

### IPO Details

<b>Opening Date</b>	July 24, 2023
<b>Closing Date</b>	July 28, 2023
<b>Stock Exchange</b>	BSE, SME
<b>Lot Size</b>	1000 Shares
<b>Issue Price</b>	₹ 140 per share
<b>Issue Size</b>	Aggregating up to 96.74 Cr.
<b>Fresh Issue</b>	Aggregating up to 96.74 Cr.
<b>Offer for Sale</b>	-
<b>Application Amount</b>	₹ 1,40,000

### IPO Objective

Finance the establishment of the new showroom at Chennai, Tamil Nadu (a) Capital Expenditure for the new showroom, (b) Inventory cost for the new showroom  
Working capital requirements of the existing operations  
General corporate purposes.

### Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	5,78,36,900	100.00%
Public	-	-

### Promoter of the Company

1	Mr. Tarachand Mehta
2	Mr. Goutham
3	Mrs. Fancy Devi
4.	Tarachand Mehta and Sons HUF
5.	Goutham HUF

### Competitive Strengths

1	Wide Product Range
2	Quality assurance
3	Cordial relationship with customers
4	Location of showroom

### Company Background

- Company was incorporated in the year 1996 and has one showroom in Sowcarpet, Chennai.
- The company is a prominent player in the Indian jewellery industry.
- The company engages in the production and sale of a wide range of jewellery products, including gold jewellery, diamond jewellery, precious stones, and other fancy jewellery and bullion in the form of coins and bars.
- Company offers a diverse range of jewellery products and is dedicated to designing, manufacturing, and selling high-quality jewellery that includes necklaces, chains, rings, earrings, bangles, bracelets, pendants, nose pins, mangalsutras, and kadas.
- As on March 31, 2023, Company has 33 fulltime employees on payroll.

### Market Capitalization

	(In Cr.)	
	Pre-Issue	Post-Issue
	₹ 250	₹346

### Financial Summary

	(In Lacs)		
For the Period Ended	Mar-21	Mar-22	Mar-23
<b>Total Assets</b>	11,319.79	12,436.20	14,506.80
<b>Net Assets</b>	2,544.91	2,871.53	3,604.99
<b>Total Borrowings</b>	7,480.12	8,412.38	8,462.47
<b>Total Revenue</b>	38,242.89	25,799.75	48,181.65
<b>Profit After Tax</b>	275.58	326.62	756.49

### Tentative Timeline

<b>Opening Date</b>	July 24, 2023
<b>Closing Date</b>	July 28, 2023
<b>Basis of Allotment</b>	Aug 02, 2023
<b>Initiation of Refunds</b>	Aug 03, 2023
<b>Credit of Shares to Demat</b>	Aug 04, 2023
<b>Listing Date</b>	Aug 07, 2023

## **Company Background and Analysis**

Company was incorporated in the year 1996 and is a prominent player in the Indian jewellery industry, with a strong presence in both wholesale and retail sectors. The company is in the production and sale of a wide range of jewellery products, including gold jewellery, diamond jewellery, precious stones, and other fancy jewellery and bullion in the form of coins and bars. The company offers a diverse range of jewellery products and is dedicated to designing, manufacturing, and selling high-quality jewellery that includes necklaces, chains, rings, earrings, bangles, bracelets, pendants, nose pins, mangalsutras, and kadas. The company's focus is on creating exquisite wedding jewellery and other pieces suitable for festive occasions. The company holds a BIS Hallmark Certificate, a qualified jeweller to carry out transactions on the IIBX (India International Bullion Exchange IFSC Limited) platform for the purpose of import of gold and it also holds Import Export Certificate.

The company primarily sources finished jewellery from third party production vendors located across India and do not carry any manufacturing operations from their own premises that includes all types of jewellery made of gold, diamond and other precious and semi-precious stones. To cater the increasing demand in the market the company outsources the work of making ornaments to various artisans and the designs for the same are selected based on the customers preferences and job work order is issued for the company's network of goldsmiths once the product is received the jewellery with no hallmarks go through the hallmarking process through BIS registered assayers at a local level. Apart from this, the company procures the old gold ornaments or other jewellery items which are exchanged by the customers towards new jewellery items purchased from the shop and the old jewellery is thereafter sent for melting and converting into Gold Bars. The raw materials are majorly sourced from Pathik Sales Private Limited a group company, other than that gold/jewellery are purchased through the manner such as direct purchase of gold ornaments and buying of Bullions from banks and other bullion dealers.

The company's product profile includes traditional, contemporary and combination designs across jewellery lines, for special occasions such as weddings and festivals to daily wear jewellery for all ages, genders and across various price points. The company's gold jewellery includes from handmade Indian ethnic to the cutting-edge styles of the urban world.

The products offered by the company are as follows –

1. Temple Jewellery
2. Gold Chains
3. Gold Bangles
4. Gold Nose Pins
5. Gold Earrings
6. Gold Necklace
7. Gold Rings
8. Mangalsutra
9. Kundan Jewellery
10. Kerela Jewellery
11. Calcutta Jewellery

The revenue-break up for Fiscal year ended 31st March 21, 31st March 22, and 31st March 23 –

Particulars	For the FY ended 31st March					
	2021		2022		2023	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
Gold Ornaments	16,263.67	42.60	20,163.50	78.47	35,425.14	73.70
Gold Bullion	18,522.73	48.51	5,530.98	21.53	12,613.70	26.24
Gold Coins	3,394.88	8.89	-	-	16.53	0.03
Silver Bullion	-	-	-	-	10.4	0.02
Total	38,181.28	100.00	25,694.48	100.00	48,065.77	100.00

State-wise revenue-break up for Fiscal year ended 31st March 21, 31st March 22, and 31st March 23 –

Particulars	For the FY ended 31st March					
	2021		2022		2023	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
Tamil Nadu	34,689.16	90.85	22,555.91	87.79	40,021.62	83.26
Other Cities / States	3,492.11	9.15	3,138.57	12.21	8,044.15	16.74
Total	38,181.27	100.00	25,694.48	100.00	48,065.77	100.00

The Other cities/states sales are from the products sold all over India through Bulk Buyers (Institutional Sales).

The company is also setting up a new showroom at a prime location in Chennai for which Rs. 2,862.23 lacs are being allotted from the amount raised through IPO and the further bifurcation of the same is as follows - 862.23 lacs going towards Capital expenditure for the new showroom and the rest 2,000.00 lacs to be utilized for Inventory cost and 5,500 lacs for the working capital requirements of the existing operations and 1,200.00 lacs utilized for the general corporate purposes from the total issue price of 9,562.23 lacs being raised.

To conclude, the company generates majority of its revenue through sale of gold ornaments. The company does not have a manufacturing facility. The company is in the process of construction of a new showroom in Chennai also being one of the major reasons for raising IPO.

## **Business Strategies**

### **1. Setting up new showroom to widen the product portfolio and increase the capacity.**

The company is in the process of setting up a new showroom at prime location in Chennai due to the growing demand from the existing customers and to meet requirements of new customer. To achieve these expanded capacities, the company has already acquired land at NSC Bose Road admeasuring 304.50 square meters and are in the preliminary stages of commencing the construction of the showroom. The company intends to expand the retail operations to this spacious showroom which is proposed to be spread over three floors.

### **2. Strengthen our Inventory Management practices.**

The company individually tag each item that is sold in the showrooms to allow inventory tracking that is reconciled with the accounts daily. The company performs physical inventory checks at approximately 30-to 60-day intervals. Individual showroom managers are expected to perform their own daily inventory checks at the end of each day.

### **3. Increase the customer network in existing markets and enter new geographical markets.**

The company focus on deepening the penetration in the existing markets and thereby increase the domestic presence by expanding the customer network. The company aims to focus on increasing the customer base by exploring domestic and international markets.

### **4. Customer Centric Operations**

The company is focused on building the business through customer-centric operations. The company ensure that the sales teams educate the customers as to the details of their potential jewellery purchase. The company believes this allows the customer to make an informed choice they will be satisfied with. The company also cater to any customer's desire for personalized jewellery and have employed designers to create designs to meet customers' personal specifications.

## **Competitive Scenario and Peer Mapping**

### **Competition**

The company faces competition from both organized and unorganized companies. The unorganized player consumes a large part of the market, and the company faces high competition from these unorganized players. The company also faces competition from organized players on a national, regional, and at local levels. The industry in which the company operates in generally has less barrier to entry. The bargaining power of customers are relatively less in the jewellery industry.

## Peer Analysis

**The comparison of the key performance indicators of the listed peers as on Mar-23 is given below -**

Particulars	Khazanchi Jewellers Limited	Deep Diamond India Limited	Eighty Jewellers Limited	Patdiam Jewellery Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	2%	16%	2%	8%
EBITDA Margin	3%	21%	3%	8%
Return on Capital Employed	18%	8%	7%	13%
Return on Equity	21%	9%	6%	15%
EPS (INR)	0.08	0.39	1.39	19.06

**The comparison of the key performance indicators of the listed peers as on Mar-22 is given below -**

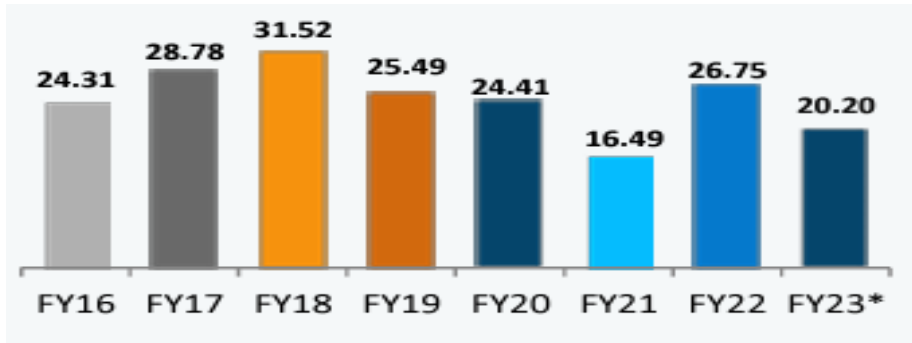
Particulars	Khazanchi Jewellers Limited	Deep Diamond India Limited	Eighty Jewellers Limited	Patdiam Jewellery Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	1%	14%	2%	6%
EBITDA Margin	3%	1%	3%	8%
Return on Capital Employed	9%	0%	10%	15%
Return on Equity	11%	3%	18%	13%
EPS (INR)	0.03	0.06	2.77	14.48

**The comparison of the key performance indicators of the listed peers as on Mar-21 is given below -**

Particulars	Khazanchi Jewellers Limited	Deep Diamond India Limited	Eighty Jewellers Limited	Patdiam Jewellery Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	1%	-10%	5%	4%
EBITDA Margin	2%	-45%	8%	7%
Return on Capital Employed	11%	-3%	19%	10%
Return on Equity	11%	-1%	41%	8%
EPS (INR)	0.03	-0.02	46.09	6.44

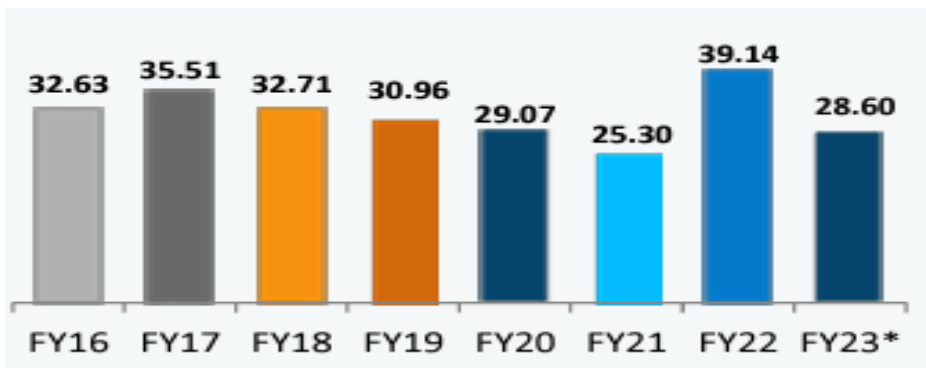
**Industry Overview**

Exhibit 1: Import of Gems and Jewellery (US\$ billion)



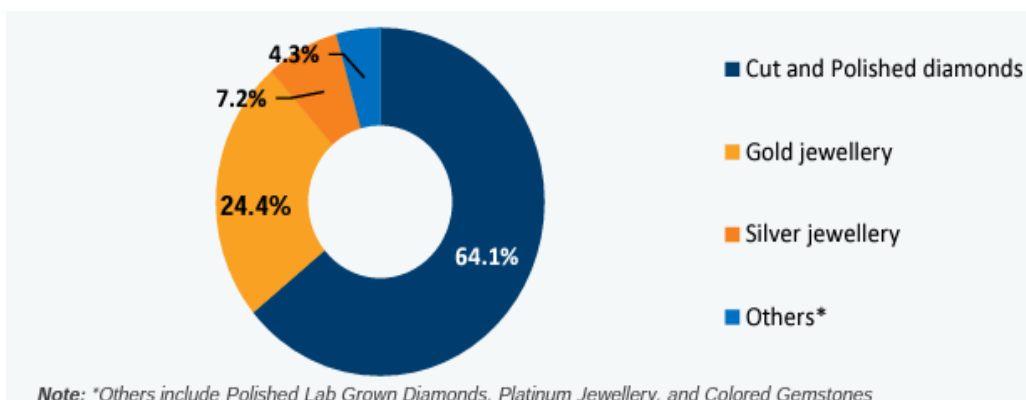
Note: \* Until December 2022

Exhibit 2: Net Export of Gems and Jewellery (US\$ billion)



Note: \* Until December 2022

Exhibit 3: Share of various segments in total gems & jewellery exports between April 2021 – March 2022



(Source: ibef.org)

## **Gems and Jewellery Industry**

### **Introduction**

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.

The Government has undertaken various measures recently to promote investment and upgrade technology and skills to promote 'Brand India' in the international market. 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 the Government of India. The Indian Government also signed a Comprehensive Economic Partnership Agreement (CEPA) with the United Arab Emirates (UAE) in March 2022, this will allow the Indian Gems and Jewellery industry to further boost exports. CEPA will provide the industry duty-free access to the UAE market. India's Gems Jewellery Export Promotion Council (GJEPC) aims to triple its exports to the UAE post the CEPA.

### **Market Size**

India's gems and jewellery market size was at US\$ 78.50 billion in FY21. Growth in exports is mainly due to revived import demand in the export market of the US and fulfilment of orders received by numerous Indian exhibitors during the Virtual Buyer-Seller Meets (VBSMs) conducted by GJEPC.

India's gems and jewellery exports reached US\$ 39.14 billion in 2021-22, a 54.13% rise from the previous year. In October 2022, India's gems and jewellery exports was at US\$ 1.48 billion. 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.

### **THE ROAD AHEAD**

In the coming years, growth in the gems and jewellery sector would largely be contributed by the development of large retailers/brands. Established brands are guiding the organised market and are opening opportunities to grow. Increasing penetration of organised players provides variety in terms of products and 96 designs. Online sales are expected to account for 1-2% of the fine jewellery segment by 2021-22. Also, the relaxation of restrictions on gold import is likely to provide a fillip to the industry. The improvement in availability along with the reintroduction of low-cost gold metal loans and likely stabilisation of gold prices at lower levels is also expected to drive volume growth for jewellers over the short to medium term. India has 450 organised jewellery manufacturers, importers & exporters and is the hub for jewellery manufacturing. These players have benefited greatly due to the increasing liberal policies by the government. The demand for jewellery is expected to be significantly supported by the recent positive developments in the industry. India's gems and jewellery industry is expected to reach US\$ 70 billion by 2025.

(Source: Prospectus)

### Key Managerial Personnel

**Tarachand Mehta**, aged 67, is one of the Promoter and the Managing Director of Company. He has 4 decades of experience in jewellery industry. He has completed matriculation. He looks after the overall operations and growth of the company. He is also involved in strengthening the sales, implementing the marketing strategy and involved in the business development of the Company.

**Goutham**, aged 46, is one of the Promoter and the Executive Director of Company. He has 25 years of experience in jewellery industry and is associated with the Company since 1997. He has completed Bachelor of Commerce. He looks after the finances, expansion, overall management and operations of the company.

**Fancy Devi**, aged 66, is one of Promoter of Company. She is non matriculate and has been associated with the Company for more than two decades. She is involved in the areas of marketing and design of jewellery.

**Tarachand mehta and sons HUF**, Mr Tarachand Mehta as the Karta and Mrs Fancy Devi, his wife as a co-parcener is a promoter of the Company. Tarachand Mehta and Sons came into existence on October 31, 1978.

**Goutham HUF**, Mr Goutham as its Karta, his wife Ms Mamta and Sons, Jai and Saiyam as its co-parceners is a promoter of the Company. Goutham HUF came into existence on June 15, 1999.

**Bijal Durgavale**, aged 35, is the Non-Executive and Independent Director of Company. She is a member of the Institute of Company Secretaries of India. She also holds a degree in Master of Commerce. She has over a decade of experience in Secretarial and Compliance related activities.

**Naresh Jain**, aged 50, is the Non-Executive and Independent Director of Company. He holds a degree in Bachelor of Commerce. He has more than 15 years of experience in the field of finance.

To conclude, the company has 5 promoters with two of them being an HUF. The promoters and management have good knowledge and experience in the industry and overall business in which the company operates in.





**Financial Snapshot**

<b>Profit and Loss Statement</b>		<b>(In Lacs)</b>		
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	
Revenue from Operations	38,181.27	25,694.48	48,065.77	
Other Income	61.62	105.27	115.88	
<b>Total Income</b>	<b>38,242.89</b>	<b>25,799.75</b>	<b>48,181.65</b>	
<b>Expenses</b>				
Cost of Materials consumed	-	-	-	
Purchase of stock-in-trade	38,196.40	24,992.21	48,468.87	
Changes in inventories of Finished goods, work-in- Progress	-1,476.88	-471.53	-2,205.83	
Employee benefits expense	71.05	76.43	109.34	
Finance costs	451.46	422.74	643.53	
Depreciation and Amortization expense	6.47	8.89	7.42	
Other expenses	630.74	349.51	131.30	
<b>Total Expenses</b>	<b>37,879.24</b>	<b>25,378.25</b>	<b>47,154.63</b>	
<b>Earnings Before Interest, Taxes, Depreciation &amp; Amortization</b>	<b>759.96</b>	<b>747.86</b>	<b>1,562.09</b>	
<b>EBITDA Margin</b>	<b>2%</b>	<b>3%</b>	<b>3%</b>	
<b>Profit/(Loss) before exceptional items and tax</b>	<b>363.65</b>	<b>421.50</b>	<b>1,027.02</b>	
Less: Exceptional Items	-	-	-	
<b>Profit/(Loss) before tax</b>	<b>363.65</b>	<b>421.50</b>	<b>1,027.02</b>	
Tax Expense				
Current Tax	88.46	95.63	270.97	
Current Year	-	-	-	
Earlier Year	-	-	-	
Deferred tax	-0.38	-0.75	-0.44	
Total Tax Expense	88.08	94.88	270.53	
<b>Profit/(Loss) for the year</b>	<b>275.57</b>	<b>326.62</b>	<b>756.49</b>	
Net Profit Margin	1%	1%	2%	

<b>Balance Sheet</b>		<b>(In Lacs)</b>		
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
Property, Plant and Equipment	885.20	1,264.55	1,278.45	
Intangible Assets	-	1.89	2.38	
Non-current Investments	0.10	0.10	0.10	
Long term Loans & Advances	1.10	0.90	0.90	
Deferred Tax Assets	2.02	2.77	3.21	
Other Non-current Assets	-	-	102.87	
<b>Total Non-Current assets</b>	<b>888.42</b>	<b>1,270.21</b>	<b>1,387.91</b>	
<b>Current Assets</b>				
Inventories	10,129.67	10,601.21	12,807.04	
Trade Receivables	68.98	331.34	202.20	
Cash and Cash Equivalent	156.19	162.12	27.00	
Loans	76.52	71.02	71.02	
Other Current assets	-	0.30	11.61	
<b>Total Current assets</b>	<b>10,431.36</b>	<b>11,165.99</b>	<b>13,118.87</b>	
<b>Total Assets</b>	<b>11,319.78</b>	<b>12,436.20</b>	<b>14,506.78</b>	

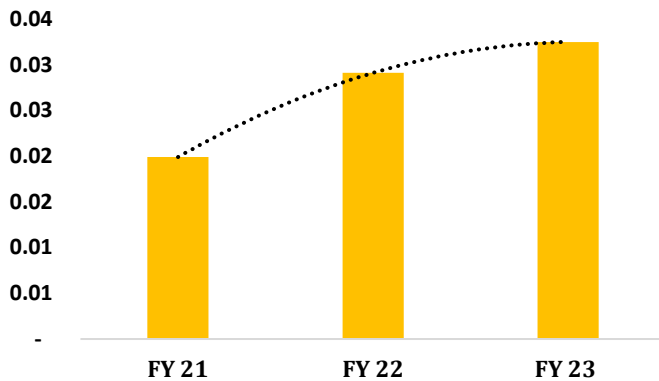


<b>Balance Sheet</b>			
<b>(In lacs)</b>			
<b>EQUITY AND LIABILITIES</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>
<b>Equity</b>			
Equity Share Capital	993.12	993.12	993.12
Reserves & Surplus	1,551.79	1,878.41	2,611.87
<b>Total Equity</b>	<b>2,544.91</b>	<b>2,871.53</b>	<b>3,604.99</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Financial Liabilities			
(i) Long Term Borrowings	4,577.03	5,351.61	5,229.60
(ii) Deferred Tax Liabilities (Net)	-	-	-
(iii) Long Term Provisions	-	-	21.43
<b>Total Non-current liabilities</b>	<b>4,577.03</b>	<b>5,351.61</b>	<b>5,251.03</b>
<b>Current liabilities</b>			
Financial Liabilities			
(i) Short Term Borrowings	2,903.09	3,060.77	3,232.87
(ii) Short Term Provisions	-3.85	-23.10	95.24
(iii) Trade Payables			
Total outstanding dues of micro and small	-	-	-
Total outstanding dues of other creditors	1,226.36	1,101.41	2,283.50
(iv) Other current liabilities	72.25	73.97	39.16
<b>Total Current liabilities</b>	<b>4,197.85</b>	<b>4,213.05</b>	<b>5,650.77</b>
<b>Total Liabilities</b>	<b>8,774.88</b>	<b>9,564.66</b>	<b>10,901.80</b>
<b>Total Equity and Liabilities</b>	<b>11,319.79</b>	<b>12,436.19</b>	<b>14,506.79</b>

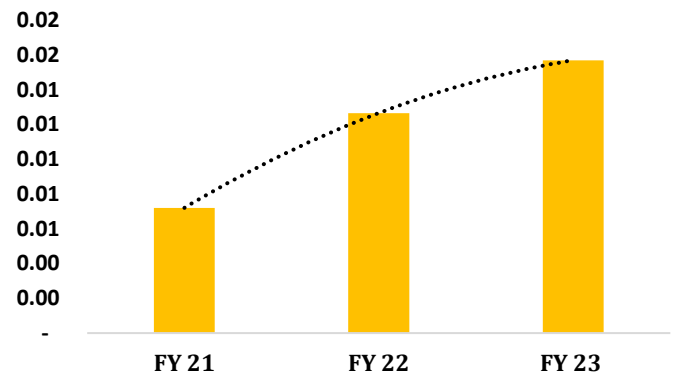
<b>Ratio Sheet</b>			
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>
<b>Per Share Data</b>			
Diluted EPS	2.77	3.29	7.62
BV per share	10.28	11.60	14.57
<b>Operating Ratios (%)</b>			
EBITDA Margins	2%	3%	3%
PAT Margins	1%	1%	2%
Inventory days	96.84	150.59	97.25
Debtor days	1.49	2.30	0.21
Creditor days	11.72	16.09	17.20
<b>Return Ratios (%)</b>			
RoCE	11%	9%	18%
ROE	11%	11%	21%
<b>Valuation Ratios (x)</b>			
EV/EBITDA	13.09	14.99	7.67
Market Cap / Sales	0.91	1.35	0.72
P/E	50.54	42.55	18.37
Price to Book Value	13.61	12.07	9.61
<b>Solvency Ratios</b>			
Debt / Equity	2.94	2.93	2.35
Current Ratio	2.48	2.65	2.32
Quick Ratio	0.07	0.13	0.06
Asset Turnover	3.37	2.07	3.31
Interest Coverage Ratio	1.67	1.75	2.42

## Financial Charts

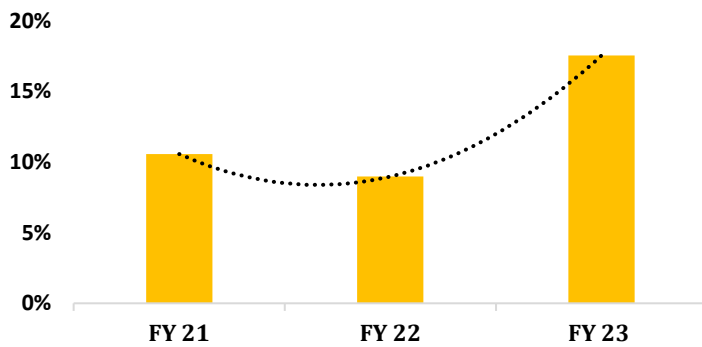
### EBITDA Margin



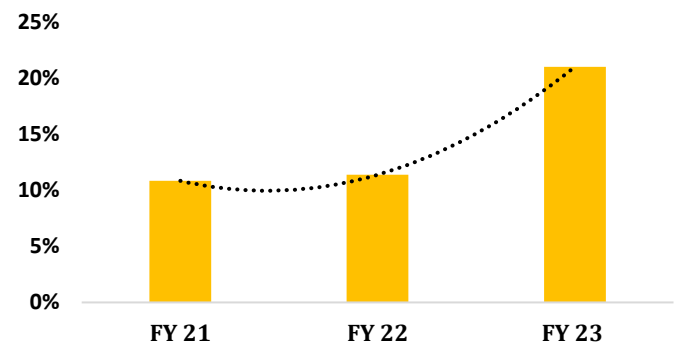
### Net Profit Margin



### Return On Capital Employed



### Return on Equity



## Key Risk Factors

1. The company is involved in certain legal proceedings such as civil litigations by the company amounting to Rs. 235.00 lakhs (4 cases). 2 civil cases against the company, 1 civil case against the promoter, and 1 case by the group companies for which the amount is not ascertainable. This could have an adverse effect on the business and financial condition of the company.
2. The company is dependent upon few suppliers for purchase and sale of bullion, and a few customers for the supply of the finished products. For the financial year ended on March 31, 2023, and March 31, 2022, the top 5 suppliers contributed around 84.09% and 89.22% respectively of the purchase of bullion and top 5 customers of bullion contributed around 71.12% and 31.80% respectively of the sales.

### Track Record of Lead Manager

The lead managers to the issue are Mark Corporate Advisors Private Limited. A table has been set below highlighting the details of the IPO of the last 5 companies handled by the Lead Managers in recent times –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Foce India Limited	29.03	225.00	Dec 28, 2021	720
2.	Jetmall Spices and Masala Limited	4.98	20.00	Apr 19, 2021	24.2

\*CMP is taken as on 20<sup>th</sup> July 2023

Jetmall Spices and Masala Limited CMP is taken as on 14<sup>th</sup> July 2023

The Lead Manager associated with the offer have handled 3 mandates in the last three fiscals, out of which 1 issue opened at premium and the other opened at par on the listing date.

## Recommendation

The company has been into the industry since a very long time. The revenues and the profitability margin were down during FY-22 but has increased in the FY-23. The company has used the inorganic growth strategy.

The management outlook of the company is good with promoters having vast experience in the industry.

The PE on an annualised and Post IPO basis is around 45.80 times which seems to be overpriced looking at the performance of peer's companies average PE 26.75 times.

The business segment in which the company operates is highly competitive with majority of the market share consists of unorganized players. The company operates majorly in Chennai and does not have a larger footprint inside India. The company has used the concentrated marketing strategy which is limiting the company's growth potential. The contribution of the top 5 customers has increased to 71.12% for the FY-23 from 31.80% in the FY-22. The company faces high competition and with the P/E ratio being overpriced compared to its peers along with very less margins one should **AVOID** applying to this IPO.

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