



IPO Note

Divine Hira Jewellers Limited

Recommendation: **AVOID!**

Company Background –

- **Incorporation:** Incorporated in July 2022, the company's registered office is located in Mumbai, Maharashtra.
- **Business Activity:** The company caters to wholesalers, showrooms, and retailers with a diverse range of gold jewelry. Products include necklaces, mangalsutras, chains, malas, rings, pendants, bracelets, bangles, kadas, coins, and wedding jewelry.
- **Revenue Stream:** Gold and Gold products contributed to over 96% of revenue in FY 24.
- **Human Resource:** The company has 9 permanent employees as on October 31, 2024.

Objects of the Issue -

- Repayment/pre-payment, in full or in part, of certain borrowings availed by the Company
- General Corporate Purposes

Promoters Name –

Hirachand Pukhraj Gulecha, Niraj Hirachand Gulecha, Khushbu Niraj Gulecha and Hirachand P Gulecha (HUF)

Rationale for recommendation –

- ✓ Overvalued P/E.
- ✓ Volatile and low profitability and return margins.
- ✓ The company has no unique business strategies.
- ✓ There is high concentration for suppliers and customers.
- ✓ The industry is highly fragmented and competitive with volatile metal prices.

IPO Details

Opening Date	Mar 17, 2025
Closing Date	Mar 19, 2025
Allotment Date	Mar 20, 2025
Listing Date	Mar 24, 2025
Stock Exchange	NSE SME
Lot Size	1,600 Shares
Issue Price Per Share	₹90
Issue Size	31.84 Cr.
Fresh Issue	31.84 Cr.
Offer for Sale	-
Application Amt	₹1,44,000 (1,600 shares)

INDUSTRY - Precious metals

P/E ratio of peer as per RHP – 99.09

	KPIs (In Lakhs)			
KPI's	FY 22	FY 23	FY 24	Nov-24
Revenue	14,240.17	24,644.58	18,325.61	13,597.69
EBITDA	162.11	259.33	331.62	402.64
Net Profit	28.29	91.23	148.17	249.82
RoCE	17.10%	30.80%	33.45%	17.12%*
ROE	9.43%	10.97%	15.12%	10.71%*
P/E	3.11	0.99	1.17	23.50*

*Annualized

Promoter Share Holding Pattern

Pre-Issue	Post-Issue
99.74%	72.70%

Valuation Parameters

Particulars	Pre-Issue	Post Issue*
EPS	76.84	3.83
BVPS	0.89	35.74
P/E	1.17	23.50
P/BV	101.02	2.52
Mkt Cap (In Cr)	85.59	117.42

*Annualized

Lead Managers –

Horizon Management Private Limited

Registrar –

Bigshare Services Private Limited

Business Overview -

Divine Hira Jewellers Limited specializes in designing and marketing gold jewellery, primarily dealing in 22-karat gold. The company offers a diverse range of designs catering to regional tastes and customer preferences. Based in Zaveri Bazar, Mumbai, it operates as a wholesaler of gold jewelry, silver articles, bullion, and coins. Recently, it has expanded into antique gold jewelry, blending historical artistry with modern designs.

Business Model:

- **Product Portfolio:** Machine-made, handmade, and plain gold jewelry, including necklaces, mangalsutras, chains, malas, rings, pendants, bracelets, bangles, kadas, and wedding jewelry.
- **Market Segments:** Mid-market and value-market segments.
- **Clientele:** Wholesalers, showrooms, and retailers who purchase in bulk.
- **Manufacturing:** Jewelry production is outsourced to skilled artisans, with in-house designers managing design conceptualization.
- **Raw Material Procurement:** Gold is sourced from bullion dealers and importers, with plans to begin direct imports.
- **Sales Model:** Primarily B2B (95%), with 5% customized orders for specific client requirements.

Historical Background:

- **1984:** Founder Hirachand Gulecha began in the silver business in Zaveri Bazar, Mumbai.
- **1997:** Established proprietorship firm "Hira Traders," later expanding into gold jewelry.
- **2013:** Niraj Gulecha joined, introducing an expanded product line.
- **2021-2022:** Strategic partnerships with Ranka Jewelers, Kalyan Jewelers, and Moksh Ornaments Limited.
- **July 2022:** Transitioned from proprietorship to public limited company under the Companies Act, 2013.

Revenue Bifurcation product-wise:

(Amt in Lakhs)

Products	Mar-22	(%)	Mar-23	(%)	Mar-24	(%)	Dec-24	(%)
Gold and gold products	12,086.41	84.88	23,441.41	95.12	17,616.56	96.13	13,519.68	99.43
Silver and silver products	2,149.65	15.10	1,188.62	4.82	695.95	3.80	73.77	0.54
Labour charges sales	4.10	0.03	14.55	0.06	13.10	0.07	4.24	0.03
Total	14,240.17	100.00	24,644.59	100.00	18,325.61	100	13,597.69	100.00

Revenue bifurcation for bullion gold, silver, gold jewellery :

Products	Mar-22	(%)	Mar-23	(%)	Mar-24	(%)	Dec-24	(%)
Gold and gold products	8,855.00	62.20	11,801.00	47.91	3,008.00	16.43	1,637.97	12.05
Silver and silver products	3,231.42	22.70	11,640.42	47.26	14,608.56	79.77	11,885.93	87.44
Labour charges sales	2,149.65	15.10	1,188.62	4.83	695.95	3.80	69.55	0.51
Total	14,240.17	100.00	24,644.59	100.00	18,325.61	100	13,597.69	100.00

Business Strategies –

Strategic Plans for Exports

The company aims to strategically enter international markets, with Dubai as its primary focus. Leveraging Dubai's position as a global gold-trading hub, the company plans to participate in B2B exhibitions to deepen trade ties and tap into the Gulf's robust demand. This move aligns with the approach taken by established Indian suppliers who have successfully used Dubai's ecosystem to expand their export footprint.

Expanding Product and Brand Portfolio

The company is actively curating an antique gold jewellery line, integrating historical designs with modern craftsmanship. By targeting new retail showrooms and wholesalers for this niche segment, the brand seeks

higher margins and a broader customer base. Participation in trade fairs fuels design innovation, which in turn strengthens customer engagement and brand differentiation.

Risk Factors –

1. Customer Concentration Risk

The Company derived over 96.11% of its revenue from its top 10 customers for the six months ended September 30, 2024, and 95.51%, 86.98%, and 71.07% in FY24, FY23, and FY22, respectively. A significant drop in orders or loss of any such customer may materially impact its financial performance.

2. Supplier Concentration Risk

The Company procured 87.93% to 94.17% of raw materials from its top 10 suppliers during FY22–Q1FY25. Without long-term agreements, reliance on these few vendors for gold and ancillary materials poses a risk of supply disruption, potential manufacturing halts, and adverse impact on financial condition and operations.

3. Seasonality Risk

Revenue generation is skewed towards the festive and wedding seasons in Q3 and Q4, with peak sales during Diwali, Dhanteras, and Akshay Tritiya. Any underperformance in these periods may disproportionately affect annual revenues due to fixed operational costs and limited flexibility in adjusting expenses to seasonal demand volatility.

4. Geographic Concentration Risk

The Company earned nearly 100% of its revenues from Maharashtra across FY22–Q1FY25, with marginal contributions from Gujarat, Karnataka, and Chhattisgarh. Heavy dependence on one geography amplifies exposure to regional risks, including customer loss, market saturation, or competition, thereby endangering revenue stability and profitability from new regions.

5. Litigation Risk

As of the Prospectus date, one direct tax matter is pending against a Promoter involving ₹386.87 lakhs. Additionally, two criminal cases have been filed by Directors, though not quantifiable. While no cases exist against the Company, adverse rulings in these matters could materially affect its business and financial standing.

INDUSTRY OVERVIEW – Indian Foundry and Casting Industry

Economic Contribution and Employment

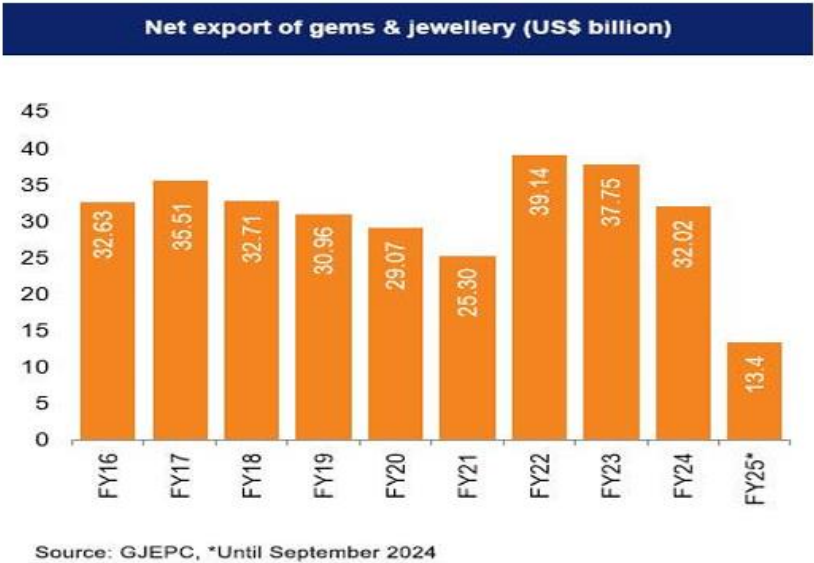
As of January 2022, India’s gold and diamond trade accounted for approximately **7% of the country's Gross Domestic Product (GDP)**. The sector plays a significant role in employment, engaging around **5 million people**. Recognizing its growth potential, the Indian government has prioritized the **gems and jewellery sector** for export promotion, investment, and technological advancements.

Government Initiatives and Trade Agreements

India has implemented **100% Foreign Direct Investment (FDI) under the automatic route**, allowing foreign investors to invest without prior government approvals. The **Comprehensive Economic Partnership Agreement (CEPA) with the UAE**, signed in March 2022, provides **duty-free access to the UAE market**, enhancing India's export capabilities. The **Gems and Jewellery Export Promotion Council (GJEPC)** aims to **triple exports to the UAE** post-CEPA.

Market Performance and Export Trends

India's **gems and jewellery market was valued at USD 78.5 billion in FY21**. The industry has faced volatility in exports, with total exports in **FY24 standing at USD 22.27 billion**, marking a **14.94% decline** from the previous year. In **September 2024**, exports were recorded at **USD 2.54 billion**. The demand is driven by the **US and Middle Eastern markets**, alongside **Virtual Buyer-Seller Meets (VBSMs)** organized by GJEPC.



Investments and Industry Developments

Between **April 2000 and June 2024**, the **cumulative FDI inflows in diamond and gold ornaments reached USD 1,316.10 million**, per DPIIT data. Notable industry developments include:

- Bharat Ratnam - Mega CFC (2024):** A government-backed initiative to enhance jewellery manufacturing infrastructure.
- Lab-Grown Diamonds:** India hosted its first-ever **Lab-Grown Diamond Buyer-Seller Meet in Surat (April 2023)** to promote innovation in this emerging category.
- Courier-Mode Jewellery Exports (2023):** GJEPC facilitated India’s first jewellery exports through courier mode, streamlining international trade.
- Major Corporate Expansions:** Malabar Group, Reliance Jewels, and Joyalukkas have aggressively expanded retail and online platforms, including gold e-commerce sales by **Reliance’s JioMart (2021)**.

Government Policies and Regulatory Changes

The **Union Budget 2024** introduced a reduction in **customs duty on gold (6%) and platinum (6.4%)** to boost affordability and trade. Other key reforms include:

- Gold Monetization Scheme** and reduced **import duties on gold (7.5%) and platinum (10%)** to stimulate domestic demand.
- Mandatory Gold Hallmarking (2021)** to improve consumer trust and standardization.
- Revised SEZ Act** and **export target of USD 52 billion under India-UAE FTA** to enhance global competitiveness.

The **Indian gems and jewellery market is projected to reach USD 100 billion by 2027**. The sector's growth will be driven by:

- The expansion of **organized retail and branded jewellery chains**.
- Improved **availability of gold and stabilized gold prices**.
- Increasing **liberal policies** that facilitate exports and technological advancements. India, with **450+ organized jewellery manufacturers, importers, and exporters**, is positioned as a **global jewellery manufacturing hub**, poised for sustained long-term growth.
- Creation of **100 million new jobs** over the next decade.

Competition -

The Indian jewellery market is highly **competitive and fragmented**, influenced by various structural forces. The market includes **large, organized players (Tanishq, Malabar Gold, Kalyan, PC Jeweller)** and a **vast unorganized sector**.

The **organized sector** accounts for **30% of total market sales** and nearly **90% of the formal jewelry market**.

Unorganized players remain dominant, particularly in price-sensitive segments.

Porter's Five Forces Analysis – Indian Jewellery Industry

1. Threat of New Entrants- High for large-scale players, Moderate for smaller players.

◆ Barriers to Entry:

- **Capital-Intensive Business**
- **Regulatory Challenges:** Compliance with hallmarking standards, import duties on gold, and GST regulations add complexity.
- **Branding & Trust Issues:** Established brands benefit from **strong customer trust**, making it difficult for new entrants to gain traction.
- ◆ **Market Impact:**
- Despite barriers, **the presence of an extensive unorganized sector** makes entry relatively easier at the smaller scale.
- **Online jewellery businesses** have reduced barriers, allowing startups to enter without massive physical investments.

2. Bargaining Power of Suppliers – Moderate—while major jewellers may negotiate bulk discounts, smaller players are price takers

Key Suppliers:

- Gold and diamond suppliers (mining companies, refineries, and traders).

3. Bargaining Power of Buyers – High—customers have multiple options, making price competition intense.

Customer Segments:

- Retail buyers
- Wholesale buyers & retailers
- Corporate clients (luxury brands, institutional buyers).

◆ Factors Influencing Buyer Power:

- **Price Sensitivity:** Consumers prioritize affordability, especially in gold jewellery, leading to intense competition from the unorganized sector.
- **Product Differentiation:** Buyers have many alternatives, reducing loyalty to brands that fail to innovate.
- **Digital Transparency:** Online platforms allow consumers to compare prices, designs, and customer reviews, further increasing their power.

4. Threat of Substitutes – Moderate—while traditional gold jewellery remains preferred, alternate options are growing.

◆ Primary Substitutes:

- **Artificial Jewellery:** Gaining traction due to affordability and changing fashion trends.
- **Luxury Watches & Accessories:** Compete as alternative high-end fashion statements.
- **Gold ETFs & Digital Gold:** Millennials are shifting towards **paper gold and gold-backed investments** rather than physical jewellery.

◆ Market Impact:

- **High-income groups** still prefer fine jewellery, but younger generations are exploring **budget-friendly alternatives**.
- **Silver jewellery** is emerging as an alternative due to **lower price volatility**.

Recommendation: **AVOID**

- Gemstone and alloy providers.

◆ **Factors Influencing Supplier Power:**

- **Gold price fluctuations:** Directly impact input costs, making profitability uncertain. **Gold hit a record ₹86,360 per 10 grams in 2024, reducing demand by 70-80% in peak season.**
- **Government regulations on imports:** High import duties increase dependency on **domestic suppliers and recycled gold.**

Peer Analysis -

Particulars	Divine Hira Jewellers Limited			Sky Gold and Diamonds Ltd.		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	0.20%	0.37%	0.81%	2.13%	1.61%	2.31%
EBITDA Margin	1.14%	1.05%	1.81%	3.87%	3.25%	4.66%
RoCE	17.10%	30.80%	33.45%	30.50%	30.83%	27.39%
ROE	9.43%	10.97%	15.12%	22.07%	18.96%	16.59%
EPS (INR)	28.90	91.23	76.84	1.58	1.73	3.38
P/E	3.11	0.99	1.17	5.85	15.75	28.42

Key Management

Key Management Persons Name -	Hirachand Pukhraj Gulecha
Age	63
Designation and No. of years of experience	Promoter, Managing Director, 30+ years of experience in the gems and jewellery industry
Qualification	Attended Board of Secondary Education, Rajasthan (Secondary School Examination)
Responsibility	Responsible for the overall growth, strategy formulation, and implementation for the Company

Key Management Persons Name -	Niraj Hirachand Gulecha
Age	38
Designation and No. of years of experience	Whole-time Director; 10+ years of experience in gold and gold ornaments business
Qualification	Passed Higher Secondary School from Maharashtra State Board of Secondary and Higher Secondary Education
Responsibility	Leads design and business development divisions; responsible for new design conceptualization, product improvisation, styling, pricing, and business development

Key Management Persons Name -	Khushbu Niraj Gulecha
Age	35
Designation and No. of years of experience	Non-Executive Director; 5+ years of experience in jewellery designing
Qualification	Bachelor's degree in Commerce from University of Mumbai; pursued Master's degree in Commerce from the same University
Responsibility	Previously worked as a jewellery designer with Hira Traders; provides non-executive inputs to the Company

FINANCIAL SNAPSHOT**Statement of Profit and Loss**

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Sep-24
Revenue from Operations	14,240.17	24,644.58	18,325.61	13,597.69
Other Income	0.28	0.67	15.44	4.94
Total Income	14,240.45	24,645.25	18,341.05	13,602.63
Expenses				
Cost of Material Consumed	14,124.55	24,029.94	18,066.12	13,663.31
Change in Inventories of Stock-In-Trade	-81.52	279.74	-158.99	-558.44
Employee Benefit Expenses	15.21	30.92	36.19	21.14
Finance Cost	121.96	135.58	145.62	71.49
Depreciation and Amortization Expense	2.42	2.13	3.44	1.96
Other expenses	19.82	44.65	50.67	69.04
Total Expenses	14,202.44	24,522.96	18,143.05	13,268.50
EBITDA	162.11	259.33	331.62	402.64
EBITDA Margin	1.14%	1.05%	1.81%	2.96%
Profit/(Loss) before tax	38.01	122.29	198.00	334.13
Tax Expense				
Current tax	9.57	30.47	49.42	84.1
Deferred Tax	0.15	0.59	0.41	0.21
Total Tax	9.72	31.06	49.83	84.31
Profit/(Loss) for the year	28.29	91.23	148.17	249.82
Net Profit Margin	0.20%	0.37%	0.81%	1.84%

Statement of Assets and Liabilities

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Sep-24
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	-	731.5	731.5	950.95
Reserves and Surplus	-	100.34	248.51	278.88
Capital employed	299.93			
Total Equity	299.93	831.84	980.01	1,229.83
NON-CURRENT LIABILITIES				
Long Term Borrowings	633.89	2.42	-	16.72
Deferred Tax liability	0.15	0.74	1.16	1.36
Total Non-current liabilities	634.04	3.16	1.16	18.08
CURRENT LIABILITIES				
Short Term Borrowings	1,019.93	1,402.18	1,860.52	1,276.15
Trade Payables				
(i) Total outstanding dues of MSME	-	-	-	-
(ii) Total outstanding dues of creditors other than MSME	5.29	14.74	-	197.57
Other Current Liabilities	9.18	47.16	4.67	40.17
Short-term Provisions	9.57	26.44	50.82	92.33
Total Current liabilities	1,043.97	1,490.52	1,916.01	1,606.22
Total Liabilities	1,678.01	1,493.68	1,917.17	1,624.30
Total Equity and Liabilities	1,977.94	2,325.52	2,897.18	2,854.13
ASSETS				
NON-CURRENT ASSETS				
Property, Plant and Equipment	15.71	30.28	29.48	49.62
Total Non-Current assets	15.71	30.28	29.48	49.62
CURRENT ASSETS				

Particulars	FY 22	FY 23	FY 24	Sep-24
Inventories	1,251.11	971.38	1,130.37	1,688.81
Trade Receivables	686.13	1,241.20	1,507.69	755.60
Cash & Cash equivalents	4.27	54.50	176.12	247.18
Short Term Loans and Advances	0.54	0.38		24.15
Other Current Assets	20.18	27.78	53.52	88.77
Total Current assets	1,962.23	2,295.24	2,867.70	2,804.51
Total Assets	1,977.94	2,325.52	2,897.18	2,854.13

Cash Flow Statement Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Sep-24
Net Cash Flow from Operating Activities	133.61	-10.82	-209.33	719.66
Net Cash Flow from Investing Activities	-6.75	-	12.57	-17.17
Net Cash Flow from Financing Activities	-128.11	77.06	318.37	-631.43

Key Ratios

<u>Per Share Data</u>	FY 22	FY 23	FY 24	FY 25*	<u>Valuation Ratios (x)</u>	FY 22	FY 23	FY 24	FY 25*
Diluted EPS	1.56	0.96	0.96	3.83	EV/EBITDA	12.03	8.41	8.03	1.53
BV per share	-	0.76	0.89	35.74	Market Cap / Sales	-	4.02	5.40	0.43
<u>Operating Ratios</u>					P/E	57.69	93.75	93.75	23.50
EBITDA Margins	1.14%	1.05%	1.81%	2.96%	Price to Book Value	-	119.01	101.02	2.52
PAT Margins	0.20%	0.37%	0.81%	1.84%	<u>Solvency Ratios</u>				
Inventory days	32.16	14.43	22.58	22.97	Debt / Equity	5.51	1.69	1.90	0.28
Debtor days	17.63	18.43	30.11	19.09	Current Ratio	1.88	1.54	1.50	1.50
Creditor days	0.14	0.23	-	-	Quick Ratio	0.68	0.89	0.91	0.91
<u>Return Ratios</u>					Asset Turnover	7.20	10.60	6.33	9.39
RoCE	17.10%	30.80%	33.45%	17.12%	Interest Coverage Ratio	1.31	1.90	2.25	5.60
RoE	9.43%	10.97%	15.12%	10.71%					

*Annualized

LEAD MANAGER TRACK RECORD –

The lead manager to the issue is **Horizon Management Private Limited**.

A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Manager in recent times –

Horizon Management Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Swasth Foodtech India Limited	14.92	94.00	Feb 28, 2025	80.60
2.	Rexpro Enterprises Limited	53.65	145.00	Jan 29, 2025	101.25
3.	Citichem India Limited	12.60	70.00	Jan 03, 2025	30.00
4.	Abha Power and Steel Limited	38.54	75.00	Dec 04, 2024	30.60
5.	Onyx Biotec Limited	29.34	61.00	Nov 22, 2024	58.90
6.	Osel Devices Limited	70.66	160.00	Sep 24, 2024	215.35
7.	Forcas Studio Limited	37.44	80.00	Aug 26, 2024	77.00
8.	Tunwal E-Motors Limited	115.64	59.00	July 23, 2024	35.60
9.	Veritas Advertising Limited	8.48	114.00	May 21, 2024	89.00
10.	Shree Karni Fabcom Limited	42.49	227.00	Mar 14, 2024	705.00

The company has handled 12 mandates in the last three years (including current year).

*CMP for the above-mentioned companies is taken as of 11th Mar 2025.

As per the offer document, the above-mentioned mandates Swasth Foodtech India Limited, Rexpro Enterprises, Citichem India Limited and Onyx Biotec Limited have opened at a discount and remaining all have opened at premium on the listing day.

Recommendation -

Recommendation: AVOID

We assign an **Avoid** rating to this IPO, given the structural risks in the business model, volatile margins, and aggressive valuations.

Customer Concentration Risk

The Company derived **96.11% of revenue from its top 10 customers in Q1FY25**, with similarly high dependence in FY24 (95.51%), FY23 (86.98%), and FY22 (71.07%). Loss of any key customer could materially impact revenues.

Supplier Concentration Risk

87.93% to 94.17% of raw materials were sourced from top 10 suppliers across FY22–Q1FY25. Without long-term contracts, this exposes the Company to potential **supply chain disruptions and pricing risks**, especially for gold and ancillary inputs.

Geographic Concentration Risk

Nearly **100% of revenue is from Maharashtra**, with minimal contributions from other states. This amplifies regional risks, limits scalability, and exposes the business to local market volatility.

Volatile Margins & Questionable Sustainability

EBITDA margins have fluctuated: **1.14% (FY22), 1.05% (FY23), 1.81% (FY24), and 2.96% (Q1FY25)**. PAT margins moved from **0.20% to 1.84%** over the same period. The sudden jump in profitability from FY24 raises concerns on sustainability.

Highly Competitive, Fragmented Industry

The Company operates in the unorganized 22K gold jewellery segment, using third-party job work. Lack of in-house manufacturing, design IP, or brand differentiation reduces pricing power.

Aggressive Valuation

Given its recent financials and concentration risks, the issue appears **overvalued** and does not justify the premium.

Conclusion:

This offering is a **High Risk / Low Return** bet in a commoditized, volatile space. Investors are advised to **avoid** 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.

The analysis and recommendations are based on the current market and company-specific scenario, along with the data available in the prospectus. Market and company-specific conditions may change after the company's listing, potentially impacting its performance and outlook. We will not be providing any follow-up reports or updates on this analysis post-listing.

WEBSITE:

www.tiareconsilium.com

OUR APP AVAILABLE ON:



CONNECT WITH US ON :

