

Prime Stock

Short Term Fundamental Pick

Senco Gold Ltd





TODAY'S PRIME STOCK (SHORT-TERM INVESTMENT)

Senco Gold Ltd

BSE CODE: 543936

NSE CODE: SENCO

Sector: Diamond & Jewellery Industry: Diamond & Jewellery

CMP (Rs): 1137 | Buy Range: 1130-1137 | Target Price: 1310 | Potential Upside: 15%

Duration of Recommendation: 1-3 Months

Senco Gold Ltd is a pan-India jewelry retailer with a legacy of over 85 years, engaged in the manufacture and retail of jewelry made from gold, silver, diamonds, and other precious materials. The company's network includes more than 10 external manufacturers, and it sells its products through a combination of company-operated and franchise-owned stores. The company is also focused on enhancing its online presence and leveraging technology to reach more customers.

INVESTMENT RATIONALE

- ❖ Strong Brand Recognition and Market Position: Senco Gold and Diamonds is recognized as India's 2nd Most Trusted Jewellery Brand and one of the most desired jewellery brands. It is also the largest organized jewelry retail player in the Eastern region of India, with a legacy of more than 85 years. The company's inclusion in Deloitte's Global Powers of Luxury Goods rankings further underscores its brand strength and market position.
- ❖ Strategic Expansion and Growth Initiatives: Senco Gold is strategically expanding its store network across India1617. As of March 31, 2024, the company had 159 showrooms across 96 cities and towns in 13 states18. The company is also focused on enhancing its online presence and leveraging technology, including the launch of a virtual jewelry showroom on the Metaverse1920. Senco is also the first Indian jewelry brand to join the Open Network for Digital Commerce (ONDC), enhancing customer convenience in accessing the brand's product line across online platforms.
- ❖ Franchise Model Growth: The company's franchise model provides an asset-light revenue growth platform4. The increase in franchise stores allows for expansion without significant capital expenditure4. The company added 5 franchise stores in FY 2023-244. The company's franchise business reported increased footfall, with the number of invoices generated increasing from 281,174 in FY 2022-23 to 306,929 in FY 2023-24.
- ❖ Growth in the Organized Jewelry Sector: The Indian jewelry market is expected to grow, with the share of organized retail jewelers projected to cross 60% by 203512. Senco is well-positioned to capitalize on this trend12. Regulatory developments, such as compulsory hallmarking and anti-money laundering regulations, are also creating a favorable environment for organized players.
- ❖ Consistent Financial Performance: Standalone Revenue/EBITDA/PAT grew at CAGR of 16%/19%/20% respectively during FY2019-FY2024 with stable EBITDA margins of 8%. In Q2FY25, revenue/EBITDA/PAT up by 27.5%/42%/40% respectively on Y-o-Y basis, margins up by 40 bps.
- * Reasonable Valuation: Stock is currently trading at 30x & 27x its FY26E & FY27E earnings respectively, which seems reasonable given industry growth prospects. Recent correction in stock price of more than 20% gives good return potential.

Key Risks: Intense competition from both organized and unorganized players can affect pricing and margins, gold price fluctuations can affect profit margins.



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