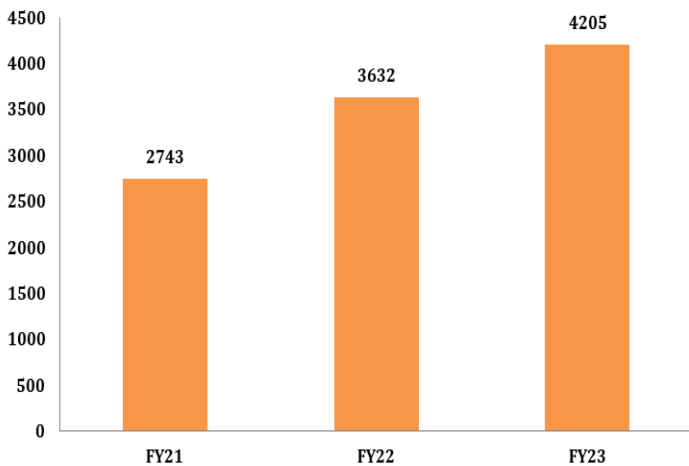


Revenue Split By Cities

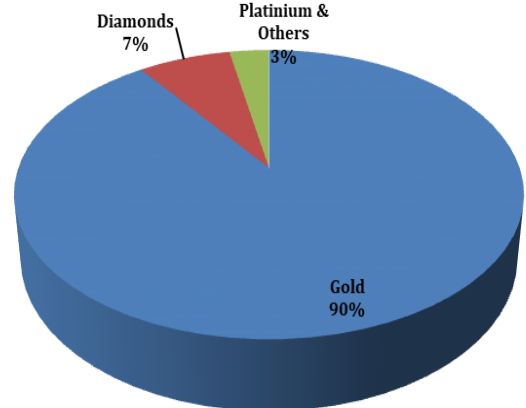


Revenue Split

Revenue In INR Crs



Revenue Split %



Key features of the company

Aiming to increase its presence through a diverse distributional channel

- Senco's operating model comprises a mix of physical Showrooms (both Company Operated and Franchisee Showrooms) and digital presence (through its own websites, mobile application and third party marketplaces), with physical presence consisting of 75 Company Operated Showrooms and 61 Franchisee Showrooms.
- It now aims 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 the presence is comparatively low with a focus on high growth.

Optimal Product Mix to aid in improving of operating margins

- Senco is now aiming to prioritise diamond jewellery, as diamond studded jewellery typically involves higher gross margins than gold. Consumer demand for diamond jewellery in India has increased at relatively higher rates compared to the demand for gold jewellery. Company intends to further increase diamond jewellery sales as a portion of its overall sales, and thereby attempt to increase the overall profit margins.
- It has plans 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 the range of diamond jewellery to cater to customer segments such as younger generation and upwardly mobile in India, and advertising and promotional campaigns focused on diamond jewellery.

An efficient inventory management in place

- Senco has got in place an efficient inventory management system where each and every piece of jewellery at all locations are bar-coded, monitored and controlled manually as well as through its ERP platform. At the beginning of a financial year optimum showroom stock review is undertaken by the sales department and based upon the historical performance and stock turnover, the revised optimum stock level plan is shared with the production department, upon which the same is executed.
- As part of the inventory management, the company also rotates jewellery between different showrooms in an effort to increase inventory turnover and avoid accumulation of slow-moving stock at certain showrooms. Company also have end to end visibility and control of all inventory items once tagged by the sales team.

Utilize the proceeds to fund working capital requirements and general corporate purposes

- Senco intends to utilize Rs 196 Crs from the fresh issue proceeds to fund its working capital requirements as its business is working capital intensive and it funds the majority of its working capital requirements in the ordinary course of its business from internal accruals and financing from various banks.
- The requirement of additional working capital is primarily for financing the inventory of the new Company Operated Showrooms that it is proposing to set up.
- Senco has future plans to go for strategic acquisitions in future. Brand building exercise, capital expenditure for new showrooms and expansion of its business and for meeting any exigencies in the course of business are intended to be financed through the IPO proceeds.

Pricing and valuations justified in comparison to some of its listed peers

FY23 Particulars In INR Crs	Senco Gold	Kalyan Jewellers	Thangamayil Jewellery	Tribhovandas Bhimji	Rajesh Exports
Revenue	4,077	14,072	3,155	2,393	3,39,690
EBIDTA	329	1,114	156	116	1,555
EBIDTA%	8.07%	7.92%	4.94%	4.85%	0.46%
PAT	158	432	80	40	1,432
PE	14.84-15.53**	38.84	26.11	14.01	11.28

**PE range is taken on the basis of the upper and lower price band.

Consolidated Financials – Value in Rs. Crs	Mar-23	Mar-22	Mar-21
Gross Sales	4,204.61	3,631.81	2,743.23
Total Income	4,108.54	3,547.41	2,674.92
Total Expenditure	3,748.63	3,248.03	2,478.69
PBIDT	359.91	299.38	196.23
PBIT	314.36	257.27	156.66
PBT	216.15	176.96	83.66
PAT	158.48	129.10	61.48
EPS	28.02	24.02	11.18
Book Value	134.75	107.19	88.65
Cash Profit	204.03	171.22	101.05
Sources of Funds			
Equity Paid Up	55.85	53.19	53.19
Reserves and Surplus	875.94	659.40	536.14
Net Worth	931.79	712.59	589.32
Total Debt (Long Term plus Short Term)	1,177.17	862.97	532.44
Capital Employed	2,122.69	1,588.93	1,135.06
Application of Funds			
Gross Block	487.11	391.55	338.33
Investments	0.13	0.03	0.03
Cash and Bank balance	437.57	278.81	128.12
Net Current Assets (Including Current Investments)	756.80	573.58	448.52
Total Current Liabilities	1,906.89	1,405.29	957.13
Total Assets	3,277.68	2,399.76	1,820.21
Cash Flow			
Cash Flow from Operations	-76.10	-69.89	181.83
Cash Flow from Investing activities	-198.03	-157.09	-54.57
Cash Flow from Finance activities	274.07	228.01	-122.37
Free Cash flow	-174.17	-165.74	130.17
Key Ratios			
Debt to Equity(x)	1.25	1.19	0.88
Current Ratio(x)	1.40	1.41	1.47
ROCE(%)	16.94	18.89	19.26
RONW(%)	19.28	19.83	14.22
PBIDTM(%)	8.56	8.24	7.15
PATM(%)	3.77	3.55	2.24

Source:- Company RHP, ACE Equity, AUM Research

Aum Capital RESEARCH DESK

Rajesh Agarwal	Head of Research	033-40572121	rajesh.agarwal@aumcap.com
Pinaki Banerjee	Manager – Research	033-40572121	pinaki.banerjee@aumcap.com

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AUM Capital Market Private Limited

Registered Office: 226/1, AJC Bose Road, Trinity, 3rd Floor, Unit No.3G, Kolkata – 700020;

Phone: +91(33) 40572121; Fax: +91(33) 24760191

Website: www.aumcap.com; Email: aumresearch@aumcap.com

SEBI Research Analyst Registration No.: INH300002423

