

BUY Senco Gold

Your success is our success

'Gold'en opportunity – At a bargain; initiate with BUY

Retail ▶ Initiating Coverage ▶ September 20, 2023

TARGET PRICE (Rs) : 630

Senco Gold boasts of being one of the top-2 as regards revenue share in the ~Rs800bn eastern market, abetted by strongest brand accessibility vs peers, in terms of product, price & penetration. Growth headroom is huge, as its market share is still at a mid-single-digit in the East, and focused efforts are afoot to capitalize on non-East prospects. Better access to capital, upbeat franchisee interest and shift to organized should drive a strong revenue-led EPS CAGR of >20% for Senco in FY23-26E. Growth would be backed by near-equal input from new stores and SSG. Senco follows hygiene practices for sourcing/hedging gold (50% stated policy), thus reducing the commodity's volatility risk. Unit metrics are better than/in line with peers' (ex TTAN) and should further improve with rise in franchisee mix. Despite similar growth prospects, Senco's 19x 1-yr fwd P/E is at a major discount to peer valuations, offering scope for rerating. We initiate coverage on Senco with BUY and TP of Rs630/share (20x Sep-25E EPS).

Senco Gold: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	35,346	40,774	50,147	59,955	71,240
EBITDA	2,772	3,166	3,522	4,421	5,462
Adj. PAT	1,291	1,585	1,680	2,146	2,718
Adj. EPS (Rs)	19.4	22.9	21.6	27.6	35.0
EBITDA margin (%)	7.8	7.8	7.0	7.4	7.7
EBITDA growth (%)	58.1	14.2	11.2	25.5	23.6
Adj. EPS growth (%)	110.0	18.0	(5.6)	27.8	26.6
RoE (%)	19.4	19.0	14.5	14.6	16.0
RoIC (%)	17.3	15.5	14.2	15.3	16.0
P/E (x)	24.4	20.7	21.9	17.1	13.5
EV/EBITDA (x)	12.9	12.0	11.4	9.3	7.8
P/B (x)	4.3	3.5	2.7	2.3	2.0
FCFF yield (%)	(1.8)	(3.1)	1.1	0.4	1.0

Source: Senco RHP document (historicals), Emkay Research (projections)

Low share in its stronghold East and focused non-East entry offer huge growth runway: Senco is #2 in the East (Emkay: a Rs800bn market), given deepest penetration in West Bengal (85 stores in 55 cities vs a 15-30-city presence for peers). Senco's unrivalled reach in WB is enabled by its effective franchisee partnerships, where peers lack proficiency. Its East market share still being low at mid-single digit, Senco's ahead-of-the-curve investments in brand/franchisees are aiding extension into the adjoining states of Bihar, Assam, Orissa and Jharkhand, and the Northeast. Also, Senco's focus on non-East (mainly Delhi-NCR/UP for now) will supplement its expansion in core eastern areas. We expect the East and non-East to jointly add 60stores for Senco in FY23-26E, on a base of 136 stores (12% store CAGR over FY23-26E vs. 8% CAGR over FY20-23).

Light-weight strengths ensure best accessibility; focus on new retail formats for catering to affluent/GenZ customers: Senco's basic offering entails a <10gm product in most categories which facilitates it to offer a similar look at lower grammage than peers. Leveraging its multi-decadal liaison with *karigars* (experts in making light-weight items), Senco offers best-in-class accessibility, which has assisted it to permeate deeper into tier-2/3 cities. Further, Senco is expanding its customer base via the D'Signia and Everlite store formats, targeting affluent/GenZ customers (4-5% of FY23 sales).

Senco's return ratios in line with or better than most organized players'

While Senco logs 13-14% RoE in COCO (company-owned company-operated) stores, returns in FOFO (franchisee-owned franchisee-operated) stores are much higher, on nil inventory investment. Versus peers, Senco's return is aligned with Kalyan's/better than most listed jewelry retailers'. Senco's margin surpasses peers', albeit rev/store is lesser, on low per-capita in the East; but this gets adjusted, on lower inventory need at stores.

Big valuation gap; candidate for huge rerating, on earnings delivery certainty

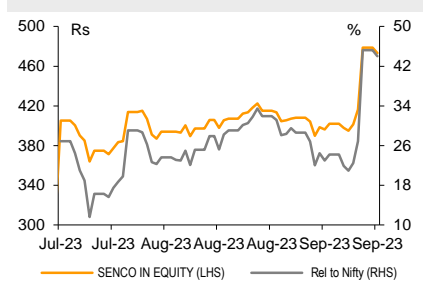
We expect Senco to clock ~20% PAT CAGR over FY23-26E which is in line with some best-performing sector players'. Despite similar growth prospects, Senco trades at ~40% discount to Kalyan Jewelers. While Kalyan has relatively better brand strength for faster Pan-India expansion, we believe such a steep discount is unwarranted and provides scope for re-rating, as Senco delivers on our expectations going ahead.

Target Price – 12M	Sep-24
Change in TP (%)	NA
Current Reco.	BUY
Previous Reco.	NA
Upside/(Downside) (%)	33.1
CMP (18-Sep-23) (Rs)	473.4

Stock Data	Ticker
52-week High (Rs)	490
52-week Low (Rs)	358
Shares outstanding (mn)	77.7
Market-cap (Rs bn)	37
Market-cap (USD mn)	441
Net-debt, FY24E (Rs mn)	3,284
ADTV-3M (mn shares)	-
ADTV-3M (Rs mn)	-
ADTV-3M (USD mn)	-
Free float (%)	15.0
Nifty-50	20,133
INR/USD	83.3
Shareholding, Jul-23	
Promoters (%)	68.5
FPIs/MFs (%)	3.0/8.1

Price Performance

(%)	1M	3M	12M
Absolute	16.3	-	-
Rel. to Nifty	11.5	-	-

1-Year share price trend (Rs)**Devanshu Bansal**devanshu.bansal@emkayglobal.com
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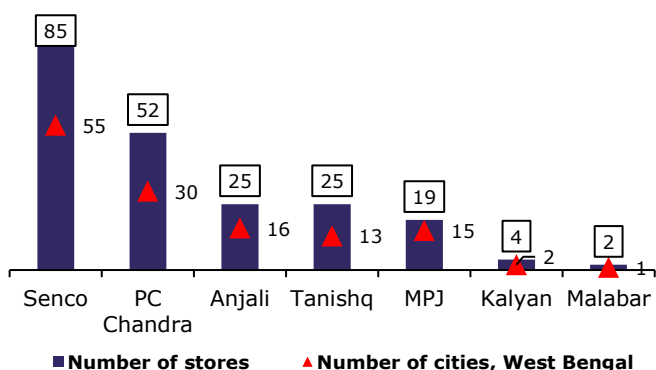
Story in Charts

Exhibit 1: The category (i.e. gold jewelry) has shown resilience, despite a spate of regulatory interventions and the Covid-19 pandemic

	FY16	FY23	FY26E	FY36E	FY16-23	FY23-26E	FY26-36E
					CAGR (%)		
Gold rate (USD/Troy Ounce)	1,160	1,800	2,025	2,721	6.5	4.0	3.0
INR-USD currency	64	79	88	131	3.0	4.0	4.0
Gold rate (INR/10gm)	23,915	45,512	57,587	1,14,560	9.6	8.2	7.1
India Custom Duty (%)	10%	15%	15%	15%			
Gold Imports (ton)	857	774	774	774	-1.4	0.0	0.0
Total Imports - Value (Rs trn)	2.3	4.1	5.1	10.2	8.7	8.2	7.1
Gold exchange incremental sales mix (%)	8%	12%	13%	19%	0.5	0.4	0.5
Studded incremental sales mix (%)	4%	8%	11%	17%	0.5	0.9	0.5
Brand/Design incremental sales mix (%)	4%	8%	9%	16%	0.5	0.5	0.6
Total Gold Jewelry consumption (Rs trn)	2.6	5.2	7.0	16.3	10.3	10.1	8.8

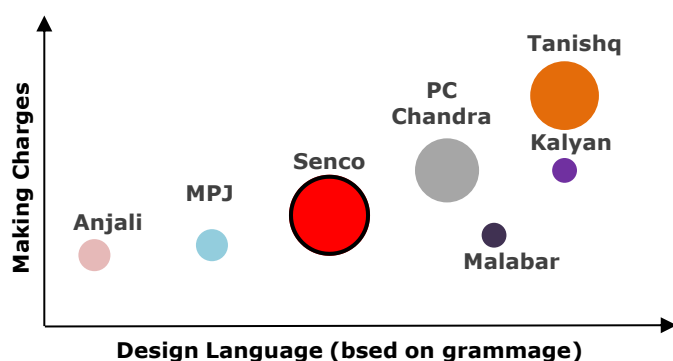
Source: World Gold Council (WGC), Emkay Research; Note: The WGC follows calendar-year reporting (FY16 is CY15 and so on, for WGC numbers)

Exhibit 2: Senco leads the pack in the East, given its penetration being the deepest among peers in the West Bengal market



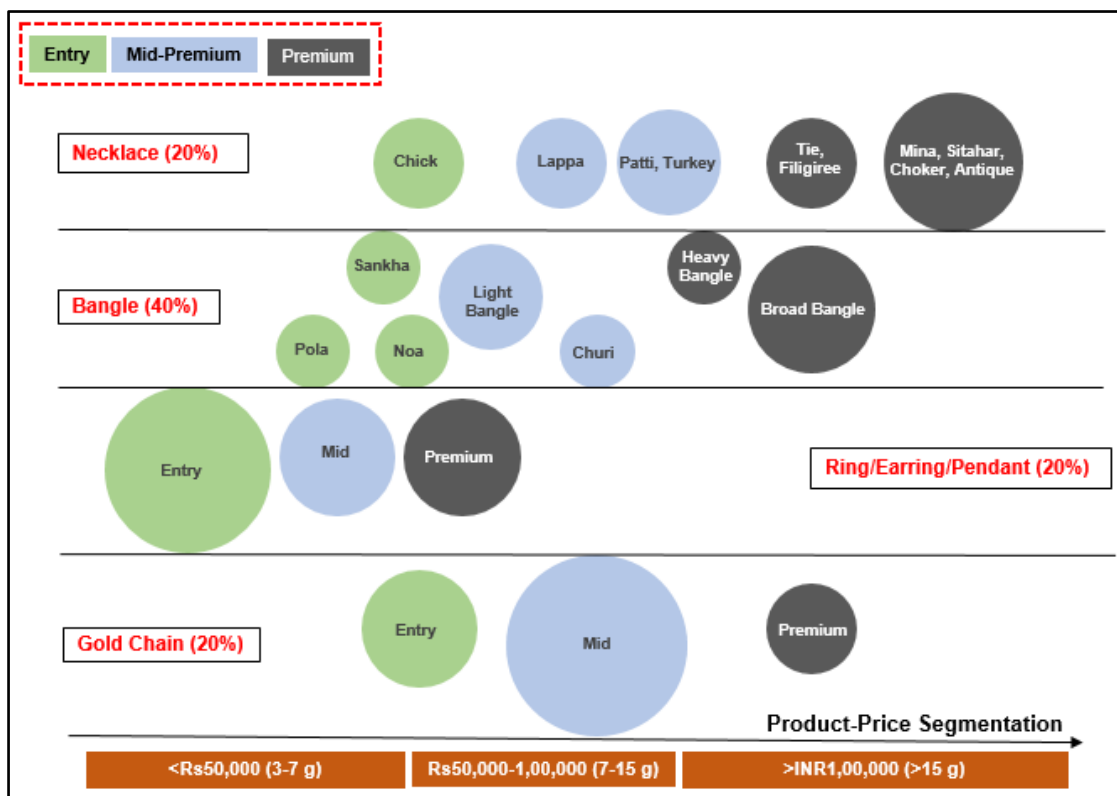
Source: Store locators (Company websites), Emkay Research

Exhibit 3: The East is a Rs800bn market, with Tanishq/Senco/PC Chandra commanding dominant shares



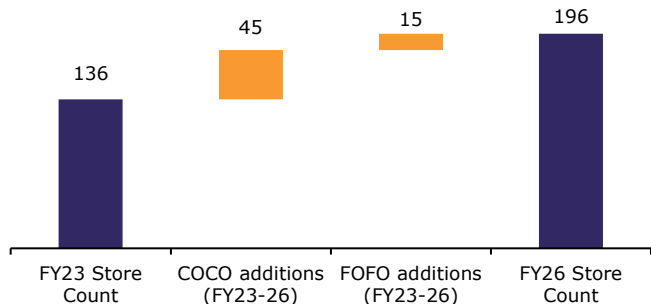
Source: Emkay Research, Note: The size of the bubble in the chart represents the ballpark market share (%) in West Bengal

Exhibit 4: Senco focuses on maintaining superior brand accessibility, via light-weight product offerings, customer engagement, purity and branding initiatives



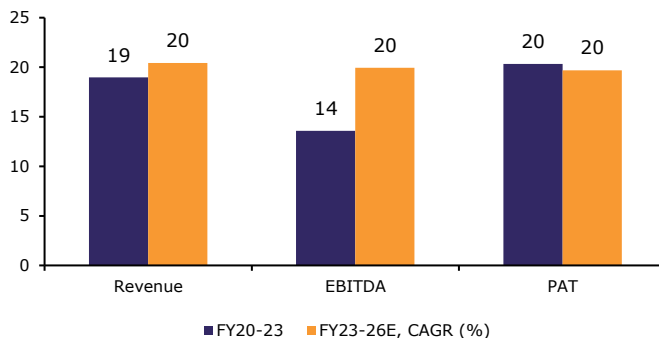
Source: Emkay Research (channel checks); Note: Size of the bubble represents the ballpark value share of an article within its category for Senco

Exhibit 5: We expect network expansion to accelerate, with 60 new store additions over FY23-26, on a base of 136 stores



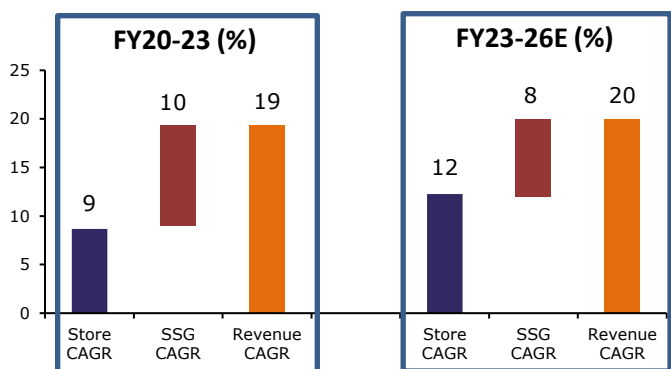
Source: Senco RHP document (historicals), Emkay Research (projections)

Exhibit 6: We expect revenue/EBITDA/PAT CAGR of ~20% over FY23-26E, largely led by topline growth and stable margins



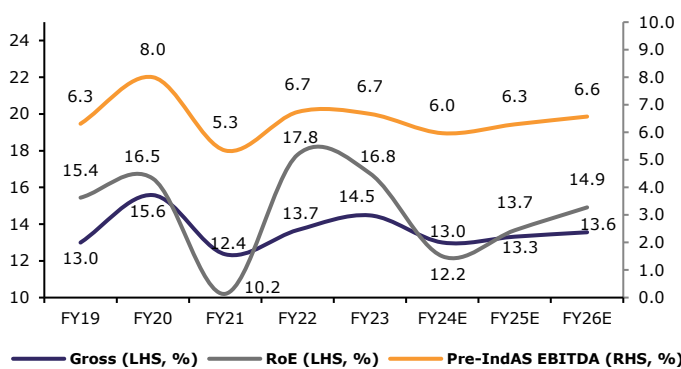
Source: Senco RHP document (historicals), Emkay Research (projections)

Exhibit 7: We expect the topline CAGR of 20% to be supported by the 8%/12% SSG/store-addition CAGR, respectively



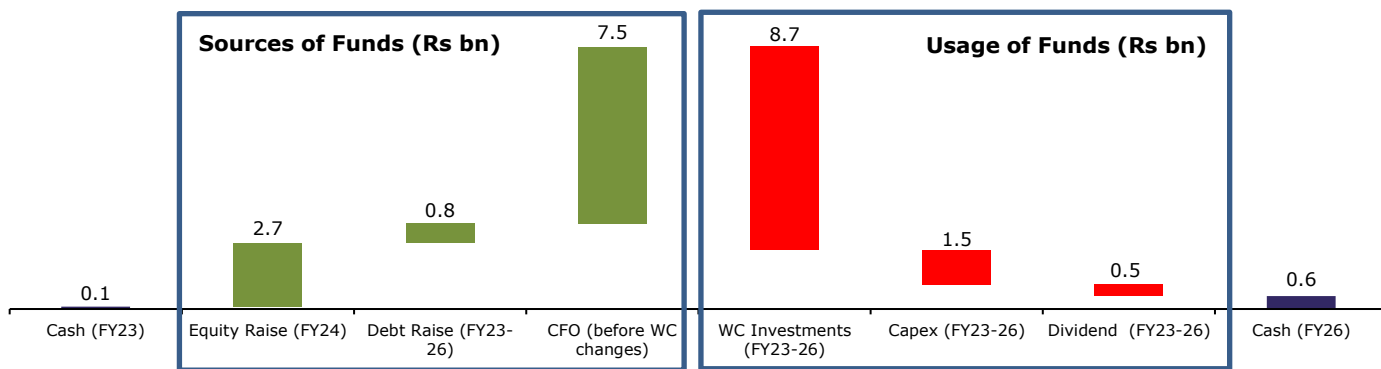
Source: Senco RHP document (historicals), Emkay Research (projections)

Exhibit 8: We expect ROE to recover to the mid-teens, on margin recovery and utilization of balance-sheet cash



Source: Senco RHP document (Historicals), Emkay Research (Projections)

Exhibit 9: Senco will require Rs10bn growth capital to open 45 COCO stores over FY23-26; of these, 80% would be serviced by internal accruals



Source: Senco RHP document (historicals), Emkay Research (projections)

Exhibit 10: Senco currently trades at ~40% discount to Kalyan, despite both having similar revenue growth prospects

Company (%)	FY23-26E CAGR		FY23	FY26	1-Yr fwd P/E (x) (Sep-24E EPS)
	Revenue	PAT	ROE		
TTAN	18.0	18.5	30.9	26.5	74
KALYAN	23.0	31.4	11.9	16.2	33
SENCO	20.4	19.7	16.8	14.9	19

Source: Bloomberg estimates (Kalyan), Emkay Research

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Jewelry Retail: Value appreciation and cultural significance provide natural tailwinds, offer relatively more resilience

India's love for 'gold' is clearly evident in its position as the second-largest importer of gold globally, only marginally behind China. The category's resilience is also demonstrated by the jewelry category leading other discretionary categories, with 175% recovery in FY23 (over FY20; pre-pandemic) and 10% CAGR over FY16-23, despite a glut of unfavorable regulatory changes and gold-price volatility (refer Exhibit 11-12). The better recovery is a result of strong cultural significance of gold in Indian weddings/festive seasons and the associated investment value in times of uncertainty. Basis such growth drivers, we expect continued strong CAGR of 9-10% for Indian jewelry retail over the next decade as well.

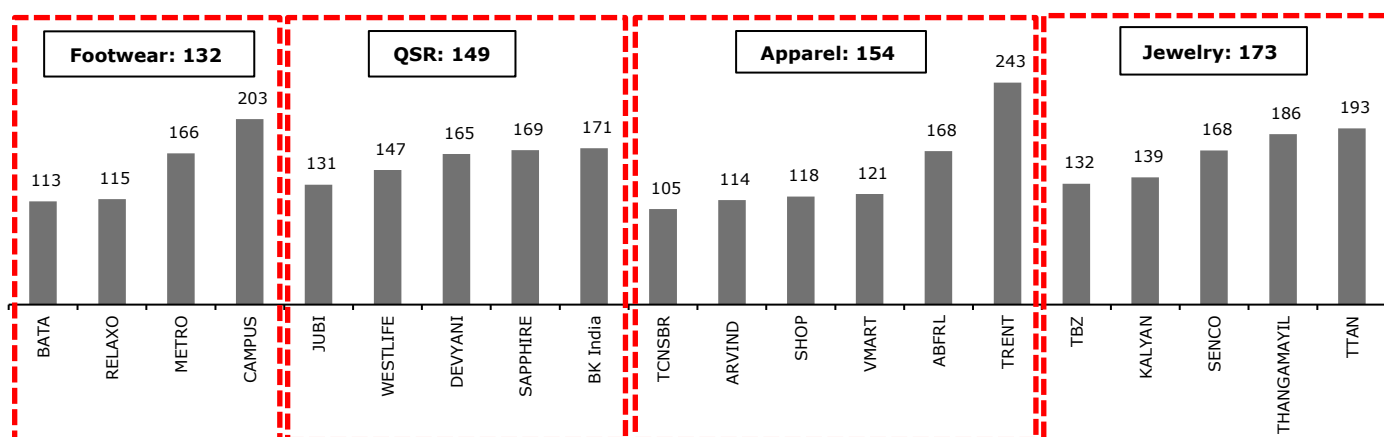
More importantly, shift towards organized retail has accelerated, with: 1) improved access to growth capital (equity/gold-metal-loans) and franchisee investments for organized players; 2) loss of profit avenues for unorganized players with regulatory curbs on under-carat-age/price arbitrage, with implementation of GST/hallmarking; and 3) increase in urbanization/women-workforce-participation, which is driving higher spends on studded jewelry and better designs (higher making charges).

Exhibit 11: The category (i.e. gold jewelry) has shown resilience, despite a spate of regulatory interventions

	FY16	FY23	FY26E	FY36E	FY16-23	FY23-26E	FY26-36E
					CAGR (%)		
Gold rate (USD/Troy Ounce)	1,160	1,800	2,025	2,721	6.5	4.0	3.0
INR-USD currency	64	79	88	131	3.0	4.0	4.0
Gold rate (INR/10gm)	23,915	45,512	57,587	1,14,560	9.6	8.2	7.1
India Custom Duty (%)	10%	15%	15%	15%			
Gold Imports (ton)	857	774	774	774	-1.4	0.0	0.0
Total Imports - Value (Rs trn)	2.3	4.1	5.1	10.2	8.7	8.2	7.1
Gold exchange incremental sales mix (%)	8%	12%	13%	19%	0.5	0.4	0.5
Studded incremental sales mix (%)	4%	8%	11%	17%	0.5	0.9	0.5
Brand/Design incremental sales mix (%)	4%	8%	9%	16%	0.5	0.5	0.6
Total Gold Jewelry consumption (Rs trn)	2.6	5.2	7.0	16.3	10.3	10.1	8.8

Source: World Gold Council, Emkay Research; Note: WGC follows calendar-year reporting (FY16 is CY15 and so on, for WGC numbers)

Exhibit 12: Jewelry retailers have seen a relatively higher recovery than other discretionary categories (over pre-pandemic levels; FY20)



Source: Company, Emkay Research

Organized players are also expanding faster than the overall industry, with increasing willingness of third-party retailers to invest and participate in the strong growth journey of organized watch retail. Strong brand recall is crucial for gaining traction with franchisees. Across major organized players, franchisees form 20-45% of the overall store network.

Exhibit 13: Strong organized brands have access to franchisee capital; expansion is asset-light

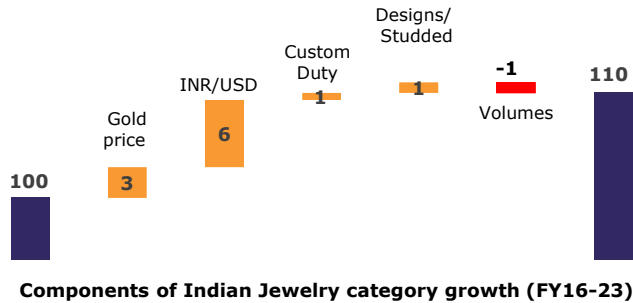
S.No.	Franchisee mix for organized players	Store Mix (%)		
		Tanishq	Senco	Kalyan
1	Inventory investment by company	65	55	79
2	Inventory investment by franchisee	35	45	21

Source: Company (Senco, Kalyan); Emkay Research (channel checks for TTAN)

Gold price increase is a natural tailwind for jewelry industry: Jewelry industry has seen 10% CAGR over FY16-23, largely led by realization growth, as volume has largely remained stable over many years now. We believe stable volume is a function of a strong increase in gold price which is resulting in a volume squeeze by consumers to protect their wallets. Incrementally, value addition in the form of higher studded mix and better designs (making charges) has added 150-200bps to industry growth. Going ahead, we expect continued strong trends for the industry, driven by a high single-digit industry growth and growing share of studded/high-margin purchases, on improved urbanization and higher per-capita income.

Exhibit 14: Gold price increase and long-term INR depreciation are natural growth drivers for the category

Exhibit 15: Demand is seasonal, with Q3 being the strongest quarter, followed by Q1/Q4; Q2 is the weakest quarter



Month	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Festival	✓			✓					✓	✓	✓	
Harvest	✓	✓	✓	✓					✓	✓	✓	✓
Marriage	✓				✓	✓			✓	✓	✓	✓

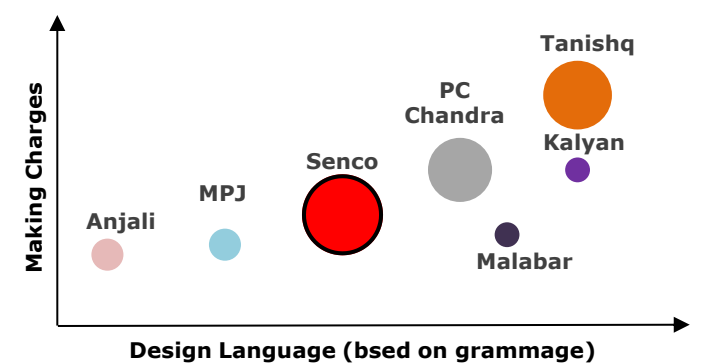
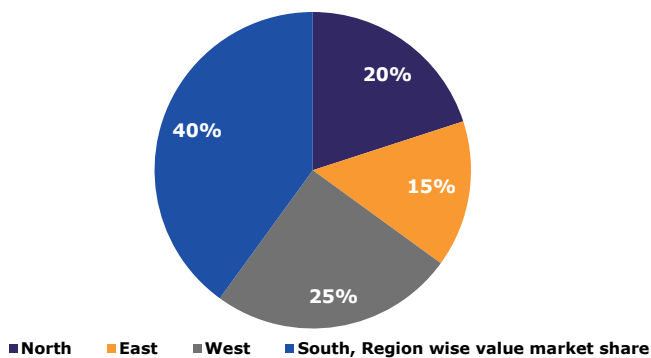
Source: WGC, Emkay Research; Note: FY16 is CY15 and so on, for WGC numbers

Source: Thangamayil investor PPT, Emkay Research

Low per-capita in East India provides long-term growth potential; Senco commands dominant share among organized players: Among regions, South India leads with 40% share, the North and West follow with 20-25% share, while the East lags with the lowest share of 15%. Saliency across regions depends on per-capita income across regions. Among rural/urban regions, Rural in East India logs significantly lower per-capita consumption vs the national average. However, this provides scope for continued growth with potential increase in per-capita income of these regions going ahead. Among the top-7 organized jewelry chains in the region, Senco, PC Chandra and Tanishq command the majority share. Regional players like MPJ Jewelers and Anjali Jewelers are relatively less aggressive on the growth front, while Kalyan/Malabar are starting to test the waters in East India. Jewelry is a seasonal business with high salience towards festive/wedding/harvest periods. Among quarters, Q3 is the strongest, followed by Q1, Q4 and Q2 in that order.

Exhibit 16: Lower per-capita income drives lower mix for East India; longevity of growth is high, with expected rise in per-capita

Exhibit 17: The East is a Rs800-bn market, with Senco/PC Chandra/Tanishq commanding leadership shares



Source: Senco RHP document, Emkay Research

Source: Emkay Research, Note: The size of the bubble in the chart represents the ballpark market share (%) in West Bengal

Hallmarking/GST implementation a fortunate turn for organized players: Regulatory changes over the past few years have plugged key bad practices or profit avenues for unorganized players, thereby accelerating the shift towards organized players. Unorganized players have always benefited from under-caratage, aiding in 'making charges' staying below organized players' and gaining traction with consumers. However, with implementation of hallmarking (HUID), unorganized players have to compensate the under-caratage loss by increasing their making charges, resulting in a level-playing field for all players. Similarly, GST implementation has curbed price arbitrage enjoyed by unorganized players, again accelerating the market-share shift towards organized players.

Differentiated product, improved capital access and first-mover advantage should help to accelerate growth

Senco Gold is part of select and elite group of organized jewelers, who have seen faster and consistent growth over the last decade (~15% CAGR for Senco over FY16-23 vs. 10-11% growth for the industry). The 15% revenue CAGR has been led by ~8% CAGR in store additions, with the remaining through a healthy growth in average revenue per store (or SSG). Despite the higher base, we expect Senco to deliver earnings CAGR of >20% over FY23-26E, with accelerated expansion through IPO proceeds (12% store-addition CAGR vs. 8% historically). At present, RoE is in mid-teens which should gradually track an improving trend with increase in franchisee mix and better inventory turns on consumers adapting to elevated gold prices.

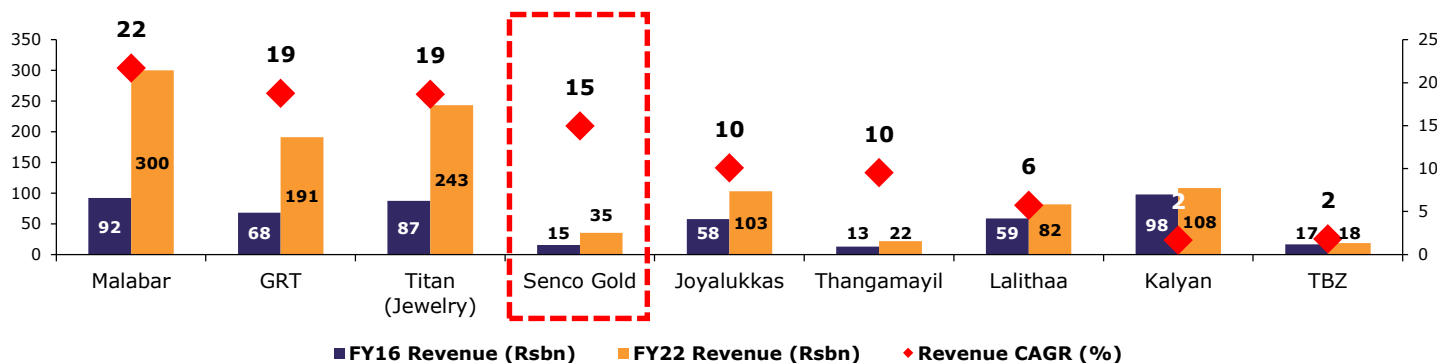
Senco as a brand stands out in terms of its light-weight jewelry with a heavy look which ensures the best affordability for the emerging middle-class consumer. Sourcing, merchandising and marketing are the company's key moats that ensure product differentiation, micro-market-based assortment, and help it to on-board new consumers with attractive offers and celebrity endorsements. Going ahead, Senco's focus is to leverage its strong brand equity for expansion through franchisees in eastern India and strengthen its brand in non-eastern regions via company-owned stores initially.

Exhibit 18: IPO proceeds, product differentiation (light-weight jewelry) and accelerated organized shift should help to deliver >20% growth over FY23-26E vs. 15% over FY16-23

	FY16	FY23	FY26E	FY36E	FY16-23	FY23-26E	FY26-36E
					CAGR (%)		
Gold rate (USD/Troy Ounce)	1,160	1,800	2,025	2,721	6.5	4.0	3.0
INR-USD currency rate	64	79	88	131	3.0	4.0	4.0
Gold rate (INR/10g)	23,915	45,512	57,587	1,14,560	9.6	8.2	7.1
India Custom Duty (%)	10%	15%	15%	15%			
Gold Imports (ton)	857	774	774	774	-1.4	0.0	0.0
Total Imports - Value (Rs trn)	2.3	4.1	5.1	10.2	8.7	8.2	7.1
[A] Gold exchange incremental sales mix (%)	8%	12%	13%	19%			
[B] Studded incremental sales mix (%)	4%	8%	11%	17%			
[C] Brand/Design incremental sales mix (%)	4%	8%	9%	16%			
Total Gold Jewelry consumption (Rs trn)	2.6	5.2	7.0	16.3	10.3	10.1	8.8
Total Gold Jewelry consumption (East India, Rs bn)		787	1,196	3,716		15.0	12.0
Senco - Revenue (East India, Rs bn)		33	57	260		19.8	16.3
Market Share		4.2%	4.8%	7.0%			
Total Gold Jewelry consumption (other regions, Rs bn)		4,457	5,794	12,546		9.1	8.0
Senco - Revenue (other regions, Rs bn)		6	11	125		19.7	28.0
Market Share (%)		0.1%	0.2%	1.0%			
Senco Gold (other segments, Rs bn)		1.2	3.2	13.0		39.8	15.0
Total Revenue - Senco Gold (Rs bn)	15.3	40.8	71.2	398.5	15.0	20.4	18.8

Source: World Gold Council, Kalyan/Senco Gold RHP Document, Emkay Research; Note: WGC follows calendar-year reporting (FY16 is CY15 and so on)

Exhibit 19: Senco is part of the elite group of jewelers that have seen faster and consistent growth over the last decade

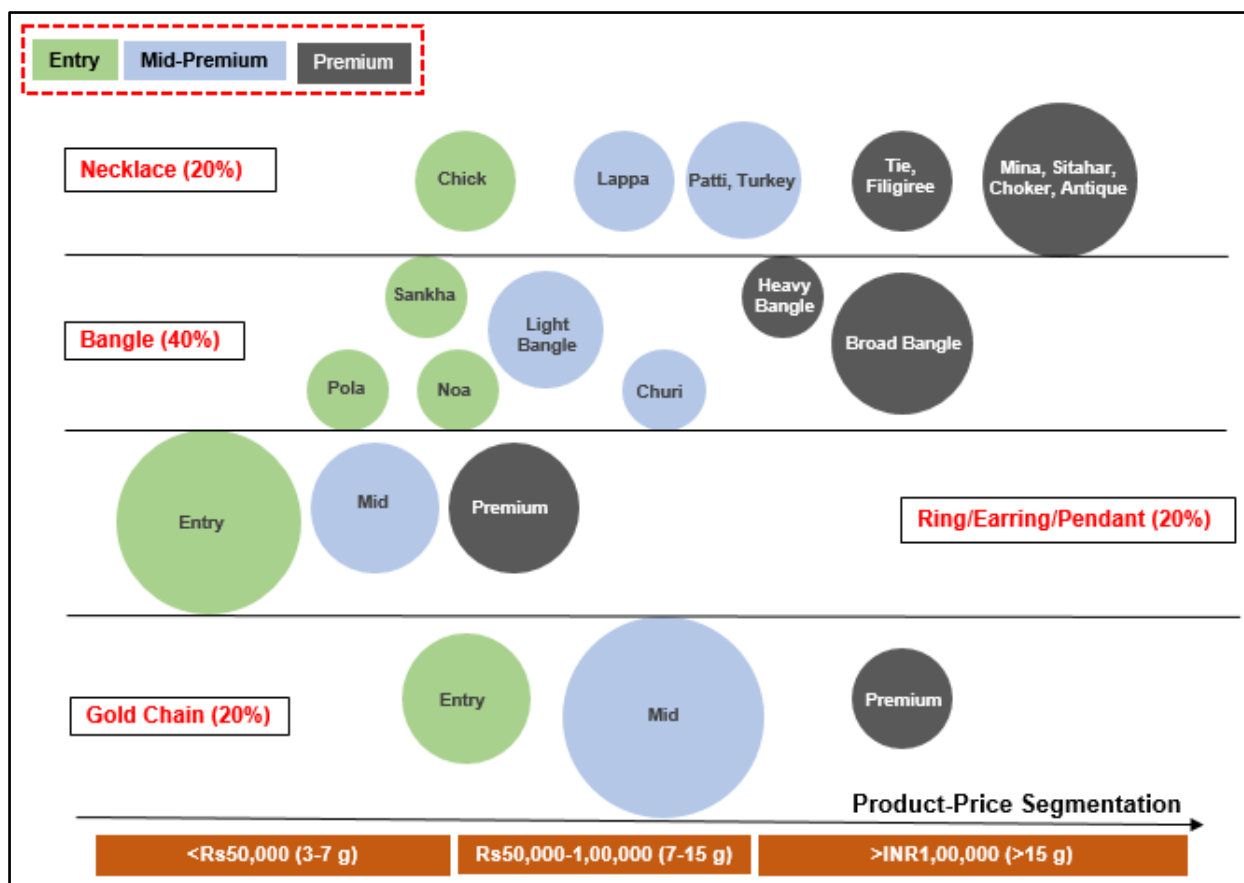


Source: MCA, Company, Emkay Research; Note: Revenue includes export revenue across players; Malabar topline includes wholesale revenue as well

Senco’s strength in light-weight offerings makes it the most accessible brand for middle-class consumers in East India:

- 1) **Product:** Senco leverages its multi-decadal relationship with *karigars* (in Kolkata) to offer relatively light-weight ornaments with a heavy-look. This helps Senco to differentiate itself from players who offer heavier jewelry (higher grammage). From a category perspective, presence is across categories, with major contributors being necklaces, bangles, rings/pendants and gold chains. Senco scores well on customer trust, as the brand has improved its ranking from the fourth most-trusted jewelry brand in 2017 (TRA’s Brand Trust Report) to the second 2nd most-trusted jewelry brand since 2020.
- 2) **Pricing:** Merchandise at stores is localized, with focus on addressing the entire middle-class of the local catchment through its light-weight jewelry. For all categories, Senco starts off with a <10gm offering, through which it is able to offer a similar look with 15-20% lower grammage than peers (channel checks). In other words, key focus is on maintaining superior brand accessibility and generating higher footfalls, albeit at lower ticket size vs. peers (Rs60-70K ticket size vs. Rs80-125K for TTAN, Kalyan).
- 3) **Promotion:** With focus on light-weight jewelry, Senco invests in both, ATL and BTL avenues of marketing, to garner the required footfalls. The company spends ~2% of sales earnings in ads/marketing, with focus on top-of-the-funnel marketing, to gain new consumers. In addition to its mass-marketing initiatives with celebrity brand ambassadors (Kiara Advani, Sourav Ganguly and Vidya Balan), Senco makes extensive efforts in store-level marketing initiatives, such as cross-marketing with other retailing formats, specific event-based schemes in housing societies/tourist hotspots and strong engagement with local influencers/regional celebrities.
- 4) **Placement:** Senco largely distributes its products through the Senco-branded EBOs (both COCO/FOFO). The company has presence in 85 cities via 142 stores, of which 80 are in the COCO format with the remaining in the FOFO format. Focus is to have presence in metro/tier-1 cities through COCO stores and penetrate deeper into Tier-2/3/4 cities via the asset-light FOFO model. Jewelry is sold to franchisees on an outright basis, with Senco retaining 1/3rd margin and distributing the balance to franchisees. Franchisee return on mature stores is healthy, in the 15-20% range, in addition to the long-term appreciation of the gold inventory.

Exhibit 20: Senco focuses on maintaining superior brand accessibility, via light-weight product offerings, customer engagement, purity and branding initiatives



Source: Emkay Research (channel checks); Note: The size of the bubble represents ball-park value share of an article within its category for Senco

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Exhibit 21: Channel checks suggest differing merchandise across stores in Kolkata, based on clientele in the local catchment area

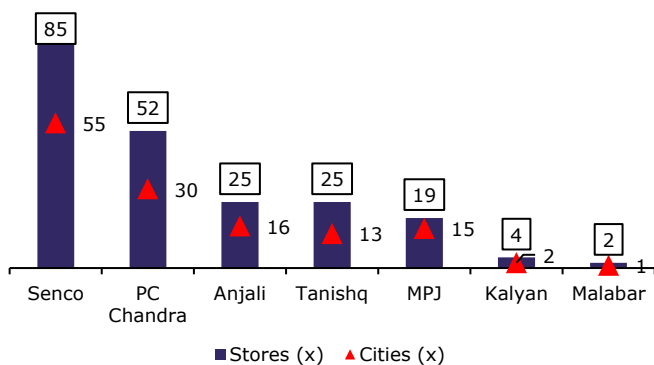
Store-level metrics	Kolkata stores			Remarks
	Camac Street	Baguihati	Moulali	
Store Size (sqft)	5,500	12,000	5,000	
Avg. Ticket Size (ATS, Rs)	95,000	66,000	80,000	ATS differs, based on sales mix (studded/regular/wedding)
Avg. Daily Footfalls (x)	20	65	50	
Conversion (%)	75	80	80	Conversions are broadly similar across stores
No. of bill cuts/month (x)	450	1,550	1,200	Bill-cuts differ, based on assortment at stores
Revenue (Rs mn)	500	1,250	1,150	
Studded Mix (%)	25	15	5	Stores are targeting different mix, based on micro-markets
Gross Profit (Rs mn)	110	213	151	
Gross margin (%)	22	17	13	Gross margins are different based on studded mix at stores
EBITDA (Rs mn)	50	186	129	
EBITDA margin (%)	10	15	11	
Inventory (Rs mn)	450	350	300	Inventory differs across stores, based on demand in markets

Source: Emkay Research (channel checks)

Skewed EBO penetration provides a long growth runway: Senco boasts of garnering one of the top-2 revenue shares in the eastern market, which contributes >80% to its overall revenue. Our analysis suggests that the East is an ~Rs800bn market (~15% of overall India market), wherein Senco has a mid-single-digit market share. Senco has strong brand strength in the West Bengal market which has helped it to penetrate deeper with the help of franchisees. Senco has presence in >55 cities vs. 13-30 cities for PC Chandra/Tanishq/MPJ/Anjali; presence of other brands like Kalyan/Malabar is much lower. We expect Senco to leverage its ahead-of-the-curve investments and continue growing strongly in the eastern region, given that market share is still low here. Also, initial signs have been encouraging in the non-eastern regions of Delhi-NCR/Uttar Pradesh, with stores reporting 15-20% studded mix (vs. overall mix of 10%). Success in new regions, coupled with expansion in the East, provides a long growth runway for Senco. Given improved access to capital, we expect Senco to increase the pace of store additions, with 60 adds over FY23-26E on a base of 136 stores.

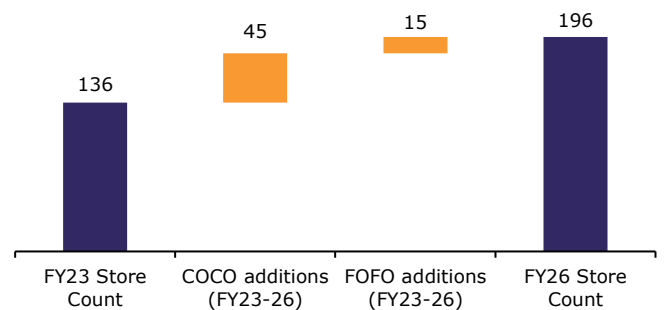
Franchisee model well established for Senco: Senco definitely scores higher in terms of franchisee relationship/experience when compared with most jewelers (ex-TTAN). Of the overall network of 136 stores (FY23-end), Senco has 61 franchise stores that contribute ~35% to overall revenue. Most franchisees have >2 stores, highlighting long-term relationships and satisfied franchisees. With strong brand strength in eastern India, franchisees are primarily located in West Bengal, with inroads made in states like Orissa, Assam, Bihar and Jharkhand.

Exhibit 22: Senco leads the pack in the East, with relatively much deeper penetration in the West Bengal market



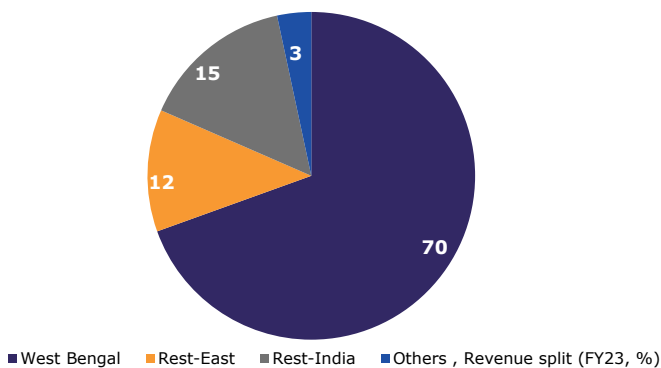
Source: Store locators (Company websites), Emkay Research

Exhibit 23: We expect network expansion to accelerate, with 60 new additions over FY23-26, on a base of 136 stores



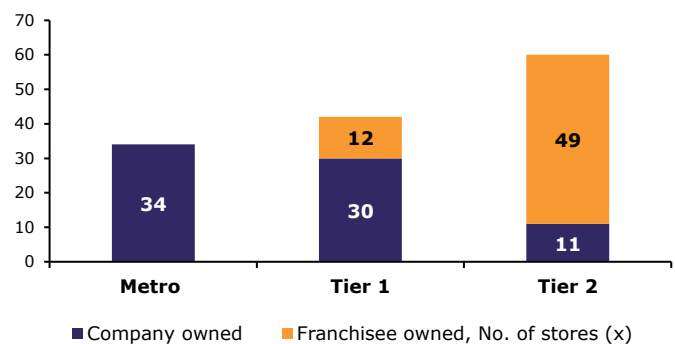
Source: Senco RHP document (historicals), Emkay Research (projections)

Exhibit 24: Majority of Senco Gold's revenue, at ~80%, is reaped from East India currently



Source: Senco RHP document, Emkay Research

Exhibit 25: Senco has penetrated deeper into Tier-1/Tier-2 cities, via the franchisee route



Source: Company, Emkay Research

Increase in Franchisee mix should drive RoE improvement: Senco's *modus operandi* is to build its brand in Metros/Tier-1 cities, and then improve brand penetration through franchisee-led expansion (asset-light) in adjacent Tier-2/3 cities. While COCO stores generate a decent RoE of 13-14%, FOFO stores log much higher RoE, of 40-50%, due to lower invested capital (Emkay estimate: Rs15mn for a FOFO store vs. Rs220mn for a COCO store). Working Capital (WC) is relatively higher for the business, as the category requires larger stores holding significant amount of high-value inventory (gold, gems and other precious metals), thereby driving relatively-lower RoE compared with other retail formats. The format also has multiple categories (necklace, bangles, rings and chains), requiring multiple designs to gain traction with consumers. A significant increase in gold prices has led to incommensurate increase in store-level revenues (vs. store inventory levels), leading to lower inventory turns in the short term. However, RoE should further improve, as customers get accustomed to the elevated gold rates as well as with increase in franchisee mix in the overall business. *Notably, historical RoE for Senco was higher due to inventory gains related to steep increase in diamond prices, which are expected to normalize in coming years.*

Exhibit 26: Channel-wise Unit Metrics

(Rs mn)	COCO stores			FOFO stores		
Unit metrics	FY23	FY24E	FY26E	FY23	FY24E	FY26E
Revenue	368	393	421	239	279	324
Gross margin (incl. Job work; %)	18.5	17.1	17.5	6.8	5.5	5.8
Store running expenses, % of sales	5.9	5.8	5.9	0.2	0.2	0.2
Store EBITDA margin (%)	12.6	11.3	11.5	6.6	5.3	5.6
HO Costs (Ad/Employee), % of sales	3.2	2.8	2.7	5.0	4.0	3.5
EBITDA	34	34	37	4	4	7
EBITDA Margin (%)	9.3	8.5	8.8	1.6	1.3	2.1
Depreciation	2	3	3			
EBIT	32	31	35	3.9	3.6	6.8
Interest Expense	8	9	8	1.1	1.3	1.4
Other Income	4	4	4			
PBT	28	27	30	2.8	2.3	5.3
Tax	7	7	8	0.7	0.6	1.4
PAT	20.9	19.6	22.2	2.1	1.7	3.9
PAT margin (%)	5.7	5.0	5.3	0.9	0.6	1.2
Working Capital	183	184	189	11	12	18
Capex - Gross Assets	29	31	32			
Total Invested Capital	212	216	221	11	12	18
Gross Debt	67	62	50	9	9	8
Equity	145	154	171	2	3	10
RoE* (%)	14.4	12.8	13.0	115.7	56.3	39.7

Source: Company (historicals), Emkay Research (projections); Note: RoE here will differ from the reported RoE, as it is being calculated on gross assets (for capex) and pre-IndAS numbers

Natural gold appreciation is a big SSG lever; attractive schemes to help drive the organized shift faster: We expect Senco to deliver strong SSG of 9-10% in the medium term, helped by natural appreciation in gold prices, premiumization (products with higher making charges/studded) and volume growth enabled by shift towards organized. Shift to organized players is enabled by attractive schemes, hallmarking, skilled employees and improved availability of capital for organized players (equity/Gold Metal Loans/franchisees). Key ATL initiatives undertaken by Senco to drive this shift include rationalization of gold prices, event-based schemes on Gold exchange (Zero deduction) and strong IRRs on Gold deposit schemes (Suvarna Yojana). Among BTL initiatives, Senco does cross-marketing with other retail formats (like Pantaloons) and proactive reach out to customers in local catchments/tourist hotspots. Further, Senco is expanding its customer base via the D'Signia and Everlite store formats, targeting affluent/GenZ customers (4-5% of FY23 sales). Filling of key portfolio gaps should also drive a strong SSG for Senco.

Exhibit 27: Senco offers attractive exchange offers (nil deduction) from time to time; such offers help customers during an elevated gold-price environment



Source: Social marketing handles, Emkay Research

Exhibit 28: Senco undertakes ATL activities (celebrity endorsements) to create desire & aspiration in consumers' minds



Source: Social marketing handles, Emkay Research

Exhibit 29: Event-specific offers are targeted to accelerate shift towards organized players



Source: Social marketing handles, Emkay Research

Peer Comparison

Strong growth delivery; returns profile matches Kalyan's, is better than others':

Senco comes with a heritage of strong growth performance and has delivered a strong ~19% revenue CAGR over FY20-23. Given that preference is relatively higher for high-margin hand-made jewelry in eastern India, margin for Senco is better vs. South-based jewelers like Thangamayil/Kalyan. However, revenue/store is relatively lower for Senco due to lower per-capita consumption in eastern India (200g/wedding vs. 300-350g/wedding in southern India). But the same gets adjusted with the lower inventory requirement at the store level. Better margins help Senco to still command a better ROCE profile vs. peers (ex-TTAN). TTAN clearly enjoys best profitability/return ratios among jewelry retailers, on account of 2-3x margins, helped by stronger brand and higher studded mix. In addition to the superior margins, TTAN's superior brand strength helps it to enjoy better traction among franchisees and attain deeper penetration with presence in 251 cities through 423 stores.

Senco's focus remains on improving studded mix: Studded mix is lower at 10-15% for most jewelry retailers compared with 25-30% for TTAN/Kalyan. In our view, Senco's studded mix has, so far, been lower due to higher mix of plain gold jewelry in the eastern market. However, studded mix should increase with increase in mix of non-eastern markets in overall revenue, as Senco is already seeing higher studded mix at 15-20% in markets like Delhi.

Exhibit 30: Comparison across key parameters for listed jewelry retailers

Company name	TTAN*	Senco	Thangamayil	KALYAN	TBZ
P&L Comparison					
Revenue CAGR (3Y; %)	22	19	23	12	10
Brand Strength	★★★★★	★★★	★★	★★★★	★★
Franchisee Arrangement	★★★★★	★★★	✖	★★	★
Number of Stores (FY23-end)	423	136	53	149**	32
Avg. Bill Size (Rs)	120K	65K	NA***	75K	125K
Revenue/Store (Rs mn)	900	375	750	850	780
Studded Mix	30%	11-12%	10%	27-28%	20%
Gross margin	27-29%	17-18%	9-10%	15-16%	12-14%
Store EBITDA margin	22-23%	10%	4-5%	8-9%	5-6%
Depreciation (Rs mn)	4.0	2.5	4.0	4.5	5.0
EBIT margin	22%	9%	3%	7%	4%
Balance Sheet Comparison					
WC/Store (Rs mn)#	360	180	180	300	300
Capex/Store (Rs mn)	40	25	40	45	50
Invested Capital/Store (Rs mn)	400	205	220	345	350
Store ROCE	50%	17%	12%	18%	10%
DuPont Analysis					
Net Profit margin	★★★★★	★★★★	★★	★★★	★
IC turnover	★★★	★★★	★★★★★	★★★	★★
Leverage	★	★★★	★★★★	★★★	★★★
Overall	★★★★★	★★★	★★★	★★★	★

Source: Emkay Research (channel checks); Note: *TTAN metrics are indicative of COCO stores and based on channel checks; **India store count for Kalyan, ***Data not available, #WC/Store includes Gold metal loan and other deposits/margin money

Exhibit 31: The East market has relatively lower per-capita consumption currently, thus providing scope for continued growth in the region

Illustrative Regional Jewellery Demand and Preferences (For Weddings)

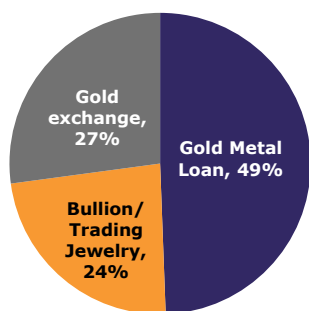
State	Large Sets	Small Necklace	Bangles, Earrings, and Chains	Gross Weight (In gm)
Kerala	Kazuthulia, Kasu Mala, Lakshmi Mala, Mulla Moni	Kingini Mala, Manga Mala	Kolkata Bangle, Machine cut Bangle, Thoda Bangles, Jhinki, Kurumulaka Mala, Patthakam	350
Tamil Nadu	Lakshmi Haram, Muthu Haram	Vella Kal Mookhuthi	Muthu Valayal, Lakshmi Valayal, Kemu Valayal, Kempu Kal Jhimkki, Mangal Sutra	300
Karnataka	Akki Sara, Malliga Sara		Lakshmi Bale, Coorgi Bale, Kembina Bale, Jhimki, Mangal Sutra, Mohan Sara	280
Andhra Pradesh	Nakshi Haram	Kandabaranam	Kangan, Gajalu, Buttalu, Sutaru Gohusu	300
Rajasthan	Rani Haar	Thewa	Bangdi, Kada, Rajputi Bangdi, Kundan Butti	190
Gujarat		Chandan Haar	Bangdi, Kundan Bangdi, Kundan Butti, Mangal Sutra	180
Maharashtra	Chapla Haar, Laxmi Haar	Tushi	Tode, Patli, Jhunka, Mangal Sutra	250
West Bengal	Sita Haar	Gola Chik	Plai Bala, Mugh Bala, Chitra Bala, Jhunka	210

Source: Kalyan RHP document

Follows hygiene practices for sourcing; stated policy of 50% hedging Gold exposure: Sourcing of Gold inventory (~80% of total inventory) is mainly through: i) gold metal loans (50%); ii) bullion dealers/trading agents (25%), and iii) gold exchange programs (25%). Senco has credit limit of ~Rs20bn, 75% of which is for gold-metal loans (30% consortium and rest outside consortium) and the balance is for cash-credit (CC)/WC demand loan (WCDL)/Letter of credit (SBLC). Notably, non-consortium loans require 110% margin. However, in our view, a non-consortium loan is still a better way to fund growth (compared with equity), as rate of interest on margin money is higher than the cost of interest on gold metal loan.

Gold-metal loans a natural source of hedging: As of FY23-end, Senco has availed credit facility of Rs11.6bn, of which ~Rs6bn is gold-metal-loan (~50% of gold inventory and ~35% of overall inventory), with the remaining used for CC/WCDL/SBLC. Gold metal loans act as a natural hedge against gold price volatility, as purchase price is fixed on the day of gold sale to consumers, thereby protecting 50% of gold inventory from price volatility. While the stated policy asks for 50% hedging, Senco hedges 80-90% in its normal business routine, by entering into forward contracts/hedges on the rest of the inventory.

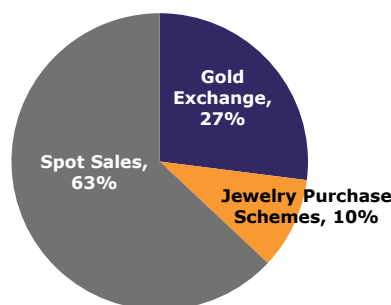
Exhibit 32: Almost 50% sourcing of gold is hedged through Gold-metal-loans



Annual Gold Sourcing (%)

Source: Company, Emkay Research

Exhibit 33: Mix of sales channels for Senco



Annual Sales Mix (%)

Source: Emkay Research

Exhibit 34: Process for sourcing through Gold metal loans (GML; interest rate for GML sourcing is 3-3.5% for Senco Gold)

Gold Metal Loan:
Efficient Sourcing Channel

Gold Metal Loan Origination

- TBZ takes 10 kg gold from a bank on lease on day 0.
- The contract for gold lease is 180 days.
- TBZ provides a bank guarantee worth 110% of gold leased.
- Total Financing cost (interest on gold lease plus bank guarantee commission) to TBZ is approx. 4.05% p.a.

Gold Metal Loan Repayment

- TBZ repays the gold daily based on actual sales of gold jewellery.
- The bank converts 1 kg of gold on lease as a sale to TBZ at a reference rate set by them as on day 1.
- TBZ books a purchase of 1 kg of gold.
- The balance 9 kg worth of gold continues to remain on lease.
- TBZ again replenishes the inventory by taking 1 kg of gold on lease from bank on day1.
- Since TBZ's gold jewellery inventory turns 2-3 times, it repays the gold lease before 180 days.

Gold Metal Loan Advantages

- Interest Cost Savings:** Borrowing cost on gold lease is significantly lower compared to working capital borrowing cost.
- No Commodity Risk:** Since gold is taken on lease, there is no gain if gold prices increase or loss if gold prices decrease.

Gold Metal Loan Limitations

- Sharp increase in gold prices:** Gold lease is marked to market on a daily basis. So any increase in gold price will cause TBZ to top up its bank guarantee.
- Bank Guarantee limitations:** Bank guarantee issued by the bank to TBZ is based on the drawing power enjoyed by TBZ.
- Contract Period:** If TBZ is unable to sell the gold on lease within 180 days, then they will have to convert the balance unutilized gold to purchase.

www.tbztheoriginal.com

Source: TBZ investor presentation, Emkay research

Jewelry purchase schemes: Cheaper source of capital; share increase provides scope for RoE improvement

In our view, Gold deposit schemes are a relatively cheaper source of capital, albeit the amount of overall deposit that can be raised from consumers is restricted to 25% of overall shareholder equity via regulations. Along with working-capital funding, such schemes also help to increase the frequency of purchase as they guarantee attractive IRRs to consumers. Though guaranteed IRRs are in the 12-15% range, in terms of purchase values across players (10-12-month schemes), it is to be noted that companies are incurring only associated COGS (80-85% of purchase value), thereby making it a relatively cheaper source of capital.

Senco has three deposit schemes: Swarna Labh, Swarna Yojana and Swarna Vridhi, which call for monthly instalments for 6/11/18 months and provide IRR of 18%/14%/11% to consumers, in terms of purchase value. Lower tenure schemes provide higher IRR as it increases the frequency of deposits and also helps to raise more capital to fund growth.

Exhibit 35: Jewelry purchase schemes are a cheaper source of capital and improve the frequency of purchase by customers



Source: Social marketing platforms, Emkay Research

Exhibit 36: Senco provides an IRR of 18%/14%/11% to consumers, in terms of purchase value

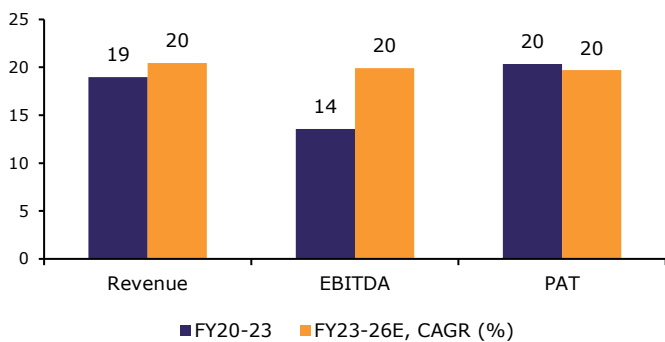
Gold Deposit Schemes - Senco Gold	IRR (%)	Tenure (months)	Total Deposits	% of Shareholder Equity
Swarna Labh	18	6		
Swarna Yojana	14	11	Rs2.2bn	23%
Swarna Vridhi	11	18		

Source: Company website, Emkay Research; Note: Discount given is equal to IRR on purchase value, and is over & above the prevailing discount

Financials: Accelerated expansion and strong SSG to drive >20% PAT CAGR

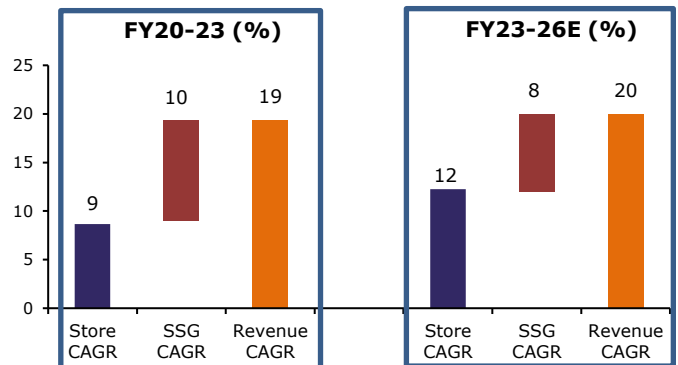
Given significant consumption thrust towards organized retailers (trust, service, marketing), Senco's focus remains on revenue growth vs. margin gains or working capital reduction in the near future. Our investment thesis on Senco rests on ~20% revenue/EBITDA/PAT CAGR in the medium term, enabled by strong SSG, in a high single-digit, and healthy network expansion of 12% every year. After an initial dip in margin/RoE, on account of aggressive schemes to recruit new customers, absence of diamond-inventory gains in FY24 (vs. FY23) and equity-led expansion, we expect margins/RoE to continue on an improving trend thereafter, aided by operating leverage and utilization of balance-sheet cash. With majority expansion through capital-intensive COCO stores (Rs200mn/store) over FY23-26E, free-cash-flow-to-equity (FCFE) is expected to remain negative over this period, post which there should be a significant improvement in cash flows.

Exhibit 37: We expect revenue/EBITDA/PAT CAGR of ~20% over FY23-26E, largely led by topline growth and stable margins



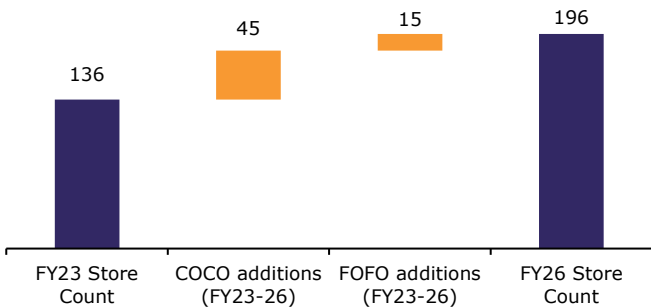
Source: Senco RHP document (historicals), Emkay Research (projections)

Exhibit 38: We expect topline CAGR of 20% to be supported by 9%/12% SSG/store addition CAGR



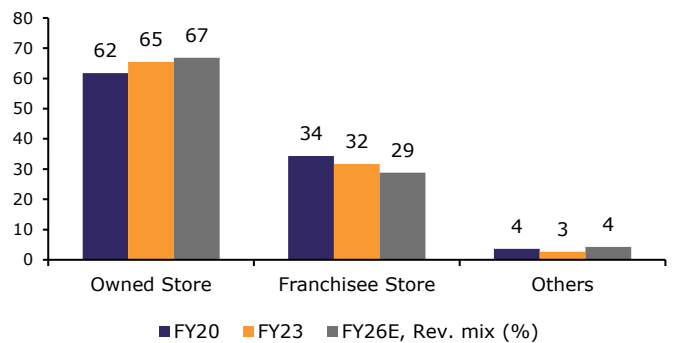
Source: Senco RHP document (historicals), Emkay Research (projections)

Exhibit 39: Expect expansion to be led by capital-intensive COCO stores over FY23-26E, post which FOFO additions should pick-up



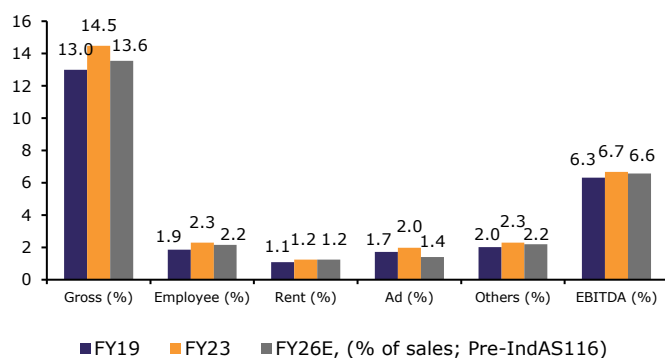
Source: Senco RHP document (historicals), Emkay Research (projections)

Exhibit 40: Higher COCO additions should drive continued improvement in revenue mix for this channel over FY23-26



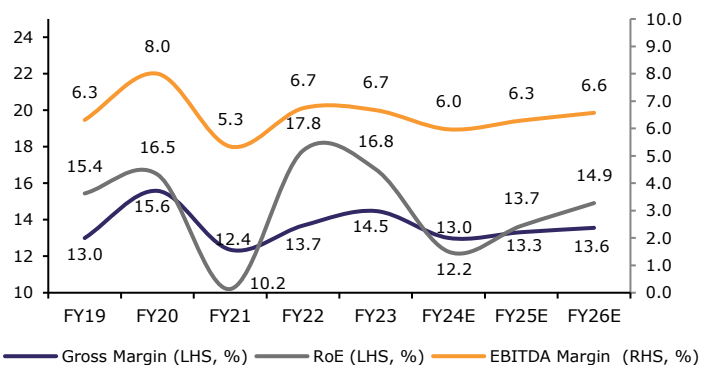
Source: Senco RHP document (historicals), Emkay Research (projections)

Exhibit 41: Operating leverage to help margin recovery despite lower gross margin, on absence of any one-off in FY24



Source: Senco RHP document (historicals), Emkay Research (projections)

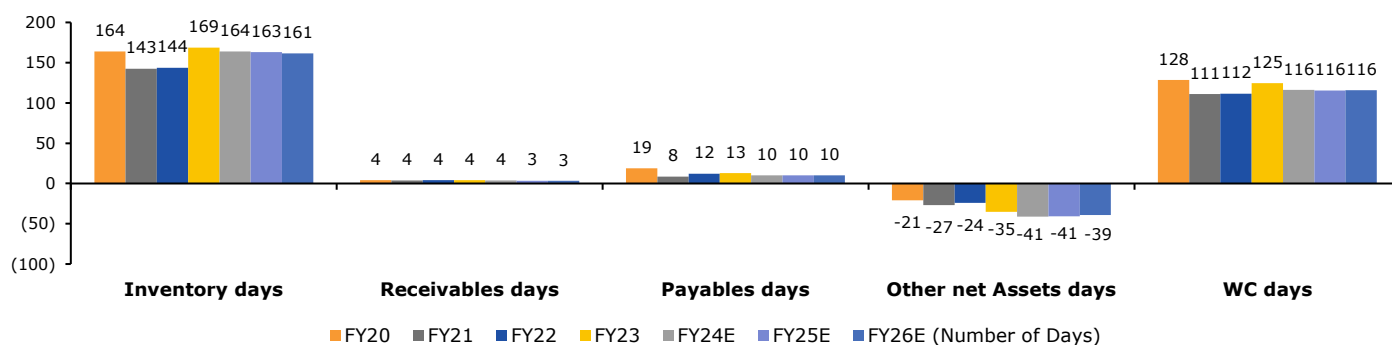
Exhibit 42: We expect ROE to recover to the mid-teens, on margin recovery and utilization of balance-sheet cash



Source: Senco RHP document (historicals), Emkay Research (projections)

Expect stable working capital on strong plans for non-East expansion: Working capital is the most crucial investment in the jewelry business and forms >90% of invested capital for Senco. However, the inventory liquidation risk is relatively lower, as the WC constituents (gold/other precious metals) are readily monetizable and Senco hedges ~80% of overall gold inventory to remain protected from the volatility in gold prices. **Notably, the stated policy is to hedge >50% of overall gold inventory, but the company hedges 80-90% as a normal business practice.** Typically, a COCO store requires WC investment of Rs200mn, which is a combination of Rs250mn inventory (Store + Head Office), Rs50-60mn deposits (margin/GML) and credits from gold deposit schemes (Rs30mn)/gold metal loans (Rs90mn). We expect working capital to normalize to ~115 days over FY23-26E, led by the recent moderation in gold prices and other operational efficiencies. Post FY26, working capital should remain on an improving trend, led by an asset-light franchisee-led expansion.

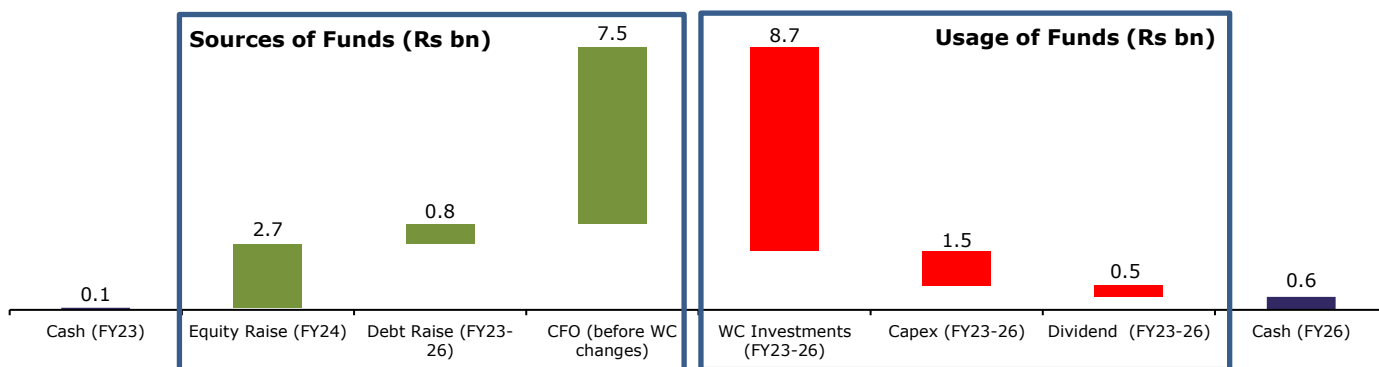
Exhibit 43: We expect WC to remain stable at ~115 days over FY24-26E, post a reduction in inventory days in FY24 due to the recent correction in gold prices



Source: Senco RHP (historicals), Emkay (projections), *Please note 'other net Assets' include Gold metal loans and other deposits/margin money

Internal accruals to service 80% of the required growth capital over FY23-26E: Given focus on brand creation through company-owned stores in new territories in the North and East India, we expect initial expansion to be through capital-intensive company-owned stores (COCO model; Rs200-220mn investment per store). Post establishment of a strong brand in new territories, we expect further expansion to be driven by asset-light franchisee stores (FOFO model), significantly aiding free-cash-flows for the company. We expect Senco to open 45 COCO stores over FY23-26E, which will entail capex/working capital investment of ~Rs10bn. We expect internal accruals to service 80% of the required growth capital, while the balance 20% should be serviced by the recent equity capital raise.

Exhibit 44: Senco will require Rs10bn growth capital to open 45 COCO stores over FY23-26, of which 80% would be serviced by internal accruals



Source: Senco RHP document (historicals), Emkay Research (projections)

Valuations: Trading at steep discount to peers; Consistent delivery on our expectations provides scope for re-rating

We expect Senco to deliver ~20% revenue/PAT CAGR over FY23-26E which is in line with that of some of the best-performing companies in our coverage universe. PAT CAGR would largely be led by revenue growth, along with our expectation of stable EBITDA margin. Medium-term growth prospects are also healthy, as scope to increase market share remains healthy in the current geography of operations and focus efforts are afoot to expand in the adjacent regions of the Northeast (Assam, Tripura), East (Bihar/Jharkhand/Orissa) and North (Delhi-NCR/UP). We expect the high-teens earnings CAGR to continue over FY26-36E as well.

We believe RoE would recover to mid-teen levels post the near-term moderation, due to normalization of gross margin on absence of diamond inventory gains. However, the RoE should keep inching up with increase in franchisee mix, improvement in asset turns with customers adapting to the elevated gold prices and increase in mix of jewelry purchase schemes.

Despite similar growth prospects, Senco is trading at ~40% discount to Kalyan Jewelers. While Kalyan has relatively better brand strength for faster Pan-India expansion, we believe such a steep discount is unwarranted and provides scope for re-rating, as Senco delivers on our expectations going ahead. Given the recent listing and higher revenue concentration from eastern markets currently, we are conservatively valuing the company at 20x Sep-25E EPS and recommend BUY on the stock, with Sep-24E TP of Rs630/share.

Exhibit 45: Economic peer comparison

Company name	Price (Rs)	Mcap (Rs bn)	Reco	Target Price (Rs)	EPS (Rs)			P/E (x)			EV/EBITDA (x)*		
					FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Titan Company	3,340	2,965	Hold	3,000	39.8	50.3	61.3	83.8	66.4	54.5	56.6	45.4	37.4
Varun Beverages	912	1,185	Buy	970	16.0	19.8	24.9	56.9	46.0	36.6	32.8	27.3	23.0
Page Industries	40,326	450	Sell	37,100	519.8	678.9	818.3	77.6	59.4	49.3	49.3	38.8	32.7
Jubilant FoodWorks	539	356	Sell	420	6.0	8.8	11.0	89.7	61.1	49.0	28.1	21.9	18.5
Devyani International	210	254	Hold	180	1.5	2.8	3.9	139.2	75.4	53.9	33.2	24.8	19.3
ABFRL	226	214	Hold	215	-5.3	-3.7	-2.2	-42.6	-60.9	-101.0	16.0	10.8	8.5
Westlife Development	980	153	Buy	1,035	10.4	12.9	17.1	94.5	76.1	57.1	31.0	26.2	21.4
Sapphire Foods	1,453	93	Hold	1,400	22.6	32.6	44.1	64.3	44.5	32.9	16.5	12.1	9.7
Go Fashion	1,361	74	Buy	1,430	19.4	26.4	34.0	70.2	51.5	40.0	27.1	20.7	16.5
Ethos	1,712	40	Buy	1,770	31.8	46.1	57.7	53.8	37.1	29.7	25.6	18.1	14.6
Senco Gold	473	37	Buy	630	21.6	27.6	35.0	21.9	17.1	13.5	11.7	9.3	7.5

Source: Company, Emkay Research; *Post IndAS-116 EBITDA

Exhibit 46: Senco currently trades at ~40% discount to Kalyan, despite similar revenue growth prospects

Company (%)	FY23-26E CAGR		FY23	FY26	1-Yr fwd P/E (x)
	Revenue	PAT	ROE		(Sep-24E EPS)
TTAN	18.0	18.5	30.9	26.5	74
KALYAN	23.0	31.4	11.9	16.2	33
SENCO	20.4	19.7	16.8	14.9	19

Source: Bloomberg estimates (Kalyan), Emkay Research

Potential upsides

- **Case-1: Improvement in credit rating and higher gold deposits can help to increase access to low-cost capital and improve ROE:** The cost and availability of capital (gold metal loans/WCDL/CC/SBLC) depend on the assigned credit ratings by credit agencies. Senco's fund-based working capital facilities have been assigned a rating of 'ICRA A' with a stable outlook for long-term facilities and a rating of 'ICRA A2+' for short-term facilities. An improvement in these ratings can lead to reduction in cost of capital, thereby helping to improve the profit growth and ROE for Senco, in our view.
- **Case-2: Better margin/WC performance should help Senco to get re-rated:** Given expansion in the non-East regions through COCO stores, our FY23-26E margin is conservative over FY23-26E. WC forms a significant part of the capital invested in the business (~90%). We are not building-in any significant moderation in WC in our estimates, and a better performance can significantly improve the RoE for Senco. Decline in gold prices remains a big lever for WC reduction in the business.

Potential downsides

- **Case-3: Senco is venturing into new geographies of operations which may require higher-than-expected time and investments:** Senco is venturing into non-eastern geographies to replicate its success in East India. While we are reasonably confident of long-term success, given high share of unorganized players, an increase in organized competition can delay the expected growth or can require more investments.
- **Case-4: Increase in Custom Duty:** We have seen regulatory interventions like increase in custom duty to reduce the fiscal deficit, in an uncertain macro environment. Such actions push up the gold price, thereby weakening the demand environment for a short period of time. While the GoI may chose this route for short-term fiscal disciplines, we do not see risk of sustained increase in custom duty, as such actions lead to more incentives for flow of smuggled gold into the country.

Appendix

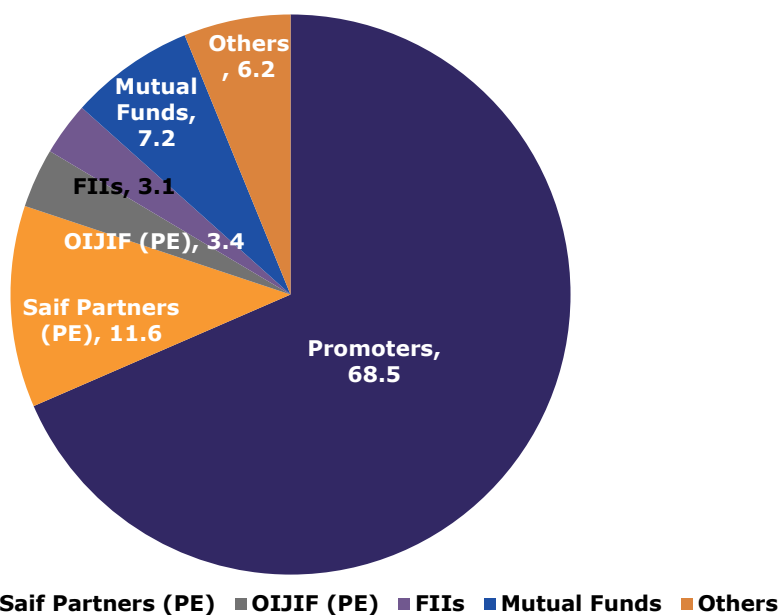
Senco Gold is a Pan-India retail jewelry player with a history of more than five decades and has a fourth-generation entrepreneur in the jewelry industry as the Promoter. It is the largest organized jewelry retail player in the eastern region of India, based on number of stores. The company primarily sells gold and diamond jewelry as well as jewelry made of silver, platinum and precious & semi-precious stones and other metals. Other offerings include costume jewelry, gold & silver coins, and utensils made of silver. Company offers a large variety of designs of handcrafted jewelry, most of which are designed and manufactured in-house by own designers, in close collaboration with skilled local craftsmen (generally termed *karigars*) in Kolkata and across the country. Machine-made light weight jewelry in gold and diamonds is also manufactured at Company's manufacturing facility.

Exhibit 47: Senco Gold's major events and milestones over the years

Year	Description
1994	Company incorporated by merging the existing proprietary and partnership
2000	Opened the first franchisee in Durgapur (West Bengal)
2002	Largest showroom with an area of ~8,000sqft launched in Kolkata (Moulali), West Bengal
2010	Adopted franchisee route to expand outside WB by opening first showroom in Assam
2012	Opened first showroom in Jharkhand under the franchisee model
2013	Entered northern region by opening the Lajpat Nagar showroom in Delhi
2014	Total number of showrooms cross 50; revenue crosses INR10bn
2015	Raises INR800mn equity from SAIF Partners India IV limited (now Elevation Capital)
2016	Entered southern region by opening a showroom in Bangalore; introduced the Everlite brand
2018	Revenue crossed INR20bn
2020	Crossed the 100-showrooms mark; launched 2 D'Signia showrooms targeting the elite class
2021	Awarded the second most-trusted jewelry brand by TRA and ET Trusted Brands
2022	Raises INR750mn equity from OIJIF II
2023	Revenue crossed INR40bn; listed on the NSE and BSE

Source: Company

Exhibit 48: Shareholding pattern



Source: Company, Emkay Research

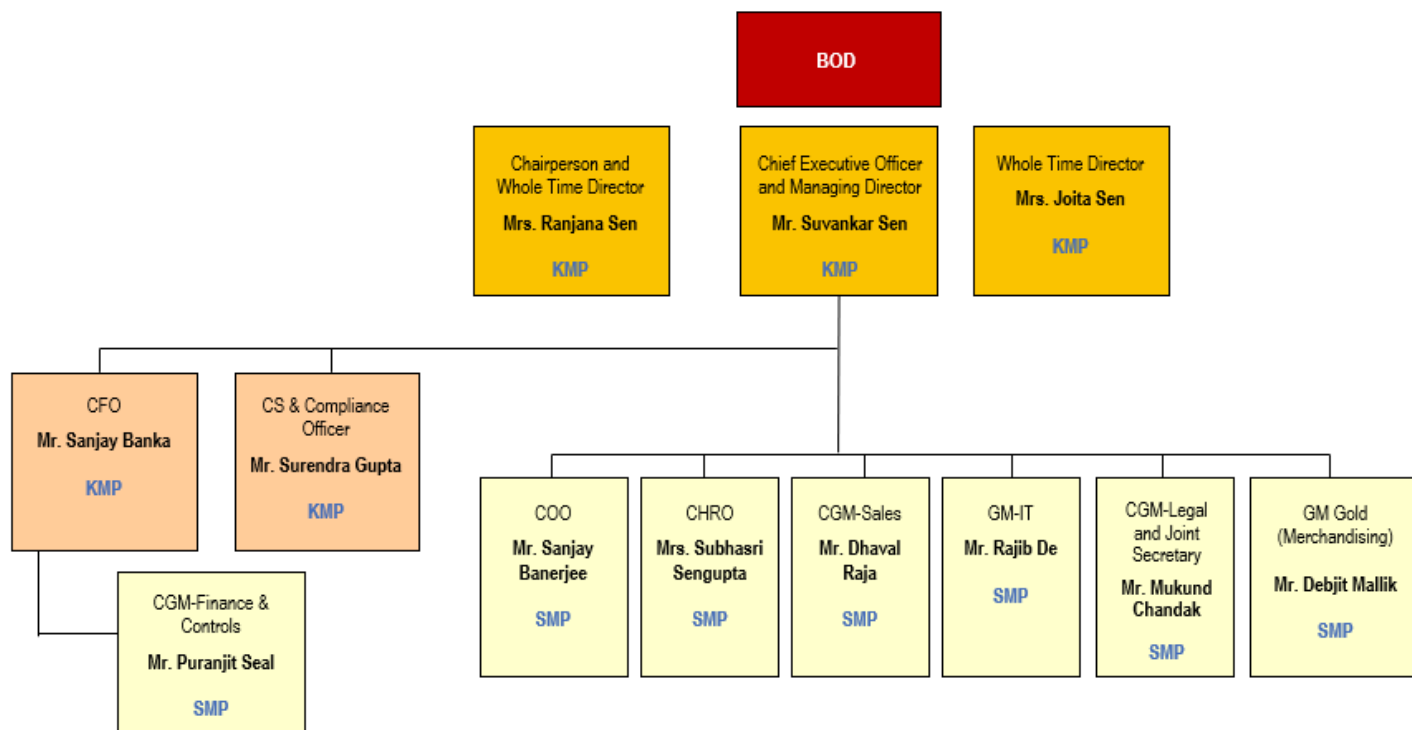
Exhibit 49: A brief about Senco Gold’s key management team

Name	Designation	Description
Ranjana Sen	Chairperson	Ranjana Sen, aged 64 years, is the Chairperson and Whole Time Director of the Company. She holds a bachelor’s degree in arts from the University of Calcutta. She has been associated with the Company since its incorporation and has over 29 years of experience in the jewelry industry
Suvankar Sen	Managing Director/Chief Executive officer	Suvankar Sen, aged 39 years, is a Whole Time Director designated as MD and CEO of the Company. He holds a degree in bachelors of Science with Honors in Economics from St. Xavier’s College, University of Calcutta. He also holds a post-graduate diploma in business management from the Institute of Management Technology, Ghaziabad. He has been associated with the Company since 2005 and has over 17 years of experience in the jewelry industry
Sanjay Banka	Chief Financial Officer	Sanjay Banka has been associated with the Company since December 21, 2020. He is a fellow member of the ICAI and ICSI. He is also a member of All India Management Association and Chartered Institute of Securities and Investment, United Kingdom. He has over 20 years of experience in the field of banking, corporate finance, company secretary, business strategy, M&A, taxation, IT implementation and treasury
Surendra Gupta	Company Secretary & Compliance Officer	Surendra Gupta heads the secretarial department and joined Senco on May 22, 2013. He holds a bachelors’ degree in commerce from the University of Calcutta and a L.L.B. degree from Magadh University. Further, he holds a degree in master of Business laws from National Law School of India University. He is a member of the Institute of Company Secretaries of India. He has over eight years of experience in the jewelry industry

Source: Senco Gold RHP document

Exhibit 50: Senco has invested to build a solid senior management employee base, to deliver a strong growth trajectory

MANAGEMENT ORGANISATION CHART



Source: Senco RHP document

Senco Gold : Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	35,346	40,774	50,147	59,955	71,240
Revenue growth (%)	32.9	15.4	23.0	19.6	18.8
EBITDA	2,772	3,166	3,522	4,421	5,462
EBITDA growth (%)	58.1	14.2	11.2	25.5	23.6
Depreciation & Amortization	421	456	543	660	783
EBIT	2,351	2,711	2,979	3,761	4,679
EBIT growth (%)	73.2	15.3	9.9	26.2	24.4
Other operating income	0	0	0	0	0
Other income	128	311	360	396	436
Financial expense	709	861	1,069	1,256	1,442
PBT	1,770	2,162	2,270	2,900	3,673
Extraordinary items	0	0	0	0	0
Taxes	479	577	590	754	955
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	1,291	1,585	1,680	2,146	2,718
PAT growth (%)	110.0	22.8	6.0	27.8	26.6
Adjusted PAT	1,291	1,585	1,680	2,146	2,718
Diluted EPS (Rs)	19.4	22.9	21.6	27.6	35.0
Diluted EPS growth (%)	110.0	18.0	(5.6)	27.8	26.6
DPS (Rs)	1.0	1.7	1.6	2.0	2.5
Dividend payout (%)	5.1	7.2	7.2	7.2	7.2
EBITDA margin (%)	7.8	7.8	7.0	7.4	7.7
EBIT margin (%)	6.7	6.6	5.9	6.3	6.6
Effective tax rate (%)	27.0	26.7	26.0	26.0	26.0
NOPLAT (pre-IndAS)	1,715	1,987	2,205	2,783	3,462
Shares outstanding (mn)	66.5	69.1	77.7	77.7	77.7

Source: Senco RHP document (historicals), Emkay Research (projections)

Cash flows					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
PBT	1,770	2,162	2,270	2,900	3,673
Others (non-cash items)	421	456	543	660	783
Taxes paid	(493)	(615)	(617)	(785)	(991)
Change in NWC	(2,697)	(3,324)	(1,989)	(2,985)	(3,528)
Operating cash flow	(418)	(773)	916	651	943
Capital expenditure	(235)	(393)	(480)	(495)	(510)
Acquisition of business	0	(1)	0	0	0
Interest & dividend income	128	311	360	396	436
Investing cash flow	(117)	(75)	(176)	(164)	(149)
Equity raised/(repaid)	0	750	2,700	0	0
Debt raised/(repaid)	1,496	1,322	307	326	347
Payment of lease liabilities	(390)	(447)	(529)	(650)	(780)
Interest paid	(518)	(642)	(810)	(938)	(1,059)
Dividend paid (incl tax)	0	0	0	0	0
Others	(43)	(136)	(121)	(155)	(196)
Financing cash flow	545	848	1,547	(1,417)	(1,689)
Net chg in Cash	10	(1)	2,286	(930)	(895)
OCF	(418)	(773)	916	651	943
Adj. OCF (w/o NWC chg.)	2,279	2,551	2,905	3,636	4,471
FCFF	(653)	(1,166)	436	156	433
FCFE	(1,234)	(1,715)	(273)	(705)	(573)
OCF/EBITDA (%)	(15.1)	(24.4)	26.0	14.7	17.3
FCFE/PAT (%)	(95.6)	(108.2)	(16.3)	(32.8)	(21.1)
FCFF/NOPLAT (%)	(38.1)	(58.7)	19.8	5.6	12.5

Source: Senco RHP document (historicals), Emkay Research (projections), *Change in Gold metal loan is included in Change in NWC

Balance Sheet					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share capital	665	691	777	777	777
Reserves & Surplus	6,595	8,764	12,937	14,929	17,451
Net worth	7,260	9,455	13,714	15,706	18,228
Minority interests	0	0	0	0	0
Deferred tax liability (net)	(141)	(179)	(206)	(237)	(273)
Total debt	4,316	5,396	5,665	5,947	6,244
Total liabilities & equity	11,435	14,671	19,172	21,415	24,199
Net tangible fixed assets	691	847	1,085	1,299	1,488
Net intangible assets	25	23	56	89	120
Net ROU assets	(113)	(171)	(235)	(314)	(409)
Capital WIP	65	131	131	131	131
Goodwill	0	0	0	0	0
Investments [JV/Associates]	0	1	1	1	1
Cash & equivalents	95	95	2,381	1,451	556
Current assets (ex-cash)	18,468	25,850	30,269	35,811	42,165
Current Liab. & Prov.*	7,796	12,105	14,516	17,052	19,852
NWC (ex-cash)	10,672	13,746	15,753	18,760	22,313
Total assets	11,435	14,671	19,172	21,415	24,199
Net debt	4,221	5,301	3,284	4,496	5,688
Capital employed	11,435	14,671	19,172	21,415	24,199
Invested capital	11,274	14,445	16,659	19,833	23,511
BVPS (Rs)	109.2	136.7	176.6	202.2	234.7
Net Debt/Equity (x)	0.6	0.6	0.2	0.3	0.3
Net Debt/EBITDA (x)	1.5	1.7	0.9	1.0	1.0
Interest coverage (x)	0.3	0.3	0.3	0.3	0.3
RoCE (%)	24.6	23.2	19.7	20.5	22.4

Source: Senco RHP document (historicals), Emkay Research (projections), *Gold metal loan is included in Current Liab. & Prov.

Valuations and key Ratios

Y/E Mar	FY22	FY23	FY24E	FY25E	FY26E
P/E (x)	24.4	20.7	21.9	17.1	13.5
P/CE(x)	18.4	16.0	16.5	13.1	10.5
P/B (x)	4.3	3.5	2.7	2.3	2.0
EV/Sales (x)	1.0	0.9	0.8	0.7	0.6
EV/EBITDA (x)	12.9	12.0	11.4	9.3	7.8
EV/EBIT(x)	15.2	14.0	13.4	11.0	9.1
EV/IC (x)	3.2	2.6	2.4	2.1	1.8
FCFF yield (%)	(1.8)	(3.1)	1.1	0.4	1.0
FCFE yield (%)	(3.9)	(5.2)	(0.7)	(1.9)	(1.6)
Dividend yield (%)	0.2	0.3	0.3	0.4	0.5
DuPont-RoE split					
Net profit margin (%)	3.7	3.9	3.3	3.6	3.8
Total asset turnover (x)	3.5	3.1	3.0	3.0	3.1
Assets/Equity (x)	1.5	1.6	1.5	1.4	1.3
RoE (%)	19.4	19.0	14.5	14.6	16.0
DuPont-RoIC					
NOPLAT margin (%)	4.9	4.9	4.4	4.6	4.9
IC turnover (x)	3.6	3.2	3.2	3.3	3.3
RoIC (%)	17.3	15.5	14.2	15.3	16.0
Operating metrics					
Core NWC days	55.3	63.5	66.7	67.5	67.0
Total NWC days	110.2	123.0	114.7	114.2	114.3
Fixed asset turnover	21.9	22.6	23.4	23.5	24.0
Opex-to-revenue (%)	5.8	6.7	6.0	5.9	5.9

Source: Senco RHP document (historicals), Emkay Research (projections)

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