

FINANCIAL MODEL

PLANT VISIT

Rising Stars

2024

IMPORT
SUBSTITUTION

ORGANISED
V/S
UNORGANISED

MANAGEMENT MEET

EXPORT
OPPORTUNITY

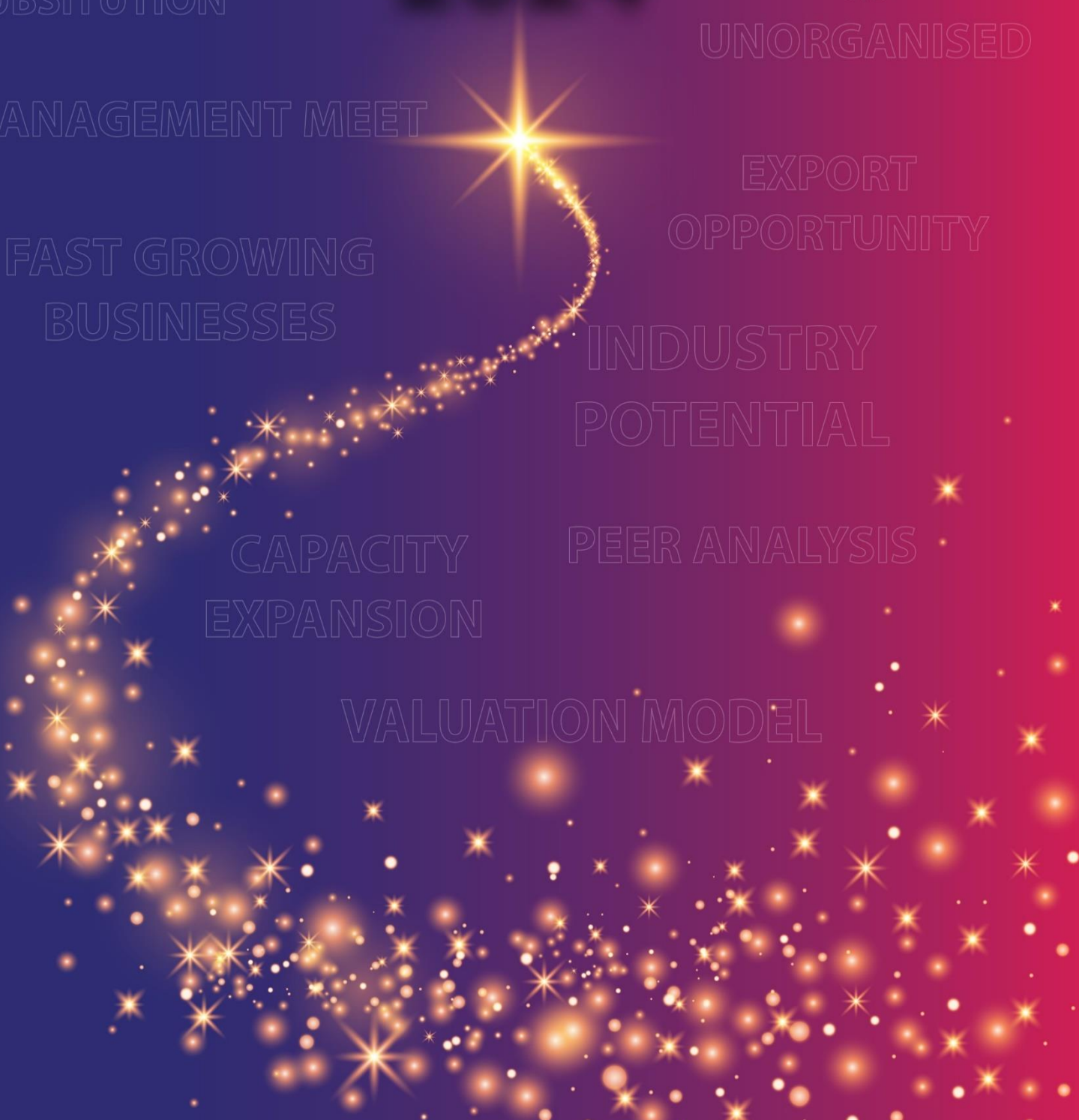
FAST GROWING
BUSINESSES

INDUSTRY
POTENTIAL

CAPACITY
EXPANSION

PEER ANALYSIS

VALUATION MODEL



Current Price (Rs)*	874.0
Target Price (Rs)	1,025.0
Upside (%)	17.3

*closing price of 24th May, 2024

STOCK DATA

Industry Segment	Retail
BSE Code	543936
NSE Code	SENCO
Bloomberg Code	SENCO IN
52 Week High / Low (Rs.)	1,066.5/358.5
Face Value (Rs.)	10.0
Diluted Number of Shares (Crore.)	7.8
Market Cap. (Rs Crore.)	6,790.5

SHAREHOLDING PATTERN (%)

Particulars	Jun-23	Sep-23	Dec-23	Mar-24
Promoters	-	68.5	68.5	68.5
FII	-	14.4	14.5	14.0
DII	-	8.5	7.0	7.5
Public & Others	-	8.6	10.1	10.0
Total	-	100.0	100.0	100.0

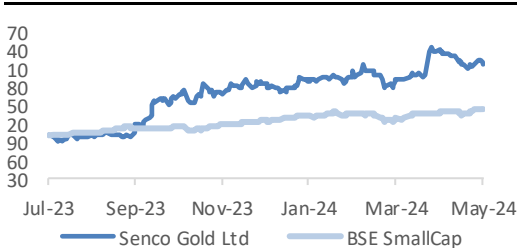
RETURNS STATISTICS (%)

Particulars	1M	3M	6M	12M
Senco Gold	-9.1	7.9	19.5	NA
BSE SmallCap	2.4	4.3	20.6	60.3

VALUATION & RETURN RATIO

Particulars	FY22A	FY23A	FY24A	FY25E	FY26E
PE (x)	36.0	30.8	37.5	31.3	24.3
P/BV (x)	6.4	5.2	5.0	4.3	3.7
EV/EBITDA (x)	18.9	17.8	20.6	17.6	14.3
EV/Net Sales (x)	1.5	1.4	1.5	1.3	1.1
Mcap/Sales (x)	1.3	1.2	1.3	1.1	0.9
RoE (%)	19.4	19.0	15.7	14.8	16.4
ROCE (%)	18.2	16.3	14.3	13.9	15.3

STOCK PERFORMANCE (since listing)



Source: BSE/SSL Research

Key highlights of 4QFY24 result

Strong YoY performance albeit margins were under pressure due to increased competition: Senco Gold reported robust sales growth of 39.7% YoY at Rs 1,137 cr supported by higher footfall growth, rise in gold prices and attractive offers & launches during the quarter. EBITDA/PAT grew 31.5%/23.6% YoY to Rs 88 cr and Rs 32 cr respectively. EBITDA margin was under pressure due to heightened competition leading to more offers and discounts during the quarter. Senco's EBITDA margin dropped 48 bps YoY to 7.7%, however, going forward the management aims to keep operating margin at ~8%.

For FY24, Senco's revenue grew 28.5% YoY to Rs 5,241 cr. Retail revenue growth was 25% YoY mainly led by higher SSSG of 19%, higher stud ratio, higher export sales and 23+ new store. Diamond jewellery sales during the year grew 37% YoY while stud ratio improved 100 bps YoY to 11.4% in FY24. Senco will continue to focus on its strategy to grow stud ratio by 100-120 bps per annum. D/E improved from 1.2x to 1.1x aided by free cash flows during the year and IPO proceeds which were utilized to reduce working capital. Senco's old gold exchange with customers has grown substantially over the last 2 years from ~15% of the overall business in FY22 to 32% of the overall business in FY24. The loyalty customer value stands at 55%+ for the company at present indicating strong consumer confidence.

Net store addition of 23 in FY24: The company net added 23 stores during FY24 out of which 6 were franchise stores and 17 were company operated stores. The total store count of Senco as on date stands at 159. The franchises have been more focused in the Eastern India expansion. Senco inaugurated Dubai store on Akshaya Tritiya which is still in the process of setting up customer connect. The company will open 8-10 each company owned and franchise stores in FY25, 70-80% of which will be focused in Eastern and Northern India as the company wants to play on economies of scale and brand leverage.

Growth outlook for FY25: Despite strong FY24, the company aims to clock topline and bottomline growth of 18-20% and 15-20% respectively in FY25. The company going forward will increase the GML in the total borrowing to 70-75% from current 55% levels which will help reduce cost as GML carries interest rate of 3.2-3.8% while other debt component such as cash credit or demand loan carries interest rate of ~9.5%.

Maintain BUY - Target Rs 1,025: We believe Senco has huge headroom to grow given its strong legacy in the jewellery business, expanding footprint through a strong and diverse distribution channel, focus on light affordable jewellery with better price point and healthy growth visibility from both its company operated and franchise stores.

We maintain BUY on the stock and upgrade our target price to Rs 1,025 which implies an upside potential of 17.3% for 12-18 months.

Financial Summary

Particulars (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Net sales	3,534.6	4,077.4	5,241.4	6,239.3	7,490.7
<i>growth (%)</i>	<i>32.9</i>	<i>15.4</i>	<i>28.5</i>	<i>19.0</i>	<i>20.1</i>
EBITDA	277.2	316.6	375.5	449.2	561.8
<i>growth (%)</i>	<i>58.1</i>	<i>14.2</i>	<i>18.6</i>	<i>19.6</i>	<i>25.1</i>
EBITDA margin (%)	7.8	7.8	7.2	7.2	7.5
Adj. Net Profit	129.1	158.4	181.0	216.9	279.5
<i>growth (%)</i>	<i>109.9</i>	<i>22.7</i>	<i>14.2</i>	<i>19.8</i>	<i>28.9</i>
EPS (Rs)	24.3	28.4	23.3	27.9	36.0
P/E (x)	36.0	30.8	37.5	31.3	24.3
P/BV (x)	6.4	5.2	5.0	4.3	3.7
D/E (x)	1.2	1.2	1.1	1.1	1.0
RoE (%)	19.4	19.0	15.7	14.8	16.4
RoCE (%)	18.2	16.3	14.3	13.9	15.3
Dividend yield (%)	0.2	0.1	0.2	0.2	0.2

4QFY24 Result

Particular	4QFY24	4QFY23	Y-o-Y % Change	3QFY24	Q-o-Q % Change	Comments
Net Sales	1,137.3	813.9	39.7	1,652.2	-31.2	~40% YoY revenue growth driven by higher footfall growth, gold price rise and attractive offers & launches.
COGS	942.9	660.5	42.8	1,343.9		
Employee Cost	28.0	28.0	0.3	32.5		
Other Expense	78.6	58.8	33.8	94.8		
Total Operating Expenditure	1,049.6	747.2	40.5	1,471.1		
EBITDA	87.7	66.7	31.5	181.1	-51.6	
EBITDA Margin (%)	7.7	8.2		11.0		Drop in margin was on account of increased competition and higher opex due to new store launches.
Depreciation	18.4	14.0		15.8		
EBIT	69.3	52.7	31.6	165.3	-58.0	
EBIT Margin (%)	6.1	6.5		10.0		
Interest	29.8	24.5		28.3		
Other Income	12.8	7.4		8.9		
Extraordinary item	-	-		-		
PBT	52.4	35.5	47.4	145.9	-64.1	
PBT Margin (%)	4.6	4.4		8.8		
Tax	20.2	9.5	112.4	36.6	-44.8	
Effective Tax Rate (%)	38.6	26.8		25.1		
PAT	32.2	26.0	23.6	109.3	-70.6	Strong YoY PAT growth driven by high sales growth of 40%.
PAT Margin (%)	2.8	3.2		6.6		
EPS (Rs per share)	4.1	3.4	23.6	14.1	-70.6	

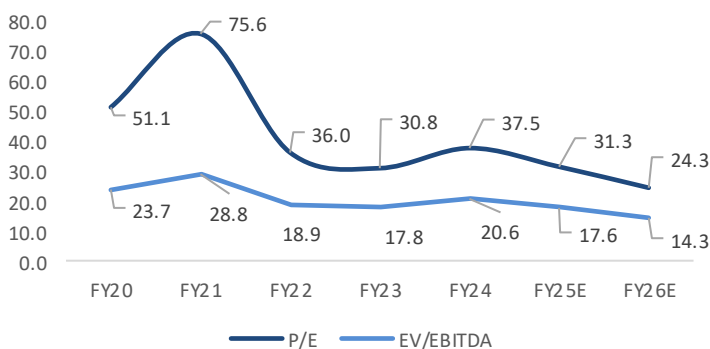
Source: Company/SSL Research

Estimates

Particulars (Rs cr)	New		Old		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	6,239.3	7,490.7	6,425.7	7,925.8	-2.9	-5.5
EBITDA	449.2	561.8	449.9	572.4	-0.1	-1.9
EBITDA Margin (%)	7.2	7.5	7.0	7.2	0.2	0.3
PAT	216.9	279.5	216.5	284.8	0.2	-1.8
EPS (Rs per share)	27.9	36.0	27.9	36.7	0.1	-1.9

Source: SSL Research

Valuation Metrics (x)



Source: SSL Research

Financial Statements

Income Statement

Figures in crore

Particulars	FY22A	FY23A	FY24A	FY25E	FY26E
Net sales	3,534.6	4,077.4	5,241.4	6,239.3	7,490.7
growth (%)	32.9	15.4	28.5	19.0	20.1
Operating expenses	3,257.4	3,760.8	4,865.9	5,790.1	6,928.9
EBIDTA	277.2	316.6	375.5	449.2	561.8
growth (%)	58.1	14.2	18.6	19.6	25.1
Depreciation & amortization	42.1	45.6	60.1	69.9	81.6
EBIT	235.1	271.0	315.4	379.3	480.3
Other income	12.8	31.1	42.2	44.4	45.7
Interest paid	70.9	86.1	108.1	124.6	140.5
PBT	177.0	216.1	249.5	299.0	385.4
Tax	47.9	57.7	68.5	82.1	105.8
Effective tax rate (%)	27.0	27.0	27.5	27.5	27.5
Reported Net profit	129.1	158.4	181.0	216.9	279.5
Minority interest/Share of JVs	-	-	-	-	-
Adj. Net profit after minority interest	129.1	158.4	181.0	216.9	279.5
Non-recurring items	-	-	-	-	-
Adj. Net profit after minority interest & exceptional items	129.1	158.4	181.0	216.9	279.5
growth (%)	109.9	22.7	14.2	19.8	28.9

Balance Sheet

Figures in crore

Particulars	FY22A	FY23A	FY24A	FY25E	FY26E
Cash & Bank balances	278.8	437.6	551.4	559.8	572.1
Inventories	1,391.2	1,885.5	2,457.0	2,748.2	3,176.5
Other current assets	131.2	178.0	275.0	273.1	327.9
Net fixed assets	223.1	279.6	362.0	385.2	425.6
Tangible Assets	69.1	84.7	115.8	126.9	150.6
Right of Use Assets	151.6	192.7	243.4	257.6	274.1
Intangible Assets	2.4	2.2	2.8	0.8	1.0
Capital WIP	6.5	13.1	1.5	17.1	20.5
Long Term Investments	0.0	0.1	0.1	0.1	0.1
Other non-current assets	69.1	111.5	75.7	129.3	154.8
Total assets	2,100.0	2,905.2	3,722.7	4,112.9	4,677.6
Current liabilities	1,227.7	1,744.2	2,111.5	2,275.8	2,530.4
Borrowings	0.4	1.4	1.1	1.1	1.3
Lease Liabilities	145.1	188.4	235.5	247.3	285.8
Other non-current liabilities	0.9	25.7	9.1	17.9	21.5
Total Non-Current liabilities	1,374.1	1,959.7	2,357.1	2,542.1	2,838.9
Share capital	53.2	55.9	77.7	77.7	77.7
Reserves & surplus	659.5	876.4	1,287.8	1,493.1	1,761.0
Shareholders' funds	726.0	945.5	1,365.5	1,570.8	1,838.7
Minority interest	-	-	-	-	-
Total equity & liabilities	2,100.0	2,905.2	3,722.7	4,112.9	4,677.6

Cash Flow Statement

Figures in Cr.

Particulars	FY22A	FY23A	FY24A	FY25E	FY26E
Pre-tax profit	177.0	216.1	249.5	299.0	385.4
Depreciation	42.1	45.6	60.1	69.9	81.6
Chg in working capital	-312.3	-347.1	-608.1	-292.5	-374.2
Total tax paid	-38.8	-59.2	-70.8	-82.1	-105.8
Other operating activities	62.0	68.5	75.3	90.4	105.1
Operating CF	-69.9	-76.1	-293.8	84.8	92.0
Capital expenditure	-24.7	-31.1	-38.2	-33.7	-34.5
Other investing activities	-132.4	-166.9	-80.2	-43.5	-2.7
Investing CF	-157.1	-198.0	-118.5	-77.2	-37.2
FCF	-94.6	-107.3	-332.1	51.1	57.5
Equity raised/(repaid)	-	75.0	248.2	-	-
Debt raised/(repaid)	330.5	314.2	321.2	166.7	141.5
Payment of lease liabilities	-17.3	-20.4	-59.7	-64.3	-73.7
Interest paid	-70.4	-83.3	-79.1	-89.9	-98.7
Dividend (ind. tax)	-14.7	-11.4	-9.3	-11.6	-11.6
Other financing activities	-	-	-	-	-
Financing CF	228.0	274.1	421.3	0.9	-42.5
Net change in cash & bank bal.	1.0	-0.1	9.0	8.4	12.3
Closing cash & cash equivalents	9.6	9.5	18.5	26.9	39.2

Important Ratios

Particulars	FY22A	FY23A	FY24A	FY25E	FY26E
Profitability and return ratios (%)					
EBIDTAM	7.8	7.8	7.2	7.2	7.5
EBITM	6.7	6.6	6.0	6.1	6.4
NPM	3.6	3.9	3.4	3.5	3.7
RoE	19.4	19.0	15.7	14.8	16.4
RoCE	18.2	16.3	14.3	13.9	15.3
Per share data (Rs)					
O/s shares (Cr.)	5.3	5.6	7.8	7.8	7.8
EPS	24.3	28.4	23.3	27.9	36.0
FDEPS	24.3	28.4	23.3	27.9	36.0
CEPS	32.2	36.5	31.0	36.9	46.5
BV	136.5	169.3	175.8	202.3	236.7
DPS	1.5	1.0	1.5	1.5	1.5
Valuation ratios (x)					
PE	36.0	30.8	37.5	31.3	24.3
P/BV	6.4	5.2	5.0	4.3	3.7
EV/EBIDTA	18.9	17.8	20.6	17.6	14.3
EV/ Net sales	1.5	1.4	1.5	1.3	1.1
Other key ratios					
D/E (x)	1.2	1.2	1.1	1.1	1.0
Debtors period (days)	3	4	3	4	4
Creditors period (days)	10	13	13	13	12
Inventory period (days)	126	147	151	152	144
Cash conversion cycle (days)	119	138	141	143	136
Du Pont Analysis - RoE					
NPM (%)	3.6	3.9	3.4	3.5	3.7
Asset turnover (x)	16.0	15.7	16.1	16.4	17.8
Equity Multiplier (x)	0.3	0.3	0.3	0.3	0.2
RoE (%)	19.4	19.0	15.7	14.8	16.4

Recommendation History



Source: Company, SSL Research

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