



IPO Note

P N Gadgil Jewellers Limited

Recommendation: **APPLY!**

Company Background –

- P N Gadgil Jewellers Limited was originally formed and incorporated on Oct 28, 2013. The registered office is located at Pune, Maharashtra.
- The company offers a wide range of precious metal/jewellery products including gold, silver, platinum, and diamond jewellery under its brand name "PNG" in various price ranges and designs.
- The company had 1,418 permanent employees as of July 31, 2024.

Objects of the Issue –

- Funding expenditure towards setting-up of 12 New Stores in Maharashtra, India ("New Stores")
- Repayment and/or prepayment, in full or part of certain of outstanding borrowings availed by the company
- General Corporate Purposes

Promoters Name –

Saurabh Vidyadhar Gadgil, Radhika Saurabh Gadgil and SVG Business Trust

Rationale for recommendation –

- ✓ The top line, bottom line and profitability margins have increased over the years.
- ✓ The company is the second-largest retail jewellery brand in Maharashtra.
- ✓ They plan to expand by setting up 12 new stores.
- ✓ The company has good experience in the industry.
- ✓ The management overview is satisfactory.

IPO Details

Opening Date	Sep 10, 2024
Closing Date	Sep 12, 2024
Allotment Date	Sep 13, 2024
Listing Date	Sep 17, 2024
Stock Exchange	BSE, NSE
Lot Size	31 Shares
Issue Price Per Share	₹456 to ₹480
Issue Size	1,100.00 Cr.
Fresh Issue	850.00 Cr.
Offer for Sale	250.00 Cr.
Application Amt	₹ 14,880 – ₹ 1,93,440 (31 to 403 shares)

INDUSTRY - Jewellery

P/E Average - 63.31

		KPIs	(In Crores)	
KPI's	FY 22	FY 23	FY 24	
Revenue	2,555.63	4,507.52	6,110.95	
EBITDA	111.31	122.73	269.27	
Net Profit	69.51	93.70	154.34	
RoCE	22.28%	20.10%	35.97%	
ROE	22.48%	25.09%	28.88%	
P/E	81.49	60.45	36.70	

Promoter Share Holding Pattern

Pre-Issue	Post Issue
100.00%	83.11%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	13.08	11.37
BVPS	0.45	0.63
P/E	36.70	42.20
P/BV	1,059.93	761.57
Mkt Cap (In Cr)	5,664.00	6,514.00

Lead Managers –

Motilal Oswal investment Advisors Limited

Nuvama Wealth Management Limited

BOB Capital Markets Limited

Registrar –

Bigshare Services Private Limited

Business Overview –

P N Gadgil Jewellers Limited is the second largest jewellery player in Maharashtra. They offer a wide range of precious metal/jewellery products including gold, silver, platinum, and diamond jewellery under its brand name "PNG" in various price ranges and designs. In addition to the sale of branded jewellery products, they also provide 'make to order' jewellery options. As on July 31, 2024, they had expanded to 39 stores (28 owned stores and 11 franchisee stores), which includes 38 stores across 21 cities in Maharashtra and Goa and one store in the U.S.

They have eight sub-brands which cater to gold jewellery collections for different occasions, two sub brands which cater to the diamond jewellery collections and two sub- brands which cater to platinum jewellery collections.

Sub-Brands -

Brand	Type of Offerings
Saptam (Gold)	Wedding and festive collection, which include hand crafted elements.
Swarajya (Gold)	Wedding collection with fusion of traditional Maharashtrian designs and modern jewellery styles.
Rings of Love (Gold)	Wedding collection, which includes gold rings created using laser and computer numerical count making techniques.
The Golden Katha of Craftmanship (Gold)	Wedding collection, which includes Necklaces and bangles with Gokak Karagiri made from 100 years old dies.
Flip (Gold)	'Mangalsutra' collection for weddings
Lifestyle (Gold)	Daily wear jewellery featuring youthful, elegant, functional and contemporary designs.
Pratha (Gold)	Include all kinds of jewellery for celebration of weddings.
Yoddha (Gold)	Gold chains and rings for men
Eiina (Diamond)	Diamond jewellery for women.
PNG Solitaire (Diamond)	Solitaire collection for men and women.
Men of Platinum (Platinum)	Platinum jewellery for men
Evergreen Love (Platinum)	Platinum jewellery for weddings and couples

Subsidiary -

- Gadgil Diamonds Private Limited** - Primarily engaged, inter alia, in the business of manufacturing and retailing diamond and diamond jewellery. The registered office is located at Mumbai. (99.99% shareholding)
- PNG Jewelers Inc.** - Primarily engaged, inter alia, in the business of retail trade of jewellery. The registered office is located at California. (100.00% shareholding).

Strengths -

- The company is well established and a trusted brand in Maharashtra. It is also the second largest retail jewellery player in Maharashtra.
- They have a diversified product portfolio comprising over 10,000 SKUs in gold, over 1,200 SKUs in silver, over 2,700 SKUs in platinum and over 24,000 SKUs in diamond jewellery designs.

Revenue Bifurcation Product-wise -

(Amt in Crores)

Particulars	FY 2022		FY 2023		FY 2024	
	Amt	%	Amt	%	Amt	%
Gold	2,303.75	90.19	4,093.34	90.85	5,632.55	92.20
Silver	122.20	4.78	163.42	3.63	209.69	3.43
Diamond	104.49	4.09	196.29	4.36	225.18	3.69
Platinum & Other	23.88	0.93	52.77	1.17	41.44	0.68
Total Finished Goods Sold	2,554.32	100.00	4,505.82	100.00	6,108.86	100.00

Utilization of Net Proceeds –

The net proceeds of the issue will be utilized for funding expenditure towards setting-up of 12 New Stores in Maharashtra, India (Rs. 3,92.57 Cr), repayment or pre-payment, in full or part, of certain borrowings availed by the company (Rs. 300 Cr) and remaining for general corporate purposes.

Competition -

- 1. Market Competition:** The jewellery industry is highly competitive where the key factors of competition primarily comprise of product quality, brand value, price and customer network.
- 2. Geographic Competition:** The company faces competition in regional, national, and international players from large and small players.
- 3. Barriers to entry:** Moderate barriers to entry.
- 4. Threat of Substitutes:** High threat of substitutes.
- 5. Bargaining Power of Suppliers:** The bargaining power is low with the suppliers.
- 6. Bargaining Power of Buyers:** The bargaining power is high with the customers.

Business Strategies -

- The company intends to expand their retail network in western India by increasing their number of stores and intend to open an additional 9 stores by FY2025 and 3 stores by FY 2026.
- The company intends to invest in promotional and marketing strategies, including location-based marketing, event focused campaigns, engaging brand ambassadors and digital marketing.
- The company intends to optimise their product mix and promote premium and higher value products and designs.
- They aim to continue to increase presence in the digital space through online platform as well as through online marketplaces.

Risk Factors -

The company's majority sales are derived from gold which accounted to 90.14%, 90.81% and 92.17% for FY 2022, 2023 and 2024 respectively.

Majority of the revenue of the company is derived from Pune, which contributes to 56.84%, 62.58% and 64.61% for FY 2022, 2023 and 2024 respectively and they are dependent on top 5 stores for their revenue generation.

The company has filed 6 outstanding cases regarding criminal matter and civil matters amounting to Rs. 152.69 Cr and there are 8 outstanding cases against the company for criminal, tax and civil matters amounting to Rs. 5.58 Cr.

The directors and promoters have 6 cases against them regarding criminal and civil matters amounting to Rs. 0.21 Cr.

The subsidiary companies have filed 1 case for criminal matter amounting to Rs. 2.5 Cr and have 5 cases against them for tax and civil matters amounting to Rs. 12.10 Cr.

The company has contingent liabilities amounting to Rs. 7.36 Cr.

PEER ANALYSIS

Particulars	P N Gadgil Jewellers Limited			Kalyan Jewellers India Limited			Senco Gold Limited			Thangamayil Jewellery Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	2.7%	2.1%	2.5%	2.1%	3.1%	3.2%	3.6%	3.9%	3.4%	1.8%	2.5%	3.2%
EBITDA Margin	4.4%	2.7%	4.4%	8.2%	8.3%	7.7%	8.4%	8.8%	8.2%	4.0%	5.0%	5.7%
RoCE	22.3%	20.1%	36.0%	17.5%	21.3%	22.3%	29.5%	27.1%	23.0%	17.8%	26.4%	31.9%
ROE	22.5%	25.1%	28.9%	7.1%	11.9%	14.3%	17.8%	16.8%	13.3%	11.9%	20.5%	25.0%
EPS (INR)	5.89	7.94	13.08	2.18	4.20	5.80	24.27	29.07	27.11	7.02	19.37	44.91
P/E	81.49	60.45	36.70	28.39	25.08	73.76	-	-	28.46	78.47	25.94	28.68

INTERPRETATION -

- The company has less market cap compared to peers and the market cap of Kalyan Jewellers is very large.
- The cash conversion cycle of the company is less than its peers.
- The PE ratio of the company is high compared to Senco Gold and Thangamayil Jewellery.
- The company's RoCE and ROE are better compared to its peers.
- The PAT and EBITDA margin is slightly low compared to peers.

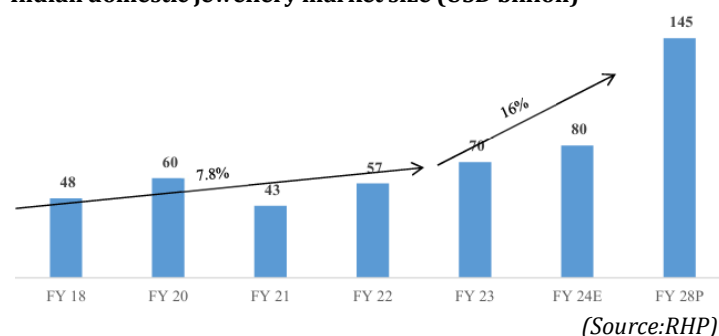
INDUSTRY OVERVIEW – Jewellery

Indian Scenario -

The Indian jewellery retail sector's size in FY 2023 was close to USD 70 billion. Projections indicate that the jewellery retail market is poised for growth, expected to reach approximately USD 145 billion by FY 2028.

The fine jewellery segment in India constitutes ~90% of the overall jewellery market. It is further categorized into Gold and Non-Gold categories, with Non-Gold encompassing Diamond, Platinum, Silver, Platinum, and other materials. Projections indicate that the Non-Gold market is poised to expand at a CAGR of 18.8% from FY 2023 to FY 2028, reaching a market valuation of USD 19 billion.

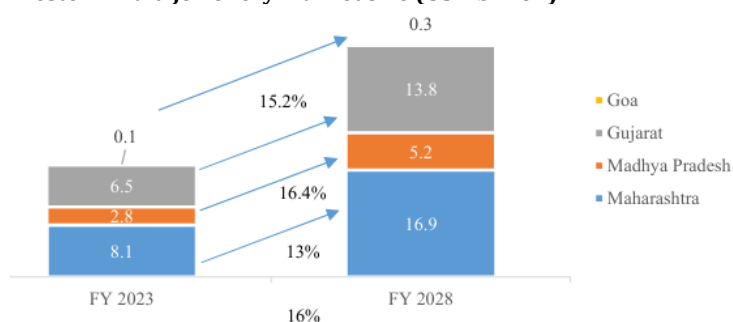
Indian domestic jewellery market size (USD billion)



Maharashtra Scenario -

The jewellery sector in Maharashtra, with its rich heritage and strategic location, plays a pivotal role in shaping the industry landscape in West India. Encompassing Maharashtra, Gujarat, Madhya Pradesh, and Goa, this region accounts for a quarter of India's jewellery market, a USD 17.5 billion industry.

Western India jewellery market size (USD billion)

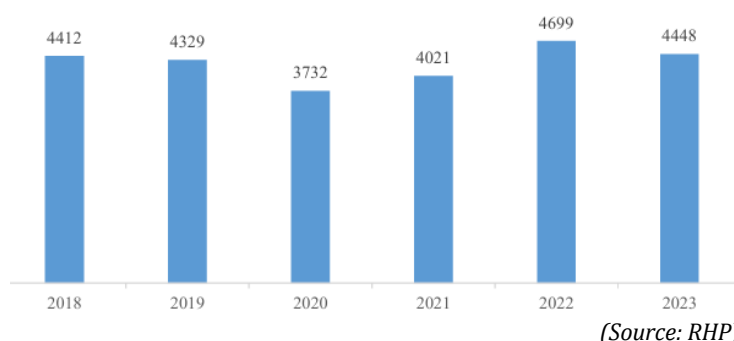


Global Scenario -

Gold Market -

The global gold market is estimated at 4,448 tons valued in CY 2023 at close to USD 305.6 billion at an average value of LBMA gold price of USD 1,940.5 per ounce. Gold mining meets close to 74.7% of the world's gold demand with the remaining 25.3% coming from recycling of gold.

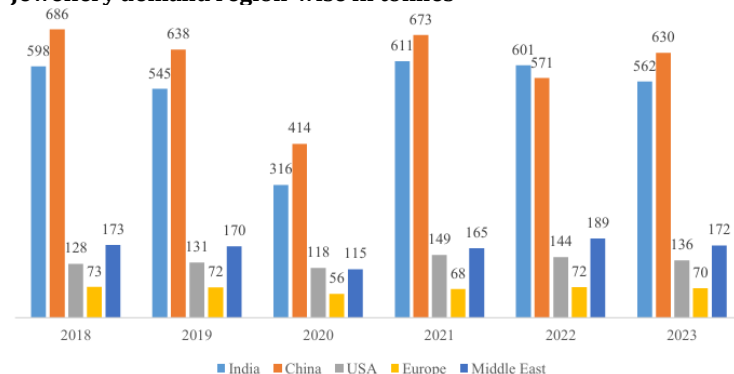
Global Gold demand volume in tonnes



Diamond Market -

China became the largest consumer of gold jewellery in CY 2023. India which takes the second place consumed 562 tonnes of gold jewellery in CY 2023, a fall of 6% from 600 tonnes consumption in CY 2022. China also saw a drop in the jewellery demand. India and China together contribute 57% of global gold consumption demand.

Jewellery demand region-wise in tonnes



Key Management -

- The overall management of the company is satisfactory.
- The promoter and management have good experience in jewellery sector.
- The management is diverse.



Key Management Persons Name -	Saurabh Vidyadhar Gadgil
Age	47
Designation and No. of years of experience	Promoter and Managing Director, 25+ years of experience in manufacturing and trading in jewellery.
Qualification	MBA Degree and Doctorate in philosophy in business administration
Responsibility	-
Other Directorships	Gadgil Diamonds Private Limited, Gadgil Capital Services Private Limited, Gadgil Holdings Private Limited, Seamless Education and Services Private Limited etc.

Key Management Persons Name -	Parag Yashwant Gadgil
Age	65
Designation and No. of years of experience	Executive Director, 36+ years of experience in manufacturing and trading in jewellery
Qualification	Diploma in mechanical engineering
Responsibility	-
Other Directorship	MAAP Epic Communication Private Limited

Key Management Persons Name -	Radhika Saurabh Gadgil
Age	46
Designation and No. of years of Experience	Promoter and Executive Director, 6+ years of experience in manufacturing and trading in jewellery
Qualification	Bachelor's degree in Commerce and master's degree in computer management
Responsibility	-
Other Directorships	Gadgil Diamonds Private Limited, Gadgil Holdings Private Limited and Gadgil Capital Services Private Limited

Key Management Persons Name -	Kiran Prakash Firodiya
Age	43
Designation and No. of years of experience	Executive Director and CFO, 15+ years of experience in finance, audit and treasury operations
Qualification	Qualified CA, MBA degree, M.Com degree and cleared diploma in co-operation and accountancy examination
Responsibility	-
Previous Associations	Tata Autocomp Systems Limited, Rexnord India Private Limited, Riverview Properties Private Limited, Ayoki Fabiricon Private Limited etc.

Key Management Persons Name -	Yashwant Ramchandra Gaikwad
Age	60
Designation and No. of years of experience	Independent Director, 7+ years of experience in assembling and manufacturing of electronic devices' industry
Qualification	Bachelor's degree (special) in arts
Responsibility	-
Previous Associations	Proprietorship firm Autobuddy India

Key Management Persons Name -	Ravindra Prabhakar Marathe
Age	65
Designation and No. of years of experience	Independent Director, 3+ years of experience in banking sector
Qualification	Master's degree in economics and Diploma in treasury, investment and risk management
Other Directorships	Catalyst Trusteeship Limited

Key Management Persons Name -	Shaswati Vaishav
Age	58
Designation and No. of years of experience	Independent Director, 14+ years of experience as a CS
Qualification	Master's degree in commerce and Qualified CS
Previous Associations	Saunders Valves (India) Limited, Bharat Forge Limited, Schrader Duncan Limited, Vintage Cards etc.

Key Management Persons Name -	Vaijayanti Ajit Pandit
Age	71
Designation and No. of years of experience	Independent Director, 2+ years of experience in advising on public affairs and management
Qualification	Doctoral degree of philosophy (arts) in management studies, master's degree in arts and diploma in journalism
Other Directorships	Banswara Syntex Limited, Everest Kanto Cylinder Limited, Automobile Corporation of Goa Limited, TML Business Services Limited etc.

Key Management Persons Name -	Susmit Ajit Ranade
Age	37
Designation and No. of years of experience	Independent Director, 2+ years of experience in advising on public affairs and management
Qualification	Qualified CA, Certified information and systems auditor and a certified information security manager
Other Directorships	APR Information Technology Services Private Limited

FINANCIAL SNAPSHOT

Statement of Profit and Loss

Amt in Crores

Particulars	FY 22	FY 23	FY 24
Revenue from Operations	2,555.63	4,507.52	6,110.95
Other Income	30.67	51.79	8.16
Total Income	2,586.31	4,559.31	6,119.10
Expenses			
Cost of Materials Consumed	2,305.52	4,145.43	5,598.18
Employee Benefit Expenses	62.16	75.29	88.22
Finance Cost	35.14	34.90	45.87
Depreciation and amortisation expense	21.81	21.54	23.19
Other expenses	76.65	164.08	155.28
Total Expenses	2,501.28	4,441.23	5,910.74
EBITDA	111.31	122.73	269.27
EBITDA Margin	4.36%	2.72%	4.41%
Profit/(Loss) before tax	85.03	118.08	208.36
Tax Expense			
Current tax	14.81	23.58	52.89
Deferred Tax	0.71	0.80	1.13
Total Tax	15.52	24.38	54.02
Profit/(Loss) for the year	69.51	93.70	154.34
Net Profit Margin	2.72%	2.08%	2.53%

Statement of Assets and Liabilities

Amt in Crores

Particulars	FY 22	FY 23	FY 24
EQUITY AND LIABILITIES			
1. Shareholders' funds			
Share Capital	55.20	55.20	118.00
Instruments entirely equity in nature	62.80	62.80	-
Other equity	191.22	255.53	416.38
Non-Controlling Interest	-27.21	-7.79	-
Total Equity	282.01	365.73	534.38
2. Non-current liabilities			
Financial Liabilities			
Borrowings	76.46	94.16	91.94
Lease Liability	32.60	31.26	45.74
Other Financial Liabilities	3.39	4.02	4.32
Provisions	1.61	1.92	0.21
Deferred Tax Liabilities (Net)	5.63	6.42	7.50
Total Non-current liabilities	119.68	137.78	149.70
3. Current liabilities			
Financial Liabilities			
Borrowings	218.49	189.05	304.56
Lease Liabilities	8.06	9.67	12.96
Trade Payables			
(i) Total outstanding dues of MSME	-	-	6.42
(ii) Total outstanding dues of creditors other than MSME	169.72	131.75	142.47
Other Financial Liabilities	5.41	5.21	7.92
Other current liabilities	295.69	220.41	292.76
Provisions	2.44	2.95	2.76
Current Tax Liabilities (Net)	8.75	-	11.05
Total Current liabilities	708.55	559.04	780.90
Total Liabilities	828.23	696.82	930.60
Total Equity and Liabilities	1,110.24	1,062.55	1,464.98
ASSETS			
1. Non-current assets			

Particulars	FY 22	FY 23	FY 24
Property, Plant & Equipment	142.91	141.51	150.20
Capital Work-In-Progress	3.52	3.52	3.52
Right of Use Assets	41.57	40.44	57.83
Goodwill	41.50	25.33	33.20
Other Intangible Assets	7.53	1.07	0.96
Financial Assets			
Investments	1.15	1.15	0.95
Other financial assets	6.04	10.76	11.08
Total Non-Current assets	244.22	223.77	257.74
2. Current assets			
Inventories	703.54	596.88	958.86
Financial Assets			
Trade Receivables	28.82	39.50	37.71
Cash & Cash equivalents	12.38	17.56	26.09
Bank balances other than cash	32.90	31.74	53.55
Loans	1.49	0.16	0.23
Other financials assets	0.84	0.46	2.12
Current Tax Assets (Net)	-	3.96	-
Other Current Assets	86.06	148.52	128.69
Total Current assets	866.02	838.78	1,207.24
Total Assets	1,110.24	1,062.55	1,464.98

Cash Flow Statement

Amt in Crores

Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	72.76	104.77	6.32
Net Cash Flow from Investing Activities	-21.61	-45.02	-48.76
Net Cash Flow from Financing Activities	-45.70	-54.57	50.96

Key Ratios

Per Share Data	FY 22	FY 23	FY 24	Valuation Ratios (x)	FY 22	FY 23	FY 24
Diluted EPS	5.89	7.94	13.08	EV/EBITDA	5.02	4.95	3.16
BV per share	0.26	0.32	0.45	Market Cap / Sales	254.89	144.51	106.60
Operating Ratios				P/E	81.49	60.45	36.70
EBITDA Margins	4.36%	2.72%	4.41%	Price to Book Value	1,831.71	1,516.36	1,059.93
PAT Margins	2.72%	2.08%	2.53%	Solvency Ratios			
Inventory days	100.48	48.33	57.27	Debt / Equity	0.95	0.76	0.74
Debtor days	4.12	3.20	2.25	Current Ratio	1.22	1.50	1.55
Creditor days	26.13	11.91	9.12	Quick Ratio	0.23	0.43	0.32
Return Ratios				Asset Turnover	2.30	4.24	4.17
RoCE	22.28%	20.10%	35.97%	Interest Coverage Ratio	2.55	2.90	5.36
RoE	22.48%	25.09%	28.88%				

INTERPRETATION –

1. The top line has seen a sudden increased in FY 2023 (by 76%) and by 36% in FY2024 which was due to increase in sales of gold, silver, diamond, platinum jewellery and other products and addition of 2 new stores and increase in gold prices have contributed towards revenue increase for FY2024.
2. The net profit has also increased by 35% in FY 2023 and by 65% in FY 2024. The sudden increase in FY2024 might be due to addition of 2 new stores, increase in gold prices and slight dip in other expenses.
3. The PAT margin and EBITDA margin have remained inconsistent over the years and a dip in FY2023 can be seen which might be due to sudden increase in cost of raw materials and other expenses.
4. The RoCE and ROE are stable and have improved over the years.

LEAD MANAGER TRACK RECORD -

The lead managers to the issue are Motilal Oswal Investment Advisors Limited, Nuvama Wealth Management Limited and Bob Capital Markets Limited. A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Managers in recent times –

Motilal Oswal Investment Advisors Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	R K SWAMY Limited	423.56	288.00	Mar 12, 2024	241.90
2.	Happy Forgings Limited	1008.59	850.00	Dec 27, 2023	1161.15
3.	Cello World Limited	1900.00	648.00	Nov 06, 2023	889.60
4.	Updater Services Limite	640.00	300.00	Oct 04, 2023	380.25
5.	Sai Silks (Kalamandir) Limited	1201.00	222.00	Sep 27, 2023	175.15

The company has handled 10 mandates in the past three years (including the current year).

Nuvama Wealth Management Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Saraswati Saree Depot Limited	1500.00	281.00	Jul 02, 2024	347.10
2.	Go Digital General Insurance Limited	2614.65	272.00	May 23, 2024	387.10
3.	Popular Vehicles and Service Limited	601.55	295.00	Mar 19, 2024	224.45
4.	Capital Small Finance Bank Limited	523.07	468.00	Feb 14, 2024	296.10
5.	Medi Assist Healthcare Services Limited	1,171.58	418.00	Jan 23, 2024	647.55

The company has handled 14 mandates in the past three years (including the current year).

Bob Capital Markets Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Ola Electric Mobility Limited	6145.56	76.00	Aug 09, 2024	114.70
2.	Bharti Hexacom Limited	4275.00	570.00	Apr 12, 2024	1,196.05
3.	Indian Renewable Energy Development Agency Ltd	2150.21	32.00	Nov 29, 2023	223.25
4.	IRM Energy Limited	545.40	505.00	Oct 26, 2023	420.05
5.	Chemplast Sanmar Limited	3,850.00	541.00	Aug 24, 2021	502.15

The company has handled 4 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 10th Sep 2024.

As per the offer document, the above-mentioned mandates 6 have opened at a discount and remaining all have opened at a premium on the listing day.

Recommendation -

P N Gadgil Jewellers Limited has been in the industry since 2013 and has good experience in the industry. The management overview of the company is satisfactory.

The P/E on a post-IPO basis is around 42.20 times which makes it slightly highly priced.

The company's top line, bottom line and profitability margins have increased over the years majorly due to increase in the sales of their products, addition of 2 new stores and increase in prices of gold for FY2024.

The company is the second largest jewellery brand and has a strong presence in Maharashtra.

The company is raising funds for expansion purpose and plans to set up 12 new stores which will help improve their top line in the future.

Thus, investors can **APPLY** this IPO.

Disclaimer

We are not registered research analysts with SEBI and are not subject to the regulations governing research analysts. This research report is for educational purposes only and should not be construed as investment advice. The information contained in this report is based on publicly available information and is believed to be reliable, but no representation or warranty, express or implied, is made as to its accuracy or completeness. Also, some of the employees of our organization may have or may in the future hold investments in the company that is the subject of this research report. This may create a conflict of interest, and you should be aware of this when considering the information contained in this report. You should consult with your financial advisor before making any investment decisions.

OUR WEBSITE:

www.tiareconsilium.com

OUR APP AVAILABLE ON:



CONNECT WITH US ON :

