

IPO Details	
<b>Opening Date</b>	Aug 17, 2023
<b>Closing Date</b>	Aug 21, 2023
<b>Stock Exchange</b>	BSE SME
<b>Lot Size</b>	3000 Shares
<b>Issue Price</b>	₹ 48 per share
<b>Issue Size</b>	Aggregating up to 2.03 Cr.
<b>Fresh Issue</b>	Aggregating up to 2.03 Cr.
<b>Offer for Sale</b>	-
<b>Application Amount</b>	₹ 1,44,000

IPO Objective	
Working capital requirements.	
General corporate purposes	

Pre-Issue Shareholding		
Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	10,75,661	99.99 %
Public	1	0.01%

Promoter of the Company	
1	Satish K Kansodariya
2	Sejalben Satish Kansodariya
3	Rajeshbhai Labhubhai Mer

Competitive Strengths	
1	Existing distribution and sales networks
2	Optimum Polishing
3	Repetitive customers
4	Experience of Management

Company Background	
○	Company was incorporated in the year 2021 and has its registered office in Gujarat.
○	Company is engaged in the business of procuring rough diamonds through suppliers, internally planning and mapping rough diamonds.
○	The company is out-sourcing the process of cleaving, laser cutting, and polishing from local job-workers in the domestic market of Surat, and is selling of the said polished cut-diamonds to the wholesalers or retailers with business concentration pre-dominantly in Surat, Gujarat, and the newly-explored market of Mumbai,
○	As on March-23, Company has 9 employees on its payroll.

Market Capitalization	
(In Cr.)	
Pre-Issue	Post-Issue
₹ 5	₹ 7

Financial Summary			
(In Lacs)			
For the Period Ended	Mar-21	Mar-22	Mar-23
<b>Total Assets</b>	0.75	15.03	168.99
<b>Net Assets</b>	0.50	4.41	158.59
<b>Total Borrowings</b>	-	-	0.30
<b>Total Revenue</b>	-	16.26	210.59
<b>Profit After Tax</b>	-0.50	3.91	11.46

Tentative Timeline	
<b>Opening Date</b>	Aug 17, 2023
<b>Closing Date</b>	Aug 21, 2023
<b>Basis of Allotment</b>	Aug 24, 2023
<b>Initiation of Refunds</b>	Aug 25, 2023
<b>Credit of Shares to Demat</b>	Aug 28, 2023
<b>Listing Date</b>	Aug 29, 2023

### Company Background and Analysis

The Company was originally incorporated dated March 05, 2021. The Company is engaged in the business of procuring rough diamonds through suppliers, internally planning and mapping rough diamonds, and is out-sourcing the process of cleaving, laser cutting, and polishing from local job-workers in the domestic market of Surat, and is selling of the said polished cut-diamonds to the wholesalers or retailers with business concentration pre-dominantly in Surat, Gujarat, and the newly-explored market of Mumbai, Maharashtra. A substantial majority of the cut and polished diamonds are sold to diamond wholesalers and the jewellery manufacturers in the domestic market of Surat and Mumbai. The revenue from sale of the diamonds is generated through offline market, and through the online platform.

The company's registered office is located at Surat, Gujarat and is well equipped with computer systems, internet connectivity, other communication equipment, and other facilities, which are required for the business operations. The process which the company follows for its business is procurement of raw materials, Assortment of rough diamonds, later the company goes through a quality check later are sorted based on the 4C i.e., Cut, Colour, Clarity, and Carat and last but not the least it goes through a polishing process. The company sells diamonds and also jewelleryes to a varied customer base spread across through the online platform. The company have arrangements with third party logistics companies to deliver the products and jewelleryes.

The following table sets forth revenue bifurcation for financial year ended 2021, 2022 and 2023 –

Particulars	FY 2020 -2021		FY 2021-2022		FY 2022-2023	
	Amount	%	Amount	%	Amount	%
Domestic Sales						
Manufacturing Sales	-	-	-	0.00	11,855.07	56.29
Trading Sales	-	-	1,625.78	100.00	9,204.39	43.71
Total	-	-	1,625.78	100.00	21,059.46	100.00

To conclude, the company was originally incorporated in the year 2021 and was engaged in the business of Textiles & Apparel and thereafter in the following year it was changed to manufacturing and trading od diamonds and jewelleryes. The company is raising Rs. 203.04 lakhs out of which Rs. 25 lakhs is to be used for issue expenses. The remaining Rs. 178.04 lakhs of Net Proceeds are to be utilized as stated below – 76.83% which is Rs. 135.00 lakhs are being utilized for Working capital requirements, remaining 24.17% which is Rs. 43.04 lakhs are to be utilized for general corporate purposes as stated in the offer document.

## Business Strategies

### 1. Work with the existing suppliers

Instead of finding new suppliers, the company is supporting the existing suppliers to boost the sourcing power, to effectively negotiate for bulk pricing which helps the company to sustain the competition in the industry.

### 2. Increase the business development appetite by augmenting of available working capital resources.

The company operate in a working capital-intensive industry. The working capital financing ability is a key competitive trait in the polished and cut diamond business because of the commodity nature of the product. The company need working capital for raw material as well as finished goods stock and also for supporting the clients with reasonable lines of credit.

### 3. Increase geographical presence

The company is mainly located in Surat region. Going forward the company plan to establish the presence in the other areas. The emphasis is expanding the scale of the operations as well as growing the geographical presence for which the company believes will provide more opportunities to grow the business and revenues.

### 4. Improve the internal processes and systems

The business is highly promoter driven thus the company propose to improve the internal processes and systems in order to make the company less dependent on the promoter family.

## Competitive Scenario and Peer Mapping

### Competition

The industry in which the company operates in is highly competitive. The company faces competition from both the organized and unorganized sectors of the jewellery business. The barrier to entry is very less in such industries and the suppliers have the bargaining power in the business.

## Peer Analysis

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

Particulars	Shoora Designs Limited	Ashapuri Gold Ornament Limited	D.P. Abhushan Limited	Starlineps Enterprises Limited	Veeram Securities Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	5.44%	1.27%	2.28%	3.05%	9.58%
EBITDA Margin	7.79%	2.53%	3.95%	1.95%	11.78%
Return on Capital Employed	9.90%	3.61%	34.60%	1.45%	10.57%
Return on Equity	7.22%	2.41%	24.86%	2.49%	9.13%
EPS (INR)	1.34	0.07	20.36	0.14	0.24

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

Particulars	Shoora Designs Limited	Ashapuri Gold Ornament Limited	D.P. Abhushan Limited	Starlineps Enterprises Limited	Veeram Securities Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	24.07%	1.83%	2.31%	1.92%	21.29%
EBITDA Margin	31.97%	3.05%	4.34%	1.05%	14.62%
Return on Capital Employed	116.31%	4.94%	39.77%	0.57%	14.66%
Return on Equity	88.67%	3.70%	28.99%	1.30%	21.71%
EPS (INR)	39.14	0.12	18.17	0.07	0.53

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

Particulars	Shoora Designs Limited	Ashapuri Gold Ornament Limited	D.P. Abhushan Limited	Starlineps Enterprises Limited	Veeram Securities Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	-	2.54%	2.22%	0.86%	14.28%
EBITDA Margin	-	3.39%	4.20%	1.03%	10.19%
Return on Capital Employed	-100.00%	3.85%	39.17%	0.76%	12.92%
Return on Equity	-100.00%	3.85%	27.84%	0.68%	20.38%
EPS (INR)	5.00	0.10	12.34	0.04	0.39

**Industry Overview**

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

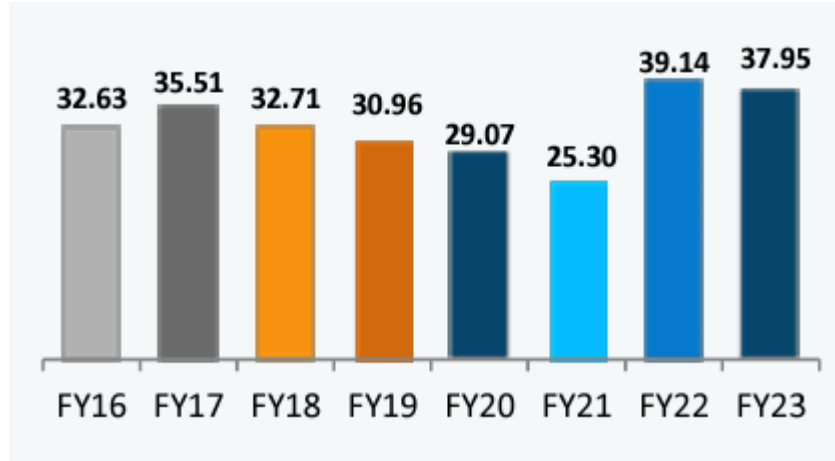


Exhibit 2: Import of Gems and Jewellery (US\$ billion)

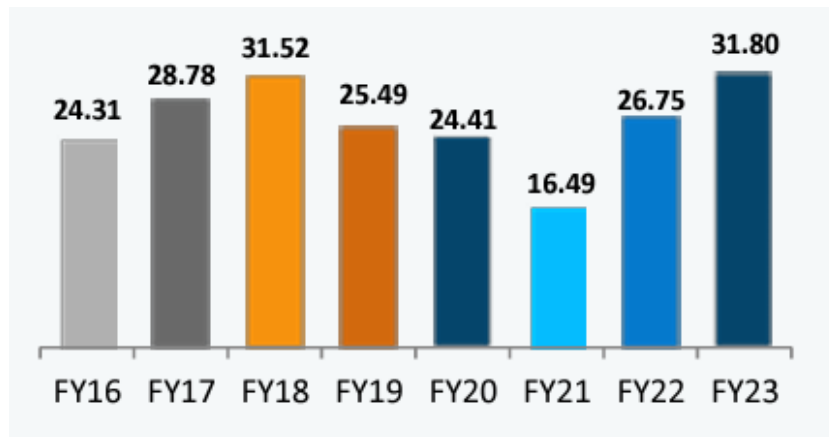
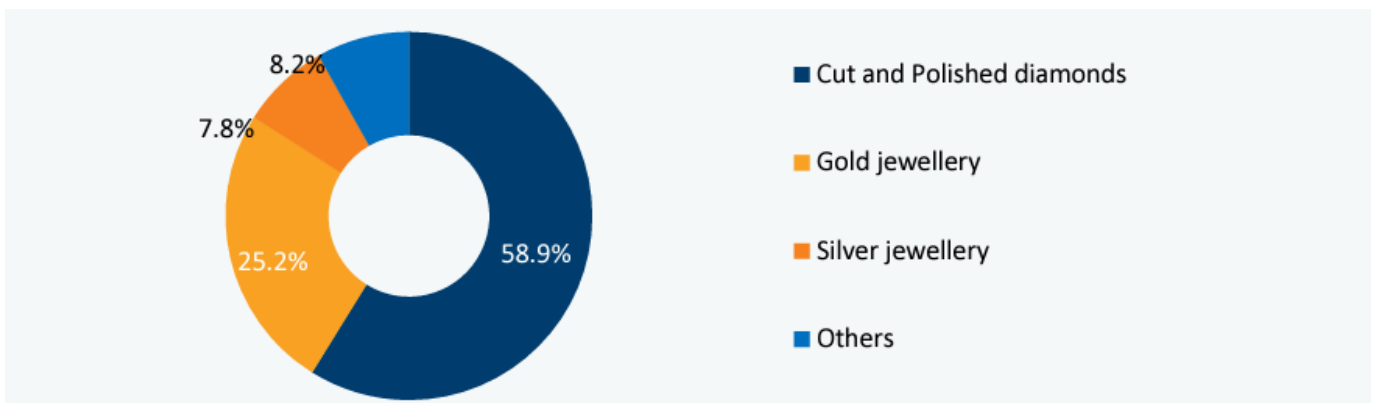


Exhibit 3: Share of various segments in total gems & jewellery exports between April-March 2023



(Source: ibef.com)

### **Gems and Jewellery Industry in India -**

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 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.

### **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 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

**Satish K Kansodariya**, aged 36, is one of the Promoters, Chairman and Managing director of the company. He is an undergraduate and has been in the industry for more than a decade and has experience in Finance and Jewellery Sector.

**Rajeshbhai Labhubhai Mer**, aged 31, is one of the Promoters, and Whole -Time Director of the company. He is an undergraduate. He has more than 10 years of experience in Gems and Jewellery Sector. He handles day to day operations and is involved in handling Marketing activities of the Company.

**Sejalben Satish Kansodariya**, aged 34, is one of the Promoters, and Non-Executive Director of the Company. She is an undergraduate. She has several years of experience in Gems and Jewellery Sector.

**Jigneshbhai Valjibhai Mer**, aged 31, is the Independent Director of the Company. He is an undergraduate and has several years of experience in Gems and Jewellery Sector.

**Bhankhodiya Dharmesh Ishvarbhai**, aged 30, is the Independent Director of the Company. He is an undergraduate and has several years of experience in Gems and Jewellery Sector.

To conclude, the company has three promoters and both of them have good experience in the industry in which the company operates in. The remaining directors also have good experience in the fields which help in the growth of the business.

**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	-	16.26	210.59
Other Income	-	-	0.01
<b>Total Income</b>	-	16.26	210.61
<b>Expenses</b>			
Cost of Materials consumed	-	-	105.46
Purchase of stock-in-trade	-	10.15	97.29
Changes in inventories of Finished goods, work-in- Progress	-	-	-38.82
Employee benefits expense	-	-	5.04
Finance costs	-	0.02	0.19
Depreciation and Amortization expense	-	0.06	0.70
Other expenses	0.50	0.91	25.22
<b>Total Expenses</b>	0.50	11.14	195.08
<b>Earnings Before Interest, Taxes, Depreciation &amp; Amortization</b>	-0.50	5.20	16.41
<b>EBITDA Margin</b>	-	32%	8%
<b>Profit/(Loss) before tax</b>	-0.50	5.11	15.53
Tax Expense	-	-	-
Current Tax	-	1.24	4.07
Deferred tax (net)	-	-0.04	0.00
Total Tax Expense	-	1.20	4.07
<b>Profit/(Loss) for the year</b>	-0.50	3.91	11.46
Net Profit Margin	-	24%	5%

<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	-	0.47	3.38
Capital Work-in-progress	-	-	-
Intangible assets	-	-	-
Deferred tax assets (net)	-	0.04	0.04
Other Non-Current Assets	-	-	0.20
<b>Total Non-Current assets</b>	-	0.51	3.61
<b>Current Assets</b>			
Inventories	-	-	64.18
Trade Receivables	-	0.11	79.69
Cash and Cash Equivalents	0.75	13.84	14.98
Other Current Assets	-	0.57	6.52
<b>Total Current assets</b>	0.75	14.52	165.37
<b>Total Assets</b>	0.75	15.03	168.99
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share Capital	1.00	1.00	107.57
Reserves and Surplus	-0.50	3.41	51.02
<b>Total Equity</b>	0.50	4.41	158.59
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long term Liabilities	-	-	-
Deferred Tax Liabilities (Net)	-	-	-
Long term Provisions	-	-	-
<b>Total Non-current liabilities</b>	-	-	-
<b>Current liabilities</b>			
Financial Liabilities	-	-	-



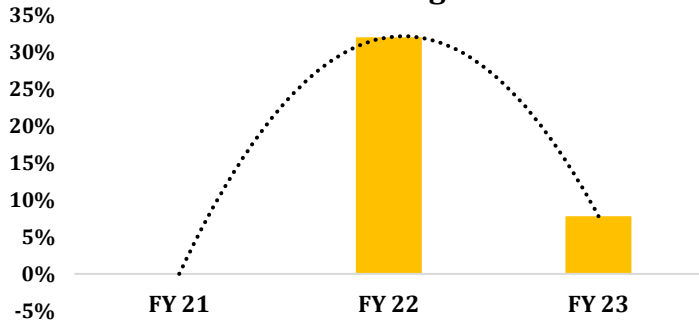
(i) Short Term Borrowings	-	-	0.30
(ii) Trade Payables	-	-	-
i) Total outstanding dues of micro enterprises and small enterprises	-	-	-
ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	-	9.28	2.90
Other Current Liabilities	0.25	0.09	2.45
Short-term provisions	-	1.24	4.75
<b>Total Current liabilities</b>	<b>0.25</b>	<b>10.61</b>	<b>10.40</b>
<b>Total Liabilities</b>	<b>0.25</b>	<b>10.61</b>	<b>10.40</b>
<b>Total Equity and Liabilities</b>	<b>0.75</b>	<b>15.03</b>	<b>168.99</b>

<b>Cash Flow Statement</b>		<b>(In Lacs)</b>	
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>
Net Cash Flow from Operating Activities	-0.25	13.64	-137.88
Net Cash Flow from Investing Activities	-	-0.53	-3.81
Net Cash Flow from Financing Activities	1.00	-0.02	14.98

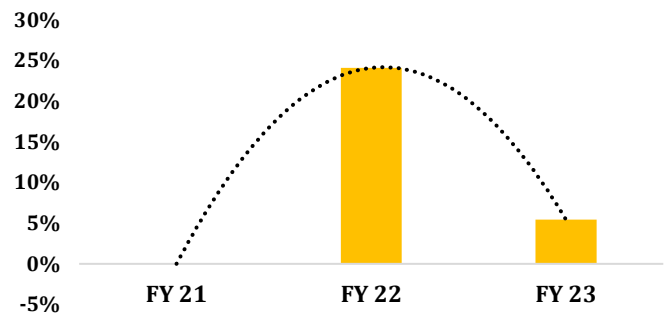
<b>Ratio Sheet</b>			
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>
<b>Per Share Data</b>			
Diluted EPS	-5	39.14	1.34
BV per share	0.03	0.29	10.58
<b>Operating Ratios (%)</b>			
EBITDA Margins	-	32%	8%
PAT Margins	-	24%	5%
Inventory days	-	-	111.23
Debtor days	-	2.44	138.12
Creditor days	-	333.68	4.64
<b>Return Ratios (%)</b>			
RoCE	-100%	116%	10%
RoE	-100%	89%	7%
<b>Valuation Ratios (x)</b>			
EV/EBITDA	0.50	-1.81	8.77
Market Cap / Sales	-	44.25	3.42
P/E	-9.60	1.23	35.82
Price to Book Value	1,438.72	162.98	4.54
<b>Solvency Ratios</b>			
Debt / Equity	0.00	0.00	0.00
Current Ratio	3.00	1.37	15.91
Quick Ratio	3.00	1.37	9.73
Asset Turnover	0.00	1.08	1.25
Interest Coverage Ratio	-	254.14	83.12

## Financial Charts

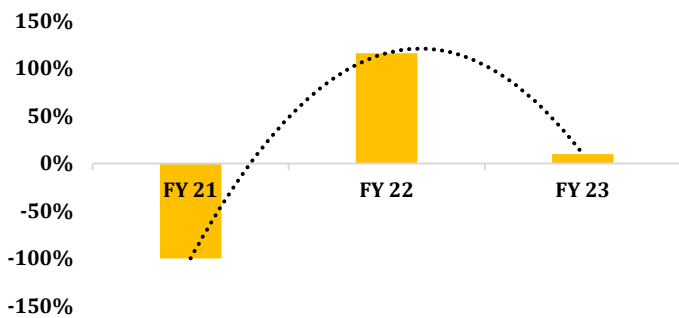
**EBITDA Margin**



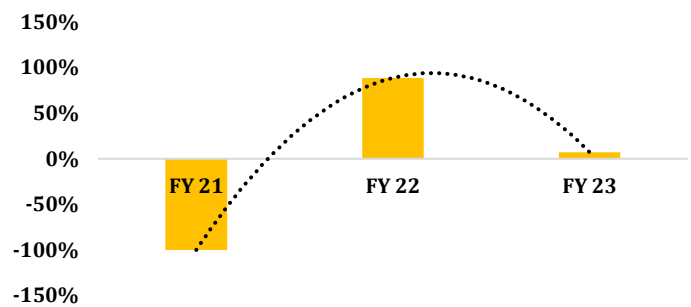
**Net Profit Margin**



**Return On Capital Employed**



**Return on Equity**



## Key Risk Factors

1. The company has availed unsecured loans from the Promoters and/or other parties which stood at Rs. 30.03 thousand as of March 31, 2023, which may be recalled by them at any time and the Company may not have adequate funds to make timely payments or at all.
2. The Company had negative cash flows in the past years during the FY 21 and FY 23. Sustained negative cash flow could impact the growth and business.

## Track Record of Lead Manager

The lead manager to the issue is Swaraj shares and securities private limited. As per the offer document this is the lead managers first IPO.

### Recommendation

The company has been into the industry since 2021. The business is very new to the industry and the main diamond and jewellery business is mainly very new with its starting in the year 2022. The company has seen a sudden surge in its profitability margins and cannot be commented upon the future estimates as it is very new and can't be compared with the previous years. The management outlook of the company is satisfactory.

The PE on an annualised and Post IPO basis is around 62.79 times which seems to be fairly priced.

The company is very new to the industry and with the barrier to entry being low the company does faces competition. The company is operating only from one state as on this date, without the previous year data we cannot come to an conclusion about the future predictions so one with full knowledge regarding the industry and the said business should invest, Thus **AVOID** applying to this IPO.

### Disclaimer

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