

## Company Overview

Senco Gold 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 organized jewellery retail player in the eastern region of India based on the number of stores. It primarily sells gold and diamond jewellery and also sells jewellery made of silver, platinum, precious and semi-precious stones, and other metals. Other offerings include costume jewelry, gold and silver coins, and utensils made of silver. The products are sold under the brand of Senco Gold & Diamonds through multiple channels which includes owned stores, franchisee stores, and various online platforms. The company has 75 Company Operated Showrooms and 61 Franchisee Showrooms as of March'23. The company's strategy of operating through multiple channels enables it to allocate capital as required and it continues to expand its geographic presence and work towards an omni-channel network. With a catalog offering more than 1,20,000 plus designs for gold jewellery and more than 69,000 designs for diamond jewellery, the company offers a large variety of designs of handcrafted jewellery, most of which are designed and manufactured in-house by its own designers in close collaboration with skilled local craftsmen (Karigars) in Kolkata and across the country.

## Objects of the issue

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

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

## Investment Rationale

### A strong brand name and legacy of over five decades ensure growth visibility

The company has a track record of more than five decades in the jewellery business that ensures trust and transparency among customers. Senco has also installed gold testing machines (XRF machines) to provide assurance to customers for the hallmarked gold jewellery at all its showrooms and follows stringent and transparent purity checks to ensure the quality of the jewellery. Further, the company's commitment to quality and transparency has enabled it to position Senco Gold & Diamonds as a strong and trusted brand in East and North-East Indian markets as a jewellery retailer with a wide range of gold, silver, and diamond jewellery products.

### Focus on light and affordable jewellery targeting the upwardly mobile and younger generations to drive next leg of growth

Senco Gold Limited has a wide range of product offerings catering to diverse customer segments. It particularly caters to the upwardly mobile class and the younger generation as it believes that consumer preference is shifting away from traditional bulky jewellery to light-weight fashion items with an increasing number of working women, exposure to global designs, and a rising number of young consumers preferring to purchase jewellery for adornment rather than investment. Accordingly, the company's light and affordable jewellery product range starts at ~Rs 2,000. Further, it has a diverse range of offerings within the category of affordable jewellery, with an active catalog of more than 1,20,000 designs for gold jewellery 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 complexity of its designs, and the quality and finish of its products are among its key strengths.

## Issue Details

Offer Period	04 <sup>th</sup> July, 2023 - 06 <sup>th</sup> July, 2023
Price Band	Rs. 301 to Rs. 317
Bid Lot	47
Listing	BSE & NSE
Issue Size (no. of shares in mn)	13.45
Issue Size (Rs. in bn)	4.05
Face Value (Rs.)	10

## Issue Structure

QIB	50%
NIB	15%
Retail	35%

BRLM	IIFL Securities, Ambit Pvt Ltd, SBI Capital Market
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Registrar	KFin Technologies Ltd.
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Particulars	Pre Issue %	Post Issue %
Promoter	74.71	66.25
Promoter Group	2.20	1.96
Public	23.09	31.52
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

(Assuming issue subscribed at higher band)

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# Senco Gold Limited

## Valuation

Senco is a pan-India jewellery retail player with a history of more than five decades. The company is the largest organized jewellery retail player in the eastern region of India based on the number of stores and among eastern India-based jewellery retailers. The company also strategically operates through multiple channels enabling them to allocate capital as required, as they continue to expand their geographic presence and work towards an omni-channel network. Further, the company has been serving customers for more than five decades now, and are continuously trying to focus on customer retention initiatives through the adoption of quality norms, loyalty programs, hyper-local offerings, and also making sure that they design jewellery in line with the latest market trends and regional variations. Senco also focuses on attaining an optimal balance between their operated showrooms and expanding their asset-light franchisee model. They use a hub-and-spoke approach to enter new geographies and optimize their inventory management. The company grew its Rev/EBITDA/PAT at a CAGR of 23.8%/34.4%/60.6% during the FY21-23 period. **On the upper end of the price band, the issue is valued at a P/E of 13.9x based on FY2023 earnings which we feel is fairly valued. We, therefore, recommend a “Subscribe” rating for the issue.**

## Key Risks

- ⇒ The company operates in a highly competitive and fragmented market as the players in the Indian retail jewellery sector often offer their products at highly competitive prices and many of them are well established in their local markets.
- ⇒ Though an increase in the price of gold may result in an increase in the income from inventory held for sales, a significant increase in the price of gold or a negative outlook on future gold prices could adversely affect the company's sales volumes in the short term.
- ⇒ The company requires various approvals, permits, and licenses in the ordinary course of business and any delay to obtain them may affect its business operations.



# Senco Gold Limited

## Income Statement (Rs. in millions)

Particulars	FY21	FY22	FY23
<b>Revenue</b>			
Revenue from Operations	26,604	35,346	40,774
<b>Total Revenue</b>	<b>26,604</b>	<b>35,346</b>	<b>40,774</b>
<b>Expenses</b>			
Cost of raw material and components consumed	18,414	28,336	29,722
Purchases of Stock-in-Trade	2,903	5,644	8,461
Changes in inventory	1,537	-4174	-3,964
Employee benefit expenses	522	748	934
Other expenses	1,475	2,022	2,455
<b>Total Operating Expenses</b>	<b>24,851</b>	<b>32,575</b>	<b>37,608</b>
<b>EBITDA</b>	<b>1,753</b>	<b>2,772</b>	<b>3,166</b>
Depreciation and Amortization expenses	396	421	456
Other income	145	128	311
<b>EBIT</b>	<b>1,503</b>	<b>2,478</b>	<b>3,022</b>
Finance costs	666	709	861
Exceptional Item			
<b>PBT</b>	<b>837</b>	<b>1,770</b>	<b>2,162</b>
<b>Total tax</b>	<b>222</b>	<b>479</b>	<b>577</b>
<b>PAT</b>	<b>615</b>	<b>1,291</b>	<b>1,585</b>
<b>Diluted EPS</b>	<b>9.3</b>	<b>19.4</b>	<b>22.9</b>

Source: RHP, BP Equities Research

## Cash Flow Statement (Rs. in millions)

Particulars	FY21	FY22	FY23
Cash Flow from operating activities	1,809	-699	-761
Cash flow from investing activities	-537	-1,571	-1,980
Cash flow from financing activities	-1,224	2,280	2,741
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>49</b>	<b>10</b>	<b>-1</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>36</b>	<b>85</b>	<b>95</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>85</b>	<b>95</b>	<b>95</b>

Source: RHP, BP Equities Research



# Senco Gold Limited

## Balance Sheet (Rs. in millions)

Particulars	FY21	FY22	FY23
<b>Equity and Liabilities</b>			
Equity Share Capital	532	532	559
Other Equity	5,361	6,595	8,764
Non-controlling interest	133	133	133
<b>Total Equity</b>	<b>6,026</b>	<b>7,260</b>	<b>9,455</b>
<b>Non-Current Liabilities</b>			
Financial Liabilities			
(i) Borrowings	4	4	14
(ii) Lease Liabilities	1,328	1,451	1,884
Deferred tax liability (net)	8	8	6
Provisions	8	1	6
Other non current liabilities	0	0	245
<b>Current Liabilities</b>			
Financial Liabilities			
(i) Borrowings	5,320	8,626	11,757
(ii) Lease Liabilities	146	179	214
(iii) Trade Payable	609	1,174	1,445
(iv) Other financial liabilities	257	336	702
Current tax liabilities (net)	31	139	155
Provisions	23	13	20
Other current liabilities	1,832	1,812	3,149
<b>Total Current Liabilities</b>	<b>8,219</b>	<b>12,278</b>	<b>17,442</b>
<b>Total liabilities</b>	<b>9,567</b>	<b>13,742</b>	<b>19,598</b>
<b>Total Equity and Liabilities</b>	<b>15,593</b>	<b>21,002</b>	<b>29,053</b>
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	674	691	847
Capital work in Progress	24	65	131
Right of Use assets	1,417	1,516	1,927
Intangible Assets	27	25	23
<b>Financial Assets</b>			
(i) Investments	0	0	1
(ii) Other financial assets	268	167	559
Income tax assets (net)	185	180	185
Deferred tax assets (net)	127	141	179
Other non current assets	188	203	191
<b>Total Non current assets</b>	<b>2,912</b>	<b>2,988</b>	<b>4,043</b>
<b>Current Assets</b>			
Inventories	10,395	13,912	18,855
Investments			
(i) Trade Receivables	276	394	454
(ii) Cash and cash equivalents	1,281	2,788	4,376
(iii) Other financial assets	537	589	713
Other current assets	193	331	613
<b>Total Current Assets</b>	<b>12,681</b>	<b>18,014</b>	<b>25,010</b>
Assets held for sale			
<b>Total Assets</b>	<b>15,593</b>	<b>21,002</b>	<b>29,053</b>

Source: RHP, BP Equities Research

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

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