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IPO Report

09th Sept '24

Snapshot

Company is the second largest among the prominent organised jewellery players in Maharashtra, in terms of the number of stores as on January, 2024, which is the largest market for BIS-registered outlets in India. Company is also the fastest growing jewellery brand amongst the key organised jewellery players in India, based on the revenue growth between Fiscal 2022 and Fiscal 2024. Company also had the highest revenue per square feet in Fiscal 2024 among the key organised jewellery players in India. Maharashtra leads the retail spending in India and accounted for approximately 15% of the overall retail spend on jewellery in India in Fiscal 2023.

VALUATION

Company is bringing the issue at price band of Rs 456-480 per share at p/e multiple of 42x on post issue FY24 PAT basis. Company has well established and trusted legacy brand in Maharashtra is second largest organised retail jewellery player and one of the fastest growing brand in Maharashtra. Company's diversified product portfolio across categories and price points & experienced Promoter and management team with proven execution capabilities and strong historical financial results. . Hence ,looking after all above we recommend "Subscribe" on issue.

Price Band (Rs./Share)	456-480
Opening date of the issue	10th Sept '2024
Closing Date of the issue	12th Sept '2024
No of shares pre issue	118,000,000 Eq Shares
Issue Size	Rs 1100 Cr
Fresh issue	Rs 850 Cr
Offer For Sale	Rs 250 Cr
Face Value (Rs/ share)	Rs 10/share
Bid Lot	31

BIDDING DETAILS

QIBs (Including Anchor)	50% of the offer
Non-Institutional	15% of the offer
Retail	35% of the offer
Lead managers	Motilal Oswal Investment Advisors, Nuvama Wealth Management, BOB Capital Markets
Registrar to the issue	Bigshare Services Ltd

WHAT WE LIKE

Well established and trusted legacy brand in Maharashtra

As on July 31, 2024, company have expanded to 39 stores, which includes 38 stores across 21 cities in Maharashtra and Goa and one store in the U.S. Company's product offerings cover the unique aesthetics and designs of traditional jewellery for special occasions such as weddings, engagements and festivities and modern and functional jewellery designs for everyday wear purpose, in gold, diamond, silver and platinum. As of July 31, 2024, company had eight sub-brands which cater to gold jewellery collections for different occasions, two sub-brands which cater to the diamond jewellery collections and two subbrands which cater to platinum jewellery collection. These include, 'Saptam', 'Swarajya', 'Rings of Love', 'The Golden Katha of Craftmanship', 'Flip', 'Lifestyle', 'Eiina', 'PNG Solitaire', 'Pratha', 'Evergreen love', 'Men of Platinum', and 'Yoddha'.

Second largest organised retail jewellery player and one of the fastest growing brand in Maharashtra

Company is the second largest among the prominent organised jewellery players in Maharashtra, in terms of the number of stores as on January, 2024, which is the largest market for BIS-registered outlets in India .Company is also the fastest growing jewellery brand amongst the key organised jewellery players in India, based on the revenue growth between Fiscal 2022 and Fiscal 2024.

Strong historical financial results

Company's revenue from operations increased from ₹ 25,556.34 million in Fiscal 2022 and ₹ 45,075.19 million in Fiscal 2023, and ₹ 61,109.45 million in Fiscal 2024 at a CAGR of 54.63%. Company's profit for the year also increased from ₹ 695.15 million in Fiscal 2022, ₹ 937.01 million in Fiscal 2023 and ₹ 1543.43 million in Fiscal 2024. This is attributable to company's continued focus on innovative designs, new product launches, product quality and process improvement and competitive pricing.



COMPANY BACKGROUND

The 'PNG' brand derives its legacy from the 'P N Gadgil' brand, which has a rich heritage dating back to 1832 and a legacy of over a century. Leveraging the legacy and heritage of the 'PNG' brand, company have created a strong brand recall and presence in Maharashtra offering a wide range of precious metal / jewellery products including gold, silver, platinum and diamond jewellery, across various price points and designs which cover the need of company's customers and include collections that are specifically designed for special occasions, such as weddings, engagements, anniversaries and festivals, as well as everyday wear jewellery. Company's products are primarily sold under its flagship brand, 'PNG', and various sub – brands, through multiple channels, including company's 39 retail stores (as on July 31, 2024) and various online marketplaces, including company's website.

As on July 31, 2024, company had expanded to 39 stores, which includes 38 stores across 21 cities in Maharashtra and Goa and one store in the U.S. with an aggregate retail area of approximately 108,282 sq. ft. All company's stores are operated and managed by company with 28 being owned stores and 11 franchisee stores, on a franchisee owned and company operated ("FOCO") model. Company operated model allows company to exercise control over the quality of company's products and ensure that company's customers receive consistent experience and service across all company's stores. Of these stores, 22 stores are large format stores (with an area of 2,500 sq. ft. or more), 13 stores are medium format stores (with an area between 1,000 sq. ft. to 2,500 sq. ft.) and 4 stores are small format stores (with an area of less than 1,000 sq. ft.). Company plan to further expand its stores network by opening 12 new stores in Maharashtra by Fiscal 2026, the establishment of all of which is proposed to be financed through the Net Proceeds.

Owing to company's multi-channel approach, company complement its in – store experience with its digital presence through its own website and other major online marketplaces. Additionally, company have launched its mobile application "PNG Jewellers", in March 2022. Company's digital presence allows it to keep its customers updated on new designs and collections and familiarise them with its product portfolio, which enhances customers' in-store experience. Company continue to build on the 'PNG' brand, which, has developed a strong brand recall. The strong brand recall of the 'PNG' brand complimented by its continued focus on quality and customer service has allowed company to maintain the patronage of its customers. Company and its promoter, Saurabh Vidyadhar Gadgil's experience in the jewellery sector enables company to leverage the knowledge and understanding of the preferences and needs of customers, which allows company to curate a broad portfolio of designs across different ranges and price points, which is specifically targeted to cater to the aesthetic and functional preferences and requirements of consumers. For instance, company's wedding jewellery collection under the Swarajya sub-brand is designed to incorporate aspects of traditional Maharashtrian designs along with modern jewellery styles, in order to specifically cater to the customers in Maharashtra. As on July 31, 2024, company have eight sub-brands which cater to gold jewellery collections for different occasions, two subbrands which cater to the diamond jewellery collections and two sub- brands which cater to platinum jewellery collections. In addition to the sale of company's branded jewellery products, company also provide 'make to order' jewellery options to its customers.

The trust of company's customers in its brand is critical for its success. Company also operate majority of its stores in Maharashtra, which is the largest market for BIS-registered outlets in India. Company stringently follow hallmarking process for its gold jewellery and undertake regular quality checks to validate the quality of gold on a monthly basis. Although BIS hallmarking of gold jewellery was made mandatory in 2021, company have voluntarily adopted and implemented BIS hallmark standards for its gold products since 2007 in order to ensure that company's products comply with the highest industry standards. Company's diamond jewellery is certified by various agencies including Gemological Science International and company procure diamonds from vendors who provide a certification that the diamonds provided to company are compliant with the Kimberley certification as conflict free. This process prevents the 'conflict diamonds' (i.e. an uncut diamond mined in armed conflict zone or region) from entering the mainstream rough diamond market. Company's rigorous quality control which forms an integral part of its procurement policy, inventory management and sales processes, help company maintain stringent quality standards for products sold to its customers. Company's Promoter, Saurabh Vidyadhar Gadgil, is a sixth generation entrepreneur and has over 25 years of experience in the jewellery manufacturing industry in India. As the managing director of Company, he has been instrumental in transforming the traditional family business into a contemporary brand. His leadership has been instrumental in transforming the business operations and increase the growth of the operations and he brings to Company his vision and leadership which has been instrumental in transforming its business operations. Company has seen significant growth under his leadership, both in terms of revenues and the store count. Company's Promoter, Saurabh Vidyadhar Gadgil, is ably supported by its professional management team, which has helped scale its operations and includes professionals with extensive experience in the retail and jewellery industry as well as finance and marketing.



INVESTMENT RATIONALE

<p><i>Experienced Promoter and management team with proven execution capabilities</i></p>	<p>Company’s Promoter and Managing Director, Saurabh Vidyadhar Gadgil, has over 25 years of experience in the jewellery business and is instrumental in creating the vision and overall direction to company’s business based on his long experience of understanding customer preferences and demands in the industry in which company operate. Company have an experienced and dedicated senior management team that comprises Parag Yashwant Gadgil, Executive Director and Kiran Prakash Firodiya, Executive Director and Chief Financial Officer. Company’s senior management team are responsible for the overall strategic planning and business development of Company and have helped company in the expansion of its store network and creating company’s sales and marketing strategy.</p>
<p><i>Diversified product portfolio across categories and price points</i></p>	<p>As of March 31, 2024, company’s product portfolio comprises over 10,000 SKUs in gold, over 1,200 SKUs in silver, over 2,700 SKUs in platinum and over 24,000 SKUs in diamond jewellery designs, including a wide range of gold, diamond, silver and platinum products across different price points. As of July 31, 2024, company had eight sub – brands which cater to gold jewellery collections for different occasions, two sub – brands which cater to the diamond and two sub – brands which cater to the platinum jewellery collections. Company’s sub-brands Saptam, Swarajya, Rings of Love, The Golden Katha of Craftsmanship, Flip, Lifestyle, Eina, PNG Solitaire, Men of platinum, Evergreen love, Pratha and Yoddha are designed to cater to specific customer niches across a spectrum of traditional wedding and everyday wear jewellery and contemporary platinum and diamond jewellery. Company’s products cater to different occasions including special occasions, such as weddings engagements, festivals and daily-wear jewellery for women and men. Company’s products are available in multiple jewellery options, including rings, earrings, pendants, bracelets, necklaces, chains, waist bands and bangles. Company’s diverse range of products across different designs and categories (including all types of precious metals, diamonds and precious stones) and availability across different price points, enables company to serve as a “one-stop-shop”, with consumers across all income levels and age groups purchasing company’s products. In order to cater to evolving consumer demands, company seek to constantly develop and launch new designs and products by leveraging its vast experience, market knowledge and design capabilities. Company regularly interact with a team of designers deployed at the Karigar’s facilities for introducing new and innovative design for company’s jewellery. Company have been innovating and introducing new designs and products in order to grow company’s revenues and profit. For instance, in its The Golden Katha of Craftsmanship collection company use 100 years old dyes and in its Saptam collection company use seven layers of jewellery sets for wedding. During the Fiscals 2024, 2023 and 2022, company launched 291, 159 and 106 new designs, respectively.</p>
<p><i>Second largest organised retail jewellery player and one of the fastest growing brand in Maharashtra</i></p>	<p>Company’s 39 stores are spread across 21 cities in Maharashtra and Goa and one store in the U.S. having an aggregate retail area of approximately 108,282 sq. ft. All of its stores are operated and managed by company with 28 being owned stores and 11 franchisee stores, on a FOCO model. Company operated model allows it to exercise control over the quality of its products and ensure that company’s customers receive consistent experience and service across all company’s stores. Of these stores, 22 stores are large format stores (with an area of 2,500 sq. ft. or more), 13 stores are medium format stores (with an area between 1,000 sq. ft. to 2,500 sq. ft.) and 4 stores are small format stores (with an area of less than 1,000 sq. ft.). As part of company’s growth strategy, company have leveraged its brand strength in Maharashtra to strategically expand to under-served markets in Maharashtra (especially Tier II and Tier III cities) to cater to the demand supply gap in such markets..</p>



OBJECTS OF OFFER

The Offer comprises the Fresh Issue and the Offer for Sale.

Offer for Sale

The Promoter Selling Shareholder will be entitled to the proceeds of the Offer for Sale after deducting its proportion of the Offer related expenses and relevant taxes thereon.

Objects of the Fresh Issue

Company proposes to utilise the Net Proceeds towards funding the following objects:

1. Funding expenditure towards setting-up of 12 new stores in Maharashtra (“New Stores”);
2. Repayment or pre-payment, in full or part, of certain borrowings availed by Company; and
3. General corporate purposes.

RISKS

Company’s inability to effectively market its products, or any deterioration in public perception of company’s brand, could affect consumer footfall and consequently adversely impact company’s business, financial condition, cash flows and results of operations.

Source:RHP

INDUSTRY OVERVIEW

Indian jewellery market size

The Indian jewellery retail sector’s size in FY 2023 was close to USD 70 billion. Within this landscape, organized retail accounted for about 37%, encompassing both national and regional players. The remainder of the jewellery retail sector continued to be dominated by the unorganized segment, comprising over 500,000 local goldsmiths and jewellers. Projections indicate that the jewellery retail market is poised for growth, expected to reach approximately USD 145 billion by FY 2028. This optimistic outlook is attributed to the expanding economy, increased disposable income, a surge in consumer demand for gold, the upward trajectory of gold prices, and a rising interest in other categories such as diamonds, other precious stones, and costume jewellery.

India a predominantly gold jewellery market

India has traditionally been a market predominantly inclined towards gold jewellery, witnessing a gradual rise in the popularity of studded jewellery. Regional preferences play a pivotal role in the acceptance of studded jewellery, influenced by cultural, religious, and trust factors. These varied considerations contribute to the enduring prominence of gold jewellery in the Indian market

1. Gold jewellery as a prominent savings asset class: The purchase of jewellery transcends mere fashion and holds a prominent savings connotation, particularly in rural areas, where limited access, lower literacy rates, and a preference for traditional savings methods further solidify gold jewellery’s role as a valuable asset.
2. Price discovery of gold is more transparent than studded jewellery: Gold prices, with their easy availability and universal acceptance, facilitate transparent price discovery. This transparency enhances liquidity and assures a more predictable return, a characteristic not necessarily shared by studded jewellery, where price discovery is less transparent and resale values are comparatively restricted.
3. Limited exposure and understanding of diamonds: Jewellery being a big-ticket item for majority and limited understanding of diamonds including size, cut and illumination leads to lesser trust value and higher perceived risk.



Consolidated Financials

(Rs in Mn)

Financials	FY22	FY23	FY24
Total Revenue (A)	25556.34	45075.19	61109.45
Total Expenditure (B)	24443.23	43847.92	58416.78
EBIDTA	1113.11	1227.27	2692.67
EBIDTA Margin	4.36	2.72	4.41
Other Income	306.71	517.93	81.59
Depreciation	218.08	215.37	231.93
EBIT	1201.74	1529.83	2542.33
Interest	351.44	348.99	458.69
PBT	850.30	1180.84	2083.64
Share of profit in Asso	0.00	0.00	0.00
PBIT	850.30	1180.84	2083.64
Exceptional	0.00	0.00	0.00
PBT	850.30	1180.84	2083.64
Tax	155.16	243.83	540.21
PAT	695.14	937.01	1543.43
NPM	2.72	2.08	2.53
ROE%	22.48	25.09	28.88
EPS	12.59	16.97	21.59
Eq Cap	552.00	552.00	1,180.00
Net Worth	2,820.13	3,657.34	5,343.77

(Source: RHP)

Peer Comparison

Company Name	P/E	Revenue from operations (Rs in Lakhs)	EPS	NAV	ROE %
P N Gadgil Jewellers Limited		61109.45	21.59	45.29	28.88
Peers					
Kalyan Jewellers India Limited	101.53	185482.86	5.80	40.67	14.23
Senco Gold Limited	45.50	52414.43	24.06	175.74	13.26
Thangamayil Jewellery Limited	42.89	38267.80	44.91	179.74	24.99

(Source: RHP)

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