



IPO Note

Kabra Jewels Limited

Recommendation: **AVOID!**

Company Background -

- **Incorporation:** Kabra Jewels Limited was originally incorporated as “Kabra & Malpani Jewels Private Limited” on Jul 21, 2010. The registered office is located at Ahmedabad, Gujarat.
- **Business Activity:** The company operates in the retail jewellery sector, offering a diverse range of gold, diamond, and silver ornaments and other offerings include gold and silver coins, utensils and other artifacts.
- **Revenue Stream:** The company derives majority of its revenue from sale of gold jewellery.
- **Human Resource:** The company has 121 employees as on Nov 30, 2024.

Objects of the Issue -

- Repayment of certain borrowing availed by the Company, in part or full
- To meet Working Capital requirements
- General Corporate Purposes

Promoters Name -

Kailash Kabra and Jyothi Kailash Kabra

Rationale for recommendation -

- ✓ The company’s bottom line and profitability margins have increased inconsistent over the years (Refer recommendation).
- ✓ The DE ratio of the company has remained high over the years.
- ✓ The company had negative cash flow from operations for FY23 and FY24.
- ✓ The company’s business operations are concentrated in Ahmedabad.
- ✓ The industry is highly fragmented and competitive.

IPO Details

Opening Date	Jan 15, 2025
Closing Date	Jan 17, 2025
Allotment Date	Jan 20, 2025
Listing Date	Jan 22, 2025
Stock Exchange	NSE SME
Lot Size	1,000 Shares
Issue Price Per Share	₹121 to ₹128
Issue Size	40.00 Cr.
Fresh Issue	40.00 Cr.
Offer for Sale	-
Application Amt	₹ 1,28,000 (1,000 shares)

INDUSTRY - Gems and Jewellery

Avg. P/E ratio as per RHP - 32.59

	KPIs (In Lakhs)			
KPI's	FY 22	FY 23	FY 24	Nov-24
Revenue	11,208.04	12,227.07	16,400.17	12,527.98
EBITDA	1,174.05	1,239.21	2,182.46	2,000.59
Net Profit	540.46	440.58	939.64	880.86
RoCE	22.04%	15.09%	25.23%	17.89%*
ROE	31.32%	20.34%	30.25%	15.68%*
P/E	17.44	21.37	10.02	10.16*

*Annualized

Promoter Share Holding Pattern

Pre-Issue	Post-Issue
89.12%	62.56%

Valuation Parameters

Particulars	Pre-Issue	Post Issue*
EPS	12.77	12.60
BVPS	675.19	80.37
P/E	10.02	10.16
P/BV	0.19	1.59
Mkt Cap (In Cr)	94.21	134.21

*Annualized

Lead Managers -

Marwadi Chandarana Intermediaries Brokers Private Limited

Registrar -

Cameo Corporate Services Limited

Business Overview -

Kabra Jewels Limited was first founded in 2010 as “KK Jewels” a proprietorship firm. The company operates in the retail jewellery sector, offering a diverse range of gold, diamond, and silver ornaments and other offerings include gold and silver coins, utensils and other artifacts. The diamond and gold jeweller are sold under the brand name “**KK Jewels**” and the loose solitaire under the name “**Only Solitaire**”. The company is majorly engaged in designing of the jewellery and they engage with local artisans for the manufacturing of these products.

As on date, the company has 6 showrooms under the brand **KK Jewels Bridal**, **KK Jewels Diamond**, **KK Jewels Silver**, **KK Jewels Gold**, **KK Jewels - Atarashi** and **KK Jewels - Silver Studio**, 3 offices and 1 exhibition centre located in the city of Ahmedabad. Few of the stores are –



Unique Selling Point (Pagla Ceremony): At KK Jewels Bridal Jewellery Store, they host the “Pagla Ceremony” for clients purchasing bridal jewellery. This special one-hour event invites the bride, groom, and their families to enjoy snacks and offerings. The bride’s footprint is taken on a wooden pagla plate, later gifted to her family as a symbol of luck and prosperity. This unique and cherished tradition has earned recognition in Ahmedabad.

Business Model:

Model 1: Jewellery is directly purchased from reputed vendors. (these include general designs). The items here include chains, rings, pendants, earrings, bangles, bracelets, kadas, small necklaces etc.

Model 2: Designs developed by design department/ design submitted by customer is given to Artisan/ Karigar, who in turn manufactures the customised jewellery and is acquired by the company. The items here include necklace, mang tikka, earrings, bracelet, kamarband, designer chura, designer ring etc.

Product Portfolio:

The product portfolio consists standard and antique gold jewellery, gold jadtar jewellery, gold polki jewellery, gold kundan meena jewellery, real diamond jewellery, loose diamonds, solitaires and solitaire jewellery, as well as silver jewellery, silver utensils, and silver articles, lab grown diamond jewellery, rose gold jewellery, platinum jewellery, men’s accessories jewellery etc.



Revenue Bifurcation –

(Amt in Lakhs)

Particulars	FY 2022		FY 2023		FY 2024	
	Amt	%	Amt	%	Amt	%
Gold Jewellery	6,649.04	59.32%	6,435.84	52.64%	10,627.82	64.80%
Diamond & Diamond Jewellery and Loose Solitaires	4,331.53	38.65%	5,205.81	42.58%	3,190.02	19.45%
Silver Jewellery and Articles	-	-	-	-	2,401.74	14.64%
Other (Including platinum)	227.47	2.03%	585.42	4.79%	180.59	1.10%
Total	11,208.04	100.00%	12,227.07	100.00%	16,400.17	100.00%

Competition -

- Market Competition:** The industry is competitive where the key factors of competition primarily comprise of client relationships, reputation, the abilities of employees, market focus and the relative quality and price of the services and products etc.
- Geographic Competition:** The company faces competition from small and large players in both organized and unorganized sector.
- Barriers to entry:** Low barriers to entry.
- Threat of Substitutes:** High threat of substitutes.
- Bargaining Power of Buyers:** The bargaining power is high with the customers.
- Bargaining Power of Supplier:** The bargaining power is low with the suppliers.

Business Strategies -

- The company intends to strengthen its product development effort by leveraging skills of its employees and focusing on changing trends in the designs of jewellery and customers demand.
- The company intends to deepen and penetrate existing customer relationship.
- The company constantly reviews and replenishes 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.
- The company intends to regularly participate in national, regional and local jewellery exhibitions.
- The company intends to expand and increase sales through digital mode.

Risk Factors -

One of the stores (KK Jewels – Gandhidham) has been non-operational since Apr 01,2024.

The company has geographic concentration and operates only in Ahmedabad.

The business is slightly seasonal where higher sales volume is seen during festive seasons like Dusshera, Akshay Tritiya, Dhanteras, Diwali etc. which occur in the third and fourth quarter of the fiscal year.

The company has 4 cases against it for tax matters amounting to Rs. 202.54 lakhs.

The group companies have 7 cases against it for tax matters amounting to Rs. 62.86 lakhs.

The directors/ promoters have 2 cases against them for tax matters.

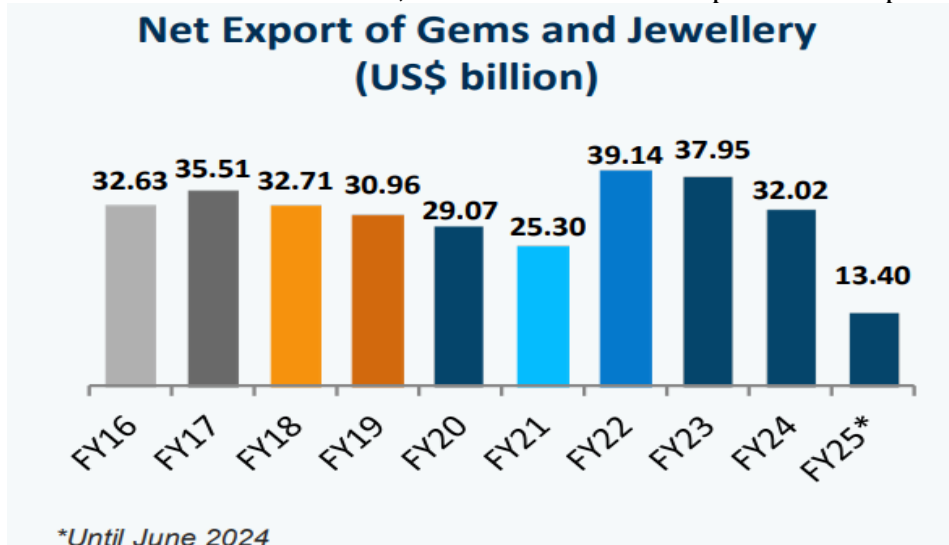
The company had negative cash flow from operations for FY23 and Nov-24.

INDUSTRY OVERVIEW -

Indian Jewellery Market –

The Indian gems and jewellery market consist of gold, silver, and diamond jewellery, along with other precious gems and pearls. India is the world's second-largest consumer of gold, with 70% of the consumption being in the form of gold jewellery. Further, the Indian jewellery market can be divided into the categories of fine jewellery and costume jewellery, with 95% of the market comprising fine jewellery.

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 the fulfilment of orders received by numerous Indian exhibitors during the Virtual Buyer-Seller Meets (VBSMs) conducted by GJEPC. India's total gems and jewellery exports reached US\$ 37.73 billion in 2022-23. From April-January 2024, India's gems and jewellery exports were at US\$ 26.35 billion, a 16.03% decline compared to the previous year's period.



(Source:ibef.org)

Gems and Jewellery Analysis –

The gems and jewellery industry of India contributes 7% to India's Gross Domestic Product (GDP). The industry employs more than five million skilled and semi-skilled workforces in the country. The sector contributes about 15.71% of India's total merchandise exports, accounting for the third largest commodity share. During 2023-24 (until February 2024), the gems and jewellery exports to reach US\$ 29.61 billion with a decline in growth of 15.31% from 2022-23.

The Government of India, along with all the stakeholders of the gems and jewellery sector, is well committed to aggressively promoting exports, identifying challenges, and addressing them with necessary interventions, assisting exporters, especially SME units, and exploring new markets while consolidating existing ones. With strong growth prospects, the government of India has also declared the gems and jewellery sector as a focus area for export promotion.

India majorly exports cut and polished diamonds, lab-grown synthetic diamonds, coloured gemstones, synthetic stone, plain and studded gold jewellery, silver and platinum jewellery, imitation jewellery and articles of gold, silver and others. Western Region is a key exporting hub for the gems and jewellery industry contributing almost 74.66% of the total exports in 2022-23. Surat, a city of Gujarat state in the western region of India has more than 450 organised jewellery manufacturers, importers, and exporters, making it the jewellery manufacturing hub of the world.

Key Management -

Key Management Persons Name -	Kailash Kabra
Age	39
Designation and No. of years of experience	Promoter and Managing Director, 14+ years of experience in Gems and Jewellery industry
Qualification	Completed Higher Education
Responsibility	Responsible for managing diverse purchases, ranging from jewellery selections sourced from various vendors to strategic marketing planning and budgeting
Other Directorships	Suryalaxmi Developers Limited

Key Management Persons Name -	Jyothi Kailash Kabra
Age	37
Designation and No. of years of experience	Promoter and Executive Director, 12+ years of experience in Gems and Jewellery industry
Qualification	Diploma degree in Interior Designing
Responsibility	Responsible for jewellery selection and design
Other Directorships	-

Key Management Persons Name -	Nimesh Puranprakash Phophalia
Age	40
Designation and No. of years of experience	Non-Executive Non- Independent Director, 20+ years of experience in jewellery industry
Qualification	Bachelor of Commerce and a Diploma degree in Graduate Diamonds
Other Ventures	M/s. Vishesh Jewels

Key Management Persons Name -	Indira Suresh Vora
Age	48
Designation and No. of years of experience	Non-Executive Independent Director, 7+ years of experience
Qualification	Qualified CA
Responsibility	Responsible for complete end-to-end marketing from product launches, product design and development.
Other Directorships	Vikalp Securities Limited and JEE Pumps Limited

Key Management Persons Name -	Hetal Karshanbhai Vaghela
Age	31
Designation and No. of years of experience	Non - Executive Independent Director, 3+ years of experience
Qualification	Qualified CS
Other Directorships	-

- The overall management of the company is decent.
- The promoter and management have vast experience in the industry.
- Rahul Jitendrakumar Shah (CFO), aged 48 years, holds a master's in commerce.

FINANCIAL SNAPSHOT

Statement of Profit and Loss Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Nov-24
Revenue from Operations	11,208.04	12,227.07	16,400.17	12,527.98
Other Income	4.50	6.95	24.15	20.49
Total Income	11,212.54	12,234.02	16,424.32	12,548.47
Expenses				
Purchases of stock-in-trade	10,200.67	13,951.97	15,064.14	12,696.93
Change in Inventories of Stock In Trade	-886.80	-3,994.54	-2,241.02	-3,044.28
Direct Expenses	21.24	30.05	41.45	27.84
Employee Benefit Expenses	344.40	439.47	567.81	381.63
Finance Cost	378.28	544.76	819.01	715.07
Depreciation and Amortization Expense	63.17	96.66	130.49	95.40
Administrative Selling and other expenses	354.48	560.91	785.33	465.27
Total Expenses	10,475.44	11,629.28	15,167.21	11,337.86
EBITDA	1,174.05	1,239.21	2,182.46	2,000.59
EBITDA Margin	10.48%	10.13%	13.31%	15.97%
Profit/(Loss) before tax	737.10	604.74	1,257.11	1,210.61
Tax Expense				
Current tax	182.23	156.46	322.13	319.27
Deferred Tax	14.41	7.70	-4.66	10.48
Total Tax	196.64	164.16	317.47	329.75
Profit/(Loss) for the year	540.46	440.58	939.64	880.86
Net Profit Margin	4.82%	3.60%	5.73%	7.03%

Statement of Assets and Liabilities Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Nov-24
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	46.00	46.00	46.00	736.00
Reserves and surplus	1,679.66	2,120.24	3,059.88	3,250.78
Total Equity	1,725.66	2,166.24	3,105.88	3,986.78
NON-CURRENT LIABILITIES				
Long-term borrowings	3,284.27	5,367.67	4,984.36	7,706.81
Deferred Tax liability	16.77	24.47	19.81	30.28
Long-Term Provisions	12.61	13.57	22.89	42.65
Total Non-current liabilities	3,313.65	5,405.71	5,027.06	7,779.74
CURRENT LIABILITIES				
Short-term Borrowings	1,445.99	1,614.95	4,012.48	2,600.27
Trade Payables				
(i) Total outstanding dues of MSME	150.00	298.00	140.68	563.43
(ii) Total outstanding dues of creditors other than MSME	466.69	1,504.23	892.25	1,400.61
Other Current Liabilities	104.30	151.88	549.92	273.54
Short-term provisions	194.87	166.32	327.90	338.22
Total Current liabilities	2,361.85	3,735.38	5,923.23	5,176.07
Total Liabilities	5,675.50	9,141.09	10,950.29	12,955.81
Total Equity and Liabilities	7,401.16	11,307.33	14,056.17	16,942.59
ASSETS				
NON-CURRENT ASSETS				
Property, Plant & Equipment and Intangible assets	889.12	1,080.25	1,205.72	1,257.49

Particulars	FY 22	FY 23	FY 24	Nov-24
Non-Current Investments	42.30	46.09	77.95	75.65
Total Non-Current assets	931.42	1,126.34	1,283.67	1,333.14
CURRENT ASSETS				
Inventories	5,287.17	9,281.72	11,522.74	14,567.02
Trade Receivables	123.14	313.36	628.77	464.77
Cash & Cash equivalents	48.87	61.33	200.97	156.26
Short term loans and advances	1,010.45	524.21	419.05	420.44
Other Current Assets	0.11	0.37	0.97	0.97
Total Current assets	6,469.74	10,180.99	12,772.50	15,609.46
Total Assets	7,401.16	11,307.33	14,056.17	16,942.60

Cash Flow Statement

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Nov-24
Net Cash Flow from Operating Activities	221.41	-1,243.81	1,581.04	-1,939.94
Net Cash Flow from Investing Activities	-696.84	-282.37	-239.07	-134.57
Net Cash Flow from Financing Activities	457.38	1,538.64	-1,202.32	2,029.80

Key Ratios

Per Share Data	FY 22	FY 23	FY 24	FY 25*	Valuation Ratios (x)	FY 22	FY 23	FY 24	FY 25*
Diluted EPS	7.34	5.99	12.77	12.60	EV/EBITDA	5.46	7.33	5.45	3.36
BV per share	375.14	470.92	675.19	80.37	Market Cap / Sales	0.05	0.05	0.04	0.71
Operating Ratios					P/E	17.44	21.37	10.02	10.16
EBITDA Margins	10.48%	10.13%	13.31%	15.97%	Price to Book Value	0.34	0.27	0.19	1.59
PAT Margins	4.82%	3.60%	5.73%	7.03%	Solvency Ratios				
Inventory days	172.65	277.84	257.15	247.84	Debt / Equity	2.74	3.22	2.90	1.20
Debtor days	4.02	9.38	14.03	9.12	Current Ratio	2.74	2.73	2.16	2.16
Creditor days	22.13	47.28	25.10	33.06	Quick Ratio	0.50	0.24	0.21	0.21
Return Ratios					Asset Turnover	1.51	1.08	1.17	1.34
RoCE	22.04%	15.09%	25.23%	17.89%	Interest Coverage Ratio	2.94	2.10	2.51	2.66
RoE	31.32%	20.34%	30.25%	15.68%					

INTERPRETATION -

- The top line has increased over the years. It increased by 9.09% in FY2023 and by 34.13% in FY2024 which was due to increase in sale of products as the company started operations in 5 showrooms in total.
- The net profit has remained slightly inconsistent as it decreased by 18.48% in FY2023 which was due to sudden increase in purchase of raw materials as prices of gold and other jewellery increased and it increased by 113.27% in FY2024.
- The EBITDA margin and the PAT margin have also seen a slight dip in FY2023 and then it increased in FY2024.
- The PE ratio has improved in FY24.
- The DE ratio for FY22, FY23 and FY24 has remained high.
- The RoCE and RoE have increased in FY24.
- The company had negative cash flow from operations for FY23 and Nov-24.

PEER ANALYSIS –

Particulars	Kabra Jewels Limited			Motisons Jewellers Limited			D P Abhushan Limited			RBZ Jewellers Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	4.82%	3.60%	5.73%	4.69%	6.05%	7.73%	2.33%	2.29%	2.64%	5.7%	7.7%	6.6%
EBITDA Margin	10.48%	10.13%	13.31%	12.32%	13.52%	15.26%	4.35%	3.99%	4.41%	10.8%	13.6%	11.9%
RoCE	22.04%	15.09%	25.23%	25.18%	30.04%	18.36%	39.82%	34.98%	38.5%	30.8%	32.4%	16.1%
ROE	31.32%	20.34%	30.25%	12.77%	16.16%	9.82%	29.28%	25.03%	25.9%	20.6%	24.1%	10.4%
EPS (INR)	7.34	5.99	12.77	0.02	0.03	0.09	18.17	20.36	27.80	4.80	7.44	6.16
P/E	17.44	21.37	10.02	-	-	177.89	21.23	15.22	30.08	-	-	24.47

- The market cap of the company is less compared to its peers.
- The PE ratio of the company is better than its peers.
- The RoCE and RoE of the company is higher compared to Motisons Jewellers and RBZ Jewellers.
- The cash conversion cycle of the company is better compared to Motisons Jewellers and RBZ Jewellers.

LEAD MANAGER TRACK RECORD –

The lead manager to the issue is Marwadi Chandarana Intermediaries Brokers Private Limited. This is their second mandate.

A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Manager in recent times –

Marwadi Chandarana Intermediaries Brokers Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Hamps Bio Limited	6.22	51.00	Dec 20, 2024	65.53

The company has handled 1 mandate in the last three years (including current year).

*CMP for the above-mentioned companies is taken as of 15th Jan 2025.

As per the offer document, the above-mentioned mandates all have opened at a premium on the listing day.

Recommendation -

Kabra Jewels Limited has been in the industry since 2010 and has good experience in the industry.

The P/E on a post-IPO annualized basis is around 10.16 times which makes it fairly priced.

The management of the company is decent.

The company's top line has increased over the year. The bottom line and profitability margins have seen a decrease in FY23 which was due to increase in gold's prices and it saw a sudden increase in FY24. The margins look unsustainable. The RoCE and RoE had also seen a dip in FY23. The company had negative cash flow from operations for FY23 and Nov-24.

Another concerning factor to be considered is their high DE ratio over the years.

Also, the company is highly concentrated and operates only in Ahmedabad and it relies on local artisans for the manufacturing of their products.

The company does not have any unique strategies for growth and the business model adopted is also not differentiating. As the industry is highly competitive and fragmented and there are many established players, the company will face difficulties in the future without expansion.

Thus, investors can **AVOID** this IPO.

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