

Manoj Vaibhav Gems 'N' Jewellers Ltd

Crafting Relationships



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Vaibhav Jewellers (MVGNJL) is a prominent regional jewellery brand in South India, founded by Mrs. Bharata Mallika Ratna Kumari Grandhi, a first-generation woman entrepreneur, and her daughter Grandhi Sai Keerthana. They operate as a hyperlocal jewellery retail chain primarily in Andhra Pradesh and Telangana, with a total of 13 showrooms across 8 towns and 2 cities, including franchisee showrooms.

MVGNJL holds approximately 4% of the overall jewellery market share in Andhra Pradesh and Telangana and around 10% of the organized jewellery market in these two states for the fiscal year 2023. They entered the organized jewellery retail market early and continue to expand regionally within the micro-markets of Andhra Pradesh and Telangana, aiming to create a market for branded jewellery in their operational areas.

The brand caters to a wide range of economic segments in these regions, both rural and urban, through their dedicated showrooms. Their key focus is on offering unique designs, high-quality products, transparency, and excellent customer service, emphasizing their commitment to building strong customer relationships.

MVGNJL engages with its target audience through exhibitions to understand customer preferences, forming the basis for their "Go to Marketing Strategy." They recognize the significant potential for growth in rural markets due to the enduring demand for gold jewellery. A substantial portion (77%) of their retail showrooms are located in Tier 2 and Tier 3 cities, serving the semi-urban and rural population, while the remaining showrooms are in Mini Metro city Hyderabad (15%) and Tier 1 city Visakhapatnam (8%), catering to urban consumers.

Their business model follows a hub-and-spoke approach, with smaller showrooms complementing larger ones. This strategy enables them to introduce new products to semi-urban and rural customers continuously, capturing a share of these markets effectively.

Key Financial Data (INR Cr, unless specified)

	Revenue	EBITDA	PAT	EBITDA (%)	PAT (%)	Adj EPS (₹)	BVPS (₹)	RoE (%)	RoIC (%)	P/E (X)	EV/Sales (X)	EV/EBITDA (X)
FY21	1433.6	81.2	20.7	5.7	1.4	4.2	46.9	9.1	10.8	50.6	1.0	18.3
FY22	1693.9	108.1	43.7	6.4	2.6	8.9	55.9	16.0	13.4	24.0	0.9	14.0
FY23	2027.3	147.0	71.6	7.3	3.5	14.7	70.5	20.8	17.6	14.7	0.7	10.2

Industry	Gems & Jewellery
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Issue Details

Listing	BSE & NSE
Open Date	22 nd Sept 2023
Close Date	26 th Sept 2023
Price Band	INR 204-215
Face Value	INR 10
Market Lot	69 shares
Minimum Lot	1 Lot

Issue Structure

Offer for Sale	19.23%
Fresh Issue	80.77%
Issue Size (Amt)	INR 270 cr
Issue Size (Shares)	1,25,67,442
QIB Share (%)	≤ 50%
Non-Inst Share (%)	≥ 15%
Retail Share (%)	≥ 35%
Pre issue sh (nos)	3,90,80,000
Post issue sh (nos)	4,88,47,442
Post issue M Cap	INR 1,050 cr

Shareholding (%)	Pre (%)	Post (%)
Promoter & group	100.00	74.27
Public	0.00	25.73
TOTAL	100.00	100.00

Growth Strategies

Expand in the untapped sections of the micro markets of Andhra Pradesh and Telangana

The strategy revolves around deep penetration into the micro markets of Andhra Pradesh and Telangana, with a strong focus on rural areas and tier 3 cities. The commitment is to cater to the local tastes, preferences, and demands while offering culturally connected designs.

Invest to enhance product portfolio by offering wider spectrum of designs

The focus is on offering new and unique designs and products tailored to customer preferences. They maintain location-specific showroom inventories, with flagship showrooms featuring cosmopolitan designs and rural showrooms showcasing local styles. They've introduced a sub-brand called "Visesha" in the premium jewelry segment to enhance the shopping experience, aiming to expand their design and product catalog to cater to a broader range of preferences and appeal to a wider audience.

Leverage on e-commerce platform

The company recognizes the importance of online shopping, especially post-COVID-19, and has invested in an attractive and up-to-date e-commerce platform. They've received positive feedback and plan to expand their reach to new customers globally, focusing on the United States, Canada, and the United Kingdom. Their e-commerce strategy includes offering a live inventory experience, allowing customers to virtually try on jewelry and book their preferred designs for delivery. This approach enhances their brand image and extends their presence in domestic and global markets.

Key Risks & Concerns

- The company sources its main raw material, gold, from banks and authorized bullion dealers. Price fluctuations in gold and other raw materials like silver, platinum, diamonds, and stones can affect their business. These prices are influenced by various factors, including market dynamics, government policies, economic conditions, and global factors like currency exchange rates.
- The absence of minimum supply guarantees means any disruptions in raw material availability may lead to increased costs or product discontinuations, potentially impacting their business and financial condition.

- The company chooses jewelry designs from their in-house design team, considering market trends and the needs of each retail showroom. In the highly competitive jewelry retail industry, innovative designs are crucial for staying ahead, but they have a short lifespan. As a result, designs change frequently, and they don't register them under the Designs Act, 2000.

Issue Structure and Offer Details

The proposed fresh issue size of MVGNJL is INR 270 cr (INR 60 cr OFS and INR 210 cr fresh issue) and the price band for the issue is in the range of INR 204 – 215 and the bid lot is 69 shares and multiples thereof.

Issue Structure	
Investor Category	Allocation
QIB	Not more than 50% of the Offer
NIB	Not less than 15% of the Offer
Retail	Not less than 35% of the Offer

Number of shares based on a higher price band of INR 215

Source: Company Reports

Details of the selling shareholders		
Promoter Selling shares	Amount offered	No of shares
Grandhi Bharata Mallika Ratna Kumari (HUF)	Not more than 60 Cr	28,00,000

The amount is based on a higher price band of INR 215

Source: Company Reports

MVGNJL financial summary and analysis

Fig in INR Cr (unless specified)	FY21	FY22	FY23	Fig in INR Cr (unless specified)	FY21	FY22	FY23
Income Statement				Per share data & Yields			
Revenue	1,433.6	1,693.9	2,027.3	Adjusted EPS (INR)	4.2	8.9	14.7
<i>YoY Growth (%)</i>	<i>12.1</i>	<i>18.2</i>	<i>19.7</i>	Adjusted Cash EPS (INR)	6.0	10.7	16.4
Raw Material Cost	1,273.5	1,486.2	1,762.8	Adjusted BVPS (INR)	46.9	55.9	70.5
<i>RM Cost to Sales (%)</i>	<i>88.8</i>	<i>87.7</i>	<i>87.0</i>	Adjusted CFO per share (INR)	(2.4)	1.8	14.2
Employee Cost	26.2	33.4	39.4	CFO Yield (%)	(1.1)	0.9	6.6
<i>Employee Cost to Sales (%)</i>	<i>1.8</i>	<i>2.0</i>	<i>1.9</i>	Adjusted FCF per share (INR)	(0.0)	(2.7)	(22.8)
Other Expenses	52.7	66.2	78.1	FCF Yield (%)	(0.0)	(1.3)	(10.6)
<i>Other Exp to Sales (%)</i>	<i>3.7</i>	<i>3.9</i>	<i>3.9</i>	Solvency Ratio (X)			
EBITDA	81.2	108.1	147.0	Total Debt to Equity	2.0	1.8	1.3
<i>Margin (%)</i>	<i>5.7</i>	<i>6.4</i>	<i>7.3</i>	Net Debt to Equity	1.9	1.7	1.3
<i>YoY Growth (%)</i>	<i>1.4</i>	<i>33.2</i>	<i>35.9</i>	Net Debt to EBITDA	5.4	4.3	3.0
Depreciation & Amortization	8.8	8.7	8.6	Return Ratios (%)			
EBIT	72.4	99.5	138.5	Return on Equity	9.1	16.0	20.8
<i>Margin (%)</i>	<i>5.0</i>	<i>5.9</i>	<i>6.8</i>	Return on Capital Employed	7.8	9.9	12.9
<i>YoY Growth (%)</i>	<i>(0.7)</i>	<i>37.4</i>	<i>39.2</i>	Return on Invested Capital	10.8	13.4	17.6
Other Income	9.6	3.8	4.0	Working Capital Ratios			
Finance Cost	42.9	44.8	46.6	Payable Days (Nos)	15	19	7
Interest Coverage (X)	1.7	2.2	3.0	Inventory Days (Nos)	163	165	168
Exceptional Item	(11.2)	0.0	0.0	Receivable Days (Nos)	5	4	4
PBT	27.8	58.4	95.8	Net Working Capital Days (Nos)	153	151	166
<i>Margin (%)</i>	<i>1.9</i>	<i>3.4</i>	<i>4.7</i>	Net Working Capital to Sales (%)	42.0	41.2	45.4
<i>YoY Growth (%)</i>	<i>(23.9)</i>	<i>109.9</i>	<i>64.1</i>	Valuation (X)			
Tax Expense	7.1	14.7	24.2	P/E	50.6	24.0	14.7
<i>Tax Rate (%)</i>	<i>25.5</i>	<i>25.2</i>	<i>25.3</i>	P/BV	4.6	3.8	3.0
PAT	20.7	43.7	71.6	EV/EBITDA	18.3	14.0	10.2
<i>Margin (%)</i>	<i>1.4</i>	<i>2.6</i>	<i>3.5</i>	EV/Sales	1.0	0.9	0.7
<i>YoY Growth (%)</i>	<i>(22.8)</i>	<i>110.6</i>	<i>63.9</i>	Cash Flow Statement			
Min Int/Sh of Assoc	0.0	0.0	0.0	PBT	27.8	58.4	95.8
Net Profit	20.7	43.7	71.6	Adjustments	29.5	61.8	219.0
<i>Margin (%)</i>	<i>1.4</i>	<i>2.6</i>	<i>3.5</i>	Change in Working Capital	(61.8)	(96.5)	(221.4)
<i>YoY Growth (%)</i>	<i>(22.8)</i>	<i>110.6</i>	<i>63.9</i>	Less: Tax Paid	(7.1)	(14.7)	(24.2)
Cash Flow Statement				Cash Flow from Operations	(11.5)	9.0	69.2
Share Capital	9.8	9.8	39.1	Net Capital Expenditure	7.4	0.2	(2.1)
Total Reserves	219.2	263.1	305.5	Change in Investments	3.5	1.1	(1.4)
Shareholders Fund	229.0	272.9	344.6	Cash Flow from Investing	10.9	1.3	(3.5)
Long Term Borrowings	114.0	104.0	106.6	Change in Borrowings	47.2	19.2	(12.2)
Deferred Tax Assets / Liabilities	(1.1)	(2.1)	(2.8)	Less: Finance Cost	(42.9)	(44.8)	(46.6)
Other Long Term Liabilities	22.8	22.5	22.2	Proceeds from Equity	0.0	0.0	0.0
Long Term Trade Payables	0.0	0.0	0.0	Buyback of Shares	0.0	0.0	0.0
Long Term Provisions	3.3	3.5	3.8	Dividend Paid	0.0	0.0	0.0
Total Liabilities	367.9	400.8	474.3	Cash flow from Financing	4.3	(25.6)	(58.8)
Net Block	72.9	68.2	63.4	Net Cash Flow	3.7	(15.3)	6.9
Capital Work in Progress	6.6	3.0	0.7	Forex Effect	0.0	0.0	0.0
Intangible assets under developer	0.0	0.0	0.0	Opening Balance of Cash	18.1	21.7	6.4
Non Current Investments	0.0	0.0	0.0	Closing Balance of Cash	21.7	6.4	13.3
Long Term Loans & Advances	2.8	2.0	2.0				
Other Non Current Assets	2.0	2.9	2.0				
Net Current Assets	283.7	324.7	406.2				
Total Assets	367.9	400.8	474.3				

Source: Ventura Research

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