

P N Gadgil Jewellers



Strengthening retail presence with trust

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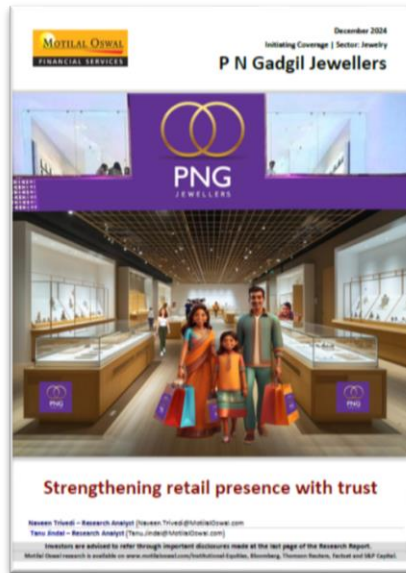
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Strengthening retail presence with trust

- ❖ P N Gadgil Jewellers (PNG) is the second-largest jewelry retail chain in Maharashtra, with a total store count of over 48 stores as of now (12 addition in FY25YTD). The company reported INR61b revenue in FY24, with a total store count of 36 (including two stores in Goa and one in the US). Based in Pune, PNG has a rich brand legacy that dates back to 1832 and maintains a presence in numerous cities (21) across Maharashtra. The company, during the last few years, has been focusing more on enhancing unit economics, increasing its mix of make-to-order offerings, and improving its product mix.
- ❖ PNG aims to become the leading jewelry retailer in Maharashtra within a few years (Tanishq leads in the store count at present). The company is focused on enhancing its product mix by increasing the proportion of studded jewelry. Over the last three years, the studded jewelry ratio has improved 250bp to 7%, and PNG aims to take this ratio in double digits in the coming year. The company is anticipated to deliver 23%/31%/36% revenue/EBITDA/PAT CAGR during FY24-27 fueled by: 1) a robust 30% store CAGR, 2) a favorable market presence in Maharashtra, characterized by a strong trend toward formalization and a high proportion of studded jewelry, and 3) an improving product mix, enhanced sourcing strategies, and debt reduction, which are likely to expand the PBT margin to 4.6% in FY27E from 3.4% in FY24.
- ❖ We initiate coverage on the stock with a BUY rating and a TP of INR950 (based on 35x Dec'26E P/E).

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Financials and valuations

BSE Sensex
81,709S&P CNX
24,678

CMP: INR769

TP: INR950 (+24%)

Buy



Stock Info

Bloomberg	PNGJL IN
Equity Shares (m)	136
M.Cap.(INRb)/(USDb)	104.4 / 1.2
52-Week Range (INR)	848 / 611
1, 6, 12 Rel. Per (%)	3/-/-
12M Avg Val (INR M)	1078
Free float (%)	16.9

Financial Snapshot (INR b)

Y/E March	FY25E	FY26E	FY27E
Sales	77.5	95.2	114.0
Sales Gr. %	26.8	22.9	19.6
EBITDA	3.6	4.9	6.1
EBITDA margin %	4.7	5.1	5.4
Adj. PAT	2.2	3.1	3.9
EPS (INR)	16.2	22.9	28.7
EPS Gr. (%)	23.6	42.0	24.9
BV/Sh. (INR)	118.2	141.1	169.8

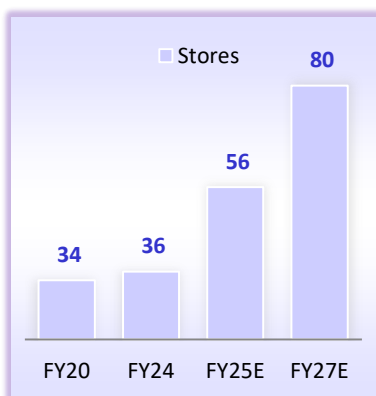
Ratios

Debt/Equity	-0.1	0.1	0.2
RoE (%)	20.5	17.7	18.4
RoIC (%)	22.9	21.1	19.8

Valuations

P/E (x)	47.8	33.7	27.0
EV/EBITDA (x)	27.1	20.3	16.2

Stores expansion (nos)



Strengthening retail presence with trust

Building on tradition | Leading with innovation

- P N Gadgil Jewellers (PNG) is the second-largest jewelry retail chain in Maharashtra, with a total store count of over 48 stores as of now (12 additions in FY25YTD). The company reported INR61b revenue in FY24, with a total store count of 36 (including two stores in Goa and one in the US). Based in Pune, PNG has a rich brand legacy that dates back to 1832 and maintains a presence in numerous cities (21) across Maharashtra. The company, during the last few years, has been focusing more on enhancing unit economics, increasing its mix of make-to-order offerings, and improving its product mix. However, following a consistent shift toward the formalized market, the company is now aiming to expand its store network, starting in Maharashtra before venturing into other states such as Madhya Pradesh, Chhattisgarh, Bihar, et al. We model 44 new store additions during the next three years, bringing the total to 80 stores by FY27 vs. 36 in FY24. PNG has already opened 12 stores and plans to open an additional 8 stores in the remaining FY25.
- PNG aims to become the leading jewelry retailer in Maharashtra within a few years (Tanishq leads in the store count at present). The company is focused on enhancing its product mix by increasing the proportion of studded jewelry. Over the last three years, the studded jewelry ratio has improved 250bp to 7%, and PNG aims to take this ratio into double digits in the coming year. The company is anticipated to deliver 23%/31%/36% revenue/EBITDA/PAT CAGR during FY24-27 fueled by: 1) a robust 30% store CAGR, 2) a favorable market presence in Maharashtra, characterized by a strong trend toward formalization and a high proportion of studded jewelry, and 3) an improving product mix, enhanced sourcing strategies, and debt reduction, which are likely to expand the PBT margin to 4.6% in FY27E from 3.4% in FY24.
- We initiate coverage on the stock with a BUY rating and a TP of INR950 (based on 35x Dec'26E P/E). The successful execution of store rollouts, gold hedging policy, and an improvement in operating margin will be the key catalysts for re-rating of the stock.

Further expanding the network in home territory

- In FY24, PNG operated 36 stores, which included 24 company-owned & company-operated (COCO) stores, 11 franchise-owned & company-operated (FOCO) stores, and one store in the US. PNG plans to add 18 and 9 COCO stores in FY25 and FY26, while FOCO stores will be 2-3 stores yearly.
- The company aims to leverage its strong brand recall in Maharashtra by rapidly expanding its store presence (it plans to double its store network) in Maharashtra over the next two to three years. Besides, PNG also intends to enter other states by strategically selecting key cities in those markets.
- PNG has already opened 12 stores in YTD-FY25, of which nine were opened during each of the nine days of Navratri. The successful store rollouts during Navratri, shortly after the IPO, reflect management's exceptional execution skills and provide better visibility for upcoming expansion.
- The IPO proceeds of INR8.5b will be used for debt reduction (INR2.5-3.0b), new store openings (INR4.0b) and balance on other corporate expenses.

PNG reported 27% CAGR in customer footfalls along with increasing ATV

Focusing on increasing footfalls and average transaction value

- PNG reported a 27% CAGR in footfalls between FY21 and FY24. During the same period, the average transaction value clocked 10% CAGR in gold jewelry, 16% CAGR in diamond jewelry, and 8% CAGR in silver jewelry.
- The company further plans to improve the frequency of customer visits, acquisition of new customers, and average transaction value by focusing on new product launches, higher marketing spending, and various incentive models.

Maintains long-term relationship with customers; well-established in its core market

- With a strong legacy in the core market, PNG has established long-term relationships with its customers. The multi-generational customer base has significantly contributed to the company's success. Despite expanding its store network in the core market, the company has experienced healthy growth in its existing stores.
- PNG has also strengthened its customer relationships by focusing more on make-to-order services (customization) over the past 3-4 years. This strategy has contributed to increased customer retention and the acquisition of new clients.
- PNG experienced a robust 27% CAGR in footfalls across its stores over FY21-24. This growth demonstrates its ability to attract and retain customers through its strong brand presence and customer engagement initiatives.
- According to the management, customer conversion at the store has notably improved over the last 3-4 years and currently hovers around 90%.

Maharashtra represents 17% of the country's total jewelry outlets.

Growing in Maharashtra; more headroom for market share gains

- The size of India's jewelry retail market was USD80b in FY24, with organized retail contributing about 37%, which includes both national and regional players. The market is likely to surge, reaching USD145b by FY28.
- The western region accounts for 25% of India's jewelry market, with states like Maharashtra, Madhya Pradesh, Gujarat, and Goa serving as the four primary contributors. Among these states, Maharashtra commands a dominant 46% share of the western market, making it one of the largest jewelry markets in India. Maharashtra alone represents 17% of the country's total jewelry outlets, boasting over 25,000 registered stores, which positions it as the largest market for BIS-registered outlets in India.
- PNG is the second-largest organized jewelry player in Maharashtra based on the number of stores. PNG is still underpenetrated, with only ~8% market share in Maharashtra. Hence, there remains significant headroom for growth. We believe that PNG can increase its market share through effective brand building, diverse product design offerings, and strategic store expansion.

PNG delivered a 20% revenue CAGR during FY19-24, with a store CAGR of only 4%.

Superior operating metrics relative to peers

- PNG delivered a 20% revenue CAGR during FY19-24, with a store CAGR of only 4%. In comparison, Titan clocked revenue/store CAGR of 20%/19%, Kalyan 14%/13%, Senco 16%/10%, and Thangamayil 22%/13%. PNG has been more focused on scaling revenue/store metrics. Hence, revenue CAGR for a significant part of the last five years has been driven by strong SSSG.
- PNG demonstrated efficient inventory management, achieving an impressive average inventory turns of 5x between FY19 and FY24, outperforming large

peers, which are close to 2.5-3.0x. Higher make-to-order mix (25-30% revenue mix) and lower studded mix provide the company with superior inventory turns.

- Thus, PNG enjoyed 34% RoE and 24% RoIC in FY24, much better than its larger peers, who were in the range of 20% RoE and 15% RoIC.

Enhanced digital presence to improve customer base and sales

- With the growing internet usage and rising adoption of online marketplaces in India, PNG sees significant potential to expand its customer base and increase sales through digital channels with minimal investment.
- In addition to increasing brand visibility among internet users, a strong digital presence helps PNG cater to a wider range of consumer segments. The company has launched its online platform, www.pngjewellers.com, where customers can browse and purchase a variety of jewelry products.
- PNG also retails through various online marketplaces and introduced its own mobile application, "PNG Jewellers," in Mar'22.
- The digital platform enables PNG to keep customers informed about new designs and collections, enhancing their overall shopping experience, both online and in-store.

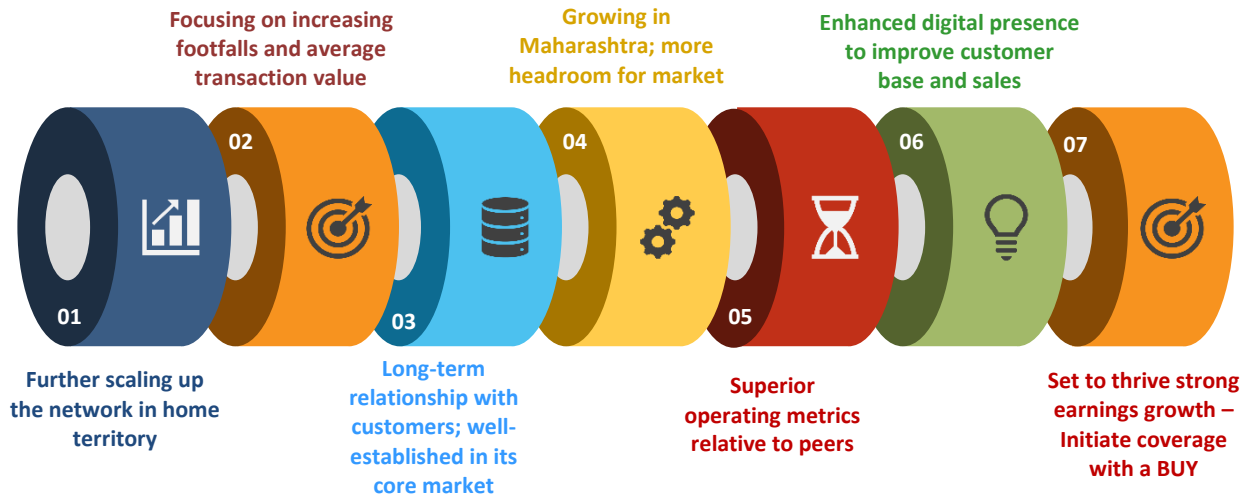
Set to post a strong earnings growth – Initiate coverage with a BUY rating

- PNG is among the few jewelry companies that are rapidly expanding their store presence. We model 30% store growth over FY24-27E. With a conservative growth assumption for bullion, the overall revenue CAGR assumption in our model stands at 23% (ex-bullion revenue CAGR at 30%).
- PNG is also enhancing its studded mix (up 250bp in the last three years) and is actively seeking to further improve this mix in the coming years. Maharashtra is already a favorable market for studded products (~20% studded mix market); therefore, there is significant potential for further improvement in this mix.
- With a more favorable product mix, operating leverage (as initial expansion is in its core markets, PNG will not need more corporate overhead costs, etc.), and better sourcing, the company is likely to improve its operating margin. We model an EBITDA margin expansion of 100bp over the next three years to 5.4% in FY27.
- With the IPO proceeding, the company also plans to reduce its debt repayment by more than INR2b. PNG is looking to add gold metal loans, which are likely to enhance its gold hedging strategy. We model >INR3-4b loan in FY26-FY27. Gold metal loans typically carry low interest rates (~3-4%), implying that the interest costs will not experience a spike, remaining lower than the anticipated revenue growth. This strategy is likely to contribute to an expansion of the PBT margin to 4.6% by FY27, compared to 3.4% in FY24.
- **We initiate coverage on the stock with a BUY rating and a TP of INR950 (based on 35x Dec'26E P/E). The successful execution of store rollouts, gold hedging policy, and an improvement in operating margin will be the key catalysts for re-rating of the stock.**
- **Key downside risks: a) volatility in gold prices, as the company has not fully hedged; b) the operating performance of new stores; and c) intensified competition that will hurt margins.**

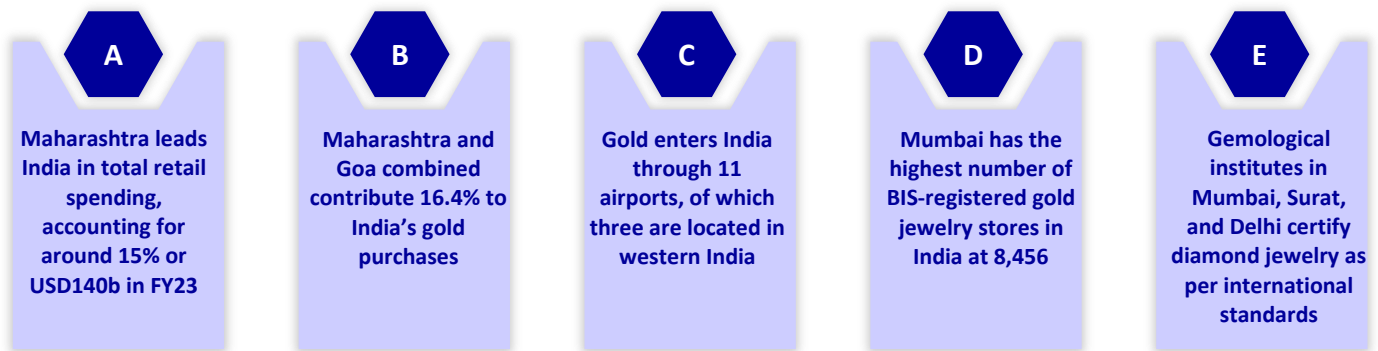
PNG is expected to deliver a revenue/EBITDA/APAT CAGR of 23%/31%/36% over FY24-27.

STORY IN CHARTS

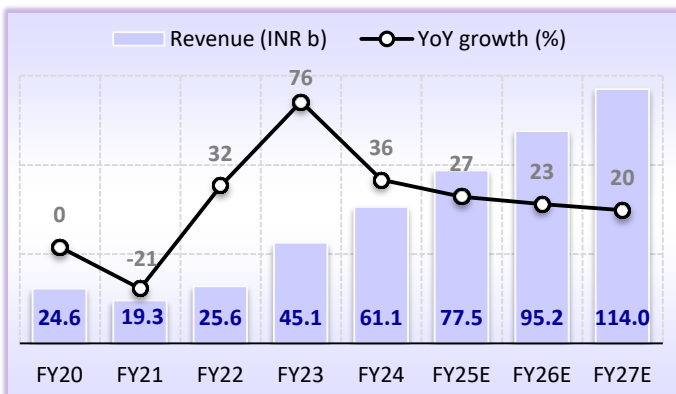
KEY INVESTMENT ARGUMENT



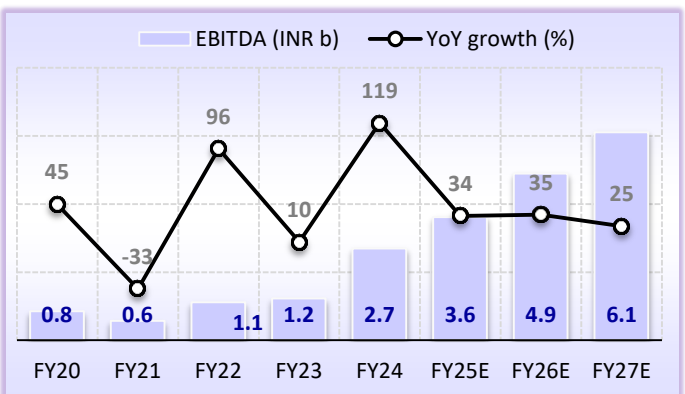
Maharashtra is the preferred retail jewelry market in India



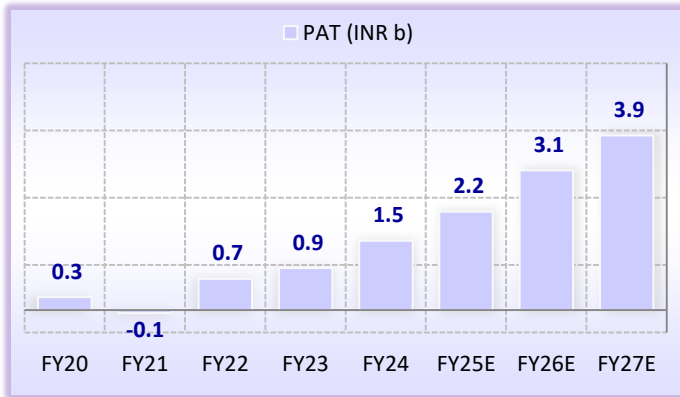
Revenue to deliver 23% CAGR over FY24-27E



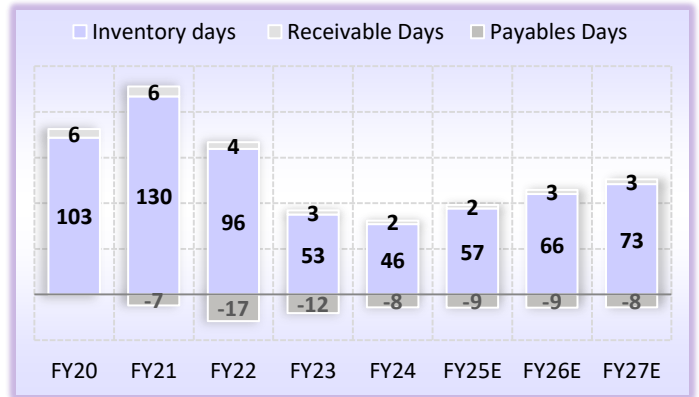
EBITDA to record 31% CAGR over FY24-27E...



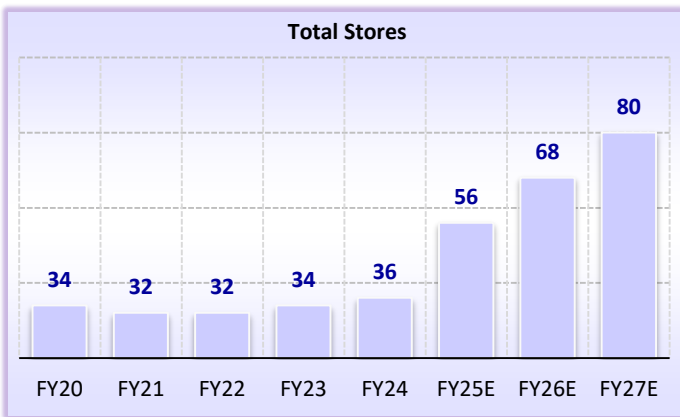
...leading to robust earnings CAGR of 36%



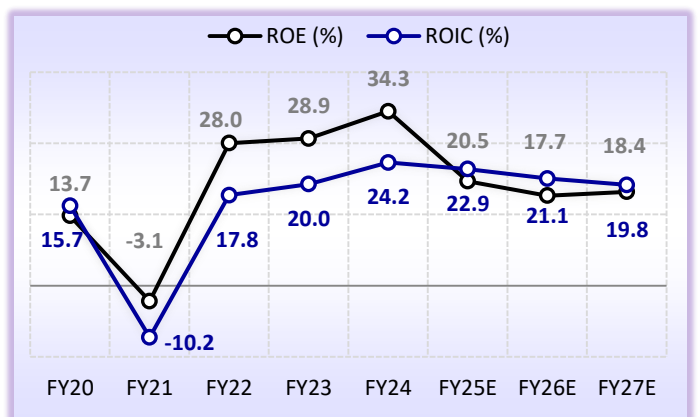
Net working capital to be steady over FY24-27E



Store count expected to double in the next three years



Healthy return ratios

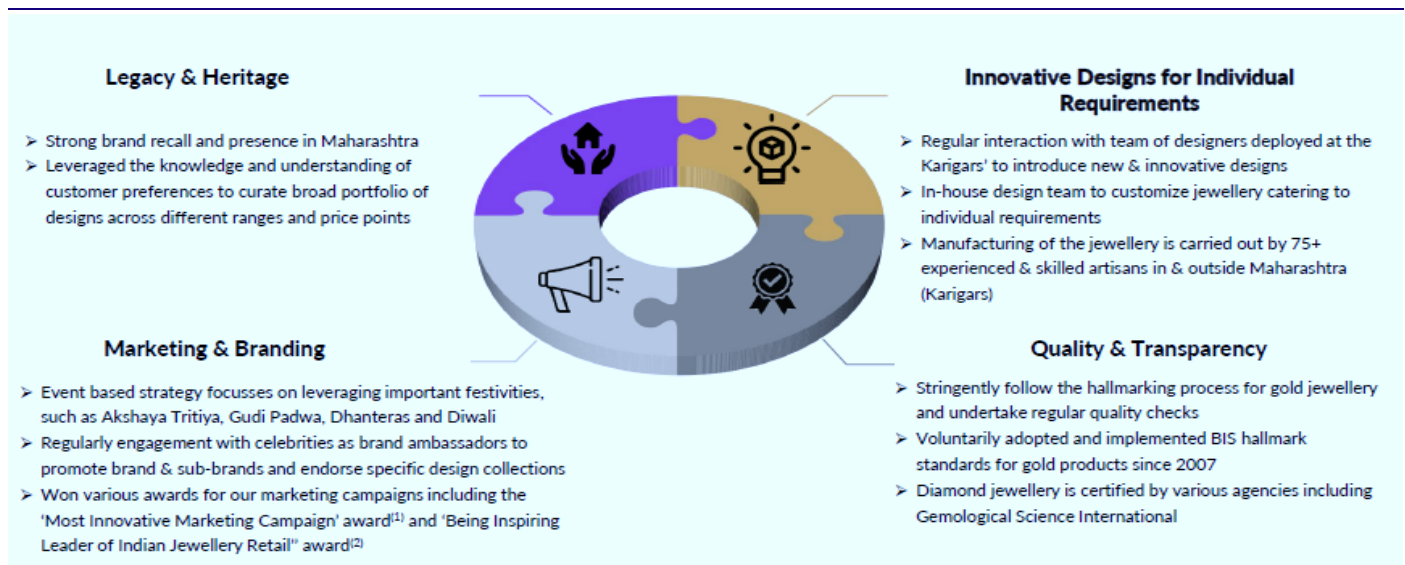


PNG is the second-largest organized jewelry retailer in Maharashtra.

Company overview

- The 'PNG' brand traces its origins to the 'P N Gadgil' brand, a rich legacy that dates back to 1832 with over a century of heritage. Capitalizing on this rich history, PNG Jewelers (PNG) has built strong brand recognition and a significant presence in Maharashtra.
- PNG is the second-largest organized jewelry retailer in Maharashtra, a state that holds the largest market for BIS-registered outlets in India. PNG is also the fastest-growing jewelry brand among key organized players in the country.
- platinum, and diamond jewelry, across different price points and designs. Their collections are designed to meet various customer needs, from special occasions such as weddings, engagements, anniversaries, and festivals to everyday wear.
- PNG outsources its jewelry manufacturing to a network of 75+ experienced and skilled Karigars (artisans) located in and around Maharashtra. These Karigars are engaged on a non-exclusive basis.
- The company makes five-year agreements with Karigars and supplies necessary materials such as precious metals, diamonds, and semi-precious stones based on the approved designs. The Karigars are compensated by making charges according to the terms of the agreements.
- The stores are branded as 'PNG' stores, and in the store there are several sub-brands to differentiate products. There are 48 retail stores as of Oct'24, and PNG also has an online presence through its website and various marketplaces.

Exhibit 1: Well-established brand in Maharashtra



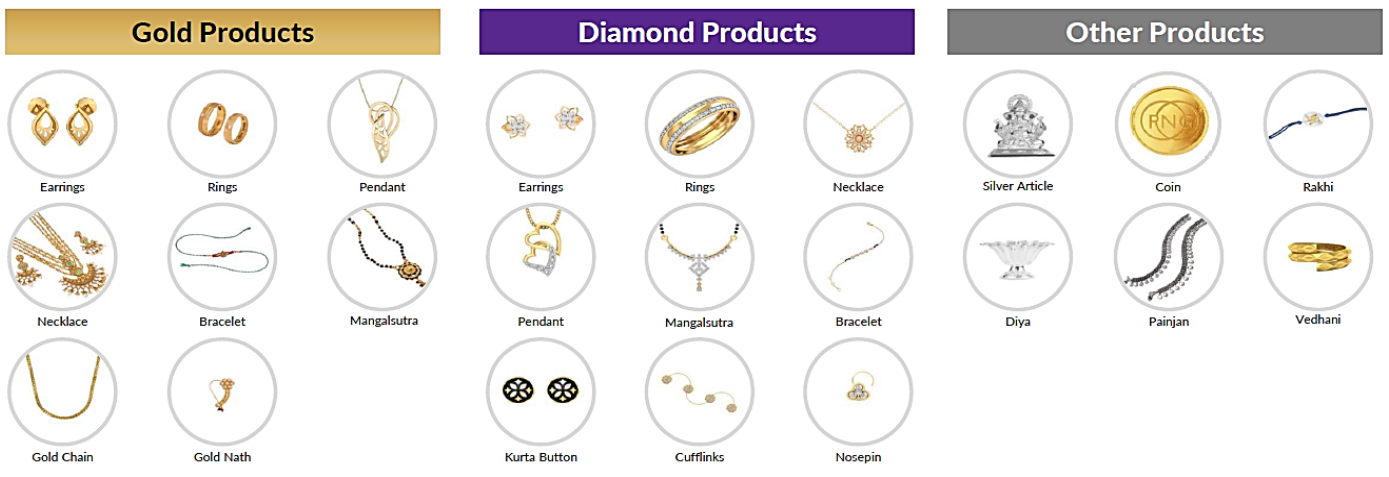
Source: Company, MOFSL

Diversified product range

PNG has 12 sub-brands i.e, 8 for gold, 2 for diamond and 2 for platinum








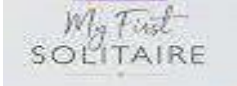



- PNG offers an extensive and diverse product portfolio that includes 10,000+ SKUs in gold, 1,200+ SKUs in silver, 2,700+ SKUs in platinum, and 24,000+ SKUs in diamond jewelry, spanning across price points and categories.
- The company had eight sub-brands catering to gold jewelry, two sub-brands for diamonds, and two sub-brands for platinum collections. Key sub-brands include Saptam, Swarajya, Rings of Love, The Golden Katha of Craftsmanship, Flip, Lifestyle, Eiina, PNG Solitaire, Men of Platinum, Evergreen Love, Pratha, and Yoddha, each catering to specific customer niches and occasions.
- The company leverages its heritage under the 'PNG' brand to curate products that meet the aesthetic and functional needs of consumers. Collections like Swarajya blend traditional Maharashtrian designs with modern styles, offering items such as mangalsutras, necklaces, earrings, rings, and bangles to cater to the region's preferences.
- The broad product range across precious metals, diamonds, and gemstones at multiple price points makes the company a "one-stop-shop" for consumers across all income levels and age groups.
- PNG continuously develops and launches new designs to meet evolving consumer demands, leveraging its market knowledge, design expertise, and collaborations with Karigar teams.
- Signature collections include The Golden Katha of Craftsmanship, which uses 100-year-old dies, and the Saptam collection, featuring seven layers of wedding jewelry sets. The company launched 106, 159, and 291 new designs in FY22, FY23, and FY24, respectively.

Exhibit 1: PNG – product portfolio



Source: Company RHP, MOFSL

Exhibit 2: PNG - Brands and product portfolio

Jewelry type	Sub-brand	Type of offering	Approximate price range
Gold	Saptam 	❖ Wedding and festive collections, which include hand-crafted elements	INR500,000 to INR1,250,000
Gold	Swarajya 	❖ Wedding collection with a fusion of traditional Maharashtrian designs and modern jewelry styles	INR450,000 to INR2,000,000
Gold	Rings of Love 	❖ Wedding collection, which includes gold rings created using laser and [CNC] making techniques.	INR25,000 to INR70,000
Gold	The Golden Katha of Craftmanship 	❖ Wedding collection, which includes Necklaces and bangles with Gokak Karagiri made from 100-year-old dies	INR300,000 to INR1,000,000
Gold	Flip 	❖ 'Mangalsutra' collection for weddings	INR500,000 to INR800,000
Gold	Lifestyle 	❖ Dailywear jewelry featuring youthful, elegant, functional, and contemporary designs	INR6,500 to INR300,000
Diamond	Eiina 	❖ Diamond jewelry for women	INR750,000 to INR1,750,000
Diamond	PNG Solitaire 	❖ Solitaire collections for men and women	INR110,000 to INR1,700,000
Platinum	Men of Platinum 	❖ Platinum jewelry for men	INR150,000 to INR300,000
Platinum	Evergreen Love	❖ Platinum jewelry for weddings and couples	INR17,000 to INR65,000
Gold	Pratha 	❖ All kinds of jewelry for celebration of weddings	INR550,000 to INR1,350,000
Gold	Yoddha 	❖ Gold chains and rings for men	INR50,000 to INR4,00,000

Source: Company RHP, MOFSL

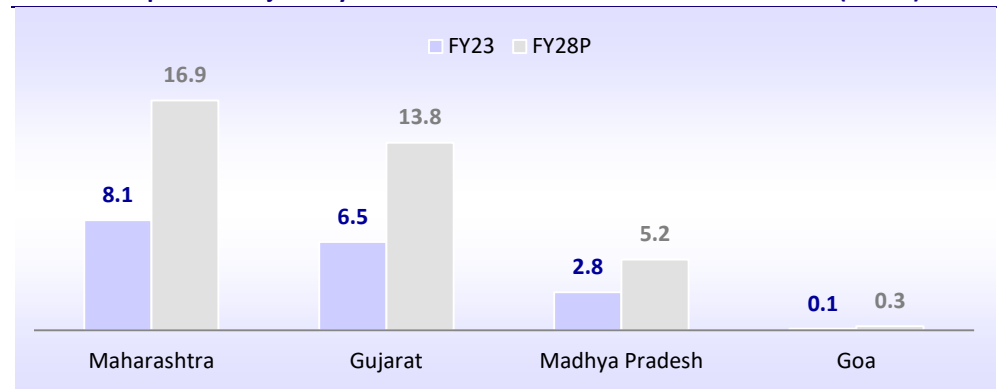
Second-largest organized jewelry player in Maharashtra

State wise contribution in the jewelry market in FY23

Region	Market Size (USD b)	Regional Share (%)
NORTH		
Haryana	1.9	14
Punjab	1.7	12
Uttar Pradesh	4.4	31
Rajasthan	3.2	23
Others	2.9	20
SOUTH		
Andhra Pradesh	2.5	9
Karnataka	3.4	12
Kerala	14.4	52
Tamil Nadu	5.7	20
Telangana	2	7
EAST		
West Bengal	8.8	84
Bihar	0.5	4
Chhattisgarh	0.4	4
Assam	0.1	1
Others	0.6	6
WEST		
Maharashtra	8.1	46
Madhya	2.8	16
Gujarat	6.5	37
Goa	0.1	1

- The size of India’s jewelry retail market was USD80b in FY24, with organized retail contributing about 37%, consisting of both national and regional players. The market is likely to surge ahead, reaching USD145b by FY28, fueled by increased disposable income, notable improvement in consumer demand for gold, gold price inflation, and rising interests in categories such as diamonds, other precious stones, and costume jewelry.
- The western region accounts for 25% of India's jewelry market, with states such as Maharashtra, Madhya Pradesh, Gujarat, and Goa being the four major contributors. Among these states, Maharashtra holds a dominant 46% share of the western market, making it one of the largest jewelry markets in India. Maharashtra alone represents 17% of the country’s total jewelry outlets, boasting over 25,000 registered stores, which makes it the largest market for BIS-registered outlets in India. Further, Maharashtra is at the forefront of BIS hallmarking, hosting 239 hallmarking centers, more than any other state in the country.

Exhibit 3: Expansion in jewelry market size over FY23-28E in western India (USD b)



Source: Company RHP, MOFSL

Exhibit 4: Maharashtra is the preferred retail jewelry market in India

A

Maharashtra leads India in total retail spending, accounting for around 15% or USD140b in FY23

B

Maharashtra and Goa combined contribute 16.4% to India’s gold purchases

C

Gold enters India through 11 airports, of which three are located in western India

D

Mumbai has the highest number of BIS-registered gold jewelry stores in India at 8,456

E

Gemological institutes in Mumbai, Surat, and Delhi certify diamond jewelry as per international standards

Source: Company RHP, MOFSL

- PNG is the second-largest organized jewelry player in Maharashtra in terms of the number of stores. The company is still underpenetrated in Maharashtra with only ~8% market share. Hence, there is enough headroom for growth. We believe that PNG will gain share through brand building, various product design offerings, and store expansion strategy.

Exhibit 5: Jewelry market size and PNG's share in western India

	(INR b)
India market size	6,400
Western market share (25% of pan-India)	1,600
Maharashtra market share (46% of western India)	736
Organized share	37%
Organized market	272
PNG revenue	61
PNG market share in organized Maharashtra market	22%
PNG market share in total Maharashtra market	8%

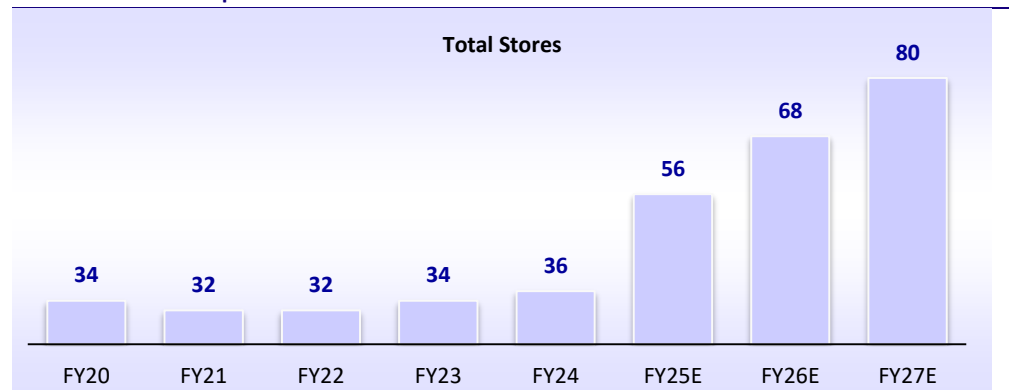
Source: Company RHP, MOFSL

PNF has 48 stores (37 COCO and 11 FOCO) as of Oct'24

Expanding retail network in western India

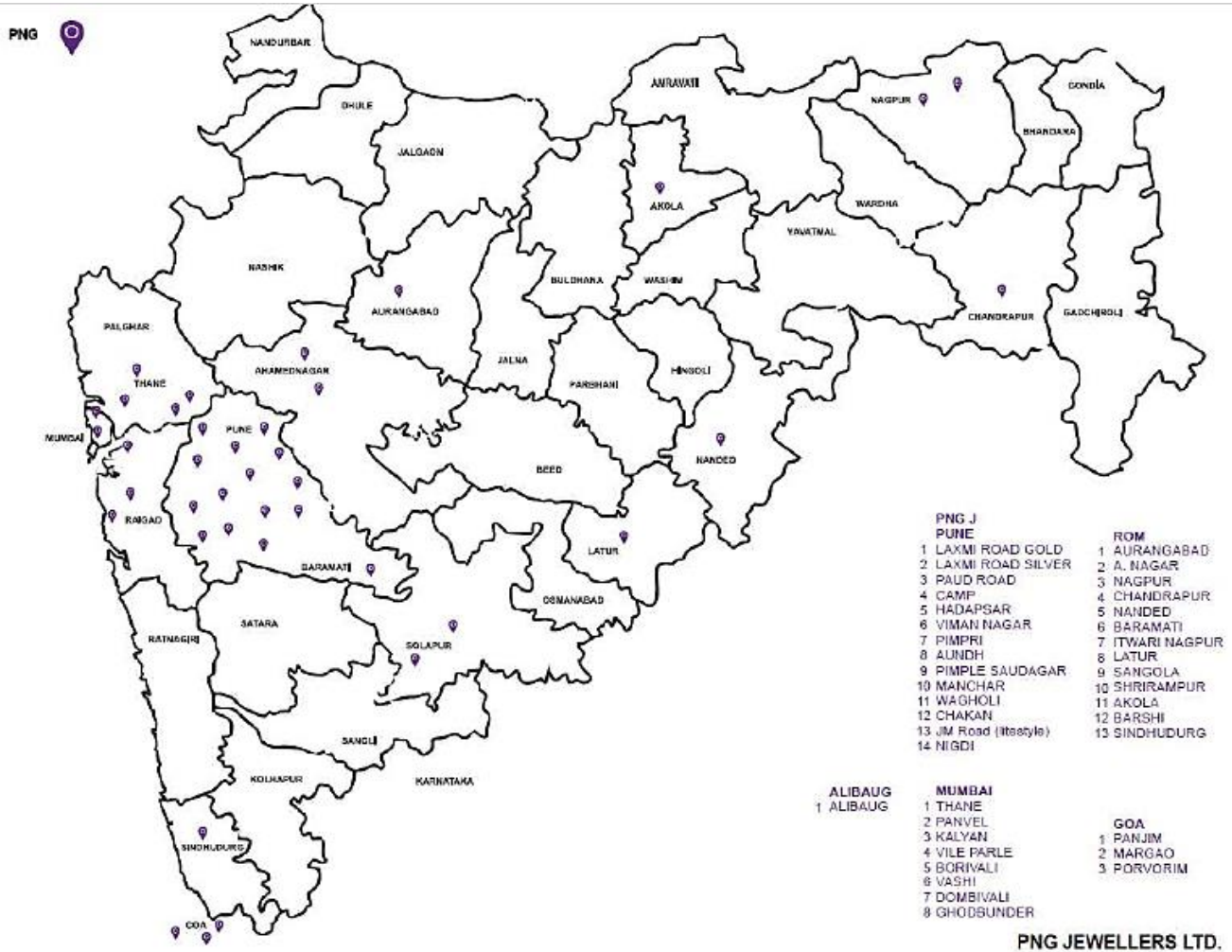
- PNG operates through multiple channels (COCO/FOCO) and continues to expand in Maharashtra. It has a strong digital presence, including its website and major online marketplaces. In Mar'22, the company launched the "PNG Jewelers" mobile app, allowing customers to remain updated on new designs and collections while browsing the product portfolio. This ultimately enriches the in-store experience for customers.
- As of Oct'24, PNG expanded to 48 stores (37 COCO and 11 FOCO), with 47 stores spread across 21 cities in Maharashtra and 3 cities in Goa and one store in the US, covering a total retail space of ~146,375 sq. ft. PNG's 30 stores are large-format (over 2,500 sq. ft.) stores, 14 are medium-format (1,000 to 2,500 sq. ft.), and four are small-format (less than 1,000 sq. ft.) stores.
- The company plans to further deepen its presence in Maharashtra while expanding into Tier II and Tier III cities across western India, where organized retail penetration is relatively low. We expect the company to capitalize on these untapped markets and expand its store network to reach 80 stores by FY27E, supporting its long-term growth strategy.

Exhibit 6: PNG to expand its stores at 30% CAGR over FY24-27E



Source: Company, MOFSL

Exhibit 7: No. of stores for PNG across Maharashtra and Goa (ex-9 new stores opened during Navratri)

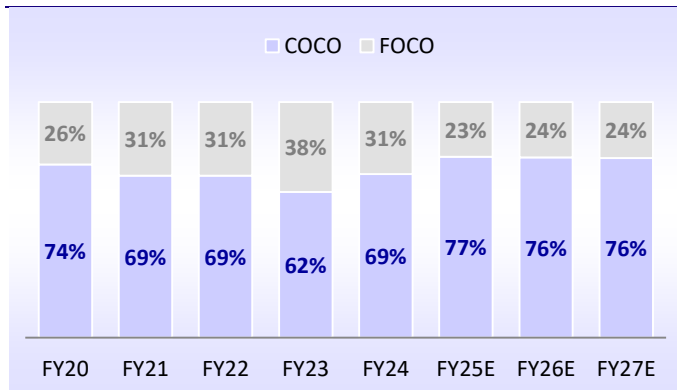


Source: Company, MOFSL

Hub-and-spoke model

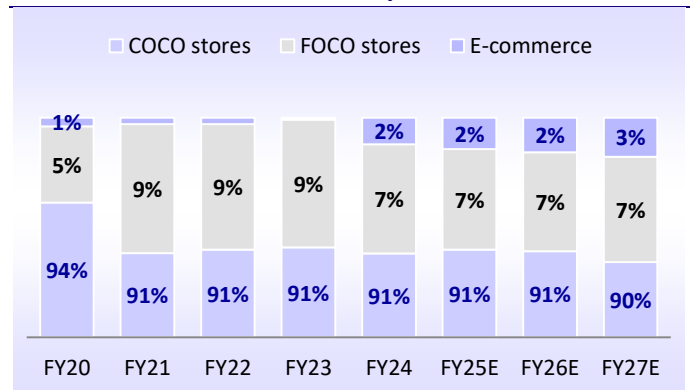
- PNG employs a hub-and-spoke model to expand its network. It has started its operation with its flagship store on Laxmi Road, Pune, and is strategically adding multiple stores in the nearby areas. This approach enhances brand visibility while providing optimal market coverage, allowing the company to capture a significant market share.
- Additionally, this model facilitates faster inventory rotation across stores by improving inventory freshness and increasing saleability by leveraging demand at various locations. PNG also tailors its product offerings, featuring hyperlocal designs customized to local preferences alongside a range of jewelry with broader market appeal. This further strengthens its competitive positioning.
- In FY24, PNG operated 69% of its stores under the COCO model, with a revenue contribution of ~91%. It operated 31% of its stores under the FOCO model, with a revenue contribution of ~8%. The remaining revenue is driven by e-commerce.

Exhibit 8: Store mix between COCO and FOCO



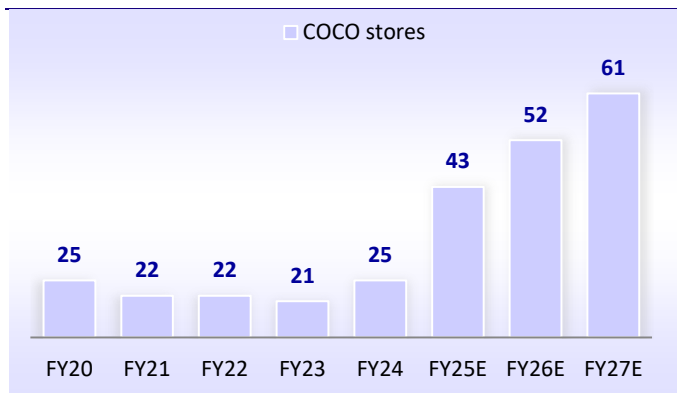
Source: MOFSL, Company

Exhibit 9: Revenue contribution by COCO and FOCO



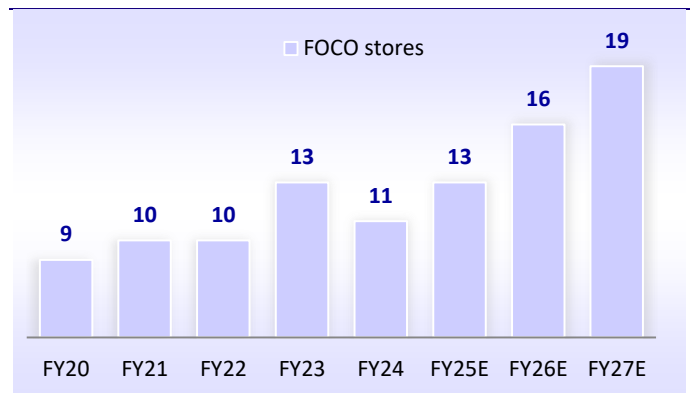
Source: MOFSL, Company

Exhibit 10: COCO stores anticipated to expand with a CAGR of 35%...



Source: MOFSL, Company

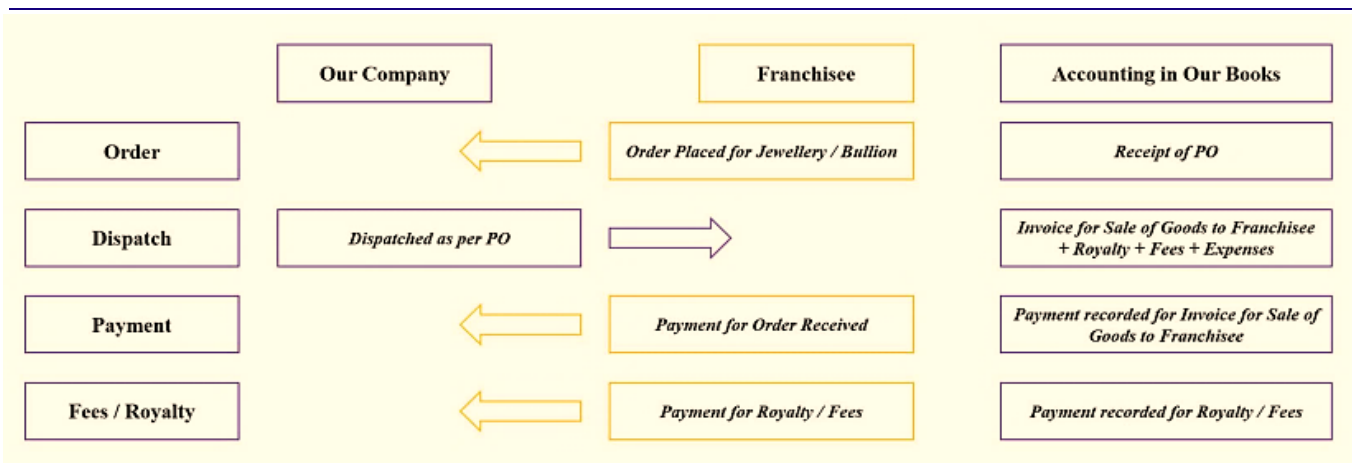
Exhibit 11: ...while FOCO stores likely to expand with a CAGR of ~20% over FY24-27E



Source: MOFSL, Company

- Franchise agreements typically have a tenure of five years, and they are renewable under mutually agreed terms. The FOCO agreements can be terminated by either the company or the franchisee with a six-month notice following the expiration of the lock-in period.
- In addition to the share of making charges, the company earns a royalty of 0.5% on annual sales from franchisees, along with an additional INR0.5m management fee per annum.

Exhibit 12: PNG's franchisee model



Source: Company, MOFSL

Exhibit 13: PNG's store details

Sr. No.	Location	Owned/ Leased/ Licensed	Area (sq. ft)	Date of Inception
INDIA				
COCO				
1	Laxmi Road (Gold)	Leased	4,536	Feb-58
2	Laxmi Road (Silver)	Leased	1,825	Feb-06
3	Paud	Owned	4,292	Oct-01
4	Camp	Licensed	2,975	Oct-09
5	Hadapsar	Leased	8,430	Apr-13
6	Viman Nagar	Owned	2,628	Jul-15
7	Pimpri	Owned	4,251	Jan-18
8	Aundh	Licensed	4,080	Jul-23
9	Panvel	Licensed	2,624	Jan-15
10	Kalyan	Licensed	1,975	Sep-15
11	Thane	Licensed	4,200	Mar-13
12	Vile Parle	Licensed	3,100	Aug-13
13	Borivali	Licensed	3,000	Mar-16
14	Panaji	Leased	1,901	Feb-15
15	Margaon	Leased	3,291	Mar-17
16	Chatrapati Sambhaji Nagar	Licensed	5,500	Dec-12
17	Ahmednagar	Owned	3,476	Mar-14
18	Nagpur	Leased	4,144	Oct-13
19	Chandrapur	Owned	4,137	Apr-15
20	Nanded	Leased	1,940	Feb-15
21	Nagpur Itwari	Licensed	2700	Sep-23
22	Baramati	Licensed	1,560	Jan-16
23	Porvorim	Licensed	800	Feb-24
24	Alibaug	Licensed	4,000	Feb-24
25	Pune (J M Road)	Licensed	500	May-24
26	Thane	Licensed	3,300	Jun-24
27	Akola	Licensed	4,300	Jun-24
U.S. (COCO)				
28	California	Leased	4500	Aug-08
FOCO				
1	Vashi	Licensed	2200	May-22
2	Latur	Licensed	1200	Apr-19
3	Wagholi	Licensed	1700	Apr-22
4	Pimple Saudagar	Owned	480	Oct-18
5	Dombivali	Owned	1200	Apr-19
6	Sangola	Licensed	1200	Apr-19
7	Manchar	Licensed	2600	Aug-20
8	Shrirampur	Owned	930	Mar-19
9	Chakan	Leased	1500	Nov-22
10	Nigadi	License	905	Feb-19
11	Kudal	Leased	2500	Feb-24

Source: Company, MOFSL



Store openings during Navratri – nine stores in nine days

- Following its IPO listing in Sep'24, the company celebrated the auspicious occasion of Navratri in Oct'24 by opening nine stores in nine days. This rapid expansion aligns with the company's strategy to strengthen its retail presence and capitalize on the festive season's positive consumer sentiment. This further reinforces its commitment to deliver value and accessibility to customers across its key markets.

Exhibit 14: Launches nine stores in nine days during Navratri

Sr. no	Date of opening	Store launch city	Store size (sq. ft)	Celebrity
1	3 rd Oct'24	Beed Bypass (CSN)	3,026	Swapnil Joshi
2	4 th Oct'24	Nashik	4,050	Madhuri Dixit
3	5 th Oct'24	NIBM- Pune	6,350	Lara Datta
4	6 th Oct'24	Sinhagad Road	5,750	Swapnil Joshi
5	7 th Oct'24	Bhandup	2,150	Raveena Tandon
6	8 th Oct'24	Goregaon	3,181	Raveena Tandon
7	9 th Oct'24	Virar	4,800	Swapnil Joshi
8	10 th Oct'24	Charholi-Phata	3,036	Swapnil Joshi
9	11 th Oct'24	Ambegaon	5,750	Swapnil Joshi

Source: Company, MOFSL

Exhibit 15: New store opening celebrations



Effective marketing and brand building initiatives

- PNG deploys multiple marketing strategies to boost brand awareness and brand recall. The company also conducts local marketing campaigns such as participating in 'Parampara Exhibitions' and several event-based campaigns during festivals like Akshaya Tritiya, Diwali, and Dusshera.
- Leveraging its strong presence in Maharashtra, PNG focuses on local celebrations such as 'Mangalsutra Mahotsav'.
- PNG has enrolled celebrities like Madhuri Dixit as brand ambassadors and partners with movie producers to showcase its designs.

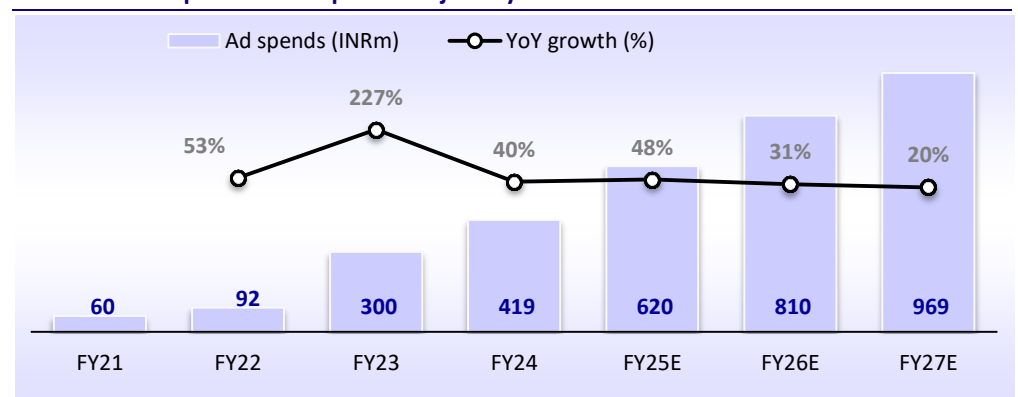
Exhibit 16: Promotional activities



Source: Company, MOFSL

- The company has significantly increased ad spends at a CAGR of ~90% over FY21-24. We expect the company will continue to increase ad spends to improve brand awareness.

Exhibit 17: Ad spends in an upward trajectory



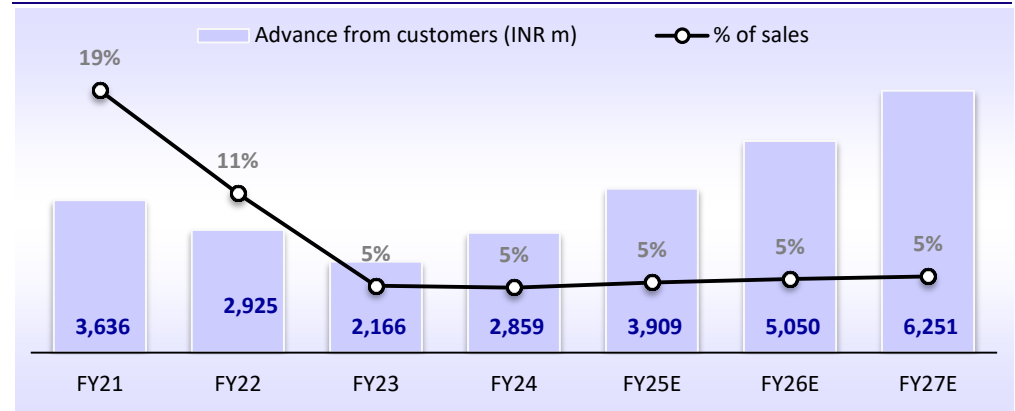
Source: Company, MOFSL

- Various jewelry purchase schemes have emerged as one of the key marketing tools to attract a loyal base of customers. PNG's customer-first approach offers loyalty programs and a future purchase plan (FPP) to help customers acquire

jewelry gradually. FPP allows customers to pay in installments over 10 months and redeem the accumulated amount at the end of the period for jewelry purchases at a discounted rate.

- Another option, the Dajikaka Promise Plan, enables customers to lock in current market rates by paying in advance and redeeming their purchase anytime within 12 months.

Exhibit 18: Advance payments from customers for various loyalty programs



Source: Company, MOFSL

- PNG reported a robust 27% CAGR in footfall over FY21-24 across its stores, demonstrating its ability to attract and retain customers through its strong brand presence and customer engagement initiatives.
- During the same period, the average transaction value (ATV) saw significant growth across key product categories. Gold jewelry recorded a CAGR of 10%, diamond jewelry grew at 16%, and silver jewelry saw increase of 8%. These gains highlight the company's success in driving higher-value transactions and meeting evolving customer preferences.
- The company believes that increasing same-store footfall and ATV will directly contribute to higher profitability per store. To capitalize on this, the company plans to enhance its marketing and outreach programs, while also focusing on growing subscriptions for its customer loyalty and incentive schemes, further strengthening customer retention and revenue growth.

Exhibit 19: PNG focuses on increasing footfalls in existing stores and growing ATV

	FY21	FY22	FY23	FY24	CAGR % (FY21-24)
Revenue per sq. feet (INR)	2,12,811	2,79,733	4,73,953	6,02,974	42%
Customer footfalls	3,53,156	4,48,309	6,45,390	7,27,608	27%
Average transaction value (INR)					
-Gold	58,262	60,008	68,226	78,089	10%
-Diamond	60,747	65,555	85,969	95,499	16%
-Silver	7,007	8,437	8,535	8,831	8%

Source: Company, MOFSL

Peer comparison

We have analyzed listed jewelry players based on the following parameters –

Studded ratio and margin

- Studded jewelry generally yields higher profit margins for retailers compared to plain gold jewelry due to the inclusion of gemstones or diamonds. However, the demand for studded jewelry is primarily concentrated in North and West India, while the southern regions show a stronger preference for plain gold designs. Plain gold jewelry, being more popular, tends to have faster inventory turns compared to studded jewelry, which ties up capital for longer periods as diamonds and gemstones take more time to find buyers.
- Pan-India Players like Titan and Kalyan have a higher revenue share from studded jewelry (~30%), which leads to stronger gross margins. Titan enjoys margins in the range of 23-25%, while Kalyan's own store margins stand at 17-18%. Kalyan's overall reported margins are lower due to the increasing share of franchise stores. Senco Gold's studded jewelry mix is ~11-13% and it maintains gross margins of 16-17%.
- PNG's studded mix was at ~4-7% over the past few years. A gradual increase in the share of non-gold jewelry is expected in the coming years, which will help improve gross margins. The company's margins have been fluctuating due to exposure to gold price volatility, but the recent implementation of inventory hedging is expected to stabilize margins going forward. The increase in the studded jewelry mix will also contribute to better gross margins.

Exhibit 20: Peer comparison

	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Sales (INR m)									
Titan (Total)	1,97,785	2,10,515	2,16,440	2,87,990	4,05,750	5,10,840	6,02,226	7,03,906	8,21,256
Titan (Jewelry)	1,63,901	1,73,192	1,93,210	2,55,230	3,59,140	4,55,240	5,36,411	6,26,702	7,30,587
Kalyan (Consol)	97,708	1,01,009	85,733	1,08,179	1,40,714	1,85,483	2,51,099	3,20,645	3,94,282
Kalyan (India)	74,482	78,458	73,254	90,561	1,15,840	1,57,825	2,17,382	2,85,013	3,55,461
Senco	24,843	24,203	26,604	35,346	40,774	52,414	62,033	73,030	84,399
PNG Jewelers	24,462	24,561	19,301	25,556	45,075	61,109	77,476	95,244	1,13,953
Sales growth (%)									
Titan (Total)		6	3	33	41	26	18	17	17
Titan (Jewelry)		6	12	32	41	27	18	17	17
Kalyan (Consol)		3	-15	26	30	32	35	28	23
Kalyan (India)		5	-7	24	28	36	38	31	25
Senco		-3	10	33	15	29	18	18	16
PNG Jewelers		0	-21	32	76	36	27	23	20
GP margin (%)									
Titan	27.2	28.0	24.2	24.9	25.2	22.8	23.0	23.5	23.5
Kalyan (Consol)	16.1	16.9	17.0	15.6	15.6	14.6	14.2	12.8	12.3
Kalyan (India)	16.4	17.7	16.9	15.3	15.6	14.5	14.0	12.6	12.1
Senco	15.0	17.5	14.1	15.7	16.1	15.3	16.5	16.5	16.4
PNG Jewelers	9.7	12.0	9.6	9.8	8.0	8.4	9.1	9.6	10.0
EBIT margin (%)									
Titan (Total)	10.2	10.8	7.1	11.1	11.7	10.3	9.8	10.2	10.3
Titan (Jewelry)	11.6	11.8	8.8	12.1	12.2	10.6	9.8	10.2	10.3
Kalyan (Consol)	3.7	5.2	4.3	5.4	6.2	5.6	5.3	5.2	5.1
Kalyan (India)	3.9	5.7	6.2	5.6	6.5	5.8	5.5	5.3	5.3
Senco	5.9	7.4	5.1	6.7	6.6	6.0	6.8	6.7	6.6

	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
PNG Jewelers	1.6	2.9	1.6	3.5	2.2	4.0	4.3	4.7	4.9
PAT margin (%)									
Titan	7.0	7.2	4.5	8.1	8.1	6.8	6.4	6.8	6.9
Kalyan (Consol)	-0.0	1.4	-0.1	2.1	3.3	3.2	3.3	3.5	3.5
Kalyan (India)	0.1	2.0	1.9	2.4	3.6	3.5	3.6	3.7	3.7
Senco	2.9	3.8	2.3	3.7	3.9	3.5	4.0	4.1	4.1
PNG Jewelers	0.4	1.2	-0.3	2.7	2.1	2.5	2.8	3.3	3.4
Stores									
Titan (Jewelry)	395	461	514	582	763	937	1079	1233	1397
Titan (Total)	1670	1831	1909	2178	2710	3035	3294	3563	3842
Kalyan (India)	103	107	107	124	149	217	337	457	567
Kalyan (Total)	137	144	137	154	182	253	378	503	615
Senco	97	108	111	127	136	159	175	193	212
PNG Jewelers	29	34	32	32	34	36	56	68	80
Studded mix (%)									
Titan	30	31	27	28	29	29	29	29	29
Kalyan (India)	-	25	23	24	26	28	29	29	29
Senco	-	-	9	8	10	11	12	13	14
PNG	-	4	4	5	7	7	8	9	11

Source: Company, MOFSL

Working capital & funding structure

- The jewelry industry has a unique working capital structure characterized by high inventory & low payables. Retailers must maintain a wide variety of high-value jewelry designs, which leads to significant capital being tied up in inventory. Average inventory turnover in the industry is around 2.5-3x annually (or ~120 days), and it sometimes deteriorates during the periods of store expansion.
- Unlike other retail sectors, where inventory costs are often funded by payables, the jewelry sector has limited payables. Gold purchases are generally financed through bank loans, recorded as borrowings rather than payables, making inventory the key component of a jeweler's working capital.
- PNG's inventory management: PNG has demonstrated efficient inventory management, achieving an impressive average inventory turns of 5x between FY19-FY24, outperforming peers. Higher make-to-order mix (25-30% revenue mix) and lower studded mix provide the company a superior inventory turnover.

Return ratios

- Jewelry retailing is considered one of the most lucrative retail sectors. On average, the industry operates at RoE of 20% and RoIC of 15%. Jewelry companies operate at low EBITDA margins compared to other retail segments; however, it is compensated by a higher asset turnover and access to low-cost debt.
- PNG's return ratios have been better than its peers' as they operated at 34% RoE and 24% RoIC in FY24. Better inventory turns and higher through-put from stores resulted in such a superior return profile.

Exhibit 21: Peer comparison

	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
RoE (%)									
Titan	24.9	23.8	13.8	27.8	30.9	32.9	35.7	34.7	32.7
Kalyan	-0.2	6.9	-0.3	7.5	13.6	15.3	18.7	22.0	23.5
Senco	16.7	17.9	10.7	19.4	19.0	15.7	17.1	17.5	17.4
PNG	0.0	13.7	-3.1	28.0	28.9	34.3	20.5	17.7	18.4
RoIC (%)									
Titan	18.9	17.7	10.3	19.2	20.7	18.8	18.5	19.6	20.3
Kalyan	-1.7	6.8	-1.1	7.7	10.6	11.6	13.1	14.2	15.5
Senco	11.0	11.9	9.6	14.0	13.4	11.8	12.7	12.8	12.9
PNG	0.0	15.7	-10.2	17.8	20.0	24.2	22.9	21.1	19.8
Inventory turnover (x)									
Titan	3.1	2.8	2.6	2.6	2.7	2.9	2.9	2.9	2.9
Kalyan	2.1	2.2	1.7	1.9	2.2	2.4	2.7	3.0	3.2
Senco	2.9	2.5	2.5	2.9	2.5	2.4	2.4	2.4	2.4
PNG	-	3.5	2.8	3.8	6.9	7.9	6.4	5.5	5.0
Inventory days									
Titan	120	131	139	140	136	127	125	125	125
Kalyan	178	167	213	187	166	151	134	121	113
Senco	125	147	146	126	147	151	155	154	153
PNG	-	103	130	96	53	46	57	66	73
Working capital days									
Titan	110	125	133	132	130	124	123	123	123
Kalyan	162	155	194	168	147	125	106	93	84
Senco	121	137	137	120	139	142	145	144	143
PNG	-	114	137	95	61	58	66	74	80

Source: Company, MOFSL

FY19-24 sales and store performance

During FY19-24, PNG has delivered a CAGR of 20% in revenue and 4% in store addition. In comparison, Titan clocked a CAGR of 20%/19% in revenue/store, Kalyan posted 14%/13%, Senco reported 16%/10% and Thangamayil saw 22%/13%. PNG has more focused on scaling revenue/store metrics, thereby a large part of the last 5 years' revenue CAGR is driven by strong SSSG.

Exhibit 22: FY19-24 sales and store performance

FY24 (INR m)	Sales		Stores	
	FY24	Last 5-yr CAGR	FY24	Last 5-yr CAGR
Titan (Total)	5,10,840	21%	3,035	13%
Titan (Jewelry)	4,55,240	23%	937	19%
Kalyan	1,85,483	14%	253	13%
Senco	52,414	16%	159	10%
Thangamayil Jewelers	38,268	22%	57	13%
TBZ	22,989	5%	33	1%
PNG Jewelers	61,109	20%	36	4%

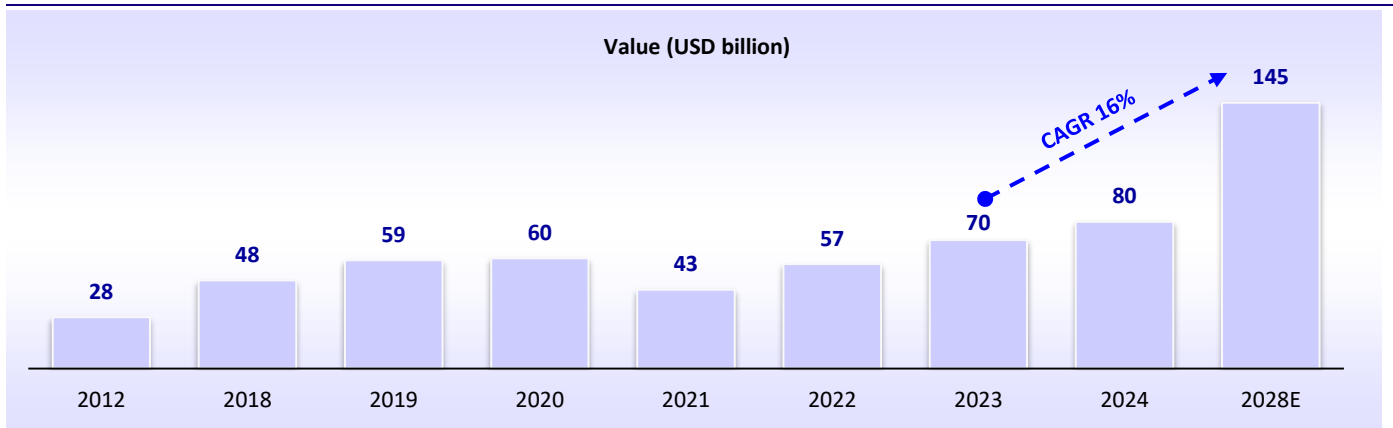
Source: Company, MOFSL

Jewelry sector insights

The size of the Indian jewelry retail sector at USD80b in FY24

- The Indian jewelry retail sector size in FY24 was close to USD80b (INR6.4t). Within this landscape, organized retail accounts for about 36-38%, comprising both pan-India and regional players.
- The remainder of the jewelry retail sector is dominated by the unorganized/local players, comprising over 500,000 local goldsmiths and jewelers. Total gold consumption in India is attributed to jewelry (66%) and bars & coins (34%).
- The jewelry market was close to USD48-50b in FY18, with the organized market making up 20-22%. Total market saw a CAGR of 9-10% during FY18-24, while the organized market registered +17% CAGR. The last three years were gold for the industry, which clocked 20%/30% value growth for total/organized market.
- As per industry estimates, the jewelry market is expected to see 15-16% CAGR to reach USD145b by FY28, with organized/formal market likely to deliver +20% CAGR to reach 42-43% of the total market.
- There are multiple factors driving such rapid growth in the industry, such as rising disposable income (higher strata per capita growth in double digits), improving mix for regular-wear (beyond wedding and investment led), improving product offering (design, diamond, etc.), hallmarking-led trust build-up, and better buying experience at the organized retail.

Exhibit 23: Indian domestic jewelry market size – By Value (USD b)



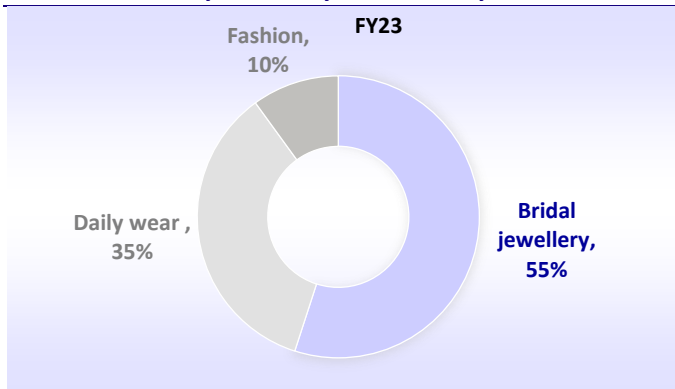
Source: Technopak

Jewelry demand pattern

Jewelry by occasion

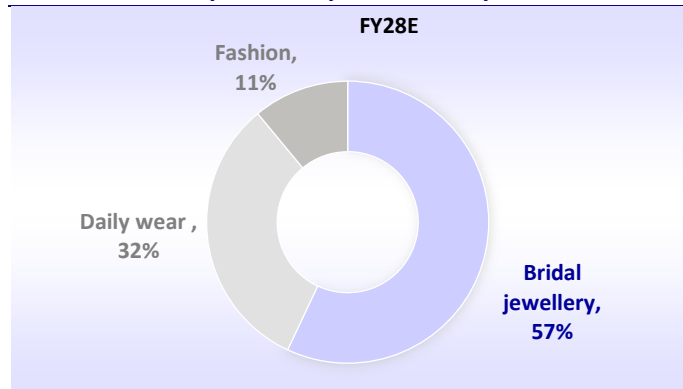
- Weddings and festivals are the primary reasons for the purchase of jewelry in India. Bridal jewelry still accounts for a big portion of demand, making up 55% of total jewelry demand. Daily wear jewelry accounts for 30-35% of the Indian jewelry market. Manufacturers are strategically focusing on producing lightweight pieces to cater to the preferences of younger consumers, particularly those desiring daily wear gold jewelry that complements western-style attire.
- Fashion jewelry, on the other hand, contributes nearly 10% to the Indian jewelry market. Demand growth is likely to continue, especially driven by the youth seeking diverse, affordable products. Fashion jewelry, available across various value segments, materials, craftsmanship, and designs, caters to different preferences and purposes.

Exhibit 24: Jewelry market by occasion – by value FY23



Source: Technopak

Exhibit 25: Jewelry market by occasion – by value FY28E



Source: Technopak

Regional insights

Regional variations in jewelry demand and their impact on profitability

- In the southern states of India, consumer purchasing behavior gravitates toward traditional plain gold jewelry, which has lower margins.
- Consumers in the northern and western regions of India are more receptive to studded jewelry and impulse-led lighter-weight jewelry purchases (14k, 18k jewelry).
- Plain gold jewelry typically has gross margins ranging from 10% to 14%, whereas diamond-studded jewelry has gross margins ranging from 30% to 35%.
- Consequently, as the studded ratio (studded jewelry/total revenue) goes up, profitability improves, thereby incentivizing the expansion of south-focused retailers toward the north, west and east.

Exhibit 26: Regional Jewelry Demand and Preference

Region	North	East	West	South
Market Share*	20%	15%	25%	40%
Dominant Categories	Ring, Pendants, Necklaces	Bangles, Necklace, Rings	Pendants, Earrings	Pendants, Necklace, Earrings
Gold Type	White & yellow	Yellow	White & yellow	Yellow
Diamond Quality	S1-I1	VVS, Lower colors	VS, all colors	VVS, Better colors
Preferred Caratage	22k, 18k, 14k	22k	22k, 18k, 14k	22k
Important Centers	New Delhi, Jaipur	Kolkata	Mumbai, Ahmedabad	Chennai, Hyderabad, Cochin, Bangalore

Source: Technopak

Seasonal and regional factors to drive demand

- Jewelry demand is also seasonal in nature, with different seasonal patterns across regions in India. Jewelry demand peaks during the run up to marriage months such as May-June, September-November and January.
- Agriculture output and monsoon influence gold demand in Tier II and Tier III towns. Rural households invest their proceeds from harvests in gold jewelry during the months of November and December.
- Demand for gold and silver jewelry goes up during auspicious religious events like Diwali/Dhanteras in October and November and Akshaya Trithiya in April and May.

Exhibit 27: Seasonality in Gold Buying

	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec	
Gold Buying	■								■				
Festivals				■						■			
Marriages	■				■				■				
Harvests	■								■				

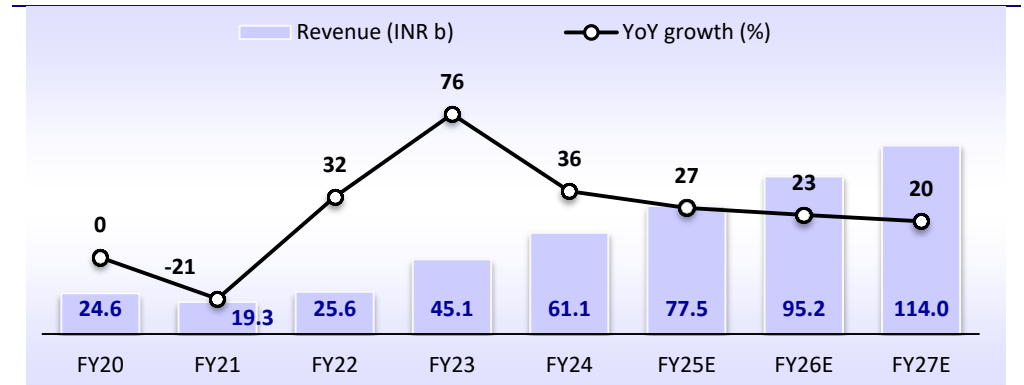
Source: Technopak

Strong financial track record

Revenue/EBITDA/PAT clock 20%/36%/77% CAGR over FY19-24

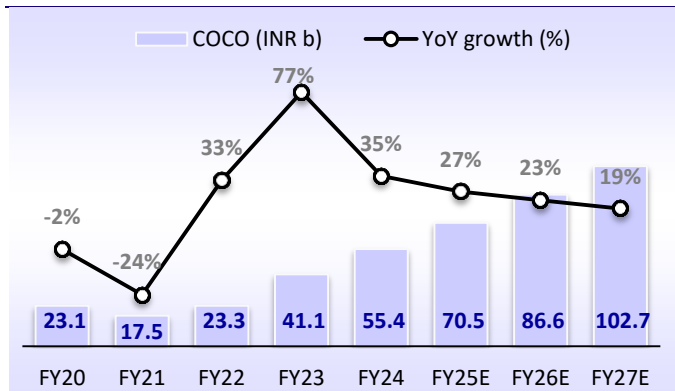
- PNG enjoys strong brand equity as a value-focused player with an extensive network across Maharashtra, which will support stable same-store sales (SSS) growth in its existing store portfolio. Following its IPO, the company executed robust store expansion, with plans for further additions. With a focus on operational excellence, we project a revenue CAGR of 23% over FY24-27E.

Exhibit 28: Revenue to deliver 23% CAGR over FY24-27E



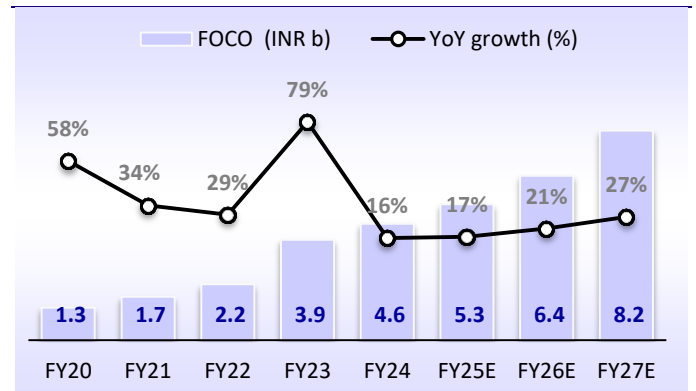
Source: Company, MOFSL

Exhibit 29: We model 23% CAGR in COCO revenue over FY24-27



Source: MOFSL, Company

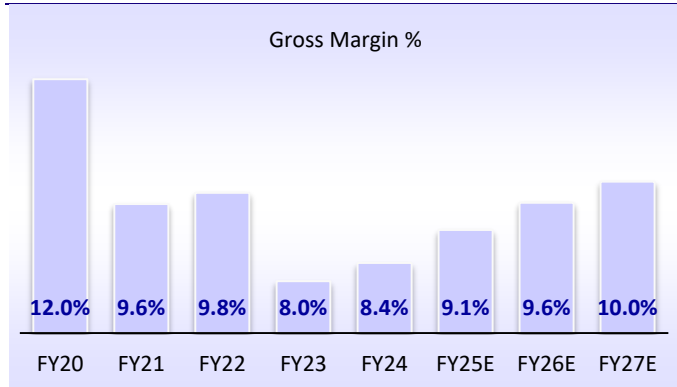
Exhibit 30: FOCO revenue to experience ~22% CAGR over FY24-27



Source: MOFSL, Company

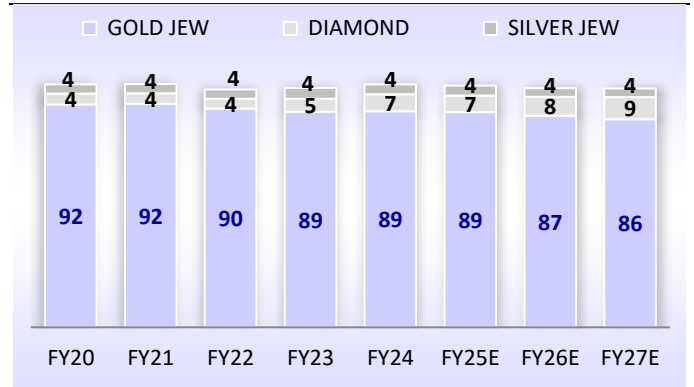
- We anticipate gross margins to improve by ~150-200bp over FY24-27E, driven by a higher contribution from high-margin studded jewelry and a reduction in low-margin bullion sales (plain jewelry with 0-1% margin).
- Also, margin stability is expected to strengthen as the company has started hedging its inventory to mitigate the impact of gold price fluctuations.

Exhibit 31: Gross margin will improve gradually...



Source: MOFSL, Company

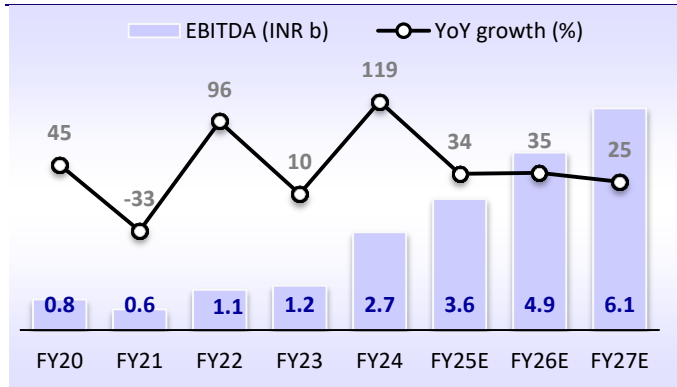
Exhibit 32: ...as share of high-margin studded jewelry rises



Source: MOFSL, Company

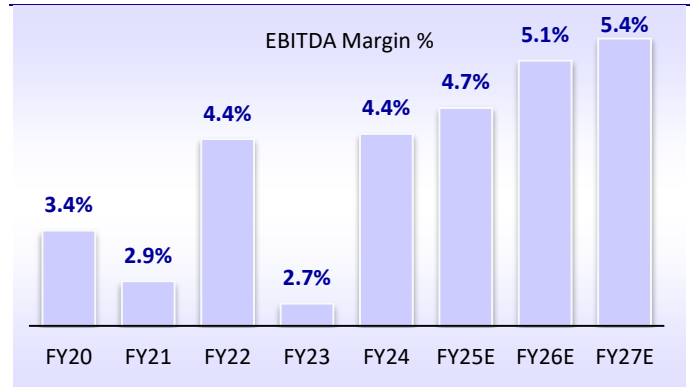
- Driven by greater operating efficiencies, we expect a ~31% EBITDA CAGR over FY24-27E. EBITDA margins improve gradually and are expected to remain in the range of 5-6%.

Exhibit 33: EBITDA to deliver 31% CAGR over FY24-27E...



Source: MOFSL, Company

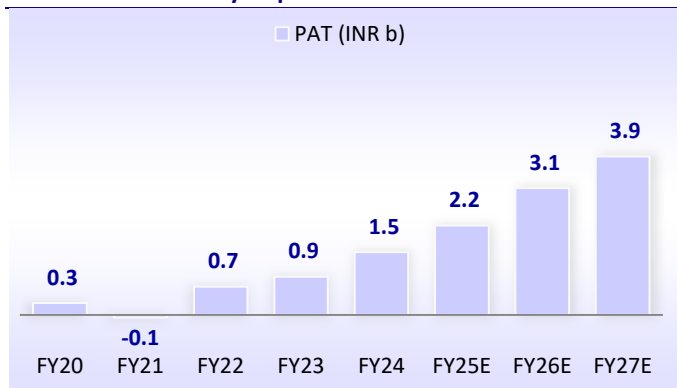
Exhibit 34: ...along with the improvement in EBITDA margin



Source: MOFSL, Company

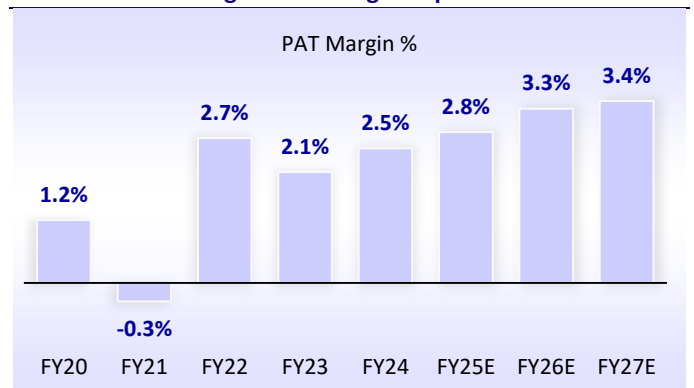
- We expect a ~36% PAT CAGR over FY24-27, with gradual improvement in PAT margin.

Exhibit 35: PAT likely to post ~36% CAGR over FY24-27E...



Source: MOFSL, Company

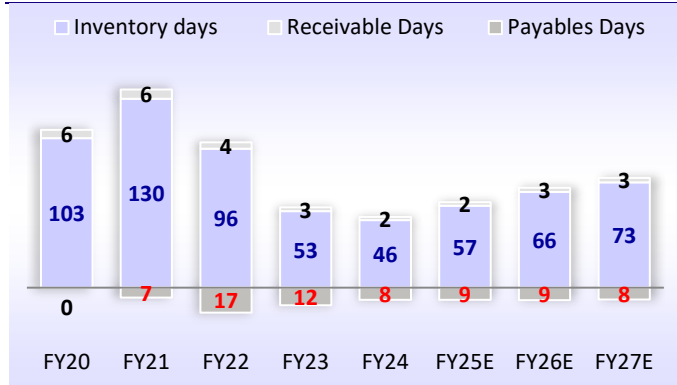
Exhibit 36: ...leading to PAT margin improvement



Source: MOFSL, Company

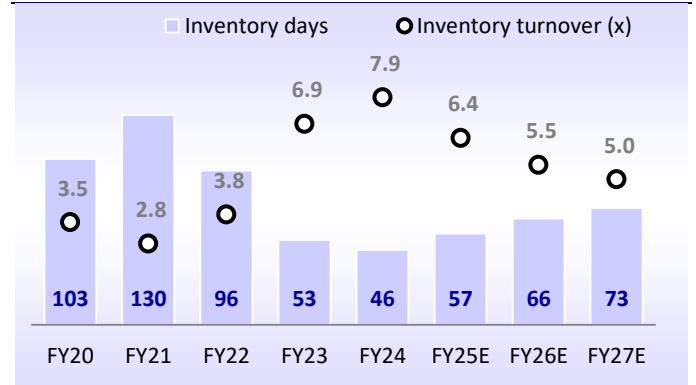
- PNG currently exhibits a higher inventory turnover compared to the industry average. However, with the ongoing aggressive store expansion, we expect inventory turnover to moderate, though it will still remain above that of peers. This efficient inventory management, along with robust demand, should contribute to steady inventory turnover, leading to stable net working capital days over FY24-27E.

Exhibit 37: Net working capital steady over FY24-27E



Source: MOFSL, Company

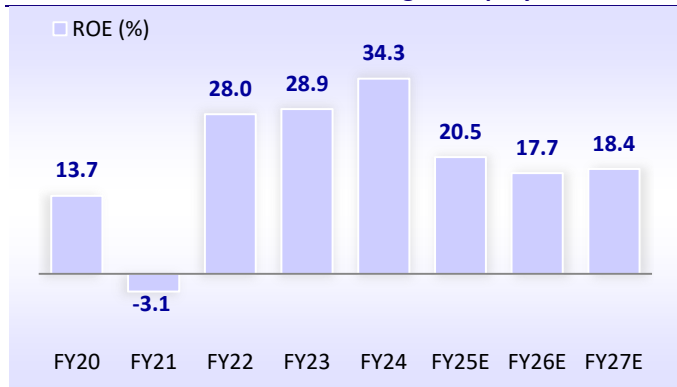
Exhibit 38: Inventory days and inventory turnover



Source: MOFSL, Company

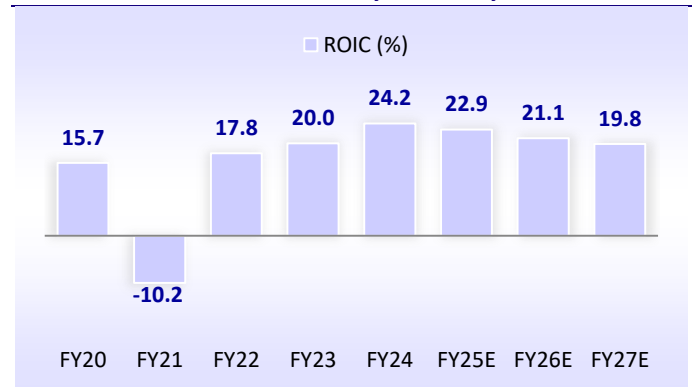
The company achieved a significant increase in FY24, with RoE rising to 34.3% and RoIC to 24.2%, driven by higher profitability. However, these returns will moderate in FY25 due to the equity raise, which will temporarily dilute returns.

Exhibit 39: RoE moderated following the equity raise



Source: MOFSL, Company

Exhibit 40: RoIC to remain steady over the years



Source: MOFSL, Company

Overall, we anticipate a healthy improvement in the company's financials in the future. This growth will be driven by robust revenue growth, an improving margin profile, a reduction in working capital (leading to strong cash flow generation), and a sustainable healthy return ratio.

Valuation and view

Set to achieve strong earnings growth – Initiate coverage with a BUY rating

- PNG is among the few jewelry companies that are rapidly expanding their store presence. We model 30% store growth over FY24-27E. With a conservative growth assumption for bullion, the overall revenue CAGR assumption in our model stands at 23% (ex-bullion revenue CAGR at 30%).
- PNG is also enhancing its studded mix (up 250bp in the last three years) and is actively seeking to further improve this mix in the coming years. Maharashtra is already a favorable market for studded products (~20% studded mix market); therefore, there is significant potential for further improvement in this mix.
- With a more favorable product mix, operating leverage (as initial expansion is in its core markets, PNG will not need more corporate overhead costs, etc.), and better sourcing, the company is likely to improve its operating margin. We model an EBITDA margin expansion of 100bp over the next three years to 5.4% in FY27.
- With the IPO proceeding, the company also plans to reduce its debt repayment by more than INR2b. PNG is looking to add gold metal loans, which are likely to enhance its gold hedging strategy. We model >INR3-4b loan in FY26-FY27. Gold metal loans typically carry low interest rates (~3-4%), implying that the interest costs will not experience a spike, remaining lower than the anticipated revenue growth. This strategy is likely to contribute to an expansion of the PBT margin to 4.6% by FY27, compared to 3.4% in FY24.
- **We initiate coverage on the stock with a BUY rating and a TP of INR950 (based on 35x Dec'26E P/E). The successful execution of store roll-outs, gold hedging policy, and an improvement in operating margin will be the key catalysts for re-rating of the stock.**
- **Key downside risks: a) volatility in gold prices, as the company has not fully hedged; b) the operating performance of new stores; and c) intensified competition that will hurt margins.**

Exhibit 41: Valuation comparison

Valuation	CMP (INR)	TP (INR)	Rating	EPS (INR)			P/E			EV/EBITDA			EV/sales		
				FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Titan	3,471	3,850	BUY	43.0	53.6	64.0	81	65	54	51.5	42.6	36.3	5.2	4.4	3.7
Kalyan	732	800	BUY	8.1	10.8	13.5	91	68	54	46.1	37.4	31.0	3.1	2.4	1.9
Senco	1,143	1,400	BUY	32.2	38.3	44.7	36	30	26	19.8	17.3	15.2	1.6	1.4	1.2
PNG Jewelers	769	950	BUY	16.2	22.9	28.7	48	34	27	27.1	20.3	16.2	1.3	1.0	0.9

Source: Company, MOFSL

Bull and Bear cases



Bull case

- ☑ In our bull case, we assume a revenue CAGR of 31% over FY24-27E on the back of rapid store expansion and shifting towards organized segments.
- ☑ We expect EBITDA margins to expand from the current level by ~140bp to ~5.8% by FY27E, led by favorable operating leverage and a higher studded mix.
- ☑ EPS would register a robust CAGR of 43% over FY24-27E, led by strong revenue growth and margin improvements.



Bear case

- ☑ In our bear case, we assume a revenue CAGR of 17% over FY24-27E.
- ☑ Margins would expand by 70bp to 5.1% by FY27E.
- ☑ EPS would register a CAGR of 19% over FY24-27E.

Scenario analysis

	Particulars	FY24	FY25E	FY26E	FY27E	CAGR (FY24-27E, %)
Bull case	Revenue	61,109	81,921	1,07,035	1,37,476	31
	Adj. EBITDA	2,693	4,096	5,780	7,974	44
INR1,400	EPS	13.1	18.5	27.4	38.4	43
Base case	Revenue	61,109	77,476	95,244	1,13,953	23
	Adj. EBITDA	2,693	3,614	4,888	6,099	31
INR950	EPS	13.1	16.2	22.9	28.7	30
Bear case	Revenue	61,109	73,806	84,269	96,738	17
	Adj. EBITDA	2,693	3,321	4,129	4,934	22
INR650	EPS	13.1	14.5	18.8	22.2	19

SWOT analysis

- ✓ Well-known brand name and strong market position in Maharashtra
- ✓ Diversified product portfolio across price points, catering to diverse consumer requirements
- ✓ Track record of scaling up new businesses and product categories
- ✓ Distribution network in West India with a presence across multiple channels

S

STRENGTH



- ✓ Operating in a competitive market – both branded and unbranded.
- ✓ Need for organized players to enhance customer purchase and post-purchase experience
- ✓ Dependence on third-party manufacturers in India

W

WEAKNESS



- ✓ The Indian organized jewelry retail market is likely to grow 16% over FY24-28E.
- ✓ Increasing brand loyalty
- ✓ Utilizing omnichannel retailing to boost conversions

O

OPPORTUNITY



- ✓ Fluctuations in gold & diamond prices
- ✓ Economic slowdown
- ✓ Changing consumer preferences

T

THREATS



Management team



Mr. Saurabh Vidyadhar Gadgil
Managing Director

He has more than 25 years of experience in the jewelry business. He completed MBA from the Institute of Management Education, Pune and earned Doctorate in Philosophy in business administration from Ballsbridge University, London.



Mrs. Radhika Saurabh Gadgil
Executive Director

She has been on the Board since Feb'17. She holds a bachelor's degree in commerce from the University of Pune, Maharashtra, India. She also holds a master's degree in computer management from the University of Pune, Maharashtra, India. She has more than six years of experience in the business of manufacturing and trading in jewellery.



Mr. Kiran Prakash Firodiya
CFO and Executive Director

He has over 15 years of experience covering finance, audit, and treasury operations. He completed CA and also MBA from Allahabad Agricultural Institute, UP, and a Master's degree in commerce from the University of Pune, Maharashtra. His previous work experience includes Tata Autocomp Systems, Rexnord India, and Riverview Properties, among others.



Mr. Parag Yashwant Gadgil
Executive Director

He is responsible for overall strategic planning and business development. He has helped PNG expand its store network and create sales and marketing strategy. He has Over 36 years of experience in the business of manufacturing and trading in jewelry. He holds Diploma in Mechanical Engineering awarded by the Board of Technical Examination, Maharashtra.

Financials and valuations

Income Statement							(INR m)
Y/E March	2021	2022	2023	2024	2025E	2026E	2027E
Net Sales	19,301	25,556	45,075	61,109	77,476	95,244	1,13,953
Change (%)	-21.4	32.4	76.4	35.6	26.8	22.9	19.6
Gross Profit	1,846	2,501	3,621	5,128	7,012	9,136	11,406
Margin (%)	9.6	9.8	8.0	8.4	9.1	9.6	10.0
Other expenditure	1,278	1,388	2,394	2,435	3,398	4,248	5,307
EBITDA	569	1,113	1,227	2,693	3,614	4,888	6,099
Change (%)	-32.8	95.7	10.3	119.4	34.2	35.3	24.8
Margin (%)	2.9	4.4	2.7	4.4	4.7	5.1	5.4
Depreciation	267	218	215	232	274	419	542
Int. and Fin. Charges	379	351	349	459	536	455	512
Other Income - Recurring	144	307	518	82	125	145	150
Profit before Taxes	66	850	1,181	2,084	2,929	4,159	5,195
Change (%)	-87.3	1,180.9	38.9	76.5	40.6	42.0	24.9
Margin (%)	0.3	3.3	2.6	3.4	3.8	4.4	4.6
Tax	134	155	244	540	736	1,045	1,305
Deferred Tax							
Tax Rate (%)	201.2	18.2	20.6	25.9	25.1	25.1	25.1
APAT	-67	695	937	1,543	2,193	3,114	3,890
Change (%)	-123.2	-1,134.7	34.8	64.7	42.1	42.0	24.9
Margin (%)	-0.3	2.7	2.1	2.5	2.8	3.3	3.4
Reported PAT	-67	695	937	1,543	2,058	3,114	3,890

Balance Sheet							(INR m)
Y/E March	2021	2022	2023	2024	2025E	2026E	2027E
Share Capital	1,180	1,180	1,180	1,180	1,357	1,357	1,357
Reserves	960	1,640	2,477	4,164	14,680	17,794	21,684
Net Worth	2,140	2,820	3,657	5,344	16,037	19,151	23,041
Loans	2,983	2,949	2,832	3,965	1,000	400	300
GML	0	0	0	0	3,177	4,410	5,568
Lease liabilities	411	407	409	587	1,027	1,247	1,467
Deferred Tax	49	56	64	74	74	74	74
Capital Employed	5,582	6,232	6,963	9,970	21,315	25,283	30,451
Gross Block	1,663	1,712	1,771	1,864	2,358	2,605	2,852
Less: Accum. Deprn.	205	283	356	362	456	609	792
Net Fixed Assets	1,459	1,429	1,415	1,502	1,902	1,996	2,060
Goodwill	448	415	253	332	332	332	332
Intangibles	84	75	11	10	52	114	160
Capital WIP	35	35	35	35	0	0	0
Right of use asset	425	416	404	578	650	1,298	1,437
Investments	11	12	12	10	10	260	510
Curr. Assets, L&A	7,680	8,721	8,497	12,183	24,790	29,171	35,555
Inventory	6,382	7,035	5,969	9,589	14,439	20,047	25,308
Account Receivables	336	288	395	377	617	862	1,067
Cash and cash equivalent	69	124	176	261	6,302	2,940	1,646
Bank balances (inc. cash margin for borrowing)	150	329	317	536	1,489	2,812	4,426
Others	743	944	1,640	1,421	1,943	2,510	3,107
Curr. Liab. and Prov.	4,559	4,870	3,663	4,680	6,421	7,887	9,601
Trade Payables	739	1,697	1,317	1,489	2,124	2,359	2,809
Provisions	42	40	49	30	40	82	93
Other current liabilities	3,778	3,132	2,296	3,161	4,257	5,447	6,699
Net Current Assets	3,121	3,851	4,834	7,503	18,370	21,284	25,953
Application of Funds	5,582	6,232	6,964	9,970	21,315	25,283	30,451

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	2021	2022	2023	2024	2025E	2026E	2027E
Basic (INR)							
EPS	-0.6	5.9	7.9	13.1	16.2	22.9	28.7
Cash EPS	1.7	7.7	9.8	15.0	18.2	26.0	32.7
BV/Share	18.1	23.9	31.0	45.3	118.2	141.1	169.8
Valuation (x)							
P/E	-1357.6	131.2	97.3	59.1	47.8	33.7	27.0
Cash P/E	456.4	99.9	79.2	51.4	42.5	29.7	23.7
EV/Sales	4.9	3.7	2.1	1.5	1.3	1.0	0.9
EV/EBITDA	165.2	84.2	76.2	35.0	27.1	20.3	16.2
P/BV	42.6	32.3	24.9	17.1	6.5	5.5	4.6
Dividend Yield (%)							
Return Ratios (%)							
RoE	-3.1	28.0	28.9	34.3	20.5	17.7	18.4
RoCE	-9.5	16.6	18.4	22.2	16.6	14.8	15.3
RoIC	-10.2	17.8	20.0	24.2	22.9	21.1	19.8
Working Capital Ratios							
Inventory days	130	96	53	46	57	66	73
Debtor (Days)	6	4	3	2	2	3	3
Payables days	7	17	12	8	9	9	8
Cash conversion days	137	95	61	58	66	74	80
Inventory turnover (x)	2.8	3.8	6.9	7.9	6.4	5.5	5.0
Asset Turnover (x)	3.5	4.1	6.5	6.1	3.6	3.8	3.7
Leverage Ratio							
Net Debt/Equity (x)	1.4	1.0	0.7	0.7	-0.1	0.1	0.2

Cash Flow Statement

Y/E March	2021	2022	2023	2024	2025E	2026E	2027E
(INR m)							
OP/(loss) before Tax	66	850	1,181	2,084	2,929	4,159	5,195
Int./Div. Received	10	-53	-14	-39	-125	-145	-150
Depreciation & Amort.	267	218	215	232	274	419	542
Interest Paid	379	351	349	459	536	455	512
Direct Taxes Paid	70	-92	-363	-380	-736	-1,045	-1,305
Incr in WC	682	-557	-814	-2,496	-696	-3,969	-3,441
Others	-3	9	493	204	-	-	-
CF from Operations	1,473	728	1,048	63	2,182	-126	1,352
Incr in FA	-336	-52	-480	-305	-753	-1,223	-790
Free Cash Flow	1,137	676	568	-242	1,429	-1,349	562
Investments	65	-179	12	-216	-	-	-
Others	10	15	18	33	-828	-1,178	-1,465
CF from Invest.	-261	-216	-450	-488	-1,581	-2,401	-2,255
Issue of Shares	628	-	-	-	8,500	0	-
Incr in Debt	-1,445	-33	-117	1,133	-2,965	-600	-100
Dividend Paid	-	-	-	-	-	-	-
Interest paid							
Others	-463	-424	-428	-623	-96	-235	-292
CF from Fin. Activity	-1,281	-457	-546	510	5,439	-835	-392
Incr/Decr of Cash	-69	54	52	85	6,041	-3,362	-1,294
Add: Opening Balance	138	69	124	176	261	6,301	2,940
Closing Balance	69	124	176	261	6,301	2,940	1,645

E: MOFSL Estimates


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Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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