

Company Overview

Incorporated in October 1997, Motisons Jewellers Ltd. (MJL) is engaged in the business of selling jewellery made of gold, diamonds, and kundan. In addition, Motisons also sells jewellery products like pearl, silver, platinum, and other precious and semi-precious metals. In terms of its product offering and positioning, Motisons offers traditional, contemporary, and combination designs across various jewellery lines. It has jewellery products that cater to all age groups and specifically cater to special occasions and celebrations like weddings and festivals; apart from jewellery for daily wear. Its flagship store, Motisons Towers, is located in the Pink City of Jaipur in Rajasthan. The store is spread across over 16,000 sq. ft. and is a three-storeyed structure with dedicated floors for silver, gold, and diamond jewellery. One of the edge that the company holds is that its showrooms are strategically located in key demand segments and the product portfolio is diversified across price points and categories. Its 25-year legacy and risk management systems and processes are an added advantage to its business model. The company also has unique products targeted at men, women, children and for special gifting occasions. Some of its subsidiaries or group companies include Motisons Shares Pvt. Ltd., Bholenath Real Estate Pvt. Ltd., Godawari Estates Pvt. Ltd., Motisons Buildtech Pvt. Ltd. and Shivansh Buildcon Pvt. Ltd.

Objects of the issue

The net proceeds from the fresh issue will be used towards the following purposes:

- ⇒ Repayment of existing borrowings availed by the company from scheduled commercial banks - Rs. 58 crores;
- ⇒ Funding the working capital requirements of the company - Rs. 71 crores and;
- ⇒ General corporate purpose.

Investment Rationale

Established brand name and strategic positioning of showrooms bodes well for future growth

The company has a proven track record of approx. 25 years across which it has grown significantly and established its brand “Motisons”. The company’s strength lies in the wide variety of designs offered by jewellery designers wherein it develops its own creations and specialty designs according to the latest tastes and preferences of customers. With Jaipur being recognized for manufacturing of traditional jewellery, the company has leveraged the opportunity by tapping the growing historical jewellery retail market. The company has rapidly expanded its retail network of strategically located stores in recent years across the city which has helped it to achieve logistical convenience in inventory management. MJL has four retail showrooms in Jaipur located in prime shopping region of Johari Bazaar (jewellery market hub of Jaipur), Tonk Road (busiest prime location in Jaipur) and Vaishali Nagar (one of the densely populated areas of Jaipur connecting Delhi Bypass Road and Ajmer Road). Meanwhile, the company’s manufacturing facilities are located at Sitapura Industrial area and Babu Nagar in Jaipur.

3 lakh+ design portfolio across price points addresses a wide range of customers

MJL has a product portfolio of 3,00,000+ jewellery designs, including a wide range of gold, diamond and other jewellery products available at different price points. Its products cater to different occasions including special occasions such as weddings and party wear, fashion jewellery, festival jewellery, etc. and to customers across age groups which ensure that it is able to serve its customers across the entire lifecycle of its jewellery requirements. MJL has also established effective systems for inventory management, emphasizing quality control, safety, security, and surveillance. MJL’s commitment to stringent quality control has been critical to its success in the Rajasthan jewellery industry and has contributed to customers associating the brand with trust and transparency. In addition, MJL’s operations integrate sourcing, manufacturing and retail sales to provide it with several competitive advantages, including the ability to adjust the product range to continuously address shift in customer preferences, just in time inventory availability and prevent adverse effects on financial condition.

Issue Details

Offer Period	18 th Dec 2023 - 20 th Dec 2023
Price Band	Rs. 52 to Rs. 55
Bid Lot	250
Listing	BSE & NSE
Issue Size (no. of shares in mn)	27.47
Issue Size (Rs. in bn)	1.51
Face Value (Rs.)	10

Issue Structure

QIB	50%
NIB	15%
Retail	35%

BRLM	Holani Consultants Private Limited
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Registrar	Link Intime India Private Ltd
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Particulars	Pre Issue %	Post Issue %
Promoter & Promoters Group	91.60	66.00
Public	8.40	34.00
Total	100.00	100.00

(Assuming issue subscribed at higher band)

Motisons Jewellers Ltd.

Valuation

In FY23, the domestic gems and jewellery market was valued at Rs. 4,70,000 crores as per the estimates of Dun & Bradstreet, with gold jewellery being the leading segment. The bigger opportunity is that in the last few years, the share of organized sector has moved up to 15-20% and as this share picks up, the prospects for companies like Motisons Jewellers is likely to be huge. Motisons Jewellers possesses distinct advantages including well-established business which seamlessly blends heritage with market sensitivity, vast product portfolio which caters to diverse market segments and strategically located showrooms that contribute to enhanced revenue per square feet. MJL has demonstrated robust revenue growth over the last three years, with a notable doubling of net profit in the past two years. This surge in profitability is indicative of the company's effective positioning in the organized jewellery market in India and its stronghold in Rajasthan. The net profit margin, a crucial metric for a proxy representing retail consumers transitioning from unorganized to organized segments, has consistently been in the 4-6% range. Additionally, the RoE stands at over 16%, underlining the company's efficiency in generating returns for its shareholders. While the inventory turnover of 1x has been below average, this might be overshadowed by the company's high growth trajectory. However, we believe that optimizing asset utilization will be pivotal for enhancing RoE and justifying valuations in the future. **Delving into valuations, the issue is offered a P/E multiple of 16.1x of FY23 earnings which stands favourably when compared to similar ratios in the organized jewellery sector in India. We, therefore, recommend investors to "SUBSCRIBE" for listing gains to the issue.**

Key Risks

- ⇒ The company is heavily dependent on third parties to supply its products. The inability to maintain agreements with such parties and any disruption from such suppliers can adversely affect the business.
- ⇒ The company has high inventory costs and requires intensive working capital to run its operations. The inability to borrow such capital at reasonable terms can have an adverse effect on the business.
- ⇒ If the company fails to utilize its manufacturing units to the full extent, it could have an impact on its costs, profitability, and ability to absorb fixed costs.



Motisons Jewellers Ltd.

Income Statement (Rs. in millions)

Particulars	FY21	FY22	FY23	Q1FY24
Revenue				
Revenue from Operations	2,130	3,143	3,662	867
Total Revenue	2,130	3,143	3,662	867
Expenses				
Cost of raw materials and components consumed	132	315	361	28
Purchases of stock-in-trade	1,656	2,832	3,028	721
Changes in inventory	-50	-506	-372	-41
Employee benefit expenses	56	70	85	22
Other Expenses	25	46	71	12
Total Operating Expenses	1,819	2,757	3,172	742
EBITDA	311	386	490	126
Depreciation and Amortization expenses	27	28	19	4
Other income	0	1	6	0
EBIT	285	359	477	122
Finance costs	154	159	178	48
PBT	131	200	299	74
Current tax	35	53	77	19
Deferred Tax charge/ (credit)	-1	0	1	0
Total tax	34	52	77	19
PAT	97	147	222	55
Diluted EPS	1.5	2.3	3.4	0.8

Source: RHP, BP Equities Research

Cash Flow Statement (Rs. in millions)

Particulars	FY21	FY22	FY23	Q1FY24
Cash Flow from operating activities	171	61	38	25
Cash flow from investing activities	-7	7	18	0
Cash flow from financing activities	-126	-74	-84	-35
Net increase/(decrease) in cash and cash equivalents	38	-6	-28	-10
Cash and cash equivalents at the beginning of the period	23	61	55	27
Cash and cash equivalents at the end of the period	61	55	27	17

Source: RHP, BP Equities Research

**Motisons Jewellers Ltd.****Balance Sheet (Rs. in millions)**

Particulars	FY21	FY22	FY23	Q1FY24
Equity and Liabilities				
Equity Share Capital	650	650	650	650
Other equity-attributable to the owners of the company	360	505	724	778
Total Equity	1,010	1,155	1,374	1,428
Non-Current Liabilities				
Borrowings	194	163	129	119
Lease liabilities	74	55	24	21
Long term financial liabilities	48	55	61	63
Total Non Current Liabilities	317	272	214	203
Current Liabilities				
Borrowings	1,220	1,353	1,517	1,541
Lease liabilities	20	20	10	11
Trade Payables (MSME and SME)	30	39	106	95
Trade Payables (Other than MSME and SME)	109	156	70	101
Other current liabilities	0	1	0	0
Provisions	39	44	48	67
Current tax liabilities (net)	9	27	26	35
Total Current Liabilities	1,428	1,639	1,777	1,850
Total liabilities	1,745	1,911	1,991	2,053
Total Equity and Liabilities	2,754	3,065	3,365	3,481
Assets				
Non-Current Assets				
Property, plant and equipment	36	49	46	44
Capital Work-in-Progress	83	62	27	25
Right-of-use assets	0	1	1	1
Intangible Assets	13	0	0	0
Other financial assets	19	6	6	6
Deferred tax assets(net)	7	7	7	7
Other Non-Current Assets	7	7	7	3
Total Non current assets	165	132	94	86
Current Assets				
Inventories	2,398	2,838	3,203	3,307
Trade Receivables	22	21	11	15
Cash and Cash Equivalents	61	54	26	16
Bank balances	0	1	1	1
Loans	30	0	0	0
Other current assets	77	21	30	57
Total Current Assets	2,589	2,934	3,271	3,396
Total Assets	2,754	3,065	3,365	3,481

Source: RHP, BP Equities Research

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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Corporate Office:

4th floor,
Rustom Bldg,
29, Veer Nariman Road, Fort,
Mumbai-400001
Phone- +91 22 6159 6464
Fax-+91 22 6159 6160
Website- www.bpwealth.com

Registered Office:

24/26, 1st Floor, Cama Building,
Dalal street, Fort,
Mumbai-400001
BP Wealth Management Pvt. Ltd.
CIN No: U67190MH2005PTC154591
BP Equities Pvt. Ltd.
CIN No: U67120MH1997PTC107392