

IPO Details

Opening Date	Dec 08, 2022
Closing Date	Dec 13, 2022
Stock Exchange	BSE SME
Lot Size	4000 Shares
Issue Price	₹30 per share
Issue Size	26,00,000 Equity Shares
Application Amount	₹ 1,20,000

IPO Objective

Funding working capital requirements
General Corporate Expenses

Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	70,28,003	100%
Public	-	-

Promoter of the Company

- Mr. Govind Vishwanath Gadgil
- Ms. Renu Govind Gadgil

Competitive Strengths

- Long history, established and existing brand name of "P.N. Gadgil & Sons".
- Extensive product list.
- Hybrid Shopping model.
- Experienced Promoters and a well-trained employee base.
- Effective internal control and processes.

Company Background

- Company was incorporated in 2021 in Pune, Maharashtra.
- Company is engaged in the retail business of costume and fashion jewellery.
- Company deals in 92.5% certified sterling silver jewellery and brass jewellery, idols and other silverware and related gift items.
- Company's portfolio includes a wide variety of traditional, Indo-western, & modern design and jewellery.
- Company source finished jewellery from third party manufacturing vendors located across India.
- Company products are mainly marketed using both online as well as offline marketing tools.
- Company had 23 employees as on October 31, 2022

Financial Summary

For the Period Ended	(In Lacs)		
	Sep-22	Mar-22	Mar-21
Total Assets	1,247.77	836.20	2.64
Net Assets	1,074.83	111.98	1.62
Total Borrowings	-	531.28	0.36
Total Revenue	1,189.17	593.93	0.63
Profit After Tax	213.17	110.53	0.35

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Company Overview

Company is engaged in the retail business of costume and fashion jewellery under the brand name “Gargi by P. N. Gadgil & Sons” launched in 2021 under the artificial jewellery segment. Company offers wide range of fashion jewellery that includes 92.5% sterling silver jewellery and brass jewellery, idols and other silverware, related gift items and also fashion jewellery segment for special occasions such as weddings and festivals to daily-wear jewellery for all ages, genders and across various price points. Company’s portfolio offers variety of traditional, Indo-western, & modern design and jewellery. Company primarily source finished jewellery from third party manufacturing vendors located across India and also outsource the work of making costume jewellery to various artisans. Company have point of sales (POS) counters at 30 showrooms across the states of Maharashtra, Gujarat and Karnataka and also sell products through online platform at www.gargi.shop

Analysis

Incorporated in the year 2021, Company is into Artificial Jewellery industry, which has shown tremendous opportunity in the recent past and is expected to boom in the coming times. Artificial jewellery is not only affordable, it is trendy too, giving the liberty to experiment with changing fashions and flaunt the latest styles.

Company offer a large variety of costume jewellery, which are designed and manufactured by in-house designers in close collaboration along with skilled local craftsman located across the country.

Company operates through shop in shop model and have entered into an agreement with P.N. Gadgil & Sons Limited and P. N. Gadgil Art & Culture Foundation to have point of sales (POS) counters at its existing locations.

The revenue of the company had shown a huge jump from FY 21 to FY 22 that is Rs. 0.60 lacs to Rs. 593.93lacs and the reason for the same can be attributed to being established in FY 2021.

Company’s product line includes earrings, necklaces, pendants, chains, finger rings, bracelets, anklets, nose pins, mangal sutra, pendant set, bangles in brass or silver for females of age groups as well as male accessories such as rings, cufflinks, button

set, that cater to Company's customers taste, preference, choice and the ever-changing trends in the chain and jewellery designs.

Brass Jewellery

 <p>Earrings</p>	 <p>Necklace</p>	 <p>Pendant</p>
 <p>Chain</p>	 <p>Finger Ring</p>	 <p>Men's Accessories</p>

Silver Jewellery

 <p>Mangalsutra</p>	 <p>Earrings</p>	 <p>Bracelet</p>
 <p>Pendent Set</p>	 <p>Tops</p>	 <p>Necklace</p>

To conclude, the company is into a growing segment, but the revenue has seen extraordinary growth as it does not have a good track record of existence. Also, the industry is very competitive and is subject to regular change in fashion preferences.

Industry Charts

Exhibit 1: Market Size of Gems and Jewellery Industry

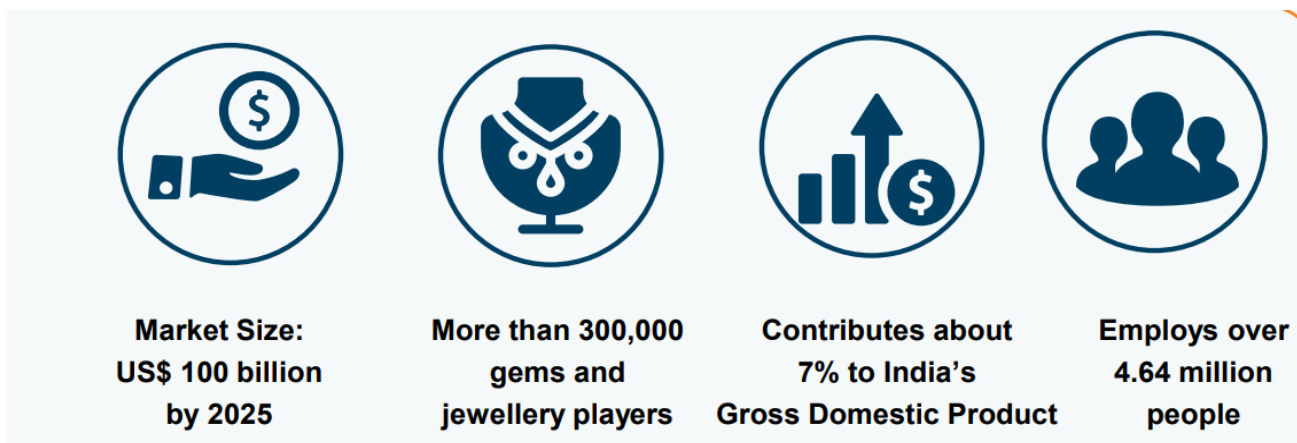


Exhibit 2: Sector Composition of Gems and Jewellery Industry

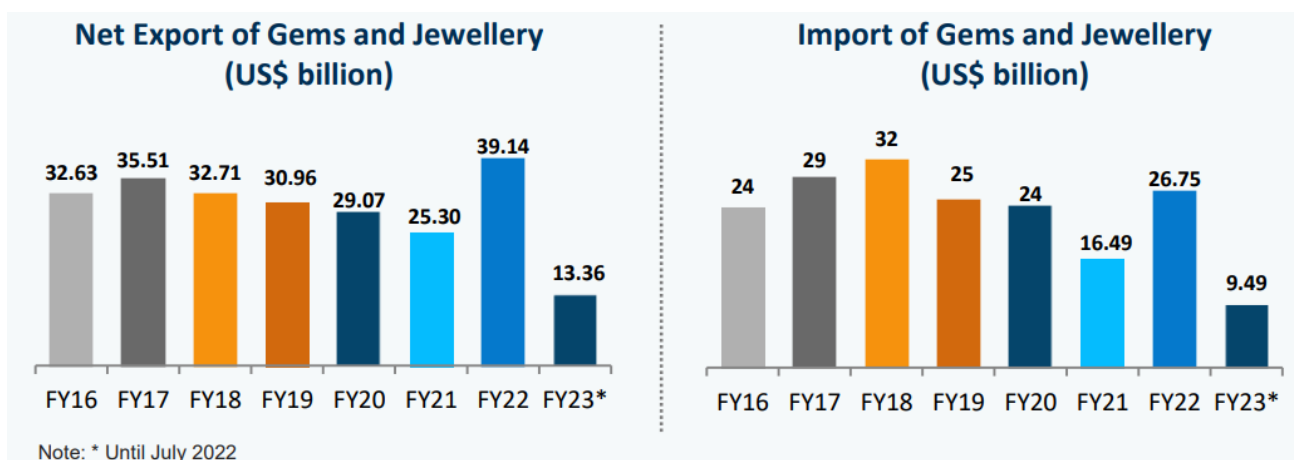
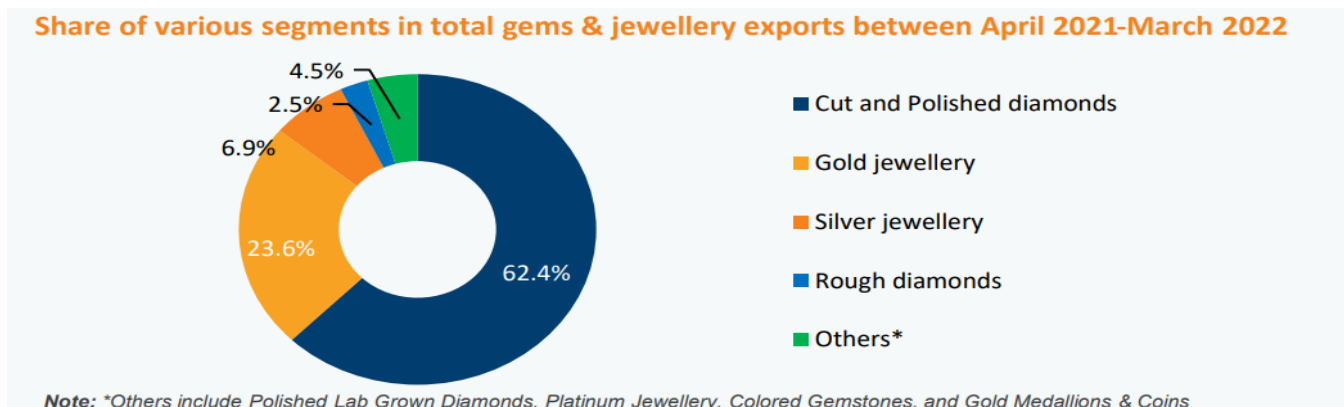


Exhibit 3: Key Trends in Gems and Jewellery Industry



(Source: ibef.org)

Investment Overview

Gems and Jewellery Industry

As of February 2021, India's gold and diamond trade contributed 7.5% to India's Gross Domestic Product (GDP) and 14% to India's total merchandise exports. The gems and jewellery sector are likely to employ 8.23 million persons by 2022, from ~5 million in 2020. Based on its potential for growth and value addition, the Government declared the gems and jewellery sector as a focus area for export promotion.

India's gems and jewellery export sector—which is one of the largest in the world—contributed 27% to the global jewellery consumption in 2019. The market size of the global gems and jewellery sector is likely to expand to US\$ 103.06 billion between 2019 and 2023. India's gems and jewellery exports are expected to reach US\$ 100 billion by 2025. Globally, India was the top exporter of diamonds with a share of 20.6% in 2020. The Government of India is aiming at US\$ 70 billion in jewellery export in the next five years (until 2025), up from US\$ 35 billion in 2020.

From April-July 2022, India's gems and jewellery exports were at US\$ 13.36 billion, a 5.63% rise compared to the same period the previous year. In FY22, cut and polished diamonds accounted for the highest share of exports (62.42%), followed by gold jewellery (23.57%) and silver jewellery (6.95%). In April 2022, India's overall gems and jewellery exports was at US\$ 3.23 billion.

In July 2022, India imported gems & jewellery worth US\$ 3.12 billion. According to the Gem and Jewellery Export Promotion Council, gold bar imports stood at US\$ 1,372 million and Gold jewellery stood at US\$ 166.75 million between 82 April-October 2021. India's gold demand stood at 797.30 tonnes in 2021 and is expected to be in a range of 800-850 tonnes by 2022.

Total jewellery demand in terms of volume increased by 25% YoY to 55 tonnes in the second quarter of 2021. Revised SEZ act is also expected to boost exports of gems and jewellery. India has 10 special economic zones (SEZ) for gems & jewellery. These zones have more than 500 manufacturing units, which contribute 30% to the country's total exports. The Government has permitted 100% FDI in the sector under the automatic route, wherein the foreign investor or the Indian company do not require any prior approval from the Reserve Bank or Government of India. The

Government has made hallmarking mandatory for gold jewellery and artefacts and a period of one year is provided for its implementation. As per Union Budget 2021, the Gem and Jewellery Export Promotion Council has proposed a reduction in import duty on cut and polished diamonds to 2.5%, from the existing 7.5%, in order to double exports of gems & jewellery to US\$ 70 billion by 2025. Cumulative FDI inflows in diamond and gold ornaments in India stood at US\$ 1,213.05 million between April 2000-March 2022, according to the Department for Promotion of Industry and Internal Trade (DPIIT).

(Source: prospectus)

Addressable Market for PNGS Gargi Fashion Limited

The company have point of sales (POS) counters at 30 showrooms across the states of Maharashtra, Gujarat and Karnataka. Company intends to enter new geographic market and increase products offering which will increase diversification and potential for future growth expansion. Company propose to open new POS counters at various malls and airports across the nation over the coming years.

Competition

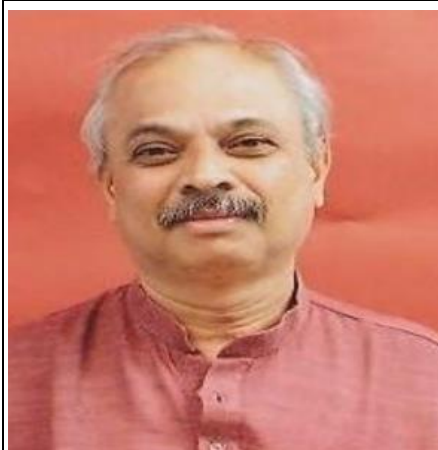
Company face competition from both organised and unorganised jewellery players in the markets in which company operates. There are significant barriers to entry in the business of retailing costume jewellery industry. Among the most important of these barriers is the need for significant working capital to purchase products, the long-term relationships required to have access to adequate supplies etc.

Peer Analysis

As Mentioned in the prospectus, the company has no peer companies.

Promoters' Profile and Management Analysis

Mr. Govind Vishwanath Gadgil



- Mr. Govind Vishwanath Gadgil is the Promoter, Chairman & Non-Executive Director of the Company.
- He holds a senior secondary certificate from Maharashtra State Board of Secondary and Higher Secondary Education
- He has over 40 years of experience in the jewellery industry.

Ms. Renu Govind Gadgil



- Ms. Renu Govind Gadgil, aged 61 years, is the Promoter of the Company.
- She passed the Licentiate of Court of Examiners in Homeopathy.
- She has more than 10 years of experience in the jewellery industry.

Analysis on the Company's Promoter and Board of Directors

Mr. Govind Vishwanath Gadgil, aged 63 years, is the Promoter, Chairman & Non-Executive Director of the Company. He holds a senior secondary certificate from Maharashtra State Board of Secondary and Higher Secondary Education. He has over 40 years of experience in the jewellery industry. In the past he was associated with P.N. Gadgil & Sons in the capacity of a Partner and currently, he is Whole Time Director at P. N. Gadgil & Sons Limited.

Mr. Amit Yeshwant Modak, aged 62 years, is the Non-Executive Director of the Company. He holds a bachelor's degree in commerce, diploma in taxation law, and a post graduate diploma in investment and financial management from University of Pune. He has over 23 years of experience in the jewellery industry. He is associated with P.N. Gadgil & Sons since 1999 in various managerial positions and currently, he is Whole Time Director and CEO at P. N. Gadgil & Sons Limited.

Mr. Aditya Amit Modak, aged 32 years, is the Non-Executive Director of the Company. He holds a bachelor's degree in commerce from University of Pune and is a fellow member of the Institute of Chartered Accountants of India. He has also Qualified professional examination held by the Institute of Company Secretaries of India. He has over 8 years of experience in the jewellery industry. He is associated with P.N. Gadgil & Sons since 2014 and currently, he is Chief Financial Officer at P. N. Gadgil & Sons Limited.

To conclude, the company's management outlook is not the best. Management of the company has good experience in business line but looking at their academic qualifications they do not possess any knowledge about the Fashion Jewellery industry, which might be a huge concern in future. Company management has 3 Non- Executive director and 3 Independent Director, thus raising concern about management of the company.

Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2021	As at 31st March, 2022	As at 30th Sep, 2022
Profit and Loss			
Revenue from operations	0.60	593.93	1,189.17
Other income	0.03	0.01	0.01
Total Revenue	0.63	593.94	1,189.18
Expenses	0.22	441.57	887.62
Depreciation and Amortisation Cost	-	2.05	4.90
Finance Cost	-	1.95	11.25
Total Expenses	0.22	445.57	903.77
PBT	0.41	148.37	285.41
PBT Margin	68.33%	24.98%	24.00%
EBITDA	0.38	152.36	301.55
EBITDA Margin	63.33%	25.65%	25.36%
Net Profit	0.35	110.53	213.17
Net Profit Margin	58.33%	18.61%	17.93%
Balance Sheet			
Total Borrowings	0.36	531.28	-
Net Worth	1.62	111.98	1,074.83
Fixed Assets	-	29.32	87.87
Net Working Capital	1.62	84.85	1019.31
Financial Measures (Annualized)			
Inventory Turnover Ratio	-	0.87	2.54
Receivables Turnover Ratio	1.00	860.77	588.70
Payables Turnover Ratio	-	7.88	74.70
Fixed Assets Turnover Ratio	-	20.26	30.46
Return on Capital Employed	23.46%	122.21%	19.27%
Return on Equity	21.60%	98.71%	20.62%
Debt-Equity Ratio	0.22	4.74	-

(The data has been taken and calculated from the financials given in the prospectus)

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

The EBITDA of the company has seen enormous growth from Rs. 0.38 lacs in 2021 to Rs. 152.36 lacs in 2022 and up to Sep'22 it is Rs. 301.55 lacs and if we annualise the same, it would be around Rs. 603.10 lacs. The EBITDA margin in 2021 was 63.33%, 25.65% in 2022 and 25.36% up to Sep'22. The EBITDA has shown some extra-ordinary growth and CAGR of 3883.85%. Such growth cannot be expected to continue as the company was established in 2021.

Net Profit

The net profit of the company has grown from Rs. 0.35 lacs in 2021 to Rs. 110.53 lacs in 2022 and up to Sep'22 it is Rs. 213.17 lacs and if we annualise the same, it would be around Rs. 426.34 lacs. The net profit margin in 2021 was 58.33%, 18.61% in 2022 and 17.93% up to Sep'22 growing at CAGR of 3390.15%. The analysis and prediction of the same can be set forth as that of EBITDA.

Finance Cost.

The company has incurred finance cost mainly on the secured borrowings.

Financial Measures/Ratios

RoCE of the company up to Sep 2022 was 26.30% vs 122.21% in 2022 and 23.46% in 2021. The RoCE of the company decreased from FY 2022 to Sep 2022 due to substantial increase in the equity base of the company. If we annualise the EBIT and take into consideration the new capital coming in, the RoCE is estimated to be around 19.27%

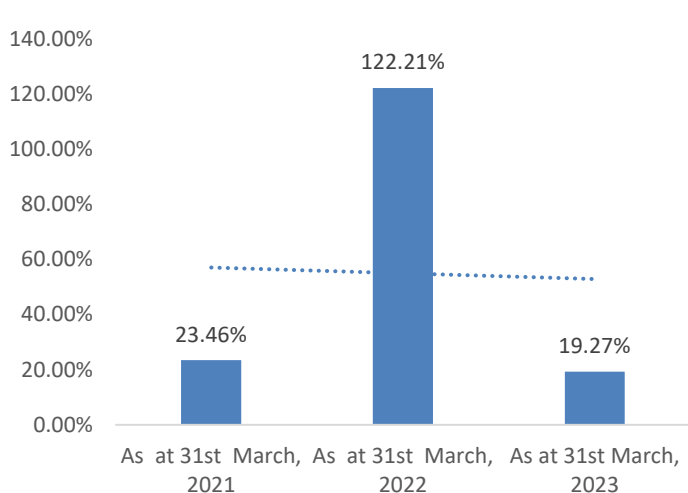
ROE of the company up to Sep 2022 was 19.83%, 98.71% in 2022 and 21.60% in 2021. The analysis and prediction of the same can be set forth as that of RoCE with estimated annualised ROE of around 20.62%.

The company has not effectively maintained its Inventory. The company is in the industry which generally do not have any receivables, so the receivables turnover ratio has come up in an abnormal manner. The payables management has also not improved.

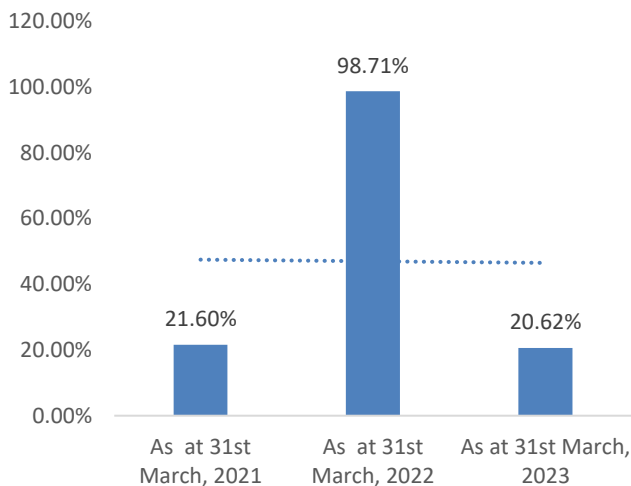
The company has no debt as on Sep 2022. Company had debt-equity ratio of 0.22 times in 2021 vs 4.74 in 2022.

Financial Charts

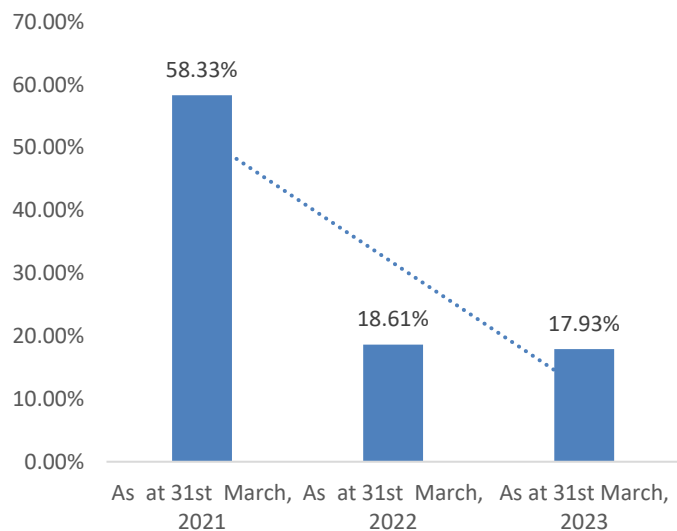
Return on Capital Employed



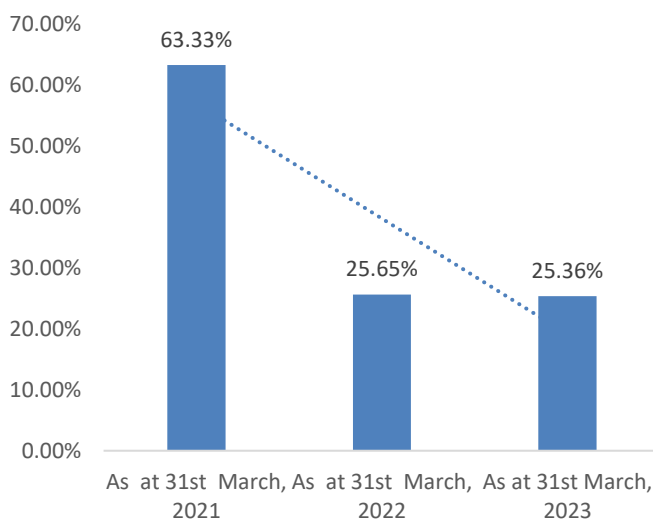
Return on Equity



Net Profit Margin



EBITDA Margin



Key Risk Factors

1. Company and Group Company are involved in certain litigations including tax related litigations totalling to an amount of Rs. 548.60 lacs and 8 litigations against the directors on which amount is uncertain and tax related litigation against the directors amounting to 38.10 lacs, which if determined against them, can affect financial conditions of the company.
2. **Company had negative cash flows in the past years.**
3. Company may fail to protect their jewellery designs as they do not register such designs under the Design Act, 2000.
4. **The company has shown Rs. 200 lacs as term loan in its Financial Indebtedness, but nothing has been shown as outstanding balance as on Sep 2022 in Balance Sheet.**
5. **Company has all Non-executive Directors.**
6. **The number given for Investor Relations is not yet registered.**

Track Record of Lead Manager

The lead manager to the issue is Shreni Shares Private limited and the previous issue details have been taken from the Prospectus. A table has been set below highlighting the details of the IPO of some of the companies handled by the Lead Manager in recent times –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share	Listing date	CMP#
1.	Adjia Technologies Limited	2.00	74.00	March 15,2021	28.00
2.	Getalong Enterprise Limited	5.18	69.00	October 08, 2021	69.00
3.	DMR Hydroengineering & Infrastructures Limited	2.09	21.00	December 07, 2021	36.50
4.	Alkosign Limited	12.15	45.00	February 01, 2022	79.00
5.	Quality RO Industries Limited	2.70	51.00	February 09, 2022	51.00
6.	Ekennis Software Service Limited	2.88	72.00	March 07, 2022	175.00
7.	Fidel Softech Limited	13.50	37.00	June 10, 2022	65.65
8.	SKP Bearings Limited	30.80	70.00	July 13, 2022	218.35
9.	Olatech Solutions Limited	1.89	27.00	August 29, 2022	97.80
10.	Ameya Precision Engineers Ltd	7.14	34.00	September 08, 2022	48.00
11.	DAPS Advertising Limited	5.10	30.00	November 14, 2022	39.80
12.	Amiable Logistics (India) Limited	4.37	81.00	November 16, 2022	105.00

#CMP is taken as on 6th December 2022

This is the 16th IPO of the Lead Manager, out of the last 10 listings, all opened at premiums ranging from 2.45% to 101.18% on the day of listing.

Recommendation

The company was established in the year 2021 and is therefore has minuscule level of experience than other big players in the industry. The product portfolio of the company has a very good prospect and is expected to do well in the coming times.

Company has only started generating revenues from FY 21-22 and therefore has a poor track record of revenue generation. The revenue has also jumped more than twice up to Sep'22 and this cannot be sustained in future.

The management of the company does not possess academic qualification about the fashion Industry but try to make it up with the experience they have gained over the years, also it can be seen that the company has continued with the management of P.N. Gadgil and Sons Limited.

Taking into consideration the figures of FY 22, the PE of the company on post IPO basis is around 7.13 times.

To conclude, the company has shown extra-ordinary growth in its financials. The industry has very good prospect but the company is new into this industry and therefore, looking at the risk factors and management one **should not apply** in the IPO.

Disclaimer

We are not SEBI registered and not a certified Research Analyst. The information provided here is for education purposes only. We will not be responsible for any of your profit/loss with these suggestions. Consult your financial advisor before taking any decisions.

We believe an SME company needs 2-3 years to show its true potential and therefore our recommendations are for Long-term investment and not for listing gains.