

Company Overview

Incorporated in 2003, Manoj Vaibhav Gems 'N' Jewellers Ltd. (MVGJL) is a very strong and well-entrenched jewellery brand in South India and also goes under the brand of Vaibhav Jewellers. It is a hyperlocal jewellery retail chain with a presence in the micro markets of Andhra Pradesh and Telangana with 13 showrooms (inclusive of two franchisee showrooms) across 8 towns and 2 cities. It has a market share of ~4% of the overall Andhra Pradesh and Telangana jewellery market and ~10% of the organized market in these two states in FY23. MVGJL is one of the early entrants in the organized jewellery retail market of Andhra Pradesh and continues to focus on the high-growth untapped regions within the micro-markets of Andhra Pradesh and Telangana. Manoj Vaibhav Gems 'N' Jewellers Ltd. offers gold, silver, and diamond jewellery in different traditional and modern designs for its customers categorized between 5 classes according to the occasion and price range. The Daily-wear Jewellery is plain gold with no stone studding and is preferred for daily use. The second is Bridal Jewellery which offers a wide choice of jewellery for women for the big occasion. Thirdly, the Occasion Wear Jewellery is an extension of bridal jewellery and can be segregated for functions like Mehendi, Sangeet, Roka, etc. Fourthly, there is antique jewellery with fairly elaborate and ethnic workmanship that is used for the relic look. Lastly, there is the unique classification of Temple Jewellery, which is again based on classic workmanship with each piece curated and handmade.

Objects of the issue

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

- ⇒ Funding capital expenditure towards setting up of the eight new stores;
- ⇒ Funding inventory for the eight new stores;
- ⇒ General corporate purposes.

Investment Rationale

Stronghold in Andhra Pradesh and Telangana region

MVGJL was amongst the first movers in the organised jewellery business in the state of Andhra Pradesh by starting the business as a proprietorship concern in the year 1994 from its first showroom in Visakhapatnam. They continue to focus on regional expansion into high-growth untapped regions within the micro-markets of Andhra Pradesh & Telangana. The company has a market share of ~4% of the overall Andhra Pradesh and Telangana jewellery market and ~10% of the organised market in these two states in FY23. The product range and offerings have allowed MVGJL to cater to all customer segments and genres, thus augmenting its brand strength and building a loyal customer base. Over the years, they have catered to the needs and changing trends of the market and strived to give the best and premium level of shopping experience to customers through their retail showrooms. Before opening any retail showroom, the company conducts a thorough study of the market and surroundings, maps the choice and preference of consumers, studies the reach and the type of localities and does an estimate of all parameters to ensure that business from that retail showroom will result into positive growth for the company.

Issue Details	
Offer Period	22 nd Sept, 2023 - 24 th Sept, 2023
Price Band	Rs. 204 to Rs. 215
Bid Lot	69
Listing	BSE & NSE
Issue Size (no. of shares in mn)	12.5
Issue Size (Rs. in bn)	2.7
Face Value (Rs.)	10

Issue Structure	
QIB	50%
NIB	15%
Retail	35%
BRLM	Bajaj Capital Limited, Elara Capital Private Limited .
Registrar	Bigshare Services Pvt. Ltd

Particulars	Pre Issue %	Post Issue %
Promoter & Promoter Group	100%	74.27%
Public	0%	25.73%
Total	100.00	100.00

(Assuming issue subscribed at higher band)

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Manoj Vaibhav Gems 'N' Jewellers Ltd.

Excellent marketing strategies and focus on rural markets

Over the years, MVGJL has invested substantial effort in building its brand. This includes various forms of promotion and marketing activities, engaging with brand ambassadors, organizing exhibitions and being part of conferences. In the past, the company has engaged with brand ambassadors such as Rakul Preet Singh, Kajal Agarwal, and Priya Anand to boost the presence of the brand and have a wider reach. One of MVGJL's unique proposition is creating an inventory of varied designs and products. This approach of the company ensures repeat customers seeking varied types of designs and products as it has a wide range of options in various categories, price ranges and occasions. The company connects with target groups through exhibitions to understand the tastes and preferences of the customers through its "Go to Marketing Strategy". Rural markets have a larger pie of the retail jewellery market and the inelasticity of rural demand for gold offers large potential for growth. 77% of MVGJL's retail showrooms are in Tier 2 and Tier 3 cities, catering to the semi-urban and rural demand of Andhra Pradesh and Telangana. The remaining retail showrooms are located in Hyderabad and Visakhapatnam, catering to the urban consumers. MVGJL follows a hub and spoke model with small-sized showrooms operating peripheral to the larger showrooms. This allows it to offer new products to semi-urban and rural customers on a continuous basis and capture a share of that market.

Valuation

The total jewellery market in Andhra Pradesh and Telangana is expected to grow at a CAGR of ~18% during FY2023-27 period to reach Rs. 96,500 crores by FY27. MVGJL has positioned itself well to capture a good chunk of this growth by catering to all economic segments and micro markets in Andhra Pradesh and Telangana through branded showrooms with a strong focus on the rural market and a dedicated urban focus. The company has displayed steady growth in revenue and even more robust profit growth which is up more than three-fold in two years. MVGJL boasts of a 23% return on its equity in FY23 which is attractive compared to its peers. They plan to open eight new stores to target more Tier 2 and Tier 3 markets which augurs well as rural markets contributed 50-52% of the total jewellery market in FY23. The nature of the business is such that a lot of costs are front-ended but once they are mitigated, profits can grow rapidly in coming years. The company has also maintained an asset turnover ratio of 1.8x and above which is a good sign for a constantly expanding business. We believe that the company looks poised to capture a further share of the unorganized jewellery market, especially in the rural areas. **Based on the prospects of the sector, the company's product catalogue, its stronghold in the southern markets and a good track record, the pricing looks attractive vis-à-vis its peers as it values MVGJL at 11.7x of its FY23 earnings. We, therefore, recommend a SUBSCRIBE rating to the issue.**

Key Risks

- ⇒ The non-availability or high cost of quality gold bullion, silver, diamonds and other precious and semi-precious stones may have an adverse effect on the business.

**Manoj Vaibhav Gems 'N' Jewellers Ltd.****Income Statement (Rs. in millions)**

Particulars	FY21	FY22	FY23	Q1FY24
Revenue				
Revenue from Operations	14,336	16,939	20,273	5,089
Total Revenue	14,336	16,939	20,273	5,089
Expenses				
Cost of raw materials consumed	8,147	9,766	12,126	3,100
Purchases of Stock-in-Trade	4,649	6,252	7,228	1,314
Changes in inventory	-61	-1,156	-1,726	4
Employee benefit expenses	279	356	425	104
Other expenses	514	672	790	193
Total Operating Expenses	13,528	15,890	18,843	4,716
EBITDA	808	1,050	1,431	373
Depreciation and Amortization expenses	88	87	86	20
Other income	96	38	40	13
EBIT	816	1,000	1,385	366
Finance costs	425	416	426	108
Exceptional Item	112	0	0	0
PBT	278	584	958	258
Current tax	75	157	250	68
Tax relating to previous years	0	0	0	0
Deferred Tax charge/ (credit)	-4	-10	-8	-2
Total tax	71	147	242	66
PAT	207	437	716	192
Diluted EPS	5.3	11.2	18.3	4.9

Source: RHP, BP Equities Research

Cash Flow Statement (Rs. in millions)

Particulars	FY21	FY22	FY23	Q1FY24
Cash Flow from operating activities	-115	90	692	107
Cash flow from investing activities	110	13	-35	-2
Cash flow from financing activities	43	-256	-588	-105
Net increase/(decrease) in cash and cash equivalents	37	-153	69	0
Cash and cash equivalents at the beginning of the period	181	217	64	133
Cash and cash equivalents at the end of the period	217	64	133	133

Source: RHP, BP Equities Research



Manoj Vaibhav Gems 'N' Jewellers Ltd.

Balance Sheet (Rs. in millions)

Particulars	FY21	FY22	FY23	Q1FY24
Equity and Liabilities				
Equity Share Capital	98	98	391	391
Other Equity	2,192	2,631	3,055	3,246
Total Equity	2,290	2,729	3,446	3,637
Non-Current Liabilities				
Financial Liabilities				
(i) Lease Liabilities	226	223	218	216
(ii) Borrowings	1,140	1,040	1,066	1,018
(iii) Other Financial Liabilities	2	2	5	5
Provisions	33	35	38	40
Current Liabilities				
Financial Liabilities				
(i) Borrowings	3,495	3,737	3,534	3,586
(ii) Lease Liabilities	30	31	33	34
(iii) Trade Payable	589	886	380	682
(iv) Other financial liabilities	12	16	18	17
Current tax liabilities	-2	14	10	35
Provisions	8	9	8	9
Other current liabilities	209	274	2,024	1,550
Total Current Liabilities	4,340	4,966	6,007	5,912
Total liabilities	5,741	6,267	7,333	7,192
Total Equity and Liabilities	8,031	8,995	10,779	10,828
Assets				
Non-Current Assets				
Property, plant and equipment	492	463	434	421
Capital work in Progress	66	30	7	7
Investment Properties	197	192	198	197
Other Intangible Assets	2	2	2	2
Financial Assets	235	216	198	194
Other Financial Assets	40	43	33	33
Other non current assets	8	7	6	6
Deferred tax assets (net)	11	21	28	31
Total Non current assets	1,051	973	907	892
Current Assets				
Inventories	6,412	7,672	9,336	9,361
Financial Assets				
(i) Bank Balances	31	23	40	40
(ii) Cash and cash equivalents	217	64	133	133
(iii) Trade Receivables	198	200	244	251
(iv) Loans	3	2	1	2
(v) Other Financial Assets	10	2	4	6
Other current assets	109	60	114	144
Total Current Assets	6,980	8,022	9,871	9,937
Total Assets	8,031	8,995	10,779	10,828

Source: RHP, BP Equities Research

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

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