

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	SENCO IN
Equity Shares (m)	78
M.Cap.(INRb)/(USDb)	85.4 / 1
52-Week Range (INR)	1177 / 380
1, 6, 12 Rel. Per (%)	15/34/147
12M Avg Val (INR M)	443

Financials & Valuations (INR b)

Y/E March (INR b)	FY24	FY25E	FY26E
Sales	52.4	63.0	73.4
Sales Growth (%)	28.5	20.2	16.6
EBITDA	3.8	4.9	5.6
Margins (%)	7.2	7.7	7.7
Adj. PAT	1.8	2.4	2.9
Adj. EPS (INR)	23.3	31.3	37.4
EPS Growth (%)	1.6	34.4	19.5
BV/Sh.(INR)	175.7	205.0	239.5

Ratios

Debt/Equity	0.7	0.7	0.6
RoE (%)	15.7	16.4	16.8
RoCE (%)	11.8	12.4	12.6

Valuations

P/E (x)	47.4	35.3	29.5
EV/EBITDA(x)	23.0	17.8	15.4

Shareholding pattern (%)

As On	Jun-24	Mar-24
Promoter	68.5	68.5
DII	10.5	7.5
FII	7.7	14.0
Others	13.4	10.0

CMP: INR 1,099 TP: INR1,350 (+23%) Buy

Better margin delivery in tough quarter

- Senco's consolidated revenue grew 8% YoY to INR14,039m (est. INR15,469m) in 1QFY25. SSSG decelerated to 4% (vs. 23% in 4QFY24, 19% in FY24), impacted by heatwaves, general elections, fewer wedding days and gold inflation. The management noted that demand has bounced back after the reduction in customs duty. Demand for both wedding and non-wedding jewelry saw a spike. The share of studded jewelry was lower at 10% compared to 11% in 1QFY24. Studded revenue declined ~3% YoY.
- Gross margin expanded by 480bp YoY and 20bp QoQ to 17.3%, due to better performance from franchised stores, lower discounting and higher sales of high-end jewelry. EBITDA margin improved to 7.7% vs. 5.1% in 1QFY24. The reduction in customs duty is expected to impact inventory valuation by INR500m and, consequently, affect gross margin and EBITDA over the next 2 to 3 quarters. The management has lowered its profitability guidance to 15-18% from the previous range of 18-20%.
- The company added 6 stores (4 owned out of which 1 in Dubai and 2 franchisees), bringing the total count to 165 stores. The company remains on track with its plan to open 18-20 stores in FY25.
- Senco is strategically expanding its presence in eastern markets and other regions. The company aims to grow its consumer base by focusing on lightweight jewelry and capitalizing on the trend of studded jewelry, thereby expanding into more geographical areas. We reiterate our BUY rating on the stock with a TP of INR1,350 (based on 35x Jun'26 P/E).

Beat on margin despite weak sales performance

- **Weak sales performance with mid-single digit SSSG:** Consolidated revenue grew 8% YoY to INR14,039m (est. INR15,469m) vs. INR13,054m in 1QFY24. Standalone revenue rose 9% YoY, with an 11% increase in retail revenue. SSSG decelerated sharply to 4% YoY.
- **Improvement in margins:** Consolidated gross margin expanded 480bp YoY/20bp QoQ to 17%. (est. 13%), despite fewer wedding days and competitive pressure. As a percentage of sales, staff costs rose 50bp YoY and other expenses grew 170bpYoY. EBITDA margin expanded 260bp YoY to 7.7% (est. 5.1%) vs. 7.7% in 4QFY24.
- **Healthy double-digit growth:** EBITDA/PBT/adj. PAT grew 62%/89%/84% YoY to INR1,087m/INR708m/INR513m (est. INR809m/INR487m/INR365m).
- **Store Expansion:** Senco opened 6 stores (4 owned and 2 franchisees), taking the total count to 165. It opened its first international company-owned store in Dubai.
- **Recycled Gold Sales Surge:** Average transaction value increased by 12% to INR73,900, and average selling price (ASP) grew 13% to INR49,000, driven by events. The percentage of sales from recycled gold (old gold from customers) increased from 32% to 35%, with ~43,000 customers benefiting from this offer during 1Q.
- **Entry into LGD:** The company has also launched lab-grown diamonds (LGD) under the Sennes Brand and its a margin-accretive segment.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Key takeaways from the management commentary

- The revenue performance was impacted by various factors, including elections, heatwaves and fluctuation in gold prices. During Akshaya Tritiya, sales over the 41-day period increased by 21% in terms of sales value.
- Hedging involves selling on MCX or taking gold loans, which hedge international price movements but not duty cuts. The management estimates a financial impact of around INR500m due to inventory loss (paid customs duties). It will be spread over 2Q and 3Q.
- SSSG improved significantly, particularly in franchisee stores, contributing to the company's overall growth.
- The company aims for 18-20% revenue growth in FY25, with 12-13% expected from SSSG and the rest from new store openings.
- The guidance of 18-20% growth in profit may be moderated by the duty impact (expected to be 15-18%).
- SENCO plans to open 18 to 20 stores in FY25.

Valuation and view

- We maintain our FY25 and FY26 EPS estimates.
- SENCO is one of the most promising players in the organized retail jewelry market. The company has a pan-India presence with a strong network in the east region (store/revenue mix of 75%/ 80%). SENCO operated a total of 165 stores across India, with 97 company-owned stores and 68 franchise stores as of Jun'24. SENCO holds ~4% market share in the eastern region, predominately in West Bengal, where 75% of its eastern region stores are located.
- The company is further expanding its footprint in eastern markets and scaling up its network in other regions. SENCO aims to expand its consumer base (presence in 16 states and 109 towns & cities) by focusing on light-weight jewelry and capturing the consumer trend of studded (250bp gain in studded ratio in the last three years to 11.4%). In line with the formalization in the jewelry market, we continue to see store expansion-led growth for SENCO (estimate addition of 34 stores during FY24-26E, taking the total to 193 stores).
- We estimate a CAGR of 18%/22%/27% in revenue/EBITDA/adj. PAT over FY24-26. The stock is currently trading at 30x FY26E EPS, with RoE/RoIC of 17%/13% in FY26E. **We reiterate our BUY rating with a TP of INR1,350 (based on 35x Jun'26 P/E).**

Consolidated Quarterly Performance

(INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		1QE		
Net Sales	13,054	11,466	16,522	11,373	14,039	14,332	20,239	14,382	52,414	62,992	15,469	(9.2)
Change (%)	29.6	25.8	23.3	39.7	7.5	25.0	22.5	26.5	28.5	20.2	18.5	
Gross Profit	1,632	1,354	3,083	1,944	2,428	1,935	3,744	2,343	8,014	10,450	1,965	23.6
Gross Margin (%)	12.5	11.8	18.7	17.1	17.3	13.5	18.5	16.3	15.3	16.6	12.7	
Operating Expenses	960	960	1,272	1,067	1,341	1,359	1,590	1,297	4,259	5,587	1,156	
% of Sales	7.4	8.4	7.7	9.4	9.5	9.5	7.9	9.0	8.1	8.9	7.5	
EBITDA	672	395	1,811	877	1,087	576	2,154	1,045	3,755	4,862	809	34.4
Margin (%)	5.1	3.4	11.0	7.7	7.7	4.0	10.6	7.3	7.2	7.7	5.2	
Change (%)	22.1	21.2	11.3	31.5	61.8	45.8	18.9	19.2	18.6	29.5	20.4	
Interest	266	234	283	298	322	325	335	346	1,081	1,328	285	
Depreciation	126	133	158	184	181	185	195	194	601	755	151	
Other Income	94	110	89	128	123	120	122	121	422	486	113	
PBT	375	139	1,459	524	708	186	1,746	626	2,495	3,266	487	45.4
Tax	98	20	366	202	195	47	438	153	685	833	122	
Effective Tax Rate (%)	26.1	14.1	25.1	38.6	27.6	25.1	25.1	24.4	27.5	25.5	25.1	
Adjusted PAT	277	119	1,093	322	513	139	1,308	473	1,810	2,433	365	40.6
Change (%)	23.5	22.9	5.3	24.9	84.0	30.3	20.4	46.9	14.2	34.4	31.8	

E: MOFSL Estimates

Key Performance Indicators

Particulars (INR m)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Revenue	10,072	9,111	13,396	8,139	13,054	11,466	16,522	11,373	14,039
YoY growth (%)	N/A	N/A	N/A	N/A	29.6	25.8	23.3	39.7	7.5
Stores	131	134	136	136	142	145	155	159	165
-COCO	71	73	75	75	80	83	90	93	97
-FOFO	60	61	61	61	62	62	65	66	68
Store addition	0	3	2	0	6	3	10	4	6
Stud ratio (%)	9	10	12	10	11	12	10	13	10
Gross profits	1,357	1,085	2,582	1,534	1,632	1,354	3,083	1,944	2,428
GM (%)	13.5	11.9	19.3	18.9	12.5	11.8	18.7	17.1	17.3
EBITDA	550	326	1,627	667	672	395	1,811	877	1,087
EBITDA margin (%)	5.5	3.6	12.1	8.2	5.1	3.4	11.0	7.7	7.7
PBT	310	119	1,381	355	375	139	1,459	524	708
PBT margin (%)	3.1	1.3	10.3	4.4	2.9	1.2	8.8	4.6	5.0
PAT	223	87	1,031	258	275	107	1,086	322	507
PAT margin (%)	2.2	1.0	7.7	3.2	2.1	0.9	6.6	2.8	3.6
Revenue/ Store (INR m)	76,889	67,992	98,503	59,848	91,930	79,073	1,06,594	71,527	85,084
EBITDA/ Store (INR m)	4,200	2,431	11,967	4,906	4,732	2,723	11,684	5,517	6,590



Key takeaways from the management commentary

Demand environment and outlook

- The revenue performance was impacted by various factors, including elections, heatwaves, and fluctuations in gold prices.
- Retail sales increased by 9.6%, with SSSG growth at 4%.
- During Akshaya Tritiya, sales over the 41-day period increased by 21% in terms of sales value.
- The average transaction value grew by 12%, while the average selling price increased by 13%.
- Hedging involves selling on MCX or taking gold loans, which hedge international price movements but not duty cuts.

- The management estimates a financial impact of around INR500m due to inventory loss (paid customs duties). Its will be spread over 2Q and 3Q.
- The company aims for 18-20% revenue growth in FY25, with 12-13% expected from SSSG and the rest from new store openings.
- The guidance of 18-20% growth on the bottom line may be moderated by the duty impact (expected to be 15-18%).
- SENCO is currently hedged for more than 90%.
- The company's sales primarily consist of smaller size diamonds, which have experienced limited price corrections.
- Larger diamonds, around 50 cents, have seen a more significant price correction.

Cost and margin

- In a rising gold price scenario, the company typically sees a higher gross margin in absolute terms, even if the percentage margin remains unchanged.
- Diamond sales, which typically boost margins, saw a decline of about 3% to 4% in 1Q.
- Margins were under pressure due to high competition, discounting, and price cuts.

Store Expansion

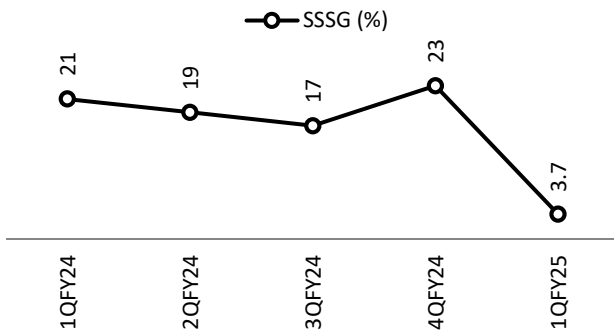
- The company added six new stores, including four company-owned (one in Dubai) and two franchise stores.
- The company aims to open 18 to 20 stores in FY25.

Other

- SSSG improved significantly, particularly in franchisee stores, contributing to the company's overall growth.
- The company is experiencing growth in Tier 3 and Tier 4 towns, indicating a resurgence in demand from these areas.
- Demand for gold is rising, as customers are trading old gold to purchase new gold amid increasing prices.
- Gold was sourced through gold metal loans and MCX at a 55/45 ratio.
- The company has a large gold inventory of 2,800kg, with daily purchases of around 25-30kg.
- The company needs to hedge its inventory, which includes around 2,800kg of gold, with 40-50kg of this being unfixed gold metal loans from banks.
- The company launched the Gathbandhan Collection, featuring wedding jewelry such as necklaces and bangles.
- The recent 9% duty reduction is expected to boost demand in the wedding and non-wedding category, with footfalls already increasing.
- Despite challenges in diamond sales, the company has built up its inventory to ~INR25b, including around INR4.5-5b in diamonds.

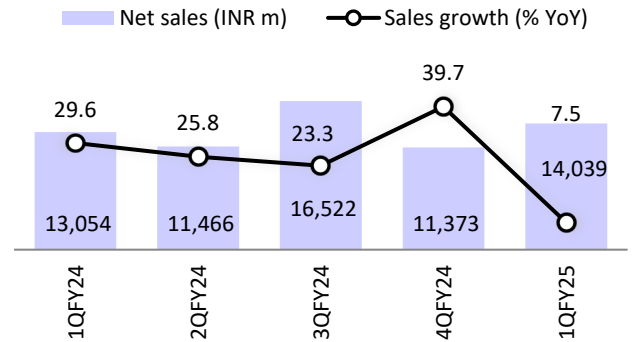
Key exhibits

Exhibit 1: India SSSG at 4% in 1QFY25



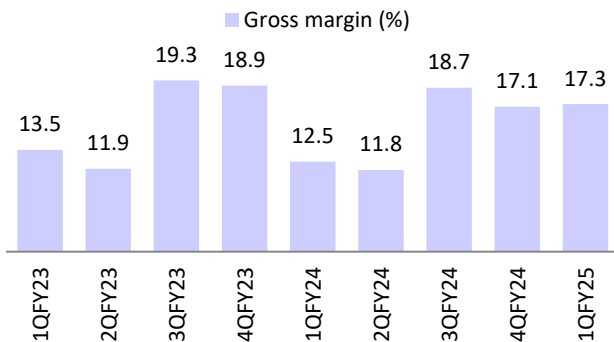
Source: Company, MOFSL

Exhibit 2: Sales grew 8% YoY, led by SSSG and store additions



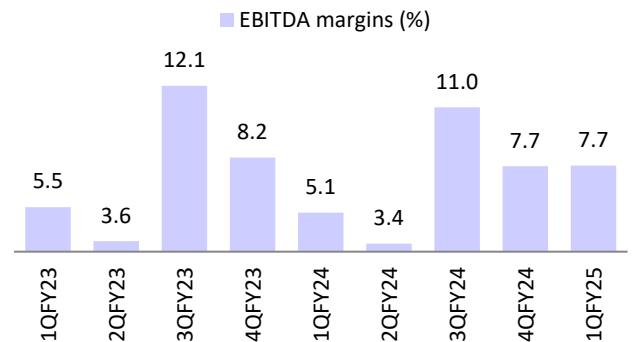
Source: Company, MOFSL

Exhibit 3: GP margin expanded 480bp YoY to 17.3%



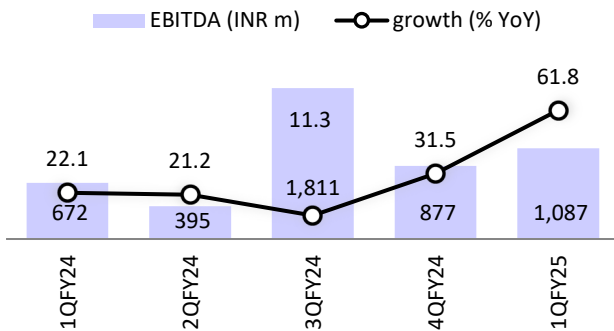
Source: Company, MOFSL

Exhibit 4: EBITDA margin rose 260bp YoY to 7.7% in 1QFY25



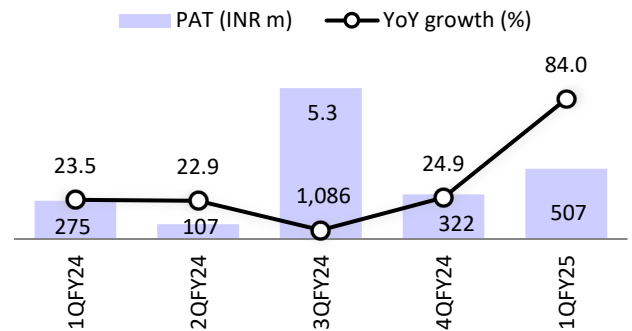
Source: Company, MOFSL

Exhibit 5: Strong growth in EBITDA of 62% YoY in 1QFY25



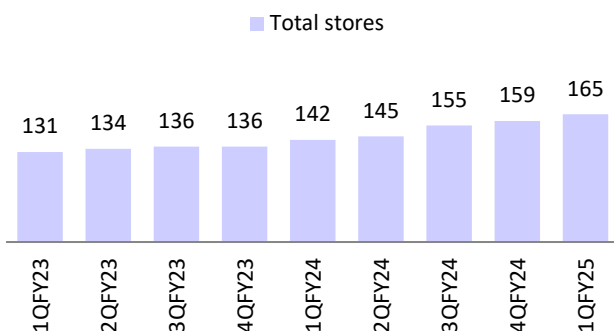
Source: Company, MOFSL

Exhibit 6: Adj. PAT jumped 84% in 1QFY25



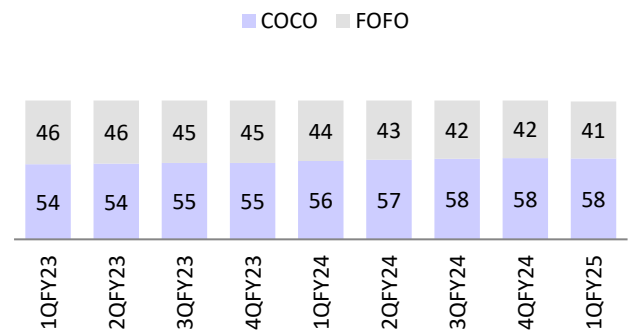
Source: Company, MOFSL

Exhibit 7: Added 6 (4 owned out of which 1 in Dubai and 2 franchisees) store in 1QFY25



Source: Company, MOFSL

Exhibit 8: Store mix between COCO/FOCO at 58/41 in 1QFY25



Source: Company, MOFSL

Valuation and view

- We maintain our FY25 and FY26 EPS estimates.
- SENCO is one of the most promising players in the organized retail jewelry market. The company has a Pan-India presence with a strong network in the east region (store/revenue mix of 75%/ 80%). SENCO operated a total of 165 stores across India, with 97 company-owned stores and 68 franchise stores as of Jun'24. SENCO holds ~4% market share in the eastern region, predominately in West Bengal, where 75% of its eastern region stores are located.
- The company is further expanding its footprint in eastern markets and scaling up its network in other regions. SENCO aims to expand its consumer base (presence in 16 states and 109 towns & cities) by focusing on light-weight jewelry and capturing the consumer trend of studded (250bp gain in studded ratio in the last three years to 11.4%). In line with the formalization in the jewelry market, we continue to see store expansion-led growth for SENCO (estimate addition of 34 stores during FY24-26E, taking the total to 193 stores).
- We estimate a CAGR of 18%/22%/27% in revenue/EBITDA/adj. PAT over FY24-26. The stock is currently trading at 30x FY26E EPS, with RoE/RoIC of 17%/13% in FY26E. **We reiterate our BUY rating with a TP of INR1,350 (based on 35x Jun'26 P/E).**

Exhibit 9: No material change in our EPS estimates for FY25/FY26

(INR b)	New		Old		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Net Sales	62,992	73,436	63,123	74,349	0%	-1%
EBITDA	4,862	5,620	4,543	5,391	7%	4%
Adjusted PAT	2,433	2,909	2,353	2,886	3%	1%

Financials and valuations

Income Statement								(INR m)	
Y/E March	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
Net Sales	24,843	24,203	26,604	35,346	40,774	52,414	62,992	73,436	85,708
Change (%)	12.5	-2.6	9.9	32.9	15.4	28.5	20.2	16.6	16.7
Gross Profit	3,732	4,242	3,750	5,541	6,555	8,014	10,450	12,082	14,042
Margin (%)	15.0	17.5	14.1	15.7	16.1	15.3	16.6	16.5	16.4
Other expenditure	1,977	2,081	1,997	2,769	3,388	4,259	5,587	6,462	7,542
EBITDA	1,755	2,162	1,753	2,772	3,166	3,755	4,862	5,620	6,500
Change (%)	24.9	23.2	-18.9	58.1	14.2	18.6	29.5	15.6	15.7
Margin (%)	7.1	8.9	6.6	7.8	7.8	7.2	7.7	7.7	7.6
Depreciation	278	372	396	421	456	601	755	868	980
Int. and Fin. Charges	448	557	666	709	861	1,081	1,328	1,413	1,556
Other Income - Recurring	94	87	145	128	311	422	486	544	609
Profit before Taxes	1,123	1,320	837	1,770	2,162	2,495	3,266	3,883	4,573
Change (%)	17.8	17.5	-36.6	111.5	22.1	15.4	30.9	18.9	17.8
Margin (%)	4.5	5.5	3.1	5.0	5.3	4.8	5.2	5.3	5.3
Tax	471	371	288	496	613	728	833	975	1,148
Deferred Tax	-68	40	-66	-17	-37	-43	0	0	0
Tax Rate (%)	35.9	31.1	26.5	27.0	26.7	27.5	25.5	25.1	25.1
Profit after Taxes	721	909	615	1,291	1,585	1,810	2,433	2,909	3,425
Change (%)		26.2	-32.4	110.0	22.8	14.2	34.4	19.5	17.8
Margin (%)	2.9	3.8	2.3	3.7	3.9	3.5	3.9	4.0	4.0
Extraordinary income	0	0	0	0	0	0	0	0	0
Reported PAT	721	909	615	1,291	1,585	1,810	2,433	2,909	3,425

Balance Sheet

Y/E March	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
Share Capital	665	665	665	665	691	777	777	777	777
Preference Share Capital	0	0	0	0	0	0	0	0	0
Reserves	4,002	4,853	5,361	6,595	8,764	12,878	15,156	17,831	20,946
Net Worth	4,667	5,518	6,026	7,260	9,455	13,655	15,933	18,608	21,723
Minority Interest	0	0	0	0	0	0	0	0	0
GML	3,054	2,003	2,504	4,314	6,376	9,070	10,415	11,233	12,809
Loans	2,626	3,750	2,820	4,316	5,396	5,913	6,667	6,891	7,856
Lease liabilities	1,029	1,351	1,474	1,630	2,098	2,628	2,958	3,326	3,653
Deferred Tax	-114	-59	-127	-141	-179	-228	-228	-228	-228
Capital Employed	11,262	12,564	12,697	17,378	23,145	31,038	35,744	39,831	45,813
Gross Block	1,272	1,428	1,537	1,726	2,035	2,558	2,876	3,181	3,493
Less: Accum. Depn.	507	679	864	1,035	1,188	1,399	1,673	1,975	2,307
Net Fixed Assets	765	749	674	691	847	1,158	1,204	1,206	1,187
Goodwill	0	0	0	0	0	0	0	0	0
Intangibles	47	27	27	25	23	28	28	26	24
Capital WIP	47	44	24	65	131	15	15	15	15
Right of use asset	961	1,246	1,417	1,516	1,927	2,434	2,590	2,792	2,897
Investments	0	0	0	0	1	1	1	1	1
Curr. Assets, L&A	10,744	13,098	13,323	18,563	25,945	33,362	38,960	43,955	51,216
Inventory	8,684	10,871	10,395	13,912	18,855	24,570	28,930	33,038	38,815
Account Receivables	184	277	276	394	454	529	639	744	869
Cash and Bank Balance	1,150	920	1,281	2,788	4,376	5,514	6,147	6,439	7,225
Others	725	1,030	1,371	1,469	2,261	2,749	3,244	3,735	4,307
Curr. Liab. and Prov.	1,301	2,601	2,769	3,483	5,729	5,960	7,054	8,165	9,526
Trade Payables	591	1,251	609	1,174	1,445	2,069	2,447	2,858	3,338
Provisions	68	25	31	14	27	66	78	91	106
Other current liabilities	642	1,325	2,128	2,295	4,258	3,825	4,529	5,216	6,082
Net Current Assets	9,442	10,497	10,554	15,081	20,216	27,402	31,906	35,791	41,689
Application of Funds	11,262	12,564	12,697	17,378	23,145	31,038	35,744	39,831	45,813

E: MOFSL Estimates

Financials and valuations

Ratios							(INR m)		
Y/E March	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
Basic (INR)									
EPS	10.8	13.7	9.2	19.4	22.9	23.3	31.3	37.4	44.1
Cash EPS	15.0	19.3	15.2	25.8	29.5	31.0	41.0	48.6	56.7
BV/Share	70.2	83.0	90.6	109.2	136.7	175.7	205.0	239.5	279.6
DPS	0.0	0.0	0.0	0.0	0.0	1.0	2.0	3.0	4.0
Payout %	0.0	0.0	0.0	0.0	0.0	4.3	6.4	8.0	9.1
Valuation (x)									
P/E	101.9	80.8	119.5	56.9	48.2	47.4	35.3	29.5	25.1
Cash P/E	73.6	57.4	72.7	42.9	37.4	35.6	26.9	22.7	19.5
EV/Sales	3.0	3.2	2.8	2.1	1.9	1.6	1.4	1.2	1.0
EV/EBITDA	42.7	35.3	42.8	27.1	24.5	23.0	17.8	15.4	13.3
P/BV	15.7	13.3	12.2	10.1	8.1	6.3	5.4	4.6	4.0
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.3	0.4
Return Ratios (%)									
RoE	16.7	17.9	10.7	19.4	19.0	15.7	16.4	16.8	17.0
RoCE	9.6	10.9	8.7	12.0	10.9	9.6	10.2	10.5	10.7
RoIC	11.0	11.9	9.6	14.0	13.4	11.8	12.4	12.6	12.8
Working Capital Ratios									
Inventory days	125	147	146	126	147	151	155	154	153
Debtor (Days)	4	3	4	3	4	3	3	3	3
Payables days	9	14	13	9	12	12	13	13	13
Cash conversion days	121	137	137	120	139	142	145	144	143
Inventory turnover (x)	2.9	2.5	2.5	2.9	2.5	2.4	2.4	2.4	2.4
Asset Turnover (x)	2.2	1.9	2.1	2.0	1.8	1.7	1.8	1.8	1.9
Leverage Ratio									
Net Debt/Equity (x)	1.0	0.9	0.7	0.8	0.8	0.7	0.7	0.6	0.6
Cash Flow Statement									
Y/E March	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
OP/(loss) before Tax	1,123	1,320	837	1,770	2,162	2,495	3,266	3,883	4,573
Int./Div. Received	-47	-47	-50	-72	-164	-249	-486	-544	-609
Depreciation & Amort.	278	372	396	421	456	601	755	868	980
Interest Paid	448	557	666	709	861	1,081	1,328	1,413	1,556
Direct Taxes Paid	-546	-404	-421	-388	-592	-708	-833	-975	-1,148
Incr in WC	-1,024	-2,241	934	-1,313	-1,408	-3,386	-2,472	-2,717	-3,472
CF from Operations	276	-462	2,310	1,111	1,306	-244	1,557	1,928	1,880
Incr in FA	-193	-211	-140	-247	-311	-382	-330	-313	-322
Free Cash Flow	83	-673	2,170	864	995	-626	1,228	1,615	1,558
Investments	1	2	-136	113	-212	44	-680	-814	-805
Others	58	43	53	60	127	201	486	544	609
CF from Invest.	-134	-166	-224	-74	-396	-138	-524	-583	-518
Issue of Shares	-	-	-0	0	750	2,482	0	-	-0
Incr in Debt	213	1,137	-923	1,499	1,086	521	754	224	965
Dividend Paid	-33	-83	-	-148	-114	-93	-155	-233	-311
Interest paid	-343	-545	-682	-705	-833	-791	-1,328	-1,413	-1,556
Others	-220	-111	-120	-176	-211	-600	330	368	327
CF from Fin. Activity	-383	398	-1,725	471	678	1,519	-400	-1,053	-576
Incr/Decr of Cash	-241	-231	361	1,507	1,588	1,138	634	291	786
Add: Opening Balance	1,391	1,150	920	1,281	2,788	4,376	5,514	6,147	6,439
Closing Balance	1,150	920	1,281	2,788	4,376	5,514	6,147	6,439	7,225

E: MOFSL Estimates

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