



SMC Ranking
★ ★ ☆ ☆ ☆ (1.5/5)

Issue Highlights

Industry	Jewellery
Offer for sale (Shares)	2,800,000
Fresh Issue (Shares)	9,767,442
Net Offer to the Public	12,567,442
Issue Size (Rs. Cr.)	256-270.20
Price Band (Rs.)	204-215
Offer Date	22-Sep-23
Close Date	26-Sep-23
Face Value	10
Lot Size	69

Issue Composition

	In shares
Total Issue for Sale	12,567,442
QIB	6,283,721
NIB	1,885,116
Retail	4,398,605

Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	100.00%	74.27%
QIB	0.00%	12.86%
NIB	0.00%	3.86%
Retail	0.00%	9.00%
Total	100.00%	100.00%

*calculated on the upper price band

Objects of the Issue

The Net Proceeds from the Fresh Issue are proposed to be utilized towards the following objects:

To Finance the Establishment of the proposed 8 new showrooms, i.e. (a) Capital expenditure cost for the proposed eight (8) new showrooms, (b) Inventory cost for the proposed eight (8) new showrooms,

General corporate purposes.

Book Running Lead Manager

- Bajaj Capital Limited
- Elara Capital (India) Private Limited

Name of the registrar

- Bigshare Services Private Limited

About the company

Incorporated in 2003, Manoj Vaibhav Gems 'N' Jewellers Limited also known as Vaibhav Jewellers is a regional jewelry brand in South India. The company offers gold, silver, and diamond jewelry, precious gemstones, and other jewelry products through retail showrooms as well as through its website. Vaibhav Jewellers' cater to all economic segments of the micro markets of Andhra Pradesh and Telangana through their retail showrooms and their website with a focus on both rural and urban markets. The company has positioned itself as a retailer focused on 'Relationships, by Design' where it focuses on offering designs, high quality, transparency, and customer service to its customers.

For the three months period ended June 30, 2023 and in Financial Year March 31, 2023, March 31, 2022 and March 31, 2021 its revenue from operations was Rs. 508.90 Crore, Rs. 2027.34 Crore, Rs. 1693.92 Crore and Rs. 1433.57 Crore respectively. Its average revenue per retail showroom for the three months period ended June 30, 2023, FY ended March 31, 2023, March 31, 2022 and March 31, 2021 was Rs. 39.15 Crore, Rs. 155.95 Crore, 141.16 Crore and Rs. 119.46 Crore respectively. The revenue per retail showroom as a percentage of total revenue for the three months period ended June 30, 2023, FY March 31, 2023, March 31, 2022 and March 31, 2021 was 7.69%, 7.69%, 8.33% and 8.33% respectively. The average EBITDA per retail showroom was Rs. 2.87 Crore, Rs. 11 Crore, Rs. 8.75 Crore and Rs. 5.80 Crore respectively. The average EBITDA per retail showroom as a percentage of EBITDA for the three months period ended June 30, 2023, FY March 31, 2023, March 31, 2022 and March 31, 2021 was 7.69%, 7.69%, 8.33% and 8.33% respectively. It has consciously expanded its presence into the micro-markets periodically adding new retail showrooms in Tier 2 and Tier 3 cities. Its total retail showrooms have increased from 3 showrooms as of March 31, 2015 to 13 showrooms (inclusive of two franchisee showrooms) as of August 15, 2023, and it intends to continue to open new retail showrooms as it expects significant opportunity for further penetration in its existing markets as well as in new markets, primarily in Andhra Pradesh and Telangana.

Strength

Key leading home-grown regional brand built on hyperlocal retail strategy: Given its track record in these micro markets, Manoj Vaibhav Gems 'N' Jewellers Limited understands the sentiments and preferences of the local customers. It believes that its customers relate to its brand presence and products due to its wide array of localized product offering. Vaibhav Jewellers is one the first organized jewellery chain from Andhra Pradesh to expand its presence to Telangana. The Company is expanding its presence in Andhra Pradesh and Telangana simultaneously. This would enable to capture the demand and meet the taste of the population of both the states. Its brand building is also based on the long-standing relationship that it has built over the years with its suppliers and job workers, many of whom have been dealing with it for over the last 15 years.

Early mover advantage in the state of Andhra Pradesh: Manoj Vaibhav Gems 'N' Jewellers Limited has been amongst the first movers in the organised jewellery business in the state of Andhra Pradesh by starting its business as a proprietorship concern in the year 1994 from its first showroom in Visakhapatnam. It continues to focus on regional expansion into the high growth untapped regions within the micro-markets of Andhra Pradesh & Telangana. It has a market share of ~4% of the overall Andhra Pradesh and Telangana jewellery market and ~10% of the organised market in these two states in FY2023. Its product range and offering have allowed it to cater to all segments and genres of customers, thus augment its brand strength and build a loyal customer base. Its revenue

from operations was Rs. 50.91 Crore in 2005 has now touched approximately Rs. 2027.34 Crore in the year 2023 at a CAGR of 22.71%, thus showcasing its growth in the business over the last two decades.

Focus of fortifying its business through Rural Market focus: Rural market continues to contribute 58% of the jewellery demand in India. However, the rural consumers have limited access to quality products, transparent pricing choice of products, accessibility and designs. Its focus on rural market as an organised player allows it to educate the customers regarding the quality, standard and certification of the products. It follows a hub & spoke model in its respective region of operation with small sized showrooms operating peripheral to the larger showrooms, thus allowing it to offer new products to the semi urban and rural customers on a continuous basis as per their demand and choices. 77% of its showrooms are in Tier 2 and Tier 3 cities catering to the semi urban and rural demand of Andhra Pradesh and Telangana. The remaining 15% of its showroom are located in the Mini Metro city of Hyderabad and 8% of its showroom is located in Tier 1 city of Visakhapatnam.

Operating ethos of 'Relationships, by Design': The company operates on the core philosophy of RELATIONSHIPS BY DESIGN and FOR THE WOMEN OF TODAY a. RELATIONSHIPS BY DESIGN – Attitude of building an ever-lasting relationship with customers by promising them fresh, new, unique and surprising experiences thoughtfully designed around them. FOR THE WOMEN OF TODAY – It offers jewellery in a host of designs for all age groups and has a special motive to cater to the requirement of today's women's choice and needs. It has also created a sub brand "VISESHA" and the idea of creating this sub-brand is to showcase the design intricacies, along with workmanship and exclusive designs, which are distinctive and appealing for the customers. VISESHA of the Company caters to the customers in the premium segment of gold and diamond jewellery.

Its "Go To Market strategy" is its key business enabler: It follows the Go To Market (GTM) model, through which it has developed strong connections and built long-lasting relationships with its customers. Thus, ensuring repeat business for it. Through its undeterred efforts, it has been able to build robust database of customers who patronise with its brand. The GTM model has enabled the Company to differentiate its brand vis-à-vis its competitors.

Ability to define operating parameters and internal control measures: Manoj Vaibhav Gems 'N' Jewellers has established a robust set of operational and control processes to manage its business operations and to support its future growth at both the retail showroom and corporate level. It has developed key performance indicators to keep a track of same showroom sales growth. Manoj Vaibhav Gems 'N' Jewellers has also developed & designed its website that can be easily navigated serving as a strong starting point to display of its huge collection.

Strategy

Expand in the untapped sections of the micro markets of Andhra Pradesh and Telangana: Its strategy is to deeply penetrate the micro markets of Andhra Pradesh and Telangana with organised retail play and focus on rural areas as well as Tier 3 cities while catering to their taste, preference and demand and allowing them to choose from a very localized and culturally connected designs. Manoj Vaibhav Gems 'N' Jewellers is currently present in 7 districts in Andhra Pradesh out of the 26 districts and in 2 districts in Telangana out of the 33 districts. It believes that its key focus on building its brand is by reaching out to newer customers, understand their requirement and deliver them the best of the products as per their requirements.

Focus on further strengthening its rural focus: Rural market continues to contribute 58% of the jewellery demand in India. One of its strategies is to strengthen its focus and presence in the rural markets to improve its scale of business. Its strategy to map its location based customer preference in relating to the location of showrooms and studies its competitive landscape, allows it to understand the market behaviour and accordingly strategize its sales in each location. Based on this understanding, it plans its inventory management and merchandising strategies.

Deepen customer relationships: In jewellery business, one of the most important factors for growth is the trust and brand image that one can create in the mind of the customer. The trust regarding the quality of the product is imperative, which allows its business to grow and also this creates a strong

relationship with its customers. One of its strategies is to deepen its customer relation by regular engagement efforts such as campaigns, exhibitions, sales, offers, events, promotions. Its Go To Market (GTM) strategy model, will enable it to develop strong and long lasting connections and bond with its customers for ensuring repeat customers and recurring sales.

Focus on augmenting Brand strength: Manoj Vaibhav Gems 'N' Jewellers works on augmenting the strength of its brand by enhancing its product offering, giving a good shopping experience at its retail showrooms and by continuous customer engagement. It intends to augment its brand strength through various medium such as different forms of promotional activities, focusing on CSR activities that are more centric on social issues which will connect with the sentiments of the consumer at rural levels. One of the strategies that it implements to create a stronger brand value is to have a strong communication effort with the consumers once it launches a showroom. Its strategy is to hire and engage employees hailing from the local town wherein it opens a showroom so that they can connect with the sentiments of the locales and offer the best services.

Invest to enhance its product portfolio: The company believes that the Indian jewellery consumers are also becoming increasingly brand conscious and developing greater sophistication in their jewellery preferences. Given this trend, Manoj Vaibhav Gems 'N' Jewellers is continuing to explore opportunities to expand its range of designs and product catalogue to provide its customers the bandwidth to choose their favorite products. Manoj Vaibhav Gems 'N' Jewellers intends to build further on this portfolio of branded jewellery, in order to widen its appeal across larger cross sections of its target market.

To Strengthen Inventory Management practices: Strong and effective inventory management practices are core to successful retail operation. The company strategy is to constantly review and replenish its inventory catalogue and keep churning them with new products to ensure that the choice of a fresh design and product is always available to the customer to avoid monotony. This strategy of regular review and replenishment allows it to have a wide range of choices for its customers that may be new and unique in nature and design, thus creating that interest in the mind of the customer.

Leverage on e-commerce platform to reach its customers beyond its brick and mortar network: E-commerce is growing in an accelerated manner in India with accessibility of internet even in remote areas. The Indian jewellery industry has started to appreciate the need of digital transformation and has embarked in this journey thus providing the feasibility and accessibility of their product to its customer from remote location. The penetration of e-commerce is expected to grow to 11% of the total jewellery market by FY 2027. As a part of the e-commerce strategy, its focus is to concentrate on the unique and fast moving design collections. Through e-commerce platform, its main focus is to enhance its brand image and focus on the varied collection of products that it can offer for establishing a strong customer reach and connect in the domestic & global market.

Risk factor

- The company has significant working capital requirements and may require additional capital and financing in the future.
- The company's showrooms are concentrated in the states of Andhra Pradesh and Telangana.
- Inability to expand product offerings in a diversified manner and adapt to changing market requirements may have an adverse effect on the company's business, operational results, and financial condition.

Peer comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
Titan Company	39800.00	3218.00	36.25	92.12	25.02	133.49	1	3339.20	296449.55
T B Z	2384.38	49.12	7.36	15.33	1.34	83.98	10	112.80	752.72
Thangamayil Jew.	3285.30	119.36	43.50	28.49	8.75	141.69	10	1239.10	3399.99
Kalyan Jewellers	15114.55	469.06	4.77	48.04	6.49	35.29	10	229.15	23603.67
Manoj Vaibhav Gems 'N' Jewellers Limited	2027.34	71.60	14.66	14.67	1.89	113.53	10	215.00	1050.22

*Peer companies valuation are based on TTM

Valuation

Considering the P/E valuation, on the upper end of the price band of Rs.215, the stock is priced at pre issue P/E of 11.74x on FY23 EPS of Rs.18.32. Post issue, the stock is priced at a P/E of 14.67x on its EPS of Rs.14.66. Looking at the P/B ratio at Rs.215, pre issue, book value of Rs. 88.17 of P/Bvx 2.44x. Post issue, book value of Rs. 113.53 of P/Bvx 1.89x.

Considering the P/E valuation, on the lower end of the price band of Rs.204, the stock is priced at pre issue P/E of 11.14x on FY23 EPS of Rs.18.32. Post issue, the stock is priced at a P/E of 13.92x on its EPS of Rs.14.66. Looking at the P/B ratio at Rs.215, pre issue, book value of Rs. 88.17 of P/Bvx 2.31x. Post issue, book value of Rs. 113.53 of P/Bvx 1.80x.

Industry Outlook

Global jewellery market is estimated at \$340.7 billion in CY 2022 and is a significant contributor to the world economy. It is also for centuries is an expression of creativity, status, and exclusivity. Diamond and gold are two precious items contributing more than 50% of the global jewellery market. USA, China, and India are the top three markets in the global jewellery market with different pecking order in diamond and gold jewellery market. India in addition to being a big market also plays a significant role in the supply chain of both gold and diamond jewellery market. The India n jewellery retail sector's size in FY 2023 was close to USD 70 billion. The sector's organized retail share stood at approximately 32%, comprised of national and regional players, while the rest of jewellery retail continues to be dominated by the unorganized segment, comprised of over 500,000 local goldsmiths and jewellers. The jewellery retail market is expected to grow to approximately USD 124 billion by FY 2027 on account of the growing economy and rising disposable income, increasing consumer demand for gold, growth in gold prices and rising demand for other categories like diamonds, other precious stones and costume jewellery. In FY 2023, the total market size of Andhra Pradesh and Telangana was USD 3.3 Bn and USD 2.8 Bn respectively. While the Andhra Pradesh jewellery market is expected to grow to USD 6.3 Bn by FY 2027 at a CAGR of ~18%, the Telangana market is expected to grow to USD 5.3 Bn during the same period at a CAGR of ~18%. Rural market in the state of Andhra Pradesh and Telangana contributes 50-52% of the total jewellery market in FY 2023 in these two states. 60-70% of the rural demand for jewellery is driven by weddings followed by the need for investment post -harvest. Organized market contributed ~39% of the total jewellery market in the states of Andhra Pradesh and Telangana in FY 2023 and expected to grow to ~45% of the total market by FY 2027. The current organized market of USD 2.35Bn in Andhra Pradesh and Telangana together is expected to grow at a CAGR of 22% to USD 5.21 Bn by FY 2027.

Outlook

Manoj Vaibhav Gems 'N' Jewellers is a southern region-centric jewellery brand having 13 stores. The company plans to add 8 more stores. On the flip side, if the company is unable to effectively manage and expand its retail network and operations or execute its growth strategy, the new showrooms may not achieve the expected levels of profitability. A high risk appetite investor may opt the issue.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	22-September-23
BID/ISSUE CLOSES ON	26-September-23
Finalisation of Basis of Allotment with the Designated Stock Exchange	03-October-23
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	04-October-23
Credit of Equity Shares to demat accounts of Allottees	05-October-23
Commencement of trading of the Equity Shares on the Stock Exchanges	06-October-23

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 30-Jun-23 (3 Months)	Period ended 31-Mar-23 (12 Months)	Period ended 31-Mar-22 (12 Months)
Revenue from operations	508.90	2027.34	1693.92
Total expenditure	471.56	1884.29	1588.96
Operating Profit	37.34	143.06	104.96
OPM%	7.34	7.06	6.20
Other Income	1.31	3.96	3.78
PBDIT	38.65	147.02	108.74
Depreciation	2.01	8.56	8.70
PBIT	36.64	138.45	100.04
Interest	10.79	42.62	41.63
Profit before tax	25.85	95.83	58.41
Tax	6.61	24.24	14.73
PAT	19.24	71.60	43.68

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	30-Jun-23	31-Mar-23	31-Mar-22
Non-current assets			
Property, plant and equipment	42.10	43.41	46.35
Capital work-in-progress	0.74	0.74	3.02
Investment properties	19.73	19.77	19.16
Other Intangible assets	0.15	0.16	0.19
Right-of-Use assets	19.39	19.85	21.64
Financial assets			
Other financial assets	3.34	3.33	4.25
Other non-current assets	0.62	0.61	0.67
Deferred tax assets (Net)	3.10	2.85	2.07
Total Non Current Assets	89.16	90.71	97.34
Current assets			
Inventories	936.06	933.58	767.15
Financial Assets			
Trade Receivables	25.13	24.38	20.02
Cash and Cash Equivalents	13.30	13.26	6.39
Bank balances other than cash and cash equivalents	3.96	3.96	2.25
Loans	0.20	0.14	0.17
Other financial assets	0.58	0.43	0.19
Other Current Assets	14.42	11.40	6.02
Total current assets	993.66	987.15	802.19
Total Assets	1082.82	1077.86	899.53
Non-current liabilities			
Financial liabilities			
Lease Liabilities	21.64	21.80	22.32
Borrowings	101.84	106.60	104.03
Other financial liabilities	0.47	0.45	0.21
Provisions	4.00	3.75	3.50
Total non-current liabilities	127.94	132.60	130.05
Current liabilities			
Financial liabilities			
Lease liabilities	3.36	3.34	3.10
Borrowings	358.55	353.40	373.71
Trade payables			
Total outstanding dues of micro enterprises and small enterprises	0.00	0.00	4.06
Others	68.18	38.05	84.54
Other financial liabilities	1.73	1.79	1.57
Other Current liabilities	155.05	202.37	27.41
Provisions	0.89	0.82	0.86
Current tax liabilities (Net)	3.46	0.95	1.37
Total current liabilities	591.22	600.71	496.63
Total	719.17	733.31	626.67
NET Worth	363.65	344.55	272.86
Net worth represented by:			
Equity Share Capital	39.08	39.08	9.77
Other Equity	324.57	305.47	263.09
Net Worth	363.65	344.55	272.86

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★★
EXCELLENT	★★★★★

E-mail: researchfeedback@smcindiaonline.com



Corporate Office:
11/6B, Shanti Chamber,
Pusa Road, New Delhi - 110005
Tel: +91-11-30111000
www.smcindiaonline.com

Mumbai Office:
Lotus Corporate Park, A Wing 401/402,
4th Floor, Graham Firth Steel Compound,
Off Western Express Highway, Jay Coach Signal,
Goreagon (East) Mumbai - 400063
Tel: 91-22-67341600, Fax: 91-22-28805606

Kolkata Office:
18, Rabindra Sarani,
Poddar Court, Gate No.-4, 5th Floor, Kolkata-700001
Tel: 91-33-39847000, Fax: 91-33-39847004

Investments in securities market are subject to market risks, read all the related documents carefully before investing. Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. The securities quoted are for illustration only and are not recommendatory. SMC is a SEBI registered Research Analyst having registration number INH100001849. CIN : L74899DL1994PLC063609.

SMC Global Securities Ltd. (hereinafter referred to as "SMC") is regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of broking, depository services and related activities. SMC is a registered member of National Stock Exchange of India Limited, Bombay Stock Exchange Limited, MSEI (Metropolitan Stock Exchange of India Ltd) and M/s SMC Comtrade Ltd is a registered member of National Commodity and Derivative Exchange Limited and Multi Commodity Exchanges of India and other commodity exchanges in India. SMC is also registered as a Depository Participant with CDSL and NSDL. SMC's other associates are registered as Merchant Bankers, Portfolio Managers, NBFC with SEBI and Reserve Bank of India. It also has registration with AMFI as a Mutual Fund Distributor.

SMC is a SEBI registered Research Analyst having registration number INH100001849. SMC or its associates has not been debarred/ suspended by SEBI or any other regulatory authority for accessing /dealing in securities market. SMC or its associates or its Research Analyst or his relatives do not hold any financial interest in the subject company interest at the time of publication of this Report. SMC or its associates or its Research Analyst or his relatives do not hold any actual/beneficial ownership of more than 1% (one percent) in the subject company, at the end of the month immediately preceding the date of publication of this Report. SMC or its associates its Research Analyst or his relatives does not have any material conflict of interest at the time of publication of this Report.

SMC or its associates/analyst has not received any compensation from the subject company covered by the Research Analyst during the past twelve months. The subject company has not been a client of SMC during the past twelve months. SMC or its associates has not received any compensation or other benefits from the subject company covered by analyst or third party in connection with the present Research Report. The Research Analyst has not served as an officer, director or employee of the subject company covered by him/her and SMC has not been engaged in the market making activity for the subject company covered by the Research Analyst in this report.

The views expressed by the Research Analyst in this Report are based solely on information available publicly available/internal data/ other reliable sources believed to be true. SMC does not represent/ provide any warranty expressly or impliedly to the accuracy, contents or views expressed herein and investors are advised to independently evaluate the market conditions/risks involved before making any investment decision. The research analysts who have prepared this Report hereby certify that the views /opinions expressed in this Report are their personal independent views/opinions in respect of the subject company.

Disclaimer: This Research Report is for the personal information of the authorized recipient and doesn't construe to be any investment, legal or taxation advice to the investor. It is only for private circulation and use. The Research Report is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such. No action is solicited on the basis of the contents of this Research Report. The Research Report should not be reproduced or redistributed to any other person(s) in any form without prior written permission of the SMC. The contents of this material are general and are neither comprehensive nor inclusive. Neither SMC nor any of its affiliates, associates, representatives, directors or employees shall be responsible for any loss or damage that may arise to any person due to any action taken on the basis of this Research Report. It does not constitute personal recommendations or take into account the particular investment objectives, financial situations or needs of an individual client or a corporate/s or any entity/s. All investments involve risk and past performance doesn't guarantee future results. The value of, and income from investments may vary because of the changes in the macro and micro factors given at a certain period of time. The person should use his/her own judgment while taking investment decisions. Please note that SMC its affiliates, Research Analyst, officers, directors, and employees, including persons involved in the preparation or issuance of this Research Report: (a) from time to time, may have long or short positions in, and buy or sell the securities thereof, of the subject company(ies) mentioned here in; or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company(ies) discussed herein or may perform or seek to perform investment banking services for such company(ies) or act as advisor or lender/borrower to such subject company(ies); or (c) may have any other potential conflict of interest with respect to any recommendation and related information and opinions. All disputes shall be subject to the exclusive jurisdiction of Delhi High Court.