

IPO Details	
<b>Opening Date</b>	April 22, 2024
<b>Closing Date</b>	April 25, 2024
<b>Stock Exchange</b>	BSE SME
<b>Lot Size</b>	1,000 Shares
<b>Issue Price</b>	₹150 per share
<b>Issue Size</b>	Aggregating up to 20.10 Cr.
<b>Fresh Issue</b>	Aggregating up to 20.10 Cr.
<b>Offer for Sale</b>	-
<b>Application Amount</b>	₹1,50,000

IPO Objective	
1.	To finance the establishment of the new showroom.
2.	Capital expenditure cost for the proposed new showroom and Purchase of Inventory for the proposed new showroom.
3.	Purchase of Inventory.
4.	General corporate purposes.

Pre-Issue Shareholding		
Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	34,50,000	100.00%
Public	-	-

Promoter of the Company	
1.	Pooja Vineet Naheta
2.	Sarika Amit Naheta

Competitive Strengths	
1.	Established brand.
2.	Well established relationship with the supplier.
3.	Strong understanding of customer preference.
4.	Extensive product list.
5.	Rich domain experience of the Promoter.

Company Background	
○	Incorporated in 2005, Varyaa Creations Limited has its registered office in Mumbai, Maharashtra, India.
○	The company is engaged in the business of wholesale trading of gold, silver, precious stones, and semi-precious stones.
○	The company's product portfolio includes necklaces, earrings, Tops, rings, bracelets, Bangles, Gemstones, Diamonds, lab-grown diamonds, and Pearls and also makes customized jewellery as per customers needs.
○	The company has recently expanded its portfolio by including Lab Grown Diamonds.
○	As of March 31, 2024, the company had a total of 08 employees on its payroll.

Market Capitalization (In Cr.)	
Pre-Issue	Post-Issue
₹ 52	₹ 72

Financial Summary (In Lacs.)				
For the Period Ended	Mar-21	Mar-22	Mar-23	Dec-23
<b>Total Assets</b>	218.32	143.78	2,000.54	1,049.18
<b>Net Assets</b>	-77.46	-19.47	59.45	410.56
<b>Total Borrowing</b>	283.82	44.81	-	-
<b>Total Revenue</b>	12.05	253.13	538.02	1,762.49
<b>Profit After Tax</b>	-13.07	57.97	78.92	351.10

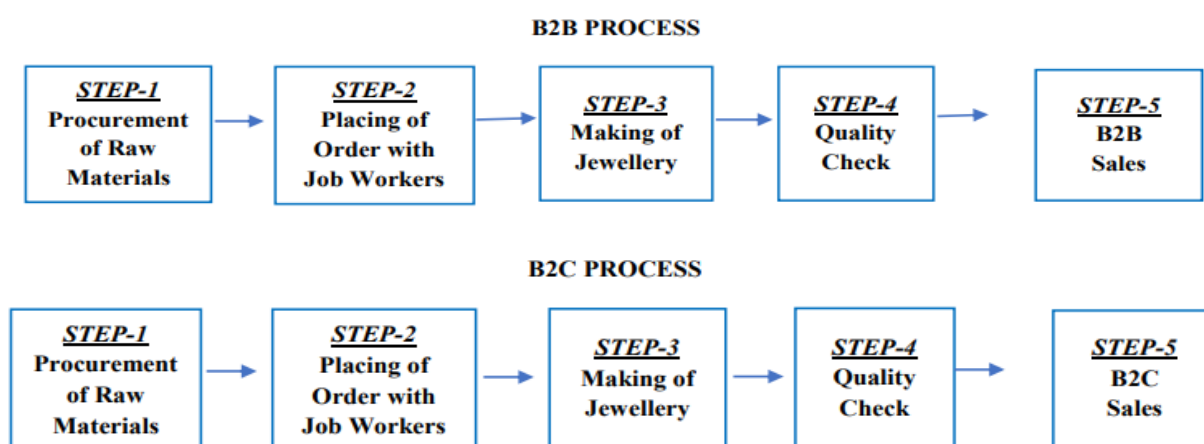
Tentative Timeline	
<b>Opening Date</b>	April 22, 2024
<b>Closing Date</b>	April 25, 2024
<b>Basis of Allotment</b>	April 26, 2024
<b>Initiation of Refunds</b>	April 29, 2024
<b>Credit of Shares to Demat</b>	April 29, 2024
<b>Listing Date</b>	April 30, 2024

### Company Background and Analysis

Varyaa Creations Limited was originally incorporated on July 14, 2005. The company is engaged in the business of wholesale trading of gold, silver, precious stones, and semi-precious stones. Apart from the above, from this financial year onwards, the company also intends to focus on manufacturing and selling jewellery. The company manufactures its jewellery through job workers located in Mumbai.

The company's major raw materials used for making the products are gold, precious stones, gemstones, semi-precious stones, silver etc. which is further provided to the job workers who manufacture the jewellery. The company's products are sold only through the offline market, i.e. from the registered office located in Mumbai. The customers can also make inquiries through the online platform varyaacreations.com. Further, the company will also be selling its products through its own online platform, i.e. baubleberry.com.

The company's portfolio of products includes necklaces, earrings, Tops, rings, bracelets, Bangles, Gemstones, Diamonds, lab-grown diamonds, and Pearls and also make customized jewellery as per the customer's needs. The company has a B2B and B2C Process –



Revenue bifurcation as per product-wise is given below -

(Amount in Lacs)

Particulars	Mar-21		Mar-22		Mar-23		Dec-23	
	B2B	B2C	B2B	B2C	B2B	B2C	B2B	B2C
Metal	7.00	2.04	242.02	2.88	472.18	13.30	552.14	-
Precious and Semi-precious stones	-	-	2.24	-	26.48	1.00	78.64	180.57
Jewellery	-	-	-	-	-	9.74	845.08	62.57
<b>Sub Total</b>	<b>7.00</b>	<b>2.04</b>	<b>244.26</b>	<b>2.88</b>	<b>498.66</b>	<b>24.04</b>	<b>1,475.86</b>	<b>243.14</b>
<b>Total</b>	<b>9.04</b>		<b>247.14</b>		<b>522.70</b>		<b>1,719.00</b>	

To conclude, since the company was incorporated in 2005 it has good experience in the industry. The company is planning to manufacture its own jewellery along with the current business of trading of jewellery. The company is planning to increase its geographical location by setting up a retail showroom in Agra. The company is in the process of creating an additional online platform to sell its products online.

## Business Strategies

### 1. Entering the E-Commerce Market –

The company proposed to invest in building a state-of-the-art e-commerce platform that will offer an extensive range of jewellery products to customers across India. Through the company's online platform, the company proposes to offer its customers an experience of Phygital marketing (a physical plus digital blend of digital experiences with physical marketing), i.e., an option to browse a variety of jewellery through its catalogue.

### 2. Increase the customer network in existing markets and enter new geographical markets -

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

### 3. Strengthen the Inventory Management practices –

The company's strategy is to constantly review and replenish the inventory catalogue and keep churning them with new products to ensure that the choice of a fresh design and product is always available to the customer to avoid monotony.

### 4. Innovation in designing –

The Company will continue to add new designs to the existing product portfolio to cater to various customer and price segments in the jewellery markets. The company intends to strengthen its product development effort by leveraging the skills of its employees and focusing on changing trends in the designs of jewellery and customers' demand which will help to increase the sales of the Company and retain customers.

## Competitive Scenario and Peer Mapping

### Competition

The company faces competition from both the organized and unorganized sectors of the jewellery retail business. The company compete with the competitors on a regional or product line basis. The company faces competition from listed Companies like PNGS Gargi Fashion Jewellery Ltd, Ashapuri Gold Ornament Ltd, Titan Company, Bhakti Gems and Jewellery Limited, PC Jewellers Limited etc. The company believe that the principal factors affecting competition in the business include client relationships, reputation, the abilities of employees, market focus and the relative quality and price of the services and products. The company has medium entry barriers. The bargaining power with the suppliers is high and the bargaining power with the customer is also slightly high in the industry in which the company operates.

### Peer Analysis

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

Particulars	Varyaa Creations Limited	PNGS Gargi Fashion Jewellery Limited	Ashapuri Gold Ornament Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	15%	16%	1%
EBITDA Margin	19%	23%	2%
Return on Capital Employed	164%	31%	3%
Return on Equity	133%	23%	2%
EPS (INR)	52.62	9.69	0.07

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

Particulars	Varyaa Creations Limited	PNGS Gargi Fashion Jewellery Limited	Ashapuri Gold Ornament Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	23%	18.52%	1.86%
EBITDA Margin	25%	26%	3%
Return on Capital Employed	-	120%	5%
Return on Equity	-	98%	4%
EPS (INR)	38.66	392.86	0.12

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

Particulars	Varyaa Creations Limited	PNGS Gargi Fashion Jewellery Limited	Ashapuri Gold Ornament Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	-144.58%	-*	2.2%
EBITDA Margin	-60.0%	-*	3.4%
Return on Capital Employed	-	50%	4.4%
Return on Equity	-	50%	3.3%
EPS (INR)	-8.71	3.57	0.11

\*As the company has ignorable net profit and EBITDA the profitability margins are shown as null.

**Industry Overview**

Exhibit 1: Share of various segments in total gems & jewellery exports between April-March 2023

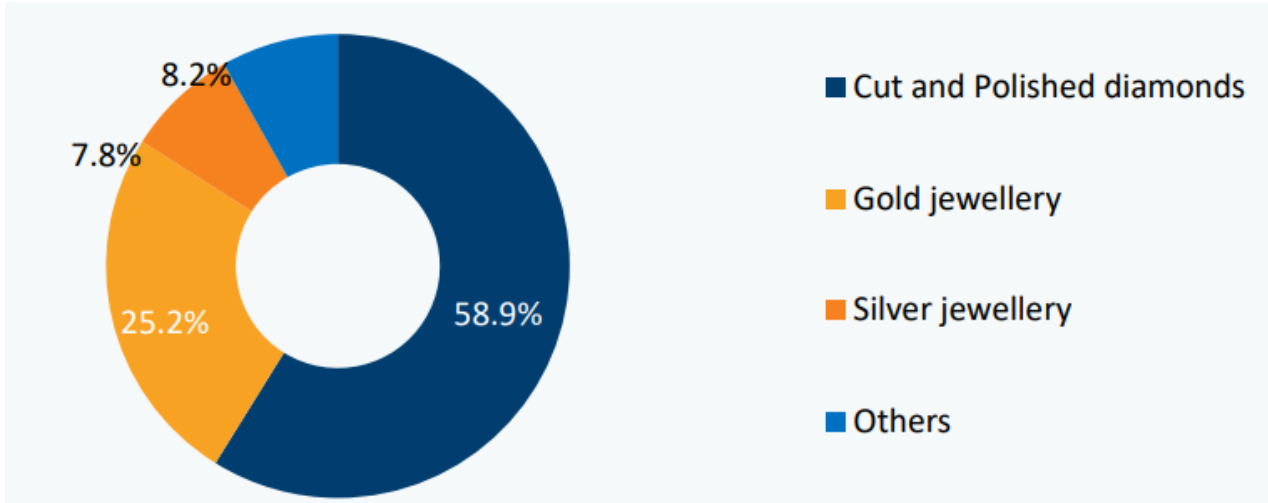
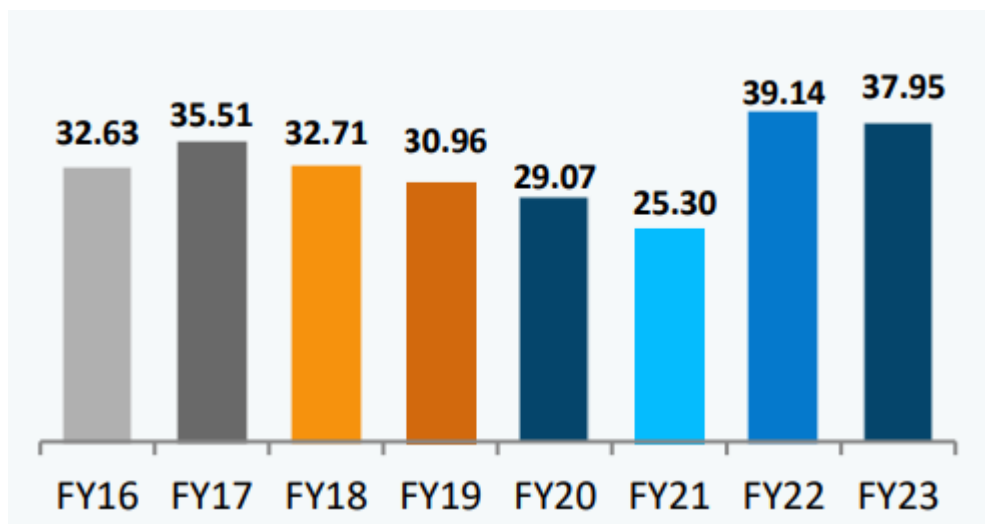


Exhibit 2: Net Export of Gems and Jewellery (US\$ billion)



(Source: ibef.org)

### **Gems and Jewellery Industry Overview -**

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 with 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.

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 December 2022, India's gems and jewellery exports was at US\$ 2.56 billion. The Government of India is aiming at US\$ 100 billion in jewellery export in the next five years (until 2027), up from US\$ 35 billion in 2020.

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\$ 100 billion by 2027.

(Source: prospectus)

## Key Managerial Personnel

**Pooja Vineet Naheta**, aged 42 years, is one of the Promoters and Managing Director of the Company. She Possesses a B.A. degree from the University of Mumbai. She is having an overall experience of 15 years in the Gems and Jewellery industry. She looks after the design of jewellery.

**Sarika Amit Naheta**, aged 45 years, is one of the Promoters, Executive Director, and CFO of the Company. She holds a degree M. Com and also possesses a diploma certificate in polished diamond. She has been in the industry for more than a decade and has experience in Finance and Jewellery Sector. Her expertise lies in the realm of diamond jewellery production.

**Srinivas Ramchandra Kudikyala**, aged 42 years, is the Non-Executive Director of the Company. He is matriculation. He has several years of experience in marketing and business operations.

**Tathagata Sarkar**, aged 37 years, is the Non-Executive Independent Director of the Company. He holds a degree of Bachelor of Science in Hospitality and Hotel Administration. He has more than 5 years of experience in the Hospitality Industry.

**Nivedita Sen**, aged 36 years, is the Non-Executive Independent Director of the Company. She has completed the Executive Management Programme in Sales and Marketing. She was previously engaged in services industry as a sales and customer success consultant. She has completed the Trainer Programme on Prevention of Sexual Harassment at the Workplace (POSH ACT, 2013) offered by Protouch.

To conclude, the company has 2 promoters, and they have vast experience in the industry. The Remaining Directors of the company also have decent knowledge and experience in their respective fields which helps in the overall growth of the company.

**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>	<b>Dec-23</b>
Revenue from Operations	9.04	247.14	522.70	1,718.99
Other Income	3.01	5.99	15.32	43.50
<b>Total Income</b>	<b>12.05</b>	<b>253.13</b>	<b>538.02</b>	<b>1,762.49</b>
<b>Expenses</b>				
Cost of raw material consumed	-	-	-	861.93
Purchases of Stock in Trade	-	106.95	1,902.72	34.49
Changes in Inventories of stock in trade	5.99	69.25	-1,482.82	365.43
Employee benefits expense	8.12	7.00	3.51	13.38
Finance costs	10.48	9.72	2.47	-
Depreciation and Amortization expense	0.18	0.12	0.08	0.25
Other expenses	0.35	2.11	1.57	17.82
<b>Total Expenses</b>	<b>25.12</b>	<b>195.15</b>	<b>427.53</b>	<b>1,293.30</b>
<b>Earnings Before Interest, Taxes, Depreciation &amp; Amortization</b>	<b>-5.42</b>	<b>61.83</b>	<b>97.72</b>	<b>425.94</b>
<b>EBITDA Margin</b>	<b>-60%</b>	<b>25%</b>	<b>19%</b>	<b>25%</b>
<b>Profit/(Loss) before tax</b>	<b>-13.07</b>	<b>57.98</b>	<b>110.49</b>	<b>469.19</b>
<b>Tax Expense</b>				
Current Tax	-	-	31.56	118.10
Deferred Tax	-	0.01	0.01	-0.01
<b>Total Tax Expense</b>	<b>-</b>	<b>0.01</b>	<b>31.57</b>	<b>118.09</b>
<b>Profit/(Loss) for the year</b>	<b>-13.07</b>	<b>57.97</b>	<b>78.92</b>	<b>351.10</b>
<b>Net Profit Margin</b>	<b>-108.46%</b>	<b>22.90%</b>	<b>14.67%</b>	<b>19.92%</b>

<b>Balance Sheet</b>				<b>(In Lacs)</b>
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	<b>Dec-23</b>
<b>EQUITY AND LIABILITIES</b>				
<b>1. Shareholders' funds</b>				
Share Capital	15.00	15.00	15.00	345.00
Reserves and surplus	-92.46	-34.47	44.45	65.56
<b>Total Equity</b>	<b>-77.46</b>	<b>-19.47</b>	<b>59.45</b>	<b>410.56</b>
<b>2. Non-current liabilities</b>				
Long Term Borrowings	-	-	-	-
Deferred Tax Liabilities (Net)	-	-	0.01	-
<b>Total Non-current liabilities</b>	<b>-</b>	<b>-</b>	<b>0.01</b>	<b>-</b>
<b>3. Current liabilities</b>				
Short-term borrowings	283.82	44.81	-	-
Trade payables				
(i) MSME	-	1.68	1,753.64	332.34
(ii) Other than MSME	7.83	110.08	154.63	110.08
Other current liabilities	0.82	0.65	-	74.22
Short-term provisions	3.31	6.03	32.81	121.98
<b>Total Current liabilities</b>	<b>295.78</b>	<b>163.25</b>	<b>1,941.08</b>	<b>638.62</b>
<b>Total Liabilities</b>	<b>295.78</b>	<b>163.25</b>	<b>1,941.09</b>	<b>638.62</b>
<b>Total Equity and Liabilities</b>	<b>218.32</b>	<b>143.78</b>	<b>2,000.54</b>	<b>1,049.18</b>
<b>ASSETS</b>				
<b>1. Non-current assets</b>				



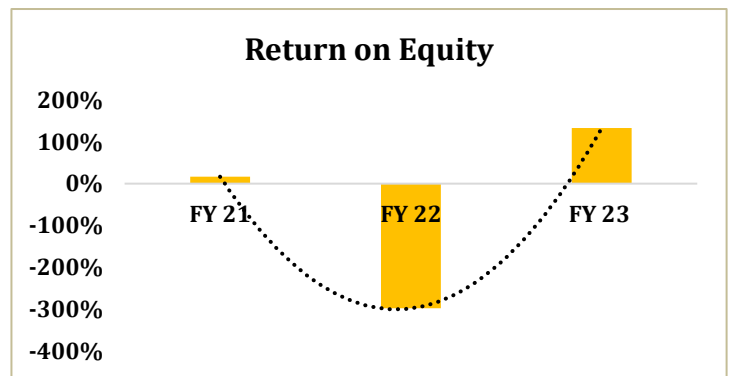
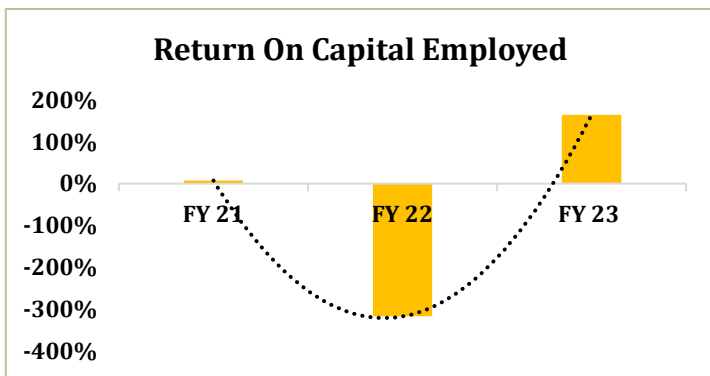
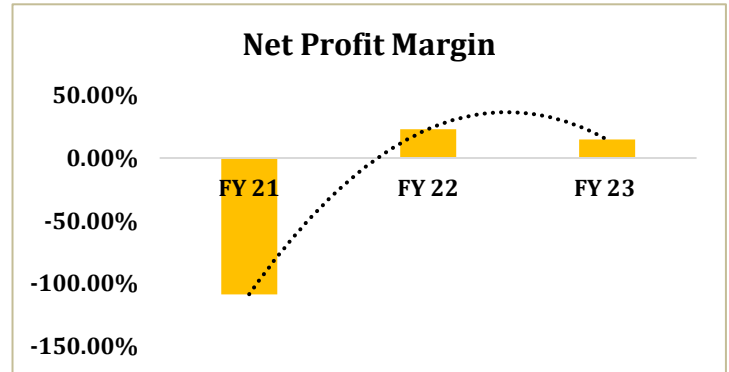
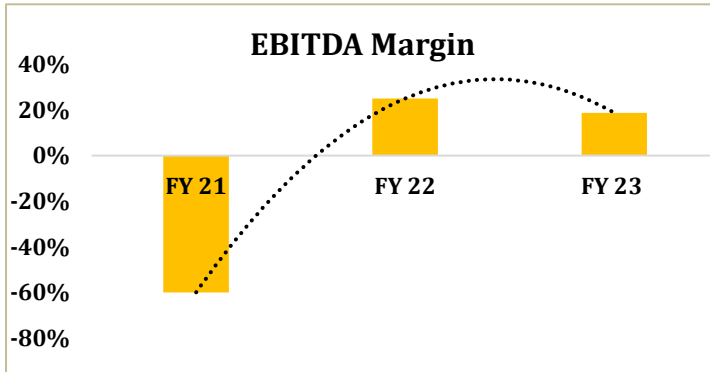
<b>Balance Sheet</b>					<b>(In Lacs)</b>
Fixed Assets					
a) Tangible Assets	0.44	0.32	0.36	1.26	
b) Intangible Assets	0.04	0.04	0.04	0.04	
c) Intangible Assets under Development	-	-	-	1.00	
Long-term Loans and Advances	50.00	50.00	-	-	
Deferred Tax Assets (Net)	0.01	-	-	-	
Other Non-Current Assets	0.25	0.25	0.25	0.45	
<b>Total Non-Current assets</b>	<b>50.74</b>	<b>50.61</b>	<b>0.65</b>	<b>2.75</b>	
<b>2. Current assets</b>					
Inventories	158.67	89.42	1,572.24	790.89	
Trade receivables	-	-	-	219.85	
Cash and cash equivalents	1.54	1.23	379.77	6.54	
Short-term loans and advances	1.70	0.50	5.00	18.95	
Other Current Assets	5.68	2.02	42.90	10.19	
<b>Total Current assets</b>	<b>167.59</b>	<b>93.17</b>	<b>1,999.91</b>	<b>1,046.42</b>	
<b>Total Assets</b>	<b>218.33</b>	<b>143.78</b>	<b>2,000.56</b>	<b>1,049.17</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>	<b>Dec-23</b>	
Net Cash Flow from Operating Activities	8.98	9.41	381.12	-371.07	
Net Cash Flow from Investing Activities	3.01	-	-0.12	-2.15	
Net Cash Flow from Financing Activities	-10.48	-9.72	-2.47	-	

<b>Ratio Sheet</b>				
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	<b>Dec-23*</b>
<b>Per Share Data</b>				
Diluted EPS	-8.71	38.66	52.62	10.47
BV per share	-1.62	-0.41	1.24	53.68
<b>Operating Ratios</b>				
EBITDA Margins	-59.96%	25.02%	18.70%	26.78%
PAT Margins	-108.46%	22.90%	14.67%	21.38%
Inventory days	6,406.48	132.06	1,097.89	126.52
Debtor days	-	-	-	35.17
Creditor days	-	381.42	366.06	257.64
<b>Return Ratios</b>				
RoCE	-	-317%	164%	24%
RoE	-	-	133%	20%
<b>Valuation Ratios (x)</b>				
EV/EBITDA	-	0.39	-	4.19
Market Cap / Sales	794.80	29.07	13.75	3.14
P/E	-	3.88	2.85	14.32
Price to Book Value	-	-	120.86	2.79
<b>Solvency Ratios</b>				
Debt / Equity	-	-	-	-
Current Ratio	0.57	0.57	1.03	1.64
Quick Ratio	0.03	0.02	0.22	0.40
Asset Turnover	0.04	1.72	0.26	1.64
Interest Coverage Ratio	-	6.35	39.53	-

\*Annualized Figures

## Financial Charts



## Key Risk Factors

1. There are certain outstanding legal proceedings involving the Promoter and Promoter Entities amounting to Rs. 10.20 lakhs which may adversely affect the business, financial condition and results of operations.
2. The company's top 10 suppliers contributed 93.60%, 91.65%, 98.53% and Nil of the purchases for the period ending on December 31, 2023, and for the financial year ending on March 31, 2023, 2022 and 2021, respectively. Failure to successfully leverage the relationships with existing suppliers or to identify new suppliers could adversely affect the business operations.
3. The company have incurred restated loss of Rs. 13.06 Lakhs in Fiscals 2021 and the company anticipates that it may continue in the future.
4. The company's top 10 customers contributed 98.98%, 79.66%, 95.96% and 100% of the revenues from operations for the period ended December 31, 2023, and for the year ended March 31, 2023, 2022 and 2021, respectively.
5. The company has contingent liabilities amounting to Rs. 3.44 lakhs and the financial condition could be adversely affected if any of these contingent liabilities materializes.
6. The company has had negative operating cash flow for the period December 2023. Sustained negative cash flow could adversely impact the business, financial condition and results of operations.

### Track Record of Lead Manager

The lead manager to the issue is Inventure Merchant Banker Services Private Limited. A table has been set below highlighting the details of the IPOs of the recent companies handled by the Lead Manager in recent times –

#### Inventure Merchant Banker Services Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Innovatus Entertainment Networks Limited	7.74	50.00	Aug 04, 2023	36.09
2.	Vilin Bio Med Limited	12.00	30.00	Jun 30, 2023	19.00
3.	Maagh Advertising and Marketing Services Limited	9.12	60.00	Oct 13, 2022	14.06
4.	Silver Pearl Hospitality & Luxury Spaces Limited	9.00	18.00	Jun 17, 2022	8.60
5.	Brandbucket Media & Technology Limited	8.25	55.00	Dec 31, 2021	10.00
6.	Omnipotent Industries Limited	18.90	63.00	Nov 29, 2021	8.65
7.	AA Plus Tradelink Limited	6.48	18.00	Jul 22, 2021	12.00
8.	Navoday Enterprises Limited	4.61	20.00	Jun 25, 2021	9.00

The company has had 7 mandates in the past three years including the current Year.

\*CMP for the above-mentioned companies is taken as of 19<sup>th</sup> April 2023.

As per the offer document, from the above-mentioned mandates, Maagh Advertising and Marketing Services Limited and Omnipotent Industries Limited have opened at premiums and the remaining mandates have opened at a discount on the listing date.

### Recommendation

The company has been in the industry since 2005 and has good experience in the industry. The management overview of the company is good.

The P/E on a post-IPO and annualised basis is around 14.32 times which makes it fairly priced by looking at the performance of the company and sector. The Sector P/E is 65.6 times.

The company operates in a competitive environment. The company operates in the gems and jewellery market. The company is also planning to start manufacturing jewellery which we believe will yield growth for the company but, the sudden hike in the top line of the financials raises concerns about the sustainability of the same, and has also had losses during FY 21 which places the company at a risk. The business is not unique. By looking at the current profitability margin trend we recommend **AVOID** to this IPO.

## Disclaimer

We are not registered research analysts with SEBI and are not subject to the regulations governing research analysts. This research report is for educational purposes only and should not be construed as investment advice. The information contained in this report is based on publicly available information and is believed to be reliable, but no representation or warranty, express or implied, is made as to its accuracy or completeness. Also, some of the employees of our organization may have or may in the future hold investments in the company that is the subject of this research report. This may create a conflict of interest, and you should be aware of this when considering the information contained in this report. You should consult with your financial advisor before making any investment decisions.