

**We see significant re-rating scope for Senco, helped by our expectations of a strong pick-up/SSG outperformance in Q2 and valuation discount vs P N Gadgil (PNG) after its ~70% listing gain. Our checks suggest a strong pick-up in jewelry retail after a modest Q1, as intermediate cooling of gold prices rushed consumers to stores. In our view, Senco is now comfortably placed to meet or exceed its 18-20% annual growth guidance, despite only 11% growth in Q1. On a trailing basis (FY24 PAT), Senco is trading at a 45-55% discount to Titan/Kalyan and at ~25% discount to P N Gadgil. Given the strong execution in FY24/H1FY25E and relatively longer listing history, we believe the steep discount is unwarranted. Given the improved medium-term growth profile with a big 900bps duty cut and outperformance vs other retail formats, we are increasing our multiple by 15% to 36x EPS, and reiterate our BUY rating with a revised Sep-25E TP of Rs1,600/sh. Volatility in gross margin is a key downside.**

**Senco Gold: Financial Snapshot (Consolidated)**

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	40,774	52,414	63,197	74,900	88,452
EBITDA	3,166	3,755	5,289	6,071	7,312
Adj. PAT	1,585	1,810	2,752	3,106	3,810
Adj. EPS (Rs)	22.9	23.3	35.4	40.0	49.0
EBITDA margin (%)	7.8	7.2	8.4	8.1	8.3
EBITDA growth (%)	14.2	18.6	40.9	14.8	20.4
Adj. EPS growth (%)	18.0	1.6	52.1	12.8	22.7
RoE (%)	19.0	15.7	19.8	18.1	18.7
RoIC (%)	15.5	13.6	17.6	17.0	18.3
P/E (x)	55.9	55.0	36.2	32.1	26.1
EV/EBITDA (x)	29.7	28.1	20.0	17.4	14.4
P/B (x)	9.4	7.3	6.3	5.3	4.5
FCFF yield (%)	(1.4)	(2.0)	1.3	1.9	2.8

Source: Company, Emkay Research

**Specializes in light-weight jewelry with a heavy look; brand is accessible:** Senco offers the best brand accessibility vs peers in terms of product, price, and penetration in the eastern region. 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). 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, the key focus is on maintaining superior brand accessibility and generating higher footfalls, albeit at a lower ticket size vs peers (Rs65K ticket size vs Rs100-150K for TTAN/Kalyan).

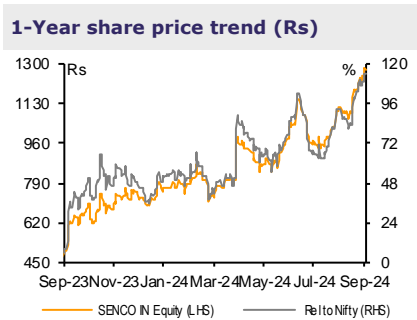
**Focus remains on replicating eastern success in non-eastern regions:** Senco has been investing in marketing, merchandizing, sales, and network expansion to strengthen its presence in non-eastern regions, majorly Delhi-NCR and Uttar Pradesh. Given its focus on brand creation in new non-eastern territories, we expect the initial expansion to be through company-owned stores (Rs250mn investment per store). After establishment of a strong brand in new territories, we expect further expansion to be driven by asset-light franchisee stores (FOFO model), thereby significantly aiding free cash flows for the company. We expect Senco to open 62 stores over FY24-27E on a base of 159 stores, equally divided between COCO and FOFO formats. While FOFO expansion is asset-light, the COCO expansion will entail a capex/WC investment of Rs8-10bn.

**Unit metrics are comparable to most players; focus on franchisee-led expansion should help generate better returns:** 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: Rs20mn warehouse inventory to support a FOFO store vs Rs250mn capital investment for a COCO store). 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 store level. Better margins help Senco to still command a similar or better ROCE profile vs peers (ex-TTAN).

Target Price – 12M	Sep-25
<b>Change in TP (%)</b>	<b>14.3</b>
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	24.9
CMP (17-Sep-24) (Rs)	1,281.5

Stock Data	Ticker
52-week High (Rs)	1,329
52-week Low (Rs)	461
Shares outstanding (mn)	77.7
Market-cap (Rs bn)	100
Market-cap (USD mn)	1,189
Net-debt, FY25E (Rs mn)	5,994
ADTV-3M (mn shares)	-
ADTV-3M (Rs mn)	526.2
ADTV-3M (USD mn)	6.3
Free float (%)	15.0
Nifty-50	25,419
INR/USD	83.8
<b>Shareholding, Jun-24</b>	
Promoters (%)	68.5
FPIs/MFs (%)	7.7/10.5

Price Performance				
(%)	1M	3M	12M	
Absolute	14.9	31.0	167.7	
Rel. to Nifty	11.0	20.9	112.6	



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## Story in Charts

**Exhibit 1: Senco is trading at 50-55% discount at 1Y-forward P/E compared to TTAN/KALYAN, despite strong growth prospects; execution on our expectations should drive re-rating**

Company	FY24-27E CAGR (%)		FY24	FY27E	1Y-fwd multiple	Valuation Discount
	Revenue	PAT	RoE (%)		(Sep-25E EPS)	(vs peers)
TTAN	15.8	23.1	32.9	35.0	77	56%
KALYAN	28.3	39.2	15.2	22.1	71	52%
SENCO	19.1	28.2	13.3	17.2	34	

Source: Company, Emkay Research; **Note: Kalyan estimates are based on Bloomberg consensus**

**Exhibit 2: On a trailing basis (FY24 PAT), Senco is trading at a 45-55% discount to Titan/Kalyan and ~25% discount to recent IPO in the jewelry space (P N Gadgil)**

Companies	Price (Rs)	Mcap (Rs bn)	FY24 PAT (Rs mn)	Trailing P/E (x)
KALYAN	713	736	5,963	123
TTAN	3,767	3,344	34,960	96
PNG	796	108	1,517	71
SENCO	1,279	99	1,810	55
THANGAMAYIL	2,236	61	1,232	50
TBZ	306	20	544	38

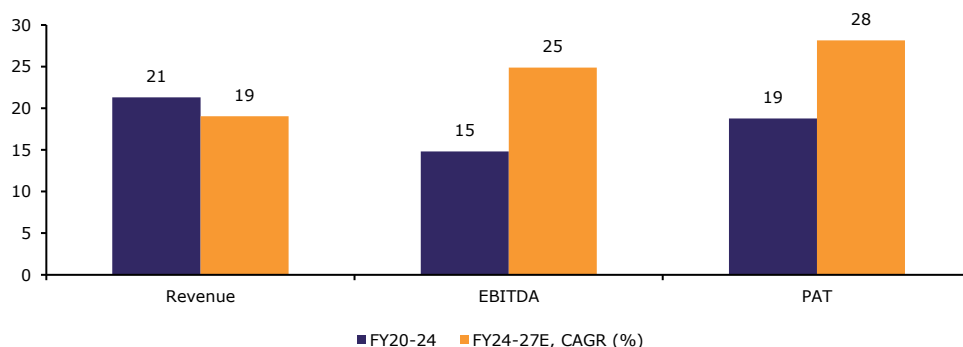
Source: Company, Emkay Research

**Exhibit 3: Senco's ROCE profile is similar to Kalyan**

COCO stores – Unit metrics	Titan	Senco	Thangamayil	Kalyan	TBZ	PNG
Total Stores	479	158	58	204	33	36
Revenue/Store- COCO (ex-Bullion)	1,000	400	750	900	800	1,500
Studded Mix	29%	11%	8%	29%	20%	9-10%
Gross-Margin	27-29%	17-18%	9-10%	15-16%	12-14%	12-13%
Store EBITDA Margin	22-23%	10-11%	6-7%	8-9%	5-6%	9-10%
Depreciation	4.0	2.5	4.0	4.0	5.3	2.0
EBIT Margin	22%	10%	6%	8%	5%	9%
WC/Store	400	200	200	340	330	300
Capex/Store	40	25	40	40	53	20
Invested Capital/Store	440	225	240	380	383	320
Store ROCE	50%	18%	19%	19%	10%	40%
Store EBIT Margin	22%	10%	6%	8%	5%	9%
Stock Turns	2.3	1.8	3.1	2.4	2.1	4.7
Debt/Equity	1.4	1.1	1.0	1.0	1.2	0.8

Source: Emkay Research

**Exhibit 4: Senco is likely to witness 25-28% EBITDA-PAT CAGR over FY24-27E, led by 12% store addition CAGR and balance through SSG**



Source: Company, Emkay Research

## Senco Gold: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
<b>Revenue</b>	<b>40,774</b>	<b>52,414</b>	<b>63,197</b>	<b>74,900</b>	<b>88,452</b>
Revenue growth (%)	15.4	28.5	20.6	18.5	18.1
<b>EBITDA</b>	<b>3,166</b>	<b>3,755</b>	<b>5,289</b>	<b>6,071</b>	<b>7,312</b>
EBITDA growth (%)	14.2	18.6	40.9	14.8	20.4
Depreciation & Amortization	456	601	764	876	1,002
<b>EBIT</b>	<b>2,711</b>	<b>3,154</b>	<b>4,525</b>	<b>5,195</b>	<b>6,310</b>
EBIT growth (%)	15.3	16.4	43.5	14.8	21.5
Other operating income	0	0	0	0	0
Other income	311	422	528	634	760
Financial expense	861	1,081	1,373	1,677	1,977
<b>PBT</b>	<b>2,162</b>	<b>2,495</b>	<b>3,680</b>	<b>4,152</b>	<b>5,094</b>
Extraordinary items	0	0	(650)	0	0
Taxes	577	685	763	1,046	1,284
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
<b>Reported PAT</b>	<b>1,585</b>	<b>1,810</b>	<b>2,266</b>	<b>3,106</b>	<b>3,810</b>
PAT growth (%)	22.8	14.2	25.2	37.0	22.7
<b>Adjusted PAT</b>	<b>1,585</b>	<b>1,810</b>	<b>2,752</b>	<b>3,106</b>	<b>3,810</b>
<b>Diluted EPS (Rs)</b>	<b>22.9</b>	<b>23.3</b>	<b>35.4</b>	<b>40.0</b>	<b>49.0</b>
Diluted EPS growth (%)	18.0	1.6	52.1	12.8	22.7
<b>DPS (Rs)</b>	<b>1.7</b>	<b>1.7</b>	<b>2.1</b>	<b>2.9</b>	<b>3.5</b>
<b>Dividend payout (%)</b>	<b>7.2</b>	<b>7.2</b>	<b>7.2</b>	<b>7.2</b>	<b>7.2</b>
EBITDA margin (%)	7.8	7.2	8.4	8.1	8.3
EBIT margin (%)	6.6	6.0	7.2	6.9	7.1
Effective tax rate (%)	26.7	27.5	20.7	25.2	25.2
<b>NOPLAT (pre-IndAS)</b>	<b>1,987</b>	<b>2,288</b>	<b>3,586</b>	<b>3,886</b>	<b>4,720</b>
Shares outstanding (mn)	69.1	77.7	77.7	77.7	77.7

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	2,162	2,495	3,680	4,152	5,094
Others (non-cash items)	456	601	764	876	1,002
Taxes paid	(615)	(734)	(798)	(1,086)	(1,329)
Change in NWC	(3,324)	(4,434)	(2,315)	(2,882)	(3,060)
<b>Operating cash flow</b>	<b>(773)</b>	<b>(1,413)</b>	<b>1,526</b>	<b>2,104</b>	<b>2,923</b>
Capital expenditure	(393)	(415)	(350)	(412)	(424)
Acquisition of business	(1)	0	0	0	0
Interest & dividend income	311	422	528	634	760
<b>Investing cash flow</b>	<b>(75)</b>	<b>159</b>	<b>144</b>	<b>183</b>	<b>292</b>
Equity raised/(repaid)	750	2,700	0	0	0
Debt raised/(repaid)	1,322	399	308	324	342
Payment of lease liabilities	(447)	(556)	(665)	(770)	(890)
Interest paid	(642)	(809)	(1,047)	(1,299)	(1,541)
Dividend paid (incl tax)	0	0	0	0	0
Others	(136)	(390)	(163)	(224)	(275)
<b>Financing cash flow</b>	<b>848</b>	<b>1,345</b>	<b>(1,568)</b>	<b>(1,969)</b>	<b>(2,364)</b>
Net chg in Cash	(1)	90	103	317	851
OCF	(773)	(1,413)	1,526	2,104	2,923
Adj. OCF (w/o NWC chg.)	2,551	3,021	3,841	4,986	5,983
FCFF	(1,166)	(1,828)	1,176	1,692	2,499
FCFE	(1,715)	(2,487)	331	648	1,282
OCF/EBITDA (%)	(24.4)	(37.6)	28.9	34.6	40.0
FCFE/PAT (%)	(108.2)	(137.4)	12.0	20.9	33.7
<b>FCFF/NOPLAT (%)</b>	<b>(58.7)</b>	<b>(79.9)</b>	<b>32.8</b>	<b>43.5</b>	<b>52.9</b>

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	691	777	777	777	777
Reserves & Surplus	8,764	12,878	14,981	17,863	21,398
<b>Net worth</b>	<b>9,455</b>	<b>13,655</b>	<b>15,758</b>	<b>18,640</b>	<b>22,176</b>
Minority interests	0	0	0	0	0
Deferred tax liability (net)	(179)	(228)	(263)	(302)	(347)
<b>Total debt</b>	<b>5,396</b>	<b>5,983</b>	<b>6,282</b>	<b>6,596</b>	<b>6,925</b>
<b>Total liabilities &amp; equity</b>	<b>14,671</b>	<b>19,410</b>	<b>21,778</b>	<b>24,934</b>	<b>28,753</b>
Net tangible fixed assets	847	1,121	1,217	1,337	1,433
Net intangible assets	23	65	63	68	75
Net ROU assets	(171)	(194)	(363)	(559)	(786)
Capital WIP	131	15	15	15	15
Goodwill	0	0	0	0	0
Investments [JV/Associates]	1	1	1	1	1
<b>Cash &amp; equivalents</b>	<b>95</b>	<b>185</b>	<b>288</b>	<b>605</b>	<b>1,455</b>
Current assets (ex-cash)	25,850	33,177	40,382	47,672	55,817
Current Liab. & Prov.	12,105	14,960	19,826	24,206	29,258
<b>NWC (ex-cash)</b>	<b>13,746</b>	<b>18,217</b>	<b>20,557</b>	<b>23,467</b>	<b>26,559</b>
<b>Total assets</b>	<b>14,671</b>	<b>19,410</b>	<b>21,778</b>	<b>24,934</b>	<b>28,753</b>
Net debt	5,301	5,798	5,994	5,991	5,470
Capital employed	14,671	19,410	21,778	24,934	28,753
<b>Invested capital</b>	<b>14,445</b>	<b>19,209</b>	<b>21,473</b>	<b>24,312</b>	<b>27,281</b>
BVPS (Rs)	136.7	175.7	202.8	239.9	285.4
Net Debt/Equity (x)	0.6	0.4	0.4	0.3	0.2
Net Debt/EBITDA (x)	1.7	1.5	1.1	1.0	0.7
Effective coverage (x)	0.3	0.3	0.3	0.3	0.3
<b>RoCE (%)</b>	<b>23.2</b>	<b>21.0</b>	<b>24.5</b>	<b>25.0</b>	<b>26.3</b>

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	55.9	55.0	36.2	32.1	26.1
P/CE(x)	37.2	35.4	23.2	21.4	17.7
P/B (x)	9.4	7.3	6.3	5.3	4.5
EV/Sales (x)	2.3	2.0	1.7	1.4	1.2
EV/EBITDA (x)	29.7	28.1	20.0	17.4	14.4
EV/EBIT(x)	30.0	28.9	20.2	17.6	14.4
EV/IC (x)	5.6	4.7	4.3	3.8	3.3
FCFF yield (%)	(1.4)	(2.0)	1.3	1.9	2.8
FCFE yield (%)	(2.3)	(2.9)	0.4	0.8	1.5
Dividend yield (%)	0.1	0.1	0.2	0.2	0.3
<b>DuPont-RoE split</b>					
Net profit margin (%)	3.9	3.5	4.6	4.1	4.3
Total asset turnover (x)	3.1	3.1	3.1	3.2	3.3
Assets/Equity (x)	1.6	1.5	1.4	1.4	1.3
<b>RoE (%)</b>	<b>19.0</b>	<b>15.7</b>	<b>19.8</b>	<b>18.1</b>	<b>18.7</b>
<b>DuPont-RoIC</b>					
NOPLAT margin (%)	4.9	4.4	5.7	5.2	5.3
IC turnover (x)	3.2	3.1	3.1	3.3	3.4
<b>RoIC (%)</b>	<b>15.5</b>	<b>13.6</b>	<b>17.6</b>	<b>17.0</b>	<b>18.3</b>
<b>Operating metrics</b>					
Core NWC days	63.5	65.1	67.2	67.7	66.7
<b>Total NWC days</b>	<b>123.0</b>	<b>126.9</b>	<b>118.7</b>	<b>114.4</b>	<b>109.6</b>
Fixed asset turnover	22.6	24.0	25.0	27.4	30.1
Opex-to-revenue (%)	6.7	6.3	6.5	6.3	6.2

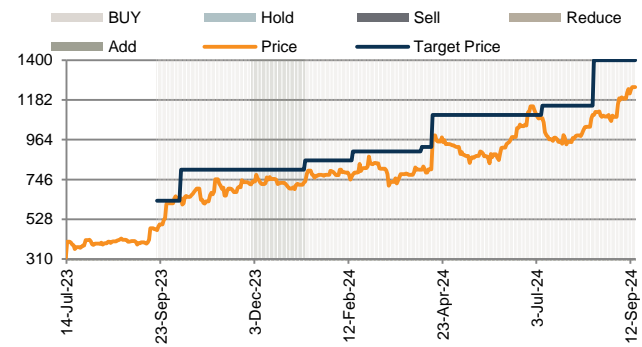
Source: Company, Emkay Research

## RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
15-Aug-24	1,099	1,400	Buy	Devanshu Bansal
23-Jul-24	990	1,150	Buy	Devanshu Bansal
07-Jul-24	1,083	1,150	Buy	Devanshu Bansal
24-May-24	874	1,100	Buy	Devanshu Bansal
15-Apr-24	952	1,100	Buy	Devanshu Bansal
07-Apr-24	800	925	Buy	Devanshu Bansal
15-Feb-24	774	900	Buy	Devanshu Bansal
10-Jan-24	735	850	Buy	Devanshu Bansal
30-Nov-23	719	800	Add	Devanshu Bansal
11-Nov-23	657	800	Buy	Devanshu Bansal
26-Oct-23	614	800	Buy	Devanshu Bansal
08-Oct-23	645	800	Buy	Devanshu Bansal
20-Sep-23	469	630	Buy	Devanshu Bansal

Source: Company, Emkay Research

## RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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<b>SELL</b>	<15% downside

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