

Another quarter of strong volume growth; SSSG growth remained robust

CMP: INR 397

Rating: Accumulate

Target Price: INR 446

Stock Info

NSE	DPABHUSHAN
Bloomberg	DPAL IN
Sector	Gems
Sector	Jewellery
Face Value (INR)	10
Equity Capital (INR mn)	223
Mkt Cap (INR mn)	9,010
52W H/L (INR)	478 / 92

Shareholding Pattern %

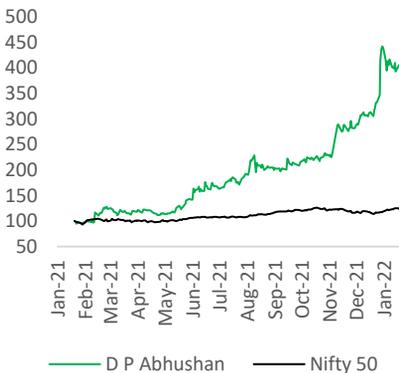
(As on December, 2021)

Promoters	74.73
Public & Others	25.27

Stock Performance (%) 3m 1 Yr.

D P Abhushan	85.2	307.7
Nifty 50	-2.8	21.3

D P Abhushan Price Chart



D P Abhushan (DPAL) during its Q3FY22 reported another quarter of strong topline as well as bottom-line growth driven by festive and wedding season demand. However, some margins pressure was there during the quarter due to increased material cost. Sales of the company are expected to continue to be strong on the back of i) improved consumer sentiment, ii) Wedding season demand, iii) consumer shift from unorganized to organized jewellery players. We reiterate our Buy rating with a revised TP of INR 446.

Key Highlights:

- Company has reported 61% YoY/49% QoQ increase in its revenue at INR 6,681 mn, driven by strong volume growth witnessed during the quarter. Government's mandatory hallmarking of gold jewellery has benefited the organised jewellery players and company is 100% compliant with HUID (Hallmark Unique Identification) in all aspects.
- Gold sales volume during the quarter increased by 68% YoY/52% QoQ while Silver volume was higher by 61% YoY/120% QoQ. Diamond sales volume has witnessed growth of 6% QoQ. Company gradually focusing to increase diamond sales shares. Diamond share in the total revenue stood at 6% vs. 5% YoY.
- In terms of SSSG, all stores of the company has reported strong growth. Its top 4 stores, (~77% contribution in revenue) SSSG (Same store sales growth) increased by 45% YoY/51% QoQ. New stores (opened during H2FY21) has contributed 23% in the total sales.
- Due to marginal increase in cost of material, gross margin of the company has decreased by 50 bps YoY/64 bps QoQ at 6.2%. Weighted average cost of gold bullion for the company increased from INR 4.66K/gm to INR 4.70K/gm. EBITDA for the quarter grew by 69% YoY/36% QoQ to INR 263 mn while EBITDA margin increased by 17bps YoY at 3.9%.
- Profit growth for the quarter was higher by 79% YoY/46% QoQ to INR 158 mn (Highest ever quarterly profit).
- Company has total seven show rooms with existence in Ratlam, Indore, Bhopal & Ujjain in the state of Madhya Pradesh and Udaipur, Bhilwara & Kota and opening eighth showroom in Banswara city of Rajasthan on 22nd January, 2022.

Valuation and Outlook: Company has posted another quarter of decent performance in terms of sales/volume growth. 9MFY22 sales of the company doubled on YoY basis driven by strong demand and sales addition from new stores along with industry tailwinds. We increase our sales estimate for FY22-24E from 16% CAGR to 22% CAGR to factor in strong topline growth. Stock had good run up of 4x in the last one year and it has outperformed the broader market index. We revise our rating on the stock to Accumulate from Buy with a revised target price of INR 446 (earlier INR 297), based on PE of 15x to its FY24E EPS of INR 30.

Exhibit 1: Financial Snapshot

(Rs Mn)	Net Sales	EBITDA	PAT	EPS (Rs)	EBITDAM (%)	RoE (%)	P/E (x)
FY19	8,121	279	118	5.3	3.4	22.3	74.9
FY20	8,086	342	167	7.5	4.2	23.9	53.0
FY21	12,182	513	274	12.3	4.2	28.2	32.2
FY22E	16,811	773	414	18.6	4.6	29.9	21.3
FY23E	21,013	977	547	24.6	4.6	28.3	16.2
FY24E	25,216	1,173	661	29.7	4.7	25.5	13.4

Source: Company, Arihant Research

Raju Barnawal

raju.b@arihantcapital.com

022 4225 4870

Exhibit 2: Q3FY22 and 9MFY22 Financial Performance Snapshot:

in mn.	Q3FY22	Q3FY21	YoY	Q2FY22	QoQ	9MFY22	9MFY21	YoY
Net Revenue	6681	4143	61%	4483	49%	12917	6280	106%
Material Expenses	6264	3863	62%	4174	50%	12035	5703	111%
Gross Profit	417	279	49%	308	35%	882	577	53%
Gross Profit margin (%)	6.2	6.7	-50bps	6.9	-64bps	6.8	9.2	-236bps
Employee Expenses	51	36	43%	49	5%	131	86	52%
Other Operating Expenses	103	88	17%	67	55%	193	141	37%
EBITDA	263	156	69%	193	36%	559	350	60%
Depreciation	12	9	39%	12	0%	36	25	45%
Interest Cost	40	30	36%	35	14%	111	70	58%
Other income	0	0	108%	0	400%	1	0	16%
PBT	211	118	79%	146	45%	413	256	61%
Tax	53	29	80%	37	42%	105	65	61%
PAT	158	88	79%	108	46%	309	191	62%

as a % of revenue (%)	Q3FY22	Q3FY21	YoY	Q2FY22	QoQ	9MFY22	9MFY21	YoY
Material cost	93.8	93.3	50bps	93.1	64bps	93.2	90.8	236bps
Employee expenses	0.8	0.9	-10bps	1.1	-32bps	1.0	1.4	-36bps
Other expenses	1.5	2.1	-58bps	1.5	6bps	1.5	2.2	-75bps
EBITDA margin	3.9	3.8	17bps	4.3	-37bps	4.3	5.6	-125bps
Tax rate	25.1	25.0	10bps	25.5	-48bps	25.3	25.4	-10bps
PAT margin	2.4	2.1	23bps	2.4	-5bps	2.4	3.0	-65bps

Exhibit 3: Volume and Value growth Analysis:

in mn.	Q3FY22	Q3FY21	YoY	Q2FY22	QoQ
Gold Jewellery	6,186	3,884	59%	4,106	51%
Diamond Jewellery	395	192	105%	327	21%
Silver Jewellery	94	62	51%	43	120%

in Kgs.	Q3FY22	Q3FY21	YoY	Q2FY22	QoQ
Gold Jewellery	1337.9	797.2	68%	879.3	52%
Diamond Jewellery	1.8	0.9	92%	1.7	6%
Silver Jewellery	1431.2	891.6	61%	650.3	120%

Exhibit 4: Store wise revenue contribution (%)

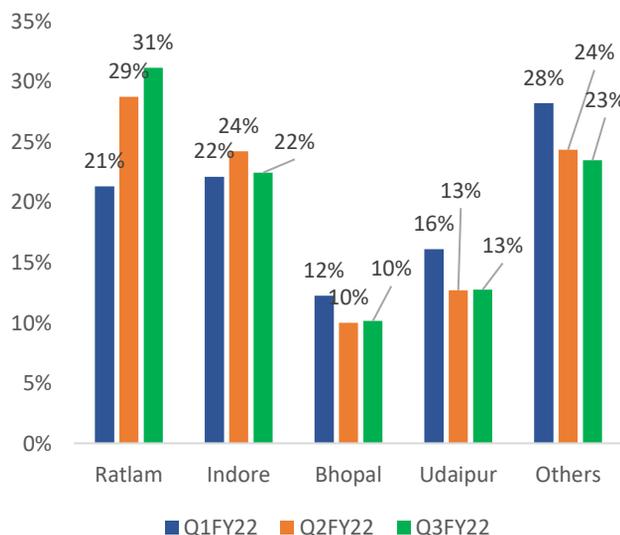
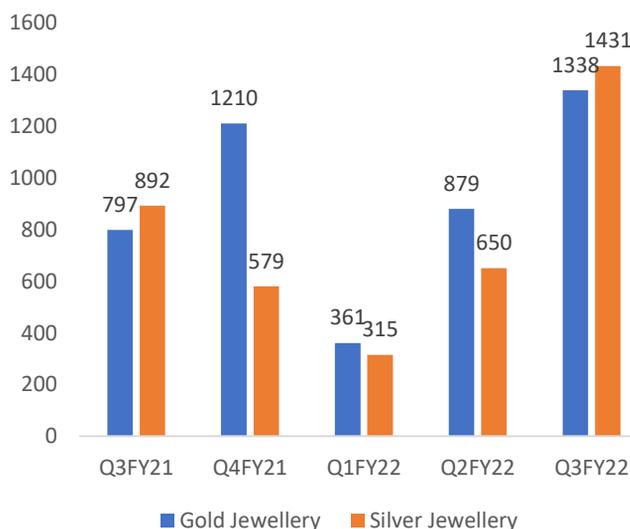


Exhibit 5: Gold and silver volume (in Kgs.)



Financial Statement

Income Statement

Y/E March (Rs Mn)	FY20	FY21	FY22E	FY23E	FY24E
Revenues	8,086	12,182	16,811	21,013	25,216
Change (%)	-0.4%	50.6%	38.0%	25.0%	20.0%
Cost of Goods Sold	7,436	11,324	15,449	19,311	23,174
Employee costs	113	129	219	273	328
Other expenses	195	216	370	452	542
Total operating Expense	7,744	11,669	16,037	20,036	24,044
EBITDA	342	513	773	977	1,173
Other Income	4	1	1	1	1
Depreciation	30	39	35	38	40
Interest	95	108	186	210	250
PBT	222	366	553	731	884
Extra-ordinary	0	0	0	0	0
PBT after ext-ord.	222	366	553	731	884
Tax	56	92	139	184	223
Rate (%)	25.0%	25.2%	25.2%	25.2%	25.2%
PAT	167	274	414	547	661
Change (%)	41.4%	64.3%	51.1%	32.1%	20.9%

Source: Company, Aриhant Research

Balance Sheet

Y/E March (Rs Mn)	FY20	FY21	FY22E	FY23E	FY24E
Sources of Funds					
Share Capital	223	223	223	223	223
Reserves & Surplus	475	748	1,162	1,709	2,370
Net Worth	697	971	1,385	1,932	2,593
Long term debt	627	103	104	105	106
Short term debt	328	1,434	1,849	2,101	2,522
Total Debt	955	1,538	1,953	2,206	2,628
Deferred Tax & other liabilities	15	115	115	115	115
Capital Employed	1,667	2,624	3,453	4,253	5,336
Application of Funds					
Net Block	263	280	310	330	350
Other Non-Current Assets	18	154	154	154	154
Net fixed assets	280	434	464	484	504
Investments	0	0	0	0	0
Debtors	10	25	35	43	52
Inventories	2,299	3,202	4,368	5,460	6,552
Cash & bank balance	33	122	65	48	315
Loans & advances & other CA	99	179	179	179	179
Total current assets	2,442	3,529	4,647	5,730	7,098
Current liabilities	984	1,318	1,601	1,867	2,132
Provisions	72	21	56	95	133
Net current assets	1,386	2,190	2,990	3,769	4,833
Total Assets	1,666	2,624	3,454	4,253	5,336

Source: Company, Aриhant Research

Financial Statement

Cash Flow Statement

Y/E March (Rs Mn)	FY20	FY21	FY22E	FY23E	FY24E
PBT	222	366	553	731	884
Depreciation	30	39	35	38	40
Interest & others	98	90	186	210	250
Cash flow before WC changes	350	496	774	978	1,174
(Inc)/dec in working capital	-196	-697	-892	-835	-835
Operating CF after WC changes	155	-201	-118	143	338
Less: Taxes	-61	-92	-139	-184	-223
Operating cash flow	94	-294	-257	-41	116
(Inc)/dec in F.A + CWIP	-20	-87	-30	-20	-20
(Pur)/sale of investment	0	0	0	0	0
Cash flow from investing	-22	-98	-30	-20	-20
Free cash flow (FCF)	72	-380	-288	-61	95
Loan raised/(repaid)	-16	583	416	253	421
Equity raised	0	0	0	0	0
Interest & others	-95	-102	-186	-210	-250
Dividend	0	0	0	0	0
Cash flow from financing activities	-111	480	230	43	171
Net inc /(dec) in cash	-39	89	-57	-18	267
Opening balance of cash	72	33	122	65	48
Closing balance of cash	33	122	65	48	315

Source: Company, Arianth Research

Key Ratios

Y/E March (Rs Mn)	FY20	FY21	FY22E	FY23E	FY24E
Per share (Rs)					
EPS	7.5	12.3	18.6	24.6	29.7
CEPS	8.8	14.1	20.2	26.3	31.5
BVPS	31.3	43.6	62.2	86.8	116.5
Valuation (x)					
P/E	53.0	32.2	21.3	16.2	13.4
P/CEPS	44.9	28.2	19.7	15.1	12.6
P/BV	12.7	9.1	6.4	4.6	3.4
EV/EBITDA	28.5	20.0	13.9	11.2	9.5
Return Ratios (%)					
Gross Margin	8.0%	7.0%	8.1%	8.1%	8.1%
EBIDTA Margin	4.2%	4.2%	4.6%	4.6%	4.7%
PAT Margin	2.1%	2.2%	2.5%	2.6%	2.6%
ROE	23.9%	28.2%	29.9%	28.3%	25.5%
ROCE	18.9%	18.9%	22.1%	22.7%	21.7%
Leverage Ratio (%)					
Total D/E	1.4	1.6	1.4	1.1	1.0
Turnover Ratios					
Asset Turnover (x)	4.9	4.6	4.9	4.9	4.7
Inventory Days	113	103	103	103	103
Receivable Days	0	1	1	1	1
Payable days	26	23	23	23	23

Source: Company, Arianth Research

Recommendation and Rating History

Date	Recommendation	Reco. Price (INR)	TP (INR)	Report Type
29-Oct-21	Buy	226	297	Q2FY22 Result Update
09-Aug-21	Buy	219	265	Q1FY22 Result Update
14-Jun-21	Buy	158	252	Q4FY21 Result Update
16-Feb-21	Buy	112	220	Q3FY21 Result Update
27-Oct-20	Buy	102	131	H1FY21 Result Update
23-Sep-20	Buy	88	120	Company update
02-Jul-20	Buy	59	92	IC

Arihant Research DeskEmail: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office

#1011, Solitaire Corporate Park
Building No. 10, 1st Floor
Andheri Ghatkopar Link Road
Chakala, Andheri (E)
Mumbai – 400093
Tel: (91-22) 42254800
Fax: (91-22) 42254880

Registered Office

Arihant House
E-5 Ratlam Kothi
Indore - 452003, (M.P.)
Tel: (91-731) 3016100
Fax: (91-731) 3016199

Stock Rating Scale

BUY
ACCUMULATE
HOLD
NEUTRAL
REDUCE
SELL

Absolute Return

>20%
12% to 20%
5% to 12%
-5% to 5%
-5% to -12%
<-12%

**Research Analyst
Registration No.**

INH000002764

Contact

SMS: 'Arihant' to 56677

Websitewww.arihantcapital.com**Email Id**instresearch@arihantcapital.com

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Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800 Fax. 022-42254880