



## IPO Note

# Kenrik Industries Limited

Recommendation: **AVOID!**

### Company Background -

- **Incorporation:** Kenrik Industries Limited was originally incorporated on Feb 28, 2017. The registered office is located at Ahmedabad, Gujarat.
- **Business Activity:** The company is engaged in the business in manufacturing, wholesaling and supplying of plain and studded gold Jewellery and Ornaments.
- **Revenue Stream:** The company generates majority of the revenue from the sale of gold jewellery.
- **Human Resource:** The company has 9 permanent employees as on Apr 23, 2025.

### Objects of the Issue -

- To meet working capital requirements.
- General Corporate Purposes

### Promoters Name -

Nitinkumar Dalpatbhai Shah, Nihar Nitinbhai Shah, Manisha Nitinkumar Shah and Shah Nitin Dalpatlal (HUF)

### Rationale for recommendation -

- ✓ The PE ratio of 23.37 times makes it slightly highly priced.
- ✓ The profitability margins have remained slightly inconsistent and saw a small dip in FY23. Also, the margins are very low. (Refer recommendation Pg 10)
- ✓ The company had negative CFO for FY22 and Oct-24.
- ✓ The company has high concentration for customers and suppliers.
- ✓ The company has high geographic concentration in Gujarat.
- ✓ The issue size is very low.
- ✓ The company doesn't have any unique strategies.
- ✓ The industry is highly fragmented and competitive.

### IPO Details

Opening Date	Apr 29, 2025
Closing Date	May 06, 2025
Allotment Date	May 07, 2025
Listing Date	May 09, 2025
Stock Exchange	BSE SME
Lot Size	6,000 Shares
Issue Price Per Share	₹25
Issue Size	8.75 Cr.
Fresh Issue	8.75 Cr.
Offer for Sale	-
Application Amt	₹ 1,50,000 (6,000 shares)

### INDUSTRY - Jewellery

Avg. P/E ratio as per RHP - 23.63

	KPIs (In Lakhs)			
KPI's	FY 22	FY 23	FY 24	Oct-24
Revenue	3,258.71	5,188.42	7,077.05	4,218.40
EBITDA	44.17	51.19	126.02	105.28
Net Profit	38.12	47.43	108.47	78.17
RoCE	3.81%	4.29%	9.90%	7.89%*
ROE	3.46%	4.12%	8.62%	5.90%*
P/E	49.02	47.17	20.66	23.37*

\*Annualized

### Promoter Share Holding Pattern

Pre-Issue	Post-Issue
99.99%	72.01%

### Valuation Parameters

Particulars	Pre-Issue	Post Issue*
EPS	1.21	1.07
BVPS	13.98	18.14
P/E	20.66	23.37
P/BV	1.79	1.38
Mkt Cap (In Cr)	22.50	31.24

\*Annualized

### Lead Managers -

**Turnaround Corporate Advisors Private Limited**

### Registrar -

**Skyline Financial Services Private Ltd**

## Business Overview -

Kenrik Industries Limited is mainly focused on traditional Indian jewellery. Their products include handmade gold jewellery studded with precious and semi-precious stones such as diamond, ruby, cubic zirconia etc. The company has a strong presence in Gujarat.

**Business Model:** The company is currently operating on a B2B business model and they only in jewellery certified by BIS Hallmark. Also, the company has website as well as mobile application.

**Manufacturing Unit:** The facility is located at Ahmedabad and they don't have any installed capacity as it involves manual labour.

### Product Portfolio:

It includes rings, earrings, armlet, pendants, nose rings, bracelets, chains, necklaces, bangles, watches, luxury items and other wedding jewellery.

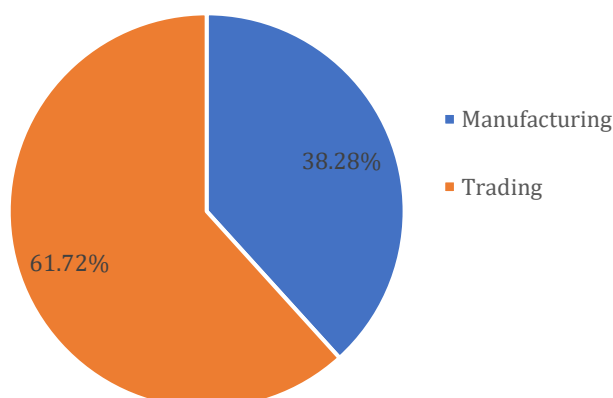


### Product-wise Revenue Bifurcation:

(In Lakhs)

Particulars	FY 2022		FY 2023		FY 2024		Oct-2024	
	Amt	%	Amt	%	Amt	%	Amt	%
Gold	3,126.94	95.96%	5,185.54	99.94%	6,689.83	94.53%	4,123.16	97.81%
Silver	81.90	2.51%	2.88	0.06%	387.22	5.47%	92.25	2.19%
Diamond	49.87	1.53%	-	-	-	-	-	-
<b>Total</b>	<b>3,258.71</b>	<b>100%</b>	<b>5,188.42</b>	<b>100%</b>	<b>7,077.05</b>	<b>100.00%</b>	<b>4,215.41</b>	<b>100%</b>

### Segment-wise Bifurcation (As of Oct-24):



### Competition -

1. **Market Competition:** The industry is competitive where the key factors of competition primarily comprise of product quality, cost, delivery, distinctive designs etc.
2. **Geographic Competition:** The company faces competition from both organized and unorganized sector.
3. **Barriers to entry:** Low barriers to entry.
4. **Threat of Substitutes:** High threat of substitutes.
5. **Bargaining Power of Buyers:** The bargaining power is high with the customers.
6. **Bargaining Power of Suppliers:** The bargaining power is low with the customers.

### Business Strategies –

1. The company intends to focus on innovation in its product design and manufacturing processes.
2. The company intends to expand its customer base by targeting new markets and developing customized products for specific segments, such as corporate clients or wedding planners, or exploring international markets.
3. The company intends to invest in marketing and branding initiatives.
4. The company intends to focus on streamlining its manufacturing and distribution processes to increase efficiency and reduce costs.
5. The company prioritizes sustainability in its operations by sourcing eco-friendly materials, reducing waste and energy consumption.

### Risk factors –

1. The company's majority revenue is derived from Gujarat contributing to 71.26%, 96%, 97.99% and 100% revenue in FY22, FY23, FY24 and Oct-24 respectively.
2. The company is highly dependent on top 10 customers for their revenue generation constituting to 78.87%, 76.09%, 62.65% and 75.35% for FY22, FY23, FY24 and Oct-24 respectively.
3. The company is highly dependent on top 10 suppliers for procurement of raw materials constituting to 75.14%, 63.55%, 67.86% and 69.87% for FY22, FY23, FY24 and Oct-24 respectively.
4. The company's sales are subject to seasonal fluctuations exhibiting higher sales volumes and profit margins during festival periods and other occasions such as Akshaya Tritiya, Navratri, Gurupushyamrut and Dhanteras and wedding season.
5. The company had 2 cases against them for tax matters amounting to Rs. 1.82 lakhs.
6. The directors/ promoters had 7 cases against them for tax matters amounting to 3,812.83 lakhs.
7. The company had negative cash flow from operations for FY22 and Oct-24.

**INDUSTRY OVERVIEW -****Gems & Jewellery in India**

The Indian Gems and Jewellery industry holds a prominent position in the global market, contributing ~7% to India's GDP as of January 2022. It is one of the country's oldest and most valued industries, employing approximately 5 million people. India is a global leader in diamond processing and the second-largest gold consumer worldwide. Recognizing its potential for growth and value addition, the Indian Government has identified this sector as a focus area for export promotion.

**Market Size –**

- The Indian gems and jewellery market was valued at US\$ 78.50 billion in FY21.
- In 2022–23, India's total gems and jewellery exports stood at US\$ 37.73 billion.
- From April to January 2024, exports reached US\$ 26.35 billion, though this reflected a 16.03% decline over the same period the previous year due to global factors.
- India's gold demand stood at 747.5 tonnes in 2023, highlighting continued strong domestic consumption.
- The industry is projected to grow significantly, with the market expected to reach US\$ 100 billion by 2027.

**CAGR Estimate:**

The Indian Gems and Jewellery market is projected to grow at ~6%–7% CAGR over the next few years to reach the US\$ 100 billion milestone by 2027.



**Market Size:**  
**US\$ 100 billion**  
**by 2027**



**More than 300,000**  
**gems and**  
**jewellery players**



**Contributes about**  
**7% to India's**  
**Gross Domestic**  
**Product**



**Employs ~5**  
**million**  
**people**

**Government Initiatives:**

- **100% FDI** allowed under the automatic route in the gems and jewellery sector to attract global investments.
- **Comprehensive Economic Partnership Agreement (CEPA)** signed with the UAE in March 2022, providing duty-free access for Indian gems and jewellery exports.
- **Custom Duty Reductions:**  
 Cut and polished diamonds and colored gemstones: Reduced from 7.5% to 5% and NIL respectively.  
 Gold and silver: Reduced from 12.5% to 7.5%.
- **Mandatory hallmarking** for gold jewellery and artefacts implemented from June 2021 to improve consumer trust.

**Key Management -**

<b>Key Management Persons Name -</b>	<b>Nitinkumar Dalpatbhai Shah</b>
<b>Age</b>	56
<b>Designation and No. of years of experience</b>	Promoter and Managing Director, 25+ years of experience in finance and jewellery
<b>Qualification</b>	Bachelor of Commerce
<b>Other Directorships</b>	A N N Capital Finance Private Limited

<b>Key Management Persons Name -</b>	<b>Nihar Nitinbhai Shah</b>
<b>Age</b>	28
<b>Designation and No. of years of experience</b>	Promoter, Executive Director and CFO, 5+ years of experience in manufacturing and finance
<b>Qualification</b>	Master of Engineering - Engineering Management
<b>Other Directorships</b>	A N N Capital Finance Private Limited

- The overall management of the company is decent.
- The promoter and management have good experience in the industry.
- Sweta Rasikbhai Panchal, Akshay Hiteshkumar Soni and Nishit Dushyant Shah are Non-Executive Independent Directors of the Company. They have relevant experience in their respective fields.
- **Zalakben Chintan Gajjar**, aged 37, is the company secretary with 10+ years of experience.

**FINANCIAL SNAPSHOT****Statement of Profit and Loss** Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Oct-24
Revenue from Operations	3,258.71	5,188.42	7,077.05	4,218.40
Other Income	10.45	15.71	20.42	0.17
<b>Total Income</b>	<b>3,269.16</b>	<b>5,204.13</b>	<b>7,097.47</b>	<b>4,218.57</b>
<b>Expenses</b>				
Cost of materials consumed	3,189.17	5,094.74	6,915.35	4,077.04
Employee Benefit Expenses	18.55	19.39	29.06	16.26
Finance Cost	-	-	-	-
Depreciation and Amortization Expense	2.13	1.82	1.47	0.70
Other expenses	6.82	23.10	6.62	19.82
<b>Total Expenses</b>	<b>3,216.67</b>	<b>5,139.05</b>	<b>6,952.50</b>	<b>4,113.82</b>
<b>EBITDA</b>	<b>44.17</b>	<b>51.19</b>	<b>126.02</b>	<b>105.28</b>
<b>EBITDA Margin</b>	<b>1.36%</b>	<b>0.99%</b>	<b>1.78%</b>	<b>2.50%</b>
<b>Profit/(Loss) before tax</b>	<b>52.49</b>	<b>65.08</b>	<b>144.97</b>	<b>104.75</b>
<b>Tax Expense</b>				
Provision for tax	14.41	17.68	37.19	26.47
Provision for deferred tax	-0.04	-0.03	-0.69	0.11
<b>Total Tax</b>	<b>14.37</b>	<b>17.65</b>	<b>36.50</b>	<b>26.58</b>
<b>Profit/(Loss) for the year</b>	<b>38.12</b>	<b>47.43</b>	<b>108.47</b>	<b>78.17</b>
<b>Net Profit Margin</b>	<b>1.17%</b>	<b>0.91%</b>	<b>1.53%</b>	<b>1.85%</b>

**Statement of Assets and Liabilities** Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Oct-24
<b>EQUITY AND LIABILITIES</b>				
<b>1. Shareholders' funds</b>				
Share Capital	899.99	899.99	899.99	899.99
Reserves and Surplus	202.68	250.12	358.58	436.77
<b>Total Equity</b>	<b>1,102.67</b>	<b>1,150.11</b>	<b>1,258.57</b>	<b>1,336.76</b>
<b>NON-CURRENT LIABILITIES</b>				
Long-term Borrowings	-	-	-	-
<b>Total Non-current liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CURRENT LIABILITIES</b>				
Short-term Borrowings	34.95	56.50	77.70	98.85
Trade Payables				
(a) Total outstanding dues of MSME	-	-	-	-
(b) Total outstanding dues of creditors other than MSME	89.83	279.37	185.19	95.67
Other Current Liabilities	5.03	55.38	20.29	38.69
Short-term Provisions	14.69	18.08	38.13	27.91
<b>Total Current liabilities</b>	<b>144.50</b>	<b>409.33</b>	<b>321.31</b>	<b>261.12</b>
<b>Total Liabilities</b>	<b>144.50</b>	<b>409.33</b>	<b>321.31</b>	<b>261.12</b>
<b>Total Equity and Liabilities</b>	<b>1,247.17</b>	<b>1,559.44</b>	<b>1,579.88</b>	<b>1,597.88</b>
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Property, Plant and Equipment	9.63	7.82	6.35	5.65
Deferred tax assets (net)	0.60	0.63	1.32	1.21
Financial Assets	-	50.60	46.03	3.34
<b>Total Non-Current assets</b>	<b>10.23</b>	<b>59.05</b>	<b>53.70</b>	<b>10.20</b>
<b>CURRENT ASSETS</b>				
Inventories	698.99	1,000.62	1,074.87	1,374.43



Particulars	FY 22	FY 23	FY 24	Oct-24
Trade Receivables	421.46	418.63	178.22	201.46
Cash & Cash equivalents	1.15	0.72	265.89	0.64
Short Term Loans and Advances	50.71	75.00	-	-
Other Current Assets	64.64	5.43	7.20	11.13
<b>Total Current assets</b>	<b>1,236.95</b>	<b>1,500.40</b>	<b>1,526.18</b>	<b>1,587.66</b>
<b>Total Assets</b>	<b>1,247.18</b>	<b>1,559.45</b>	<b>1,579.88</b>	<b>1,597.86</b>

Cash Flow Statement				Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24	Oct-24
Net Cash Flow from Operating Activities	-501.57	28.62	239.41	-329.09
Net Cash Flow from Investing Activities	-1.41	-50.60	4.57	42.69
Net Cash Flow from Financing Activities	502.44	21.55	21.20	21.15

### Key Ratios

Per Share Data					Valuation Ratios (x)				
	FY 22	FY 23	FY 24	FY 25*		FY 22	FY 23	FY 24	FY 25*
Diluted EPS	0.51	0.53	1.21	1.07	EV/EBITDA	25.73	23.56	8.49	-0.75
BV per share	12.25	12.78	13.98	18.14	Market Cap / Sales	0.69	0.43	0.32	0.43
Operating Ratios					P/E	49.02	47.17	20.66	23.37
EBITDA Margins	1.36%	0.99%	1.78%	2.50%	Price to Book Value	2.04	1.96	1.79	1.38
PAT Margins	1.17%	0.91%	1.53%	1.85%	Solvency Ratios				
Inventory days	78.51	70.59	55.59	68.60	Debt / Equity	0.03	0.05	0.06	0.04
Debtor days	47.34	29.53	9.22	24.08	Current Ratio	8.56	3.67	4.75	4.75
Creditor days	10.82	18.95	9.70	11.04	Quick Ratio	3.72	1.22	1.40	1.40
Return Ratios					Asset Turnover	2.61	3.33	4.48	4.57
RoCE	3.81%	4.29%	9.90%	7.89%	Interest Coverage Ratio	-	-	-	-
RoE	3.46%	4.12%	8.62%	5.90%					

\*Annualized

### INTERPRETATION –

1. The top line has increased over the years. It saw an increase by 59.22% in FY23 which was due to increase in sale of gold and silver products and it increased by 36.40% in FY24 which was due to increase in sale of products along with increase in gold and silver prices.
2. The net profit also increased over the years. It increased by 24.42% in FY23 and saw a sudden increase by 128.69% in FY24 which was due decrease in other expenses and overall reduction in .
3. The EBITDA and PAT margins also remained slightly inconsistent over the years. A slight dip can be seen as the cost of materials and other expenses increased in relation to revenue which eventually led to decrease in PAT margin.
4. The company has negative cash flow from operations for FY22 and Oct-24.

**Peer Analysis –**

Particulars	Kenrik Industries Limited			Veerkrupa Jewellers Limited			Motisons Jewellers Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	1.17%	0.91%	1.53%	0.08%	0.27%	1.73%	4.69%	6.05%	7.73%
EBITDA Margin	1.36%	0.99%	1.78%	0.33%	0.48%	2.17%	12.32%	13.52%	15.26%
RoCE	3.81%	4.29%	9.90%	0.41%	0.61%	2.11%	25.18%	30.04%	18.36%
ROE	3.46%	4.12%	8.62%	0.20%	0.38%	1.81%	12.77%	16.16%	9.82%
EPS (INR)	0.51	0.53	1.21	-	-	0.31	0.02	0.03	0.09
P/E	49.02	47.17	20.66	-	-	4.00	-	-	177.89

Particulars	Kenrik Industries Limited			Khazanchi Jewellers Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	1.17%	0.91%	1.53%	1.3%	1.6%	3.3%
EBITDA Margin	1.36%	0.99%	1.78%	3.3%	3.5%	5.1%
RoCE	3.81%	4.29%	9.90%	10.3%	18.9%	20.0%
ROE	3.46%	4.12%	8.62%	11.4%	21.0%	14.6%
EPS (INR)	0.51	0.53	1.21	3.28	7.61	15.76
P/E	49.02	47.17	20.66	-	-	19.36

- The market cap Veerkrupa Jewellers is less compared to Kenrik Industries.
- All the mentioned peers have better PAT and EBITDA margin than the company.
- The RoCE and RoE of the company is better compared to Veerkrupa Jewellers.



LEAD MANAGER TRACK RECORD –

The lead manager to the issue is **Turnaround Corporate Advisors 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 –

Turnaround Corporate Advisors Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	NeoPolitan Pizza and Foods Limited	12.00	20.00	Sep 30, 2024	15.00
2.	City Crops Agro Limited	15.00	25.00	Oct 10, 2023	28.20
3.	Adishakti Loha and Ispat Limited	2.00	11.00	Oct 13, 2021	15.75
4.	Avon Moldpast Limited	4.51	51.00	Jul 26, 2018	156.50

The company has handled 2 mandates in the last three years (including current year).

\*CMP for the above-mentioned companies is taken as of 28<sup>th</sup> Arp 2025.  
As per the offer document, the above-mentioned mandates all have opened at a premium on the listing day.

## Recommendation -

Kenrik Industries Limited has been in the industry since 2017 and has limited experience in the industry.

The P/E on a post-IPO annualized basis is around 23.37 times which makes it slightly highly priced.

The company's management overview is decent.

The company's top line has increased over the years. The bottom line a sudden jump in FY24 which was due to decrease in other expenses and overall reduction in expenses. The EBITDA and PAT margin saw a slight dip in FY23 as the total expenses in relation to revenue increased. Also, the margins are very low compared to its peers. The company incurred negative cash flow from operations for the FY22 and Oct-24. Overall, the financials of the company look slightly unsustainable.

The company has high concentration for customers and suppliers and loss of any may have adverse effect on the business. It also has high concentration in Gujarat.

The litigation amount against promoters/ directors is very high. Furthermore, the company does not have any unique strategy to grow their business. Also, the issue size is very low.

The overall industry is highly competitive and fragmented and there are many established players.

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

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