

One Stop Investment Avenue



GEPL
CAPITAL

IPO Note

P N GADGIL JEWELLERS LIMITED

Sep 10, 2024



PNG
JEWELLERS



Sep 10, 2024

Details of the Issue

Price Band	₹ 456 - ₹ 480
Issue Size	₹ 1100 Cr
Face Value	₹ 10
Bid Lot	31
Listing on	BSE, NSE
Post Issue Mcap	₹ 6514 Cr
Investment Range	₹ 14,136 - ₹ 14,880

Important Indicative Dates (2024)

Opening	10 - Sep
Closing	12 - Sep
Basis of Allotment	13 - Sep
Refund Initiation	16 - Sep
Credit to Demat	16 - Sep
Listing Date	17 - Sep

Lead Manager

Motilal Oswal Investment Advisors Limited

Nuvama Wealth Management Limited

Bob Capital Markets Limited

Offer Details

Offer Size	₹ 1100 Cr
Fresh Issue	₹ 850 Cr
OFS	₹ 250 Cr

Type	In Rs Cr	No of Shares (Mn)		% of Issue
		Upper	Lower	
QIB	550	11.46	12.06	50
NIB	165	3.44	3.62	15
Retail	385	8.02	8.44	35
Em- ploy.	-	-	-	-
Total	500	22.92	24.12	100

Invest Now**Company Profile**

Established in 2013, P N Gadgil Jewellers Limited offers a diverse range of precious metal and jewelry products, including gold, silver, platinum, and diamond pieces across various price points and designs. As of December 31, 2023, the company has expanded to 33 stores, including 32 in Maharashtra and Goa and one in the US, with a total retail space of approximately 95,885 sq. ft. These stores include 19 large format, 11 medium format, and 3 small format locations. The company operates 23 stores directly and 10 under a franchisee-owned and company-operated (FOCO) model. PNG is the second-largest organized jewellery player in Maharashtra by store count as of January 2024 and is recognized for its rapid growth, with a 54.63% CAGR in revenue from Fiscal 2022 to Fiscal 2024 and a 39.78% increase in EBITDA over the same period, alongside the highest revenue per square foot among major players. The company offers eight sub-brands for gold jewellery across various occasions, two sub-brands for diamond jewellery, and two sub-brands for platinum jewellery, along with custom 'make-to-order' jewellery options for customers. P N Gadgil Jewellers Limited's strong growth and extensive offerings establish it as a leading force in the jewellery market.

Business Highlights & Services

P N Gadgil Jewellers Limited provides a diverse array of precious metal and jewellery products through its "PNG" brand and is well-positioned to leverage its scalable business model and successful expansion strategy in the Indian market. With a current portfolio of 33 stores, including a presence in Maharashtra, Goa, and the US, the company plans to increase its store count to 51 by Fiscal 2026, targeting under-served Tier II and III cities in western India. The company's franchise agreements feature a five-year tenure with potential extensions, involving management fees, royalties, and refundable security deposits, while ensuring exclusive operational territories. PNG's growth is supported by a robust marketing strategy, including celebrity endorsements and diverse promotional campaigns, and customer-focused schemes like the 'Future Purchase Plan' and 'Dajikaka Promise Plan'. This comprehensive approach to market expansion, brand building, and customer engagement underpins PNG's potential for sustained profitability and increased market share.

The company has achieved a 27.70% increase in store footfall and a substantial rise in average transaction values for gold, diamond, and silver products between Fiscal 2022 and Fiscal 2024. To capitalize on this growth, the company plans to enhance profitability by intensifying marketing efforts, expanding customer loyalty programs, and optimizing its product mix to emphasize premium offerings. By maintaining high levels of trust and transparency, PNG aims to boost customer confidence and repeat purchases, positioning itself for continued financial success and increased per-store profits. The company is further leveraging the growing internet usage and online marketplace adoption in India to expand its customer reach and boost sales with minimal investment. The company has launched a comprehensive digital strategy, including its online platform, various online marketplaces, and the mobile app "PNG Jewellers." This digital presence not only facilitates real-time demand assessment and informed physical expansion but also enhances brand awareness and customer engagement. By continuing to invest in digital channels, PNG aims to increase sales, reach a broader audience, and improve the in-store experience, positioning itself for scalable growth with efficient resource allocation.



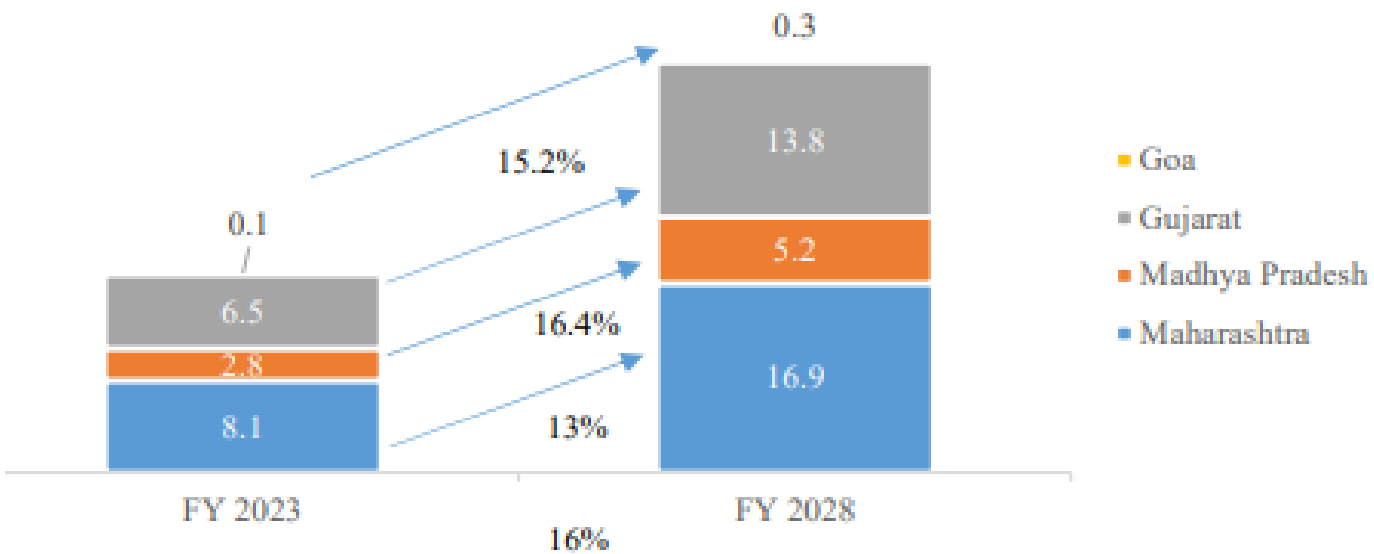
[Revenue from Physical stores and Online Marketplaces:](#)

Particulars	Fiscal 2024	Fiscal 2023	Fiscal 2022
(i) Physical stores	59,972.25	44,995.99	25,430.58
(ii) Online marketplaces*	1,116.38	62.22	112.60
Total	61,088.63	45,058.21	25,543.28

[Information on Number of Active Stores:](#)

Particulars	2024	Fiscal 2023	2022
No. of stores opened*	6	3	0
No. of stores closed*	4	1	0
Total no. of stores	36	34	32

[Size of the Western India Jewellery Market:](#)



[Details about Company Owned vs Franchise Owned:](#)

Particulars	Fiscal 2024	Fiscal 2023	Fiscal 2022
COCO	25	21	22
FOCO	11	13	10

Revenue from COCO and FOCO as a % of Total Revenue:

Particulars	As at / For the Financial Year 2024		As at / For the Financial Year 2023		As at / For the Financial Year 2022	
	Revenue from sale of products (in ₹ million)	% of total Revenue from sale of products	Revenue from sale of products (in ₹ million)	% of total Revenue from sale of products	Revenue from sale of products (in ₹ million)	% of total Revenue from sale of products
COCO	56534.59	92.55%	41,129.11	91.28%	23,353.81	91.43%
FOCO	4554.04	7.45%	3,929.10	8.72%	2,189.37	8.57%

Revenue from Different Products as % of Total Revenue:

Particulars	As at / For the Financial Year 2024		As at / For the Financial Year 2023		As at / For the Financial Year 2022	
	Revenue from sale of products (in ₹ million)	% of total Revenue from sale of products	Revenue from sale of products (in ₹ million)	% of total Revenue from sale of products	Revenue from sale of products (in ₹ million)	% of total Revenue from sale of products
Gold	56325.50	92.20%	40,933.43	90.85%	23,037.47	90.19%
Silver	2096.90	3.43%	1,634.17	3.63%	1,222.00	4.78%
Diamond	2251.80	3.69%	1,962.91	4.35%	1,044.92	4.09%
Platinum & Other Products	414.43	0.68%	527.70	1.17%	238.79	0.93%

Revenue from Different Products as % of Total Revenue:

Financial Year	Good Calls	Complaints	Status of grievance redressal
2022	656	16	All resolved
2023	677	440	All Resolved
2024	812	450	All Resolved

Peers Comparison

Name of the company	Face Value (₹)	Total Income (₹ Cr)	EPS	NAV (₹)	P/E	RoNW(%)
P N Gadgil Jewellers Ltd	10	6,111	13.08	45.29	NA	28.88%
Peers Group						
Kalyan Jewellers India Ltd	10	18,548	5.80	40.67	101.53	14.23%
Senco Ltd	10	5,241	23.98	175.74	45.50	13.26%
Thangamayil Jewellery Ltd	10	3,827	44.91	179.74	42.89	24.99%



Companies Competitive Strength :

- Well established and trusted legacy brand in Maharashtra.
- Second largest organised retail jewellery player and one of the fastest growing brand in Maharashtra.
- Diversified product portfolio across categories and price points.
- Experienced Promoter and management team with proven execution capabilities.
- Strong historical financial results.

Key Strategies Implemented by Company

- Expand the retail network in western India by leveraging the brand.
- Continue to invest in the marketing and brand building initiatives.
- Focus on increasing footfalls in existing stores and increasing the average transaction value.
- Increase the digital presence to increase customer base and sales.

Particular (INR in Cr)	FY24	FY23	FY22
Equity Capital	118	55	55
Reserves and Surplus	416	255	191
Net Worth	534	366	282
Revenue	6,110	4,508	2,556
Growth (%)	36%	76%	
EBITDA	269	123	112
EBITDAM (%)	4%	3%	4%
PAT	154	94	70
PATM (%)	3%	2%	3%
ROCE (%)	27%	23%	20%
ROE (%)	29%	25%	22%

Valuations and Recommendation:

- Based on annualized FY24 earnings to post-IPO paid-up equity capital of the company, The issue is priced at a P/E of 42X. Thus the issue appears to be fairly priced compared to peers.
- The company is one of India's fastest-growing organized retail jewellery players. It has seen its revenue surge from INR 2,556 Cr to INR 6,111 Cr and its PAT rise from INR 69 Cr to INR 154 Cr, reflecting a CAGR of 34% and 31%, respectively. As the second-largest player in Maharashtra—an area accounting for around 15% of India's total retail jewellery spending—the company has a diverse product range with over 10,000 gold SKUs, 1,200 silver SKUs, 2,700 platinum SKUs, and 24,000 diamond SKUs as of March 2024. The company operates both Coco and Foco stores. Coco stores offer control over branding and customer experience, while Foco stores aid in expanding the company's reach. Plans to open 18 new stores will tap into new markets and broaden the customer base, driving sales growth and enhancing brand visibility. The Indian jewelry market is projected to grow at a 16% CAGR from FY24 to FY28. Additionally, the reduction in customs duties on gold, silver, and platinum in the Union Budget 2024-25 is expected to further boost demand. The company is well-positioned to capitalize on this growth. Hence, we recommend an "Subscribe" rating for the issue.



Notes

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