



# Senco Gold Ltd.

**Forging the military strength of our nation.**



**Kyon ki bhaiya, sabse bada rupaiya.**

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**NOT RATED**

## Forging the military strength of our nation.

On August 22, 1994, Senco Gold Limited ("Senco") was established. Senco is a prominent jewellery retailer in India with a more than 50-year history. located on the number of outlets, Senco is the largest organised jewellery retailer in eastern India, and among jewellery merchants located there, they have the broadest geographic reach in non-eastern states. Under the "Senco Gold & Diamonds" trade name, their products are offered through a number of channels, including their currently operating 57 franchisee showrooms, which include 4 franchisee-owned and company-operated showrooms, and 70 company-operated showrooms.

Senco's main product lines include gold, diamonds, platinum, silver, studded gold jewellery, and gold and silver coinage. They also market other goods like silver utensils and costume jewellery. In addition to necklaces, bangles, rings, earrings, pendants, bracelets, mangtika, mangalsutra, and chains, they also provide a large range of other jewellery options.

Company's brand portfolio consists of:

- **Everlite:** This light-weight gold and diamond collection starts from approximately ₹ 5,000 and goes up to ₹ 60,000. The products offered with various collections named Denim, Venus, Nature, Tribe, Magnificence and Floral.
- **Gossip:** 'Gossip' brand for fast- moving, fashionable and easy-to-wear silver jewellery. The 'Gossip' brand is made of sterling silver or base metal with precious and semi-precious stones, including zirconia. This gives freedom to change jewellery with varying clothes preferences at different occasions.
- **Aham:** Aham collection has been designed especially for the cosmopolitan man and can be used as part of daily wear as well as in social occasions. This offers a collection of rings, bracelets, cufflinks, ear-studs, chains and pendants in diamond, platinum, gold and silver.
- **The Vivaha Collection:** 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 the families.

Industry	Retail
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Issue Details	
Listing	BSE & NSE
Open Date	4 <sup>th</sup> Jul 2023
Close Date	6 <sup>th</sup> Jul 2023
Price Band	INR 301 - 317
Face Value	INR 10
Market Lot	47 shares
Minimum Lot	1 Lot

Issue Structure	
Offer for Sale	33%
Fresh Issue	67%
Issue Size (Amt)	INR 405 cr
Issue Size (Shares)	12,776,025
QIB Share (%)	≤ 50%
Non-Inst Share (%)	≥ 15%
Retail Share (%)	≥ 35%
Pre issue sh (nos)	69,145,806
Post issue sh (nos)	77,663,156
Post issue M Cap	INR 2,462 cr

Shareholding (%)	Pre (%)	Post (%)
Promoter	74.71	66.25
Promoter Group	2.20	1.96
Public	23.09	31.52
<b>TOTAL</b>	<b>100</b>	<b>100</b>

### Key Financial Data (INR Cr, unless specified)

	Revenue	EBITDA	Adj PAT	EBITDA (%)	Net (%)	Adj EPS (₹)	BVPS (₹)	RoE (%)	RoIC (X)	P/E (X)
FY21	2,660.4	181.7	61.5	6.8	2.3	11.8	77.6	10.2	14.1	26.8
FY22	3,534.6	286.6	129.1	8.1	3.7	24.8	139.6	17.8	18.7	12.8
FY23	4,077.4	316.6	158.7	7.8	3.9	30.5	181.8	16.8	16.1	10.4

## Geographical Footprint:

Showrooms and franchisees				
State	Zone	2023	As of March 31,	
			2022	2021
West Bengal	East	85	80	69
Uttar Pradesh	North	11	11	10
Delhi	North	5	5	5
Maharashtra	West	6	5	5
Bihar	East	2	2	2
Jharkhand	East	7	5	4
Karnataka	South	2	2	2
Odisha	East	7	7	7
Assam	East	5	4	4
Chhattisgarh	East	1	1	1
Haryana	North	3	3	1
Telangana	South	1	1	1
Tripura	East	1	1	1
<b>Total</b>		<b>136</b>	<b>127</b>	<b>112</b>

Source: Red Herring Prospectus

## Showrooms:

Senco does business through franchisee and company-operated showrooms. They have 61 franchisee showrooms as of March 31, 2023, and 75 company-operated showrooms, including 4 franchisee-owned and company-operated showrooms.

Company operated showrooms and franchisee						
Particulars	Company Operated Showrooms			Franchisee Showrooms		
	Fiscal 2023	Fiscal 2022	Fiscal 2021	Fiscal 2023	Fiscal 2022	Fiscal 2021
No. of showrooms at the beginning of the year	70	60	56	57	52	51
No. of showrooms added during the year	5	10	4	6	7	2
No. of showrooms closed during the year	-	-	-	2	2	1
No. of showrooms at the end of the years	75	70	60	61	57	52

Source: Company RHP

## Competition:

In the Indian jewellery market, there are several prominent organised retailers, including Titan Company Ltd (operating under the brand Tanishq), PCJ, KJIL, JIPL, TBZ, TJL, and Malabar Gold Pvt. Ltd. Additionally, in the eastern region of India, major organised jewellery retailers include PC Chandra Jewellers, Anjali Jewellers Pvt Ltd, and MP Jewellers. These companies face competition not only from each other but also from the unorganised segment, which accounted for approximately 62-67% of the total market in India during fiscal year 2022.

### Financial Performance of major competitors

Particulars	Operating income (FY23, INR Cr)	Operating income growth(%)	Operating margin(%)	Net profit margin (%)	Inventory Days	Working Capital Days
SGL	4,077.4	15.0	8.0	4.0	174.0	161.0
Titan CompanyA	33,706.0	38.0	13.9	9.2	163.0	62.0
TJL	3,153.0	20.5	4.9	2.5	120.0	117.0
KJIL	14,071.4	56.0	7.9	3.2	208.0	184.0
TBZ	2,393.4	30.0	4.8	1.7	196.0	70.0

Source: Ventura Research

### Key Strengths of the business:

- 1. Calibrated focus on light, affordable jewellery to cater to the upwardly mobile and younger generation:**
  - The company's extensive product line serves a variety of customer categories. They mostly serve the younger generation and upwardly mobile class.
  - To cater to these populations, they have created two distinct product lines or brands. The upwardly mobile are the target market for the light-weight gold and diamond jewellery under the Everlite brand, which ranges in price from about 5,000 to 60,000.
- 2. The strong brand name with heritage and a legacy of over 5 decades:**
  - As a jewellery store with a broad selection of gold, silver, and diamond jewellery products, the company has been able to position "Senco Gold & Diamonds" as a strong and trusted brand in the marketplaces in which they operate in East and North-East India.
  - Additionally, for Bangle Utsav 2021 and 2022, respectively, the company won the KALEIDO award by ET Brand Equity, the Best Organisational Development (OD) Programme, the Best Training Initiative for Retail, and the Marketing Campaign of the Year at the Awards for Excellence in Branding and Marketing by CMO Asia.
- 3. Strong 'Company Operated Showroom' base complemented by an established asset-light 'franchise' model leading to operating leverage**
  - Senco concentrates on striking the ideal balance between growing its asset-light franchisee strategy and operating Showrooms. To expand into new areas and improve their inventory management, they adopt a "hub and spoke" strategy. They had 57 franchisee-owned, franchisee-operated showrooms as of March 31, 2023, and 4 franchisee-owned, company-operated showrooms.

## **Key Growth Strategies:**

- 1. Focus on catering to the younger generation and the upwardly mobile in India:**  
As more young consumers choose to buy jewellery for adornment rather than investment, jewellery retailers have begun producing lightweight fashion jewellery of contemporary designs, suitable for daily use. As a result, consumer preference is shifting away from traditional bulky jewellery towards lightweight fashion items.
- 2. Further expand the presence through a strong and diverse distribution channel:**  
Senco plans to modify the layout of its showrooms depending on the area and target market as part of their expansion strategy and effort to become a future-ready business. They want to add new and future-generation showroom formats
- 3. Leverage technology to enhance operational efficiency, customer experience and delight:**  
Through its online platforms and those of online marketplaces, Senco wants to keep expanding its footprint in the digital sphere. By doing this, they are able to reach areas outside of those served by their Company Operated Showrooms and Franchisee Showrooms.
- 4. Continue to invest in the marketing and brand building initiatives through hyperlocal strategy:**  
The company's marketing and promotion initiatives aim to boost sales by raising brand recognition, igniting interest in their product line, and solidifying their place within the Indian jewellery market. They often employ consumer adverts with targeted coverage as one of their main marketing platforms.

## **Key Risks & Concerns**

1. If the company is unable to sustain its efforts in developing innovative, fashionable, and popular designs, there is a risk that the demand for its jewellery may decrease. This could have an adverse impact on the company's revenues and overall financial condition.
2. The company is currently confronted with substantial competition in the Indian jewellery market, posing a significant risk of losing a substantial portion of its customers and market share. Such a scenario could have adverse effects on the business, financial condition, results of operations, and overall prospects of the company.
3. The volatility in the market price of gold and diamonds can have a direct impact on the value of the company's inventory. Consequently, this may potentially affect the company's income, profitability, and the scale of its operations.
4. The company's ability to access capital is contingent upon its credit ratings. In the event of non-availability of credit ratings or a poor rating, there is a risk that the company's access to capital may be restricted. This, in turn, can have adverse



effects on the company's business and results of operations.

5. Any defects or their inability to comply with quality parameters could potentially result in the cancellation of existing and future orders, thereby posing a significant risk to

Management Team		
Key Person	Designation	Details
Ranjana Sen	Chairperson	She is the Chairperson and Whole Time Director of the company. 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	Promoter	He is the Promoter and Whole Time Director designated as Managing Director and Chief Executive Officer of the company. He has been associated with the company since 2005 and has over 17 years of experience in the jewellery industry..
Sanjay Banka	CFO	He is the Chief Financial Officer of the company. He has been associated with the company since December 21, 2020. Prior to joining the company, he was associated with Landmark Group, Saudi Arabia, Bharat Road Network Ltd, Merino Industries Ltd. and Aksh Optifibre Ltd. He has over 20 years of experience in the various field.
Surendra Gupta	CS and Compliance Officer	He is the Company Secretary & Compliance Officer and Legal Head of the company. He joined the company on May 22, 2013. He has over 8 years of experience in the jewellery industry. .

Source: Company Reports

## Issue Structure and Offer Details

The proposed fresh issue size of SGL is INR 405 cr and the price band for the issue is in the range of INR 301-317 and the bid lot is 47 shares and multiples thereof.

Issue Structure		
Investor Category	Allocation	No. of shares offered
Institutional	Not more than 50% of the Offer	6,388,012
Non-Institutional	Not less than 15% of the Offer	1,916,404
Retail Individual Investors	Not less than 35% of the Offer	4,471,609

Number of shares based on a higher price band of INR 317

Source: Red Herring Prospectus.

### SGL's Financial Highlights

Fig in INR Cr (unless specified)	FY21	FY22	FY23	Fig in INR Cr (unless specified)	FY21	FY22	FY23
<b>Income Statement</b>				<b>Per share data &amp; Yields</b>			
<b>Revenue</b>	<b>2,660.4</b>	<b>3,534.6</b>	<b>4,077.4</b>	Adjusted EPS (INR)	11.8	24.8	30.5
<i>YoY Growth (%)</i>		<i>32.9</i>	<i>15.4</i>	Adjusted Cash EPS (INR)	19.4	32.9	39.2
Raw Material Cost	2,285.4	2,980.5	3,421.9	Adjusted BVPS (INR)	77.6	139.6	181.8
<i>RM Cost to Sales (%)</i>	<i>85.9</i>	<i>84.3</i>	<i>83.9</i>	Adjusted CFO per share (INR)	23.4	(13.4)	(14.6)
Employee Cost	52.2	74.8	93.4	CFO Yield (%)	7.4	(4.2)	(4.6)
<i>Employee Cost to Sales (%)</i>	<i>2.0</i>	<i>2.1</i>	<i>2.3</i>	Adjusted FCF per share (INR)	22.2	(21.4)	(22.2)
Other Expenses	141.1	192.7	245.5	FCF Yield (%)	7.0	(6.8)	(7.0)
<i>Other Exp to Sales (%)</i>	<i>5.3</i>	<i>5.5</i>	<i>6.0</i>				
<b>EBITDA</b>	<b>181.7</b>	<b>286.6</b>	<b>316.6</b>	<b>Solvency Ratio (X)</b>			
<i>Margin (%)</i>	<i>6.8</i>	<i>8.1</i>	<i>7.8</i>	Total Debt to Equity	0.9	1.2	1.2
<i>YoY Growth (%)</i>		<i>57.8</i>	<i>10.5</i>	Net Debt to Equity	0.7	0.8	0.8
Depreciation & Amortization	39.6	42.1	45.6	Net Debt to EBITDA	2.2	2.0	2.3
<b>EBIT</b>	<b>142.1</b>	<b>244.5</b>	<b>271.1</b>				
<i>Margin (%)</i>	<i>5.3</i>	<i>6.9</i>	<i>6.6</i>	<b>Return Ratios (%)</b>			
<i>YoY Growth (%)</i>		<i>72.0</i>	<i>10.9</i>	Return on Equity	10.2	17.8	16.8
Other Income	14.5	12.8	31.1	Return on Capital Employed	9.2	11.2	9.4
Finance Cost	73.0	80.3	86.1	Return on Invested Capital	14.1	18.7	16.1
Interest Coverage (X)	1.9	3.0	3.2				
Exceptional Item	0.0	0.0	0.2	<b>Working Capital Ratios</b>			
<b>PBT</b>	<b>83.7</b>	<b>177.0</b>	<b>216.3</b>	Payable Days (Nos)	8	12	13
<i>Margin (%)</i>	<i>3.1</i>	<i>5.0</i>	<i>5.3</i>	Inventory Days (Nos)	143	144	169
<i>YoY Growth (%)</i>		<i>111.5</i>	<i>22.3</i>	Receivable Days (Nos)	4	4	4
Tax Expense	22.2	47.9	57.7	Net Working Capital Days (Nos)	138	136	160
<i>Tax Rate (%)</i>	<i>26.5</i>	<i>27.0</i>	<i>26.7</i>	Net Working Capital to Sales (%)	37.8	37.2	43.8
<b>PAT</b>	<b>61.5</b>	<b>129.1</b>	<b>158.7</b>				
<i>Margin (%)</i>	<i>2.3</i>	<i>3.7</i>	<i>3.9</i>	<b>Valuation (X)</b>			
<i>YoY Growth (%)</i>		<i>110.0</i>	<i>22.9</i>	P/E	26.8	12.8	10.4
Min Int/Sh of Assoc	(0.0)	(0.0)	0.0	P/BV	4.1	2.3	1.7
<b>Net Profit</b>	<b>61.5</b>	<b>129.1</b>	<b>158.5</b>	EV/EBITDA	15.8	10.6	10.1
<i>Margin (%)</i>	<i>2.3</i>	<i>3.7</i>	<i>3.9</i>	EV/Sales	1.1	0.9	0.8
<i>YoY Growth (%)</i>		<i>110.0</i>	<i>22.8</i>				
<b>Balance Sheet</b>				<b>Cash Flow Statement</b>			
Share Capital	66.5	66.5	66.5	PBT	83.7	177.0	216.3
Total Reserves	536.1	659.5	879.0	Adjustments	102.5	108.2	134.7
<b>Shareholders Fund</b>	<b>602.6</b>	<b>726.0</b>	<b>945.5</b>	Change in Working Capital	42.6	(307.2)	(473.2)
Long Term Borrowings	0.4	0.4	1.4	Less: Tax Paid	(22.2)	(47.9)	(57.7)
Deferred Tax Assets / Liabilities	0.0	0.0	0.0	<b>Cash Flow from Operations</b>	<b>181.8</b>	<b>(69.9)</b>	<b>(76.1)</b>
Other Long Term Liabilities	132.7	146.0	188.4	Net Capital Expenditure	(14.0)	(24.7)	(39.2)
Long Term Trade Payables	0.0	0.0	0.0	Change in Investments	(39.6)	(132.4)	(158.9)
Long Term Provisions	1.7	0.9	25.8	<b>Cash Flow from Investing</b>	<b>(53.6)</b>	<b>(157.1)</b>	<b>(198.0)</b>
<b>Total Liabilities</b>	<b>737.4</b>	<b>873.2</b>	<b>1,161.1</b>	Change in Borrowings	(49.4)	323.1	296.6
Net Block	209.0	220.7	277.4	Less: Finance Cost	(73.0)	(80.3)	(86.1)
Capital Work in Progress	2.4	6.5	13.1	Proceeds from Equity	0.0	0.0	75.0
Intangible assets under development	2.7	2.5	2.3	Buyback of Shares	0.0	0.0	0.0
Non Current Investments	26.9	16.7	56.0	Dividend Paid	0.0	(14.7)	(11.4)
Long Term Loans & Advances	0.0	0.0	0.0	<b>Cash flow from Financing</b>	<b>(122.4)</b>	<b>228.0</b>	<b>274.1</b>
Other Non Current Assets	50.0	52.4	55.5	<b>Net Cash Flow</b>	<b>5.9</b>	<b>1.0</b>	<b>(0.0)</b>
Net Current Assets	446.3	574.4	756.9	Forex Effect	0.0	0.0	0.0
<b>Total Assets</b>	<b>737.4</b>	<b>873.2</b>	<b>1,161.1</b>	Opening Balance of Cash	3.6	8.5	9.5
				<b>Closing Balance of Cash</b>	<b>8.5</b>	<b>9.5</b>	<b>9.5</b>

Source: Ventura Research



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