

P N GADGIL JEWELLERS LTD

10-09-2024 - 12-09-2024

Industry: Gems, Jewellery And Watches
Recommendation: Subscribe with Risk

Price Band: ₹456 - 480
Post Implied Market Cap: ₹6,231 Cr - ₹6,514 Cr

Key Data

Issue Size (₹ Cr)	1,100
Fresh (₹)	850
OFS (₹)	250
No. of shares offered	

Face Value (₹ /share)	10
Bid Lot	31

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	13-09-2024
Refunds/Unblocking ASBA Fund	17-09-2024
Credit of equity shares to DP A/c	17-09-2024
Trading commences	18-09-2024

Shareholding (No. of shares)

Pre-Issue	118,000,000
Post Issue (Lower price band)	136,640,351
Post Issue (Higher price band)	125,708,333

Shareholding Pattern

Promoter:

Pre Issue	100.00%
Post Issue	83.11%

Public-Others:

Pre Issue	0.00%
Post Issue	16.89%

Issue Breakup

QIB	50%
NIB	15%
Retail	35%

Other Details

BRLMs: Motilal Oswal Investment Advisors, Nuvama Wealth Management, BOB Capital Markets

Registrar: Bigshare Services Ltd.

Listing: BSE & NSE

Research Analyst

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About the Company

P N Gadgil Jewellers Ltd (PNG) is the 2nd largest organized jewellery retailer in Maharashtra by store count as of January 2024. The company offers a wide range of over 10,000 SKUs in gold, 1,200 SKUs in silver, 2,700 SKUs in platinum, and 24,000 SKUs in diamond jewellery, catering to various price points and designs for special occasions and everyday wear. As of March 31, 2024, it operates 39 stores across 21 cities in Maharashtra and Goa, and 1 store in the U.S., with a total retail area of approximately 108,282 sq. ft. Of these, 28 stores are company-owned, while 11 operate under a FOCO model (franchisee owned, company operated).

Investment Rationales

- Well established and trusted legacy brand in Maharashtra:** The company, known for its legacy 'PNG' brand, is well-established in Maharashtra and offers a wide range of jewellery designs catering to traditional and modern tastes. Its products include gold, diamond, silver and platinum jewellery, designed for special occasions and everyday wear. The company leverages its deep industry experience to create collections that suit changing customer preferences and cater to all price points. To boost brand awareness, the company employs targeted marketing strategies during key festivities like Akshaya Tritiya, Diwali, and special events. The company sells only hallmarked gold jewellery and has adhered to BIS hallmark standards since 2007, long before it became mandatory in 2021. Additionally, its diamond jewellery is certified by reputable agencies, and it sources conflict-free diamonds compliant with Kimberley certification standards.
- Second largest organised retail jewellery player and one of the fastest growing brand in Maharashtra:** PNG is the 2nd largest organized jewellery retailer in Maharashtra, the largest market for BIS-registered outlets in India, and the fastest-growing jewellery brand among key organized players in India based on revenue growth from FY 2022 to FY 2024. The company operates 39 stores across 21 cities in Maharashtra, Goa, and one in the U.S., with a total retail space of approximately 108,282 sq. ft. As part of its growth strategy, it has expanded into underserved Tier II and III cities in Maharashtra to bridge the demand-supply gap. In FY 2024, 17.76% of its revenue was generated from non-Tier I cities. The company launched its e-commerce platform in 2014 and a mobile app in 2022, with products also available on major online marketplaces.
- Diversified product portfolio across categories and price points:** PNG offers a diverse portfolio with over 10,000 SKUs in gold, 1,200 in silver, 2,700 in platinum, and 24,000 in diamond jewellery designs, covering various price points as of March 31, 2024. By July 2024, the company had 8 sub-brands in gold, 2 in diamond, and 2 in platinum collections, including Saptam, Swarajya, Rings of Love, and others, catering to specific customer niches like traditional wedding and everyday wear. The company continually innovates and introduces new designs, launching 291, 159, and 106 new designs in FY 2024, 2023, and 2022, respectively, to drive revenue and profit growth.
- Expand the retail network in western India by leveraging the brand:** The company is well-positioned for growth in India, leveraging its scalable business model, efficient operations and strong track record of profitable expansion. With a strong presence in Maharashtra, the company aims to deepen its reach into Tier II and Tier III cities in western India, where organized retail penetration is low. The company plans to open 9 new stores by FY 2025 and 3 by FY 2026, increasing its store count in Western India to 51. The expansion strategy includes establishing showrooms tailored to local preferences, offering diverse product ranges, and custom-made jewellery to cater to various customer and price segments.

Risk

- Geographic location concentration.
- High Working capital intensive business.

MView

We believe P N Gadgil Jewellers Ltd (PNG) IPO brings investors an opportunity to invest in the 2nd largest organized jewellery retailer in Maharashtra, a key market for BIS-registered outlets in India. We think a strong brand legacy and a diverse portfolio of over 10,000 SKUs in gold, 1,200 in silver, 2,700 in platinum and 24,000 in diamond jewellery, PNG caters to a wide range of customer preferences and price points, from traditional wedding jewellery to modern everyday wear. We also believe the company's rapid growth, driven by its strategic expansion into underserved Tier II and III cities in Maharashtra (western India) and a growing presence online through its e-commerce platform and mobile app, positions it well to capture future market opportunities. With plans to open 12 additional stores by FY 2026, targeting key western regions with tailored offerings, PNG is set to further strengthen its market presence. By looking at the financials, the company has demonstrated significant growth, with revenue from operations and net profit increasing by 76.4% and 34.8% in FY 2023 and by 35.6% and 64.7% in FY 2024, respectively. On valuation parse at the upper price band of ₹ 480/-, the issue is asking a market cap of ₹ 6514 cr. Based on FY 2024 earnings and fully diluted post-IPO paid up capital, the company is asking for PE of 42.2x which seems valuation is inline and reasonable looking at its industry average ~40-45x and financial growth trajectory. Due to its rich heritage of PNG brand equity and legacy of more than 150 yrs old, the market may give a higher valuation multiple compared to its listed peers. PNG's commitment to quality, demonstrated by its adherence to BIS hallmarking standards and certified conflict-free diamonds, enhances its brand credibility among discerning customers. Given its robust operational model, strategic store expansion and focus on catering to evolving consumer trends, we believe PNG is well-positioned in India's growing organized jewellery sector. Hence, we recommend investors to "SUBSCRIBE WITH RISK" in P N Gadgil Jewellers Ltd IPO for long-term perspective only. If the market sentiment leads to listing gains exceeding 20% over the issue price, we advise booking profits.



CONSOLIDATED FINANCIAL TABLES

BASIC FINANCIAL DETAILS

Particulars ₹ (in Crs)	As at Mar' 31		
	2024	2023	2022
Equity Share Capital	118.00	118.00	118.00
Net worth	534.38	365.73	282.01
Total Borrowings	396.50	283.21	294.95
Revenue from Operations	6,110.95	4,507.52	2,555.63
Revenue Growth	35.6%	76.4%	-
EBITDA	277.43	174.52	141.98
EBITDA Margin (%) as stated	4.54	3.87	5.56
Net Profit for the Year	154.34	93.70	69.52
Net Profit Margin	2.53%	2.08%	2.72%
EPS	21.59	16.97	12.59
ROE (%)	28.88	25.09	22.48
Net Asset Value (₹) as stated	45.29	30.99	23.90
ROCE (%)	27.3%	23.3%	19.9%

Source: Company RHP

COMPARISON WITH INDUSTRY LISTED PEERS ₹ (IN CR)

Companies	Total Income (₹ in Cr)	Mcap (in Cr)	FV	EPS	NAV (₹ per Share)	P/B	P/E	RoNW
P N Gadgil Jewellers	6,110.95	6,514	10	11.37	39.38	12.19	42.2	28.88%
Kalyan Jewellers India Ltd	18,548.29	65,896	10	5.80	40.67	15.7	105.0	14.23%
Senco Gold Ltd	5,241.44	9,605	10	24.06	175.74	7.0	45.0	13.26%
Thangamayil Jewellery Ltd	3,826.78	5,882	10	44.91	179.74	11.9	48.5	24.99%

Date as on 31st March 2024, Cline Mcap, PE, PB calculated as on 11-09-2024

P N Gadgil Jewellers Ltd, EPS/PE,PB, NAV calculated on annualised basis post money



MSEARCH

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Msearch's Recommendation (Absolute Performance)

Buy: > 20% within the next 12 Months

Accumulate: 5% to 20% within the next 12 Months

Sell : < -20% within the next 12 Months

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