

## All that glitters is Gold for PNG... SUBSCRIBE

### Company Overview:

- P N Gadgil Jewellers selling under the brand names “PNG Jewellers”, or “PNG” is a jewellery retailer present primarily in Maharashtra with a legacy of more than a century.
- The company offers jewellery under 12 sub brands ([Page 6](#)) catering to various occasions, types and price range.
- As of July 31, 2024, the company has 36 stores in Maharashtra, 3 stores in Goa and 1 store in the U.S. spread across 22 cities. The company also retails its products through its website and mobile application “PNG Jewellers”.
- The company operates 28 stores under company owned company operated (**COCO**) model and 11 stores under franchisee owned company operated (**FOCO**) model. This helps the company to maintain the quality of products and services across its stores.
- **Store Formats:** 22 Large Format Stores (area > 2,500 sq. ft.), 13 Medium Format Stores (area between 1,000 sq. ft and 2,500 sq. ft.) and 4 Small Format Stores (area < 1,000 sq. ft.)
- The company has been offering its gold products with **BIS hallmark standards** since 2007. They also provide diamond jewellery certified by **Gemological Science International** and procure diamonds only from vendors who provide **Kimberley certification**.
- As of March 31, 2024, the company’s portfolio consists of 10,000+ SKUs in gold, 1,200+ SKUs in silver, 2,700+ SKUs in platinum, and 24,000+ SKUs in diamond jewellery designs.
- The company manufactures its jewellery through 75 skilled artisans (Karigars) in their workshop on a non-exclusive contractual basis.
- The company conducts events like “Parampara Exhibitions”, “Mangalsutra Mahotsav” and “Painjan Mahotsav” across its stores to increase footfalls while also leveraging festivals like Akshaya Tritiya, Navratri, Gudi Padwa, Guru Purnima, Dhanteras, Diwali, Gurupushyamrut, Ganapati festival and Dusshera to spread brand awareness.

**Valuation and Outlook:** At the upper price band of Rs 480, the IPO is priced at an PE of 42.2x and EV/sales of 1.1x vs listed peers’ average of 34.5x and 1.5x respectively on FY24 basis. P N Gadgil Jewellers is a leading organized gold jeweller retailer prominent in Maharashtra. Over FY22-24, the company’s Revenue/Ebitda/APAT has grown at a CAGR of 54.6%/55.5%/63.7%, respectively. In FY24, the company generates highest revenue per store of Rs 1,567 vs listed peer’s average of Rs 220. Part of the fresh issue proceeds would be utilized to add new 12 stores and strengthen retail presence in Maharashtra. They will also retire debt obligation to the tune of Rs 3,000mn from IPO, this will enable the company to get sanction for non-fund base debt require and avail GML at lower rates. We are optimistic on the growth potential of the business given its track record of performance and growth, new store additions, make-to-order service which comes with high margin and improving sentiments of consumers post rationalization of custom duty on gold import by government. We thereby assign a **“Subscribe”** rating to the IPO.

The Issue	
Type of Issue	Issue size Rs. Mn
Fresh Issue	8,500
Offer for sale	2,500
<b>Total</b>	<b>11,000</b>
<b>Post issue mkt cap*</b>	<b>65,140</b>
Lot size	31 shares

### \*At Upper Price Band

Issue Break-Up	
Reservation for	% of Issue
QIB	50%
NII	15%
Retail	35%
<b>Total</b>	<b>100%</b>

Indicative Offer Timeline	Indicative Date
Bid/Offer Opening Date	10 Sept, 2024
Bid/Offer Closing Date	12 Sept, 2024
Finalization of the Basis of Allotment	13 Sept, 2024
Credit of shares	16 Sept, 2024
Listing Date	17 Sept, 2024

Use of Proceeds	Rs. Mn
CapEx for setting up 12 new stores in Maharashtra	3,870
Prepayment or repayment of debt	3,000
General Corporate Purpose	

BRLM & Registrar	
<b>Manager</b>	Motilal Oswal Investment Advisor, Nuvama Wealth Management, BOB Capital Markets
<b>Registrar</b>	Bigshare Services

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## P N Gadgil Jewellers Ltd

Shareholding Pattern	Holding (%)	
	Pre Issue	Post Issue*
Promoters & Promoter Group	100.0	83.1
Others/Public	0.0	16.9
Total	100.0	100.0

\* At upper price band

Issue Structure (Rs. Mn)	Floor	Cap
Net Offer	10,875	11,000
QIB Portion (50% of Offer)	5,437	5,500
Non Institutional portion (15% of Offer)	1,631	1,650
Retail portion (35% of Offer)	3,806	3,850

Selling Shareholder	Type	OFS (Shares in Mn)	Shareholding	
			Pre Issue	Post Issue
SVG Business Trust	Promoter	5.21	99.9%	83.1%

### Valuation vs Peer

Particulars	FY24			FY22-24			FY24				
	Market Cap (Rs in Mn.)	Revenue (Rs in Mn.)	Average Revenue/Store (Rs in Mn)	Revenue CAGR	EBITDA CAGR	PAT CAGR	ROE	ROCE	EV/EBITDA	EV/Sales(x)	PE(x)
P N Gadgil Jewellers Limited	65,140	61,109	1,567	46.8%	67.9%	426.9%	28.9%	36.0%	25.6	1.1	42.2
<b>Listed Peers</b>											
Kalyan Jewellers India Limited	4,40,657	1,85,480	733	30.9%	26.6%	63.0%	15.2%	14.0%	34.5	2.5	80.1
Senco Gold Limited	59,957	52,300	329	21.6%	17.2%	20.6%	16.3%	14.0%	17.6	1.3	31.1
Thangamayil Jewellery Limited	35,336	38,270	660	32.1%	57.0%	77.6%	28.0%	20.0%	17.6	1.0	28.0
Tribhovandas Bhimji Zaveri Limited	6,943	22,990	697	11.7%	33.4%	64.3%	9.3%	11.0%	8.9	0.6	13.0
RBZ Jewellers Limited	6,006	3,270	NA	13.9%	18.6%	22.3%	14.4%	16.0%	17.4	2.0	20.1
<b>Average</b>									<b>19.2</b>	<b>1.5</b>	<b>34.5</b>

### Key Risks:

- **Significant dependence on gold jewellery:** Over 90% of company's revenue comes from gold jewellery. Therefore any adverse factors affecting the procurement of gold could further have its toll on sales of gold jewellery and results of operations.
- **Concentrated in Maharashtra:** The company's business is concentrated in the state of Maharashtra, particularly Pune within the state. Over the FY22-24, Revenue from Maharashtra and Pune contributed over 92% and 60% respectively to the total revenue. Any economic headwinds and sluggishness in income levels in the region could affect sales and results of operations.
- **High Attrition rate:** The company's employee attrition rate stands at 23% in FY24, up from 10% in FY23. Even in FY22, the rate was 20%. Indian jewellery sector is highly competitive plus it requires long period of time to hire and train replacement. Also, the company would be required to increase compensation to retain or hire replacement. Higher attrition rate could lead to higher investment in resources and lower profitability.
- **Competition from local unorganized players:** The Indian Gold jewellery manufacturing industry is dominated by unorganized players. And as such, the business faces competition from local unorganized players who have more connect with the customers and their preferences. Further the emergence of e-commerce platform enables these players to place their products online and garner greater visibility.
- **Dependence on third party artisans and job-workers (Karigars):** All the company's jewellery manufacturing is carried out by third party Karigars. As of July 31, 2024, they had a direct arrangement with over 75 Karigars. However, these karigars do not exclusively work for the company and therefore are not bounded by confidentiality of company's proprietary designs. This poses a threat to PNG Jewellers business. Additionally, theft or damage to raw materials under karigars possession would also impact result of operations.
- **Fluctuation in Precious metal prices:** The business is susceptible to fluctuation in prices of gold (higher vs diamond) and diamond. Over short term increase in gold prices could delay customer purchases and thereby lower volumes, while decline in prices could drag down value or realizations.

### Competitive Strengths:

- ⇒ **Brand differentiation, product mix and diversification:** They have created 12 sub-brands offering different type (gold, silver, platinum and diamond), catering to a diverse customer base (young, couples, modern and contemporary), for different occasions (festivals, weddings, etc.) and in different price ranges to provide a unique experience for its customers. This helps the company to focus towards a particular product while catering to a wider range of audience. This also helps in brand recognition and association from the customers maintaining loyalty and patronage. Furthermore, their portfolio consists of 10,000+ SKUs in gold, 1,200+ SKUs in silver, 2,700+ SKUs in platinum, and 24,000+ SKUs in diamond jewellery designs.
- ⇒ **Brand awareness and promotion:** The company has been strategically placing its jewellery in Hindi and Marathi and engaging with renowned celebrities like Mrs. Madhuri Dixit. They also offer movie exclusive collection like the “Prem Ratan Dhan Payo Collection” helping them to build brand image in the film industry. At the store level, the company regularly holds unique themed exhibitions like “Parampara Exhibitions”, “Mangalsutra Mahotsav” and “Painjan Mahotsav” to engage customers with the product offering and attract more footfalls.
- ⇒ **Stringent quality checks:** The company offers its products through **COCO** and **FOCO** stores to ensure customers get a seamless experience across its stores while maintaining highest standards. They sell only hallmarked gold jewellery and have adopted BIS hallmark standards since 2007. They validate the purity of metal by melting a piece of jewellery from each vendor on a monthly basis. Further, the company certifies its diamond jewellery from Gemological Science International and procure diamonds only from the vendors providing Kimberley certificates. This helps the company to ensure the quality of products is of the highest standards and trade only ethically sourced and manufactured products. They undertake quality checks of the inventory at the head office level on a monthly basis and undertake labelling of the jewellery only when all quality standards are met.
- ⇒ **Strategic geographical expansion:** They focus on expanding their stores in under-served areas, mainly Tier-II and Tier-III cities, in Maharashtra to plug the demand and supply gap and reach wider geographical region. They are present in large and small cities, and semi urban regions. In FY24, they generated a revenue of ~Rs 10.9bn (17.8% of revenue from operations) from sales outside of Tier – I cities. Furthermore, to boost its presence in and out of Maharashtra the company is retailing its products through e-commerce, own website and mobile application. This has helped the company to expand its geographical footprints while competing with established as well as unorganized players.

**Business Strategies:**

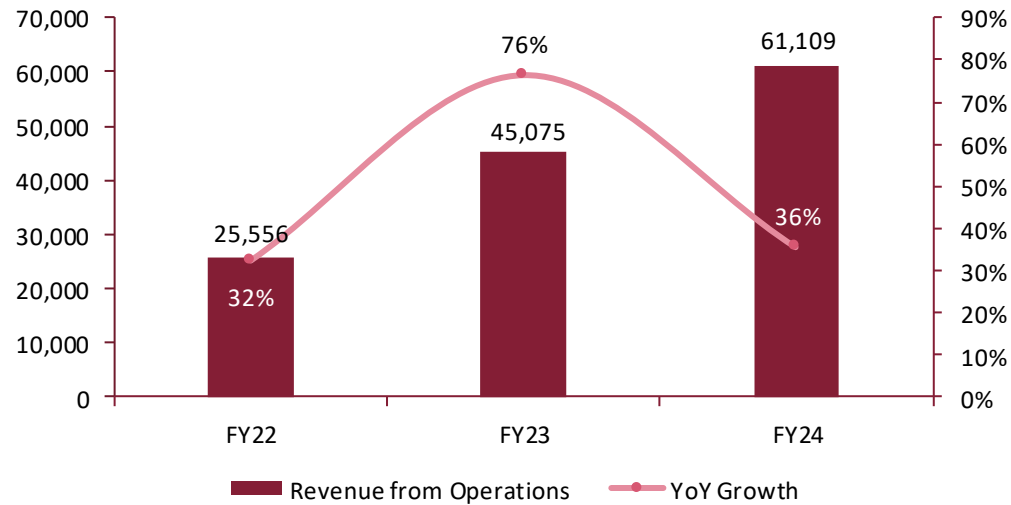
- ⇒ **Expand retail network in western India:** PNG Jewellers has created a strong brand image in Maharashtra. The company intends to leverage this brand image and enter tier 2 and tier 3 cities in western India, particularly in those location where penetration or organized retail jeweller is low. The opening of 12 new stores proposed by the company in RHP would take the total store count to 51 by FY26 in western India. They are also exploring opportunities to foray in regions outside Maharashtra which are dominated by local retail jewellers. Additionally, the company's strategy of "make to order" aligns with that of these local jewellers retail play. This would enable the company to compete and gain market share from local players in region outside Maharashtra.
- ⇒ **Focus on increasing footfalls and average transaction value per store in their existing stores:** They are planning to Increase footfalls by increasing marketing and outreach programmes. They also intend to increase the subscription for customers availing their incentives and loyalty schemes. Focus is also on improving premium product mix to enhance average transaction value per store.
- ⇒ **Increase digital presence and customer base:** The company wants to leverage on the trend of online shopping and be in a position to cater to the preference of youth through online marketplaces. At present, revenue from online channels is minimal (~1%). They have launched an online platform, "www.pngjewellers.com" and "PNG Jewellers" mobile App through which consumers can get access to its various jewellery products. This will open up wider audience for the company to cater to and expand their business.
- ⇒ **Continue to invest in marketing and brand building initiatives:** The company is a strong believer of customer oriented marketing, over the year they have collaborated with various celebrities to endorse their product. Apart from this , they also undertook promotional and marketing strategies, including location-based marketing, event focused campaigns, and digital marketing. They intend to continue with their efforts of marketing and enhance their brand visibility and attract new customers.

**Sub-brands**

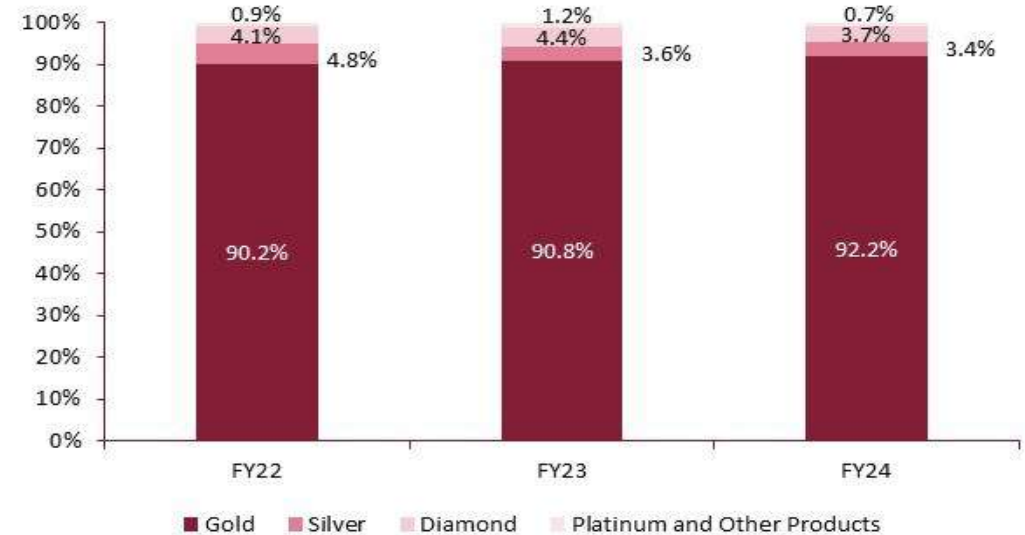
Sub-brand	Type	Offering	Price Range (Rs.)
Saptam	Gold	Wedding, Festival	500,000 - 1,250,000
Swarajya	Gold	Wedding	450,000 - 2,000,000
Rings of Love	Gold	Wedding	25,000 - 70,000
The Golden Katha of Craftmanship	Gold	Wedding	300,000 - 1,000,000
Flip	Gold	Wedding	500,000 - 800,000
Lifestyle	Gold	Daily wear	6,500 - 300,000
Eiina	Diamond	for Women	750,000 - 1,750,000
PNG Solitaire	Diamond	for Men & Women	110,000 - 1,700,000
Men of Platinum	Platinum	for Men	150,000 - 300,000
Evergreen Love	Platinum	Weddings, Couples	17,000 - 65,000
Pratha	Gold	Weddings	550,000 - 1,350,000
Yoddha	Gold	for Men	50,000 - 400,000

## P N Gadgil Jewellers Ltd - Revenue

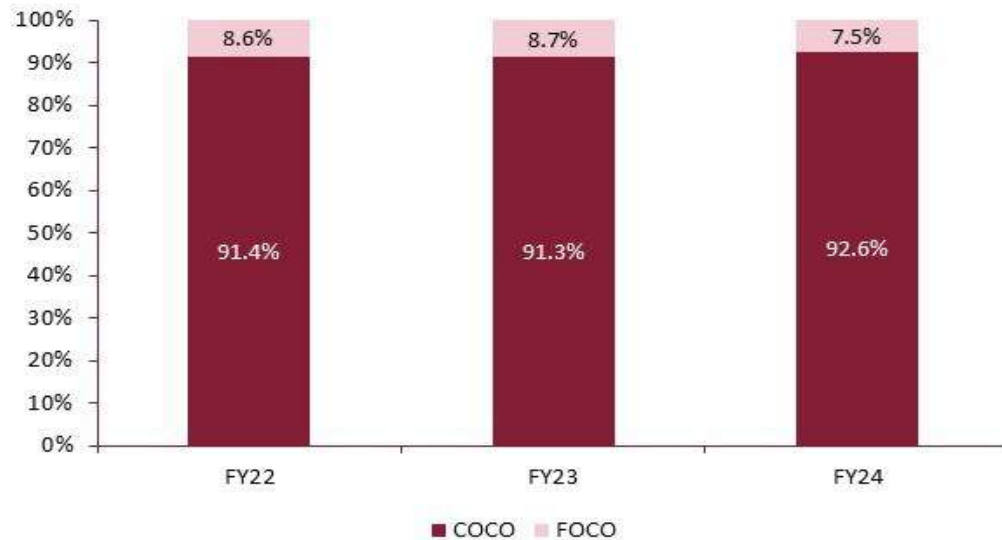
### Revenue from Operations (Rs. Mn)



### Revenue by Products



### Revenue by Store Type

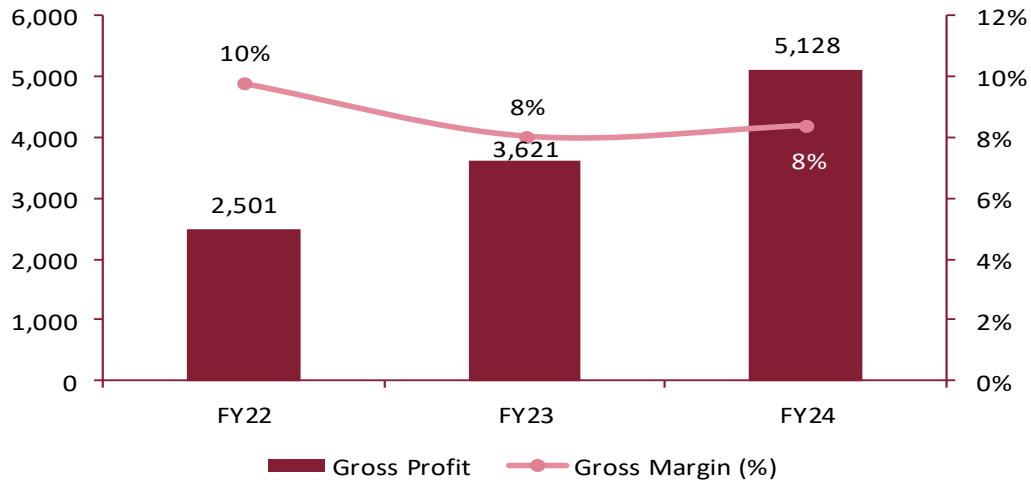


### Key Financial Summary (Rs. Mn)

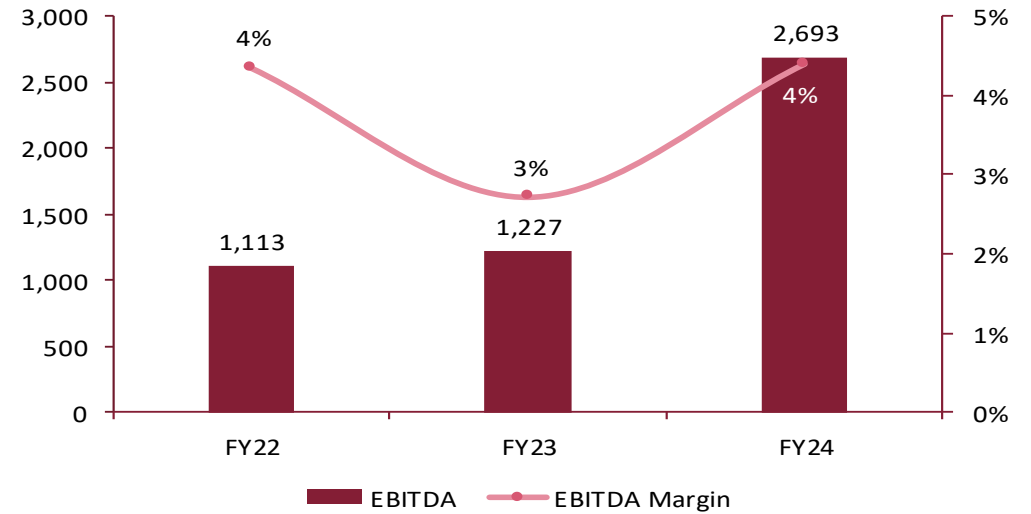
Particulars	FY21	FY22	FY23	FY24
Revenue	19,301	25,556	45,075	61,109
EBITDA	569	1,113	1,227	2,693
EBITDA margin (%)	2.9%	4.4%	2.7%	4.4%
Adj. PAT	11	576	743	1,543
Adj. PAT margin (%)	0.1%	2.3%	1.6%	2.5%
EPS (Adj for issue)	0.1	4.2	5.5	11.4

# P N Gadgil Jewellers Ltd - Profitability

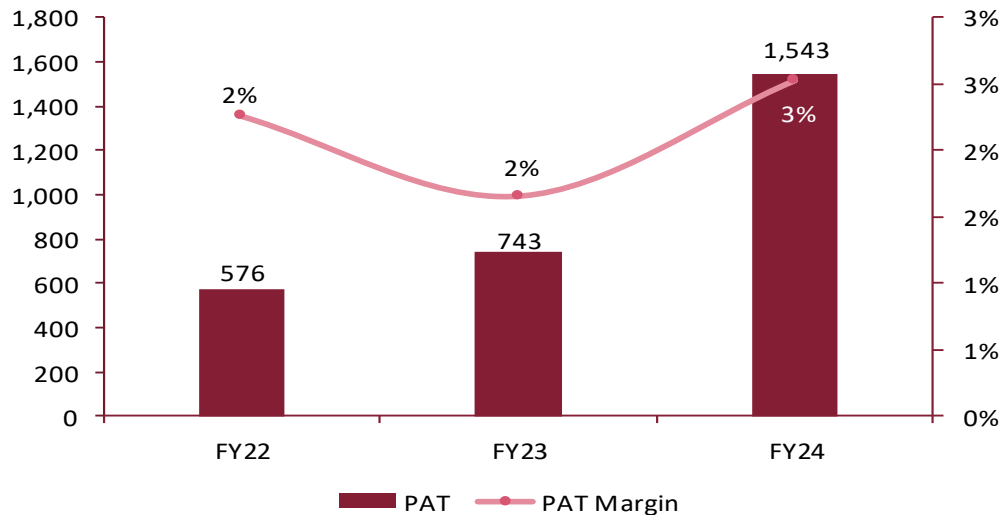
### Gross Profit (Rs. Mn)



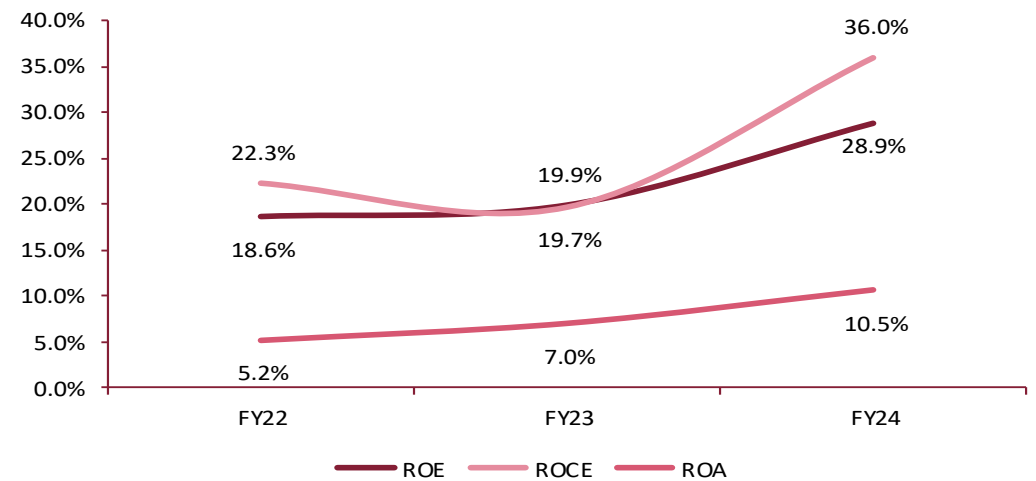
### EBITDA (Rs. Mn)



### Profit after Tax (Rs. Mn)



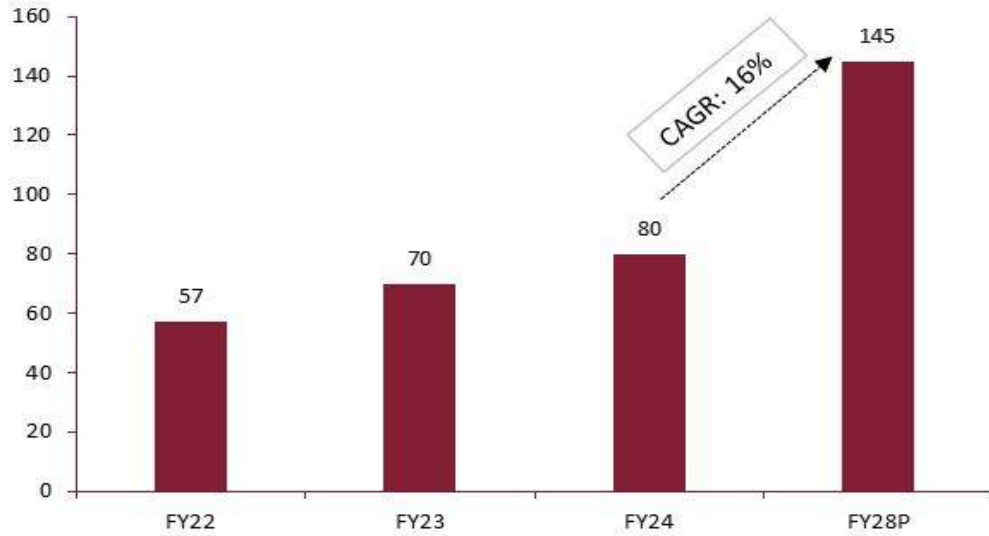
### Profitability Ratios



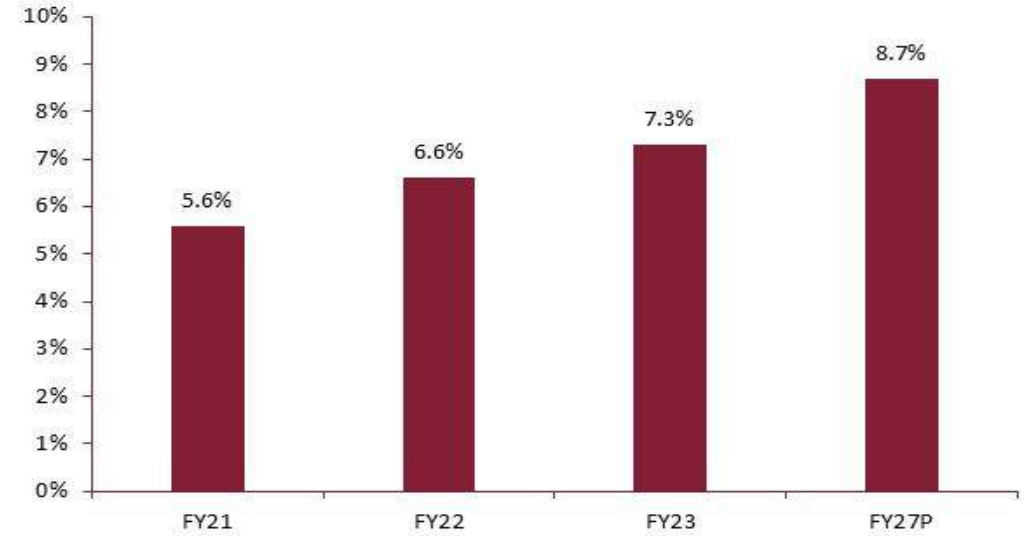


# Industry Overview

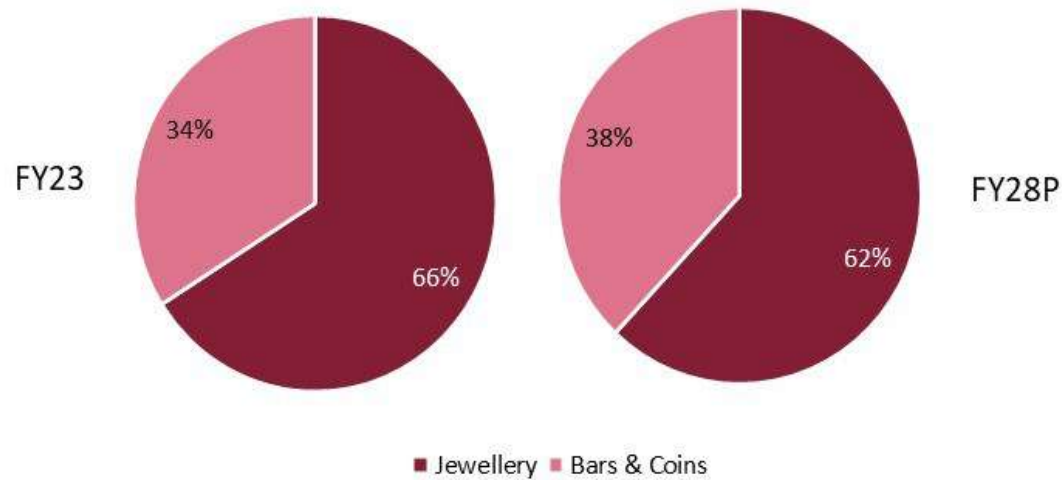
### Indian jewellery Market Size (\$bn)



### Jewellery Purchases % of retail consumption in India



### Gold Consumption by type



## INDSEC Rating Distribution

**BUY** : Expected total return of over 15% within the next 12-18 months.

**HOLD** : Expected total return between 0% to 15% within the next 12-18 months.

**SELL** : Expected total return is negative within the next 12-18 months.

**NEUTRAL**: No investment opinion, stock under review.

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