BUY

Senco Gold

Emkay

Your success is our success

Strong trends sustain despite spike in gold prices; retain BUY

Retail ▸ Result Update ▸ **May 24, 2024**

TARGET PRICE (Rs): 1,100

After a strong revenue update of 39%/28% growth in Q4/FY24, Senco reported lower margin decline at 40bps in Q4 vs. our estimate of 70bps. In our view, a better margin was aided by stronger operating leverage, as gross-margin decline was in line (down 160bps). In a volatile gold price environment, Q1 trend is encouraging with ~12% SSG/>20% revenue growth, as shift towards organized continues. This is reflected in rising mix of new buyers (~50%)/gold exchange (32% in FY24 vs. 22% FY22). Mgmt. has indicated the need for higher growth investments for continued share gains, which should offset tailwind from higher studded mix (+100bps in FY24). With spike in gold price, rise in WC was slightly higher at Rs4.5bn in FY24 towards the opening of 18 COCO stores, and value increase in existing stores. Likely higher near-term interest outgo drove ~6% cut to our EPS estimate, but we remain confident of Senco's growth prospects. We maintain BUY with TP of Rs1,100, helped by 3M rollover.

Senco Gold: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	40,774	52,414	63,195	74,898	88,450
EBITDA	3,166	3,755	4,543	5,632	6,818
Adj. PAT	1,585	1,810	2,145	2,750	3,410
Adj. EPS (Rs)	22.9	23.3	27.6	35.4	43.9
EBITDA margin (%)	7.8	7.2	7.2	7.5	7.7
EBITDA growth (%)	14.2	18.6	21.0	24.0	21.1
Adj. EPS growth (%)	18.0	1.6	18.5	28.2	24.0
RoE (%)	19.0	15.7	14.6	16.3	17.2
RoIC (%)	15.5	13.6	13.8	15.4	16.8
P/E (x)	38.2	37.6	31.7	24.7	19.9
EV/EBITDA (x)	20.8	19.7	16.3	13.2	10.9
P/B (x)	6.4	5.0	4.3	3.7	3.2
FCFF yield (%)	(1.8)	(2.5)	1.5	1.8	2.9

Source: Company, Emkay Research

Q4/FY24 revenue/margin delivery ahead of expectations: Revenue grew 39%/28% in Q4/FY24, led by retail sales growth of ~30%/25%, with the balance contribution from faster growth in exports/ecommerce/B2B. Retail sales growth was led by best-in-class SSG at 23%/19% for Q4/FY24, aided by light-weight studded jewelry and inelastic wedding sales. However, the spike in gold prices toward March-end, led to some postponement of purchases. Growth in Diamond caratage was higher at 18% vs. 13% in gold grammage, driving ~100bps gain in Studded mix to 11.4% in FY24. Senco opened 23 stores in FY24, with 5/18 stores in FOFO/COCO format. Among regions, 75% of expansion was in East/North regions, in line with Senco's outlook. Operating leverage led to lower dip in EBITDA margin by mere 40 bps at 7.7%, despite the 160bps dip in gross margin. While near-term growth investments are required, the expected increase in studded mix and maturing of stores in non-east region should help protect margins.

Earnings call KTAs: 1) Senco remained at the forefront to launch new initiatives — listing on ONDC/Metaverse/e-Bay to be accessible to the world market and prepare for the future. 2) SENCO expanded in central India with stores in Bhopal, Indore, and Raipur and South/West regions with stores in Pune/Bangalore. 3) Senco has ventured into lab-grown diamonds with 3 *SENNES* stores in Calcutta and space allocation to LGD in a few existing stores in Delhi/Chandigarh. 4) Number of customers transacting stood at ~554k, consisting of ~270k new ones. 5) With the spike in gold price, wedding-related sales and light-weight studded jewelry is seeing better traction. To cater to it, Senco launched *Gathbandhan* (new wedding collection) in May to offer advance purchases for the December wedding season. Senco is also offering fixation of gold price and averaging of gold price through its gold-deposit schemes to consumers. 10) It aims to add 8-10 stores each, under the COCO/FOFO model, totaling to 15-20 stores in FY25. 11) Stud ratio in north was higher at ~17.2% vs. Company average of 11.4%. 12) Topline included 60% contribution from own stores, 35% from franchisees and balance from export/e-commerce/B2B channel.13) Company aims to use 60% marketing budget for brand building and the balance to offer discounts in competitive scenarios. 14) Blended interest cost is of 6% (combination of 3.5% on GML and 9.5% on short-term debt). GML as a % of gold inventory was ~61% with an aim to gradually increase it to ~75%. 15) ASP/ATV for the full year was ~Rs41k/Rs70k. ASP only for Gold jewelry stood at Rs54k.

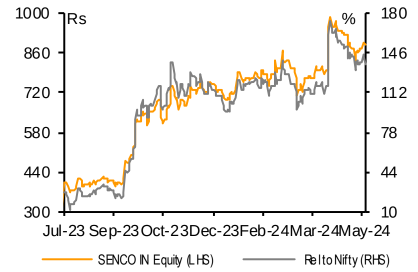
Target Price – 12M	Mar-25
Change in TP (%)	**-**
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	25.7
CMP (24-May-24) (Rs)	875.0

Stock Data	Ticker
52-week High (Rs)	1,067
52-week Low (Rs)	358
Shares outstanding (mn)	77.7
Market-cap (Rs bn)	68
Market-cap (USD mn)	818
Net-debt, FY25E (Rs mn)	6,062
ADTV-3M (mn shares)	-
ADTV-3M (Rs mn)	429.3
ADTV-3M (USD mn)	5.2
Free float (%)	15.0
Nifty-50	22,957
INR/USD	83.1
Shareholding, Mar-24	
Promoters (%)	68.5
FPIs/MFs (%)	14.0/7.5

Price Performance

(%)	1M	3M	12M
Absolute	(9.1)	8.2	-
Rel. to Nifty	(11.3)	4.7	-

1-Year share price trend (Rs)



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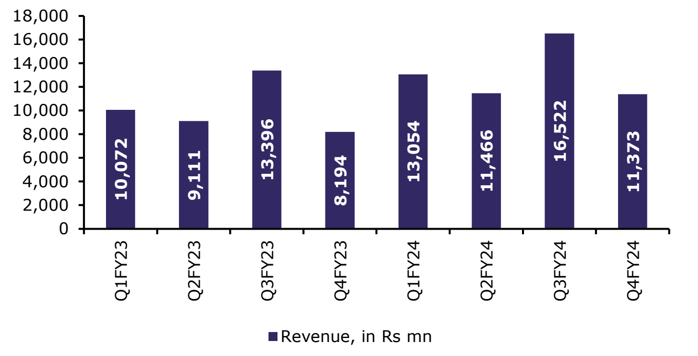
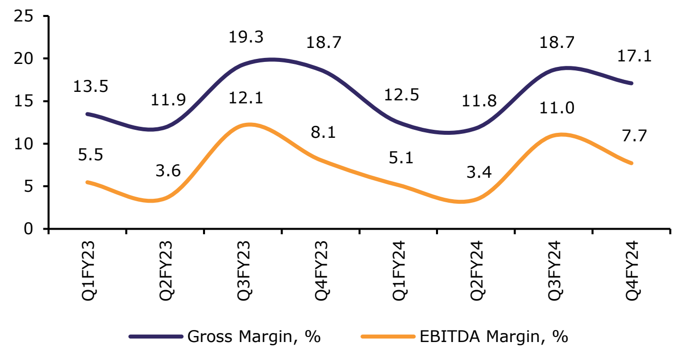
Story in Charts

Exhibit 1: Revenue was up 39%, led by strong 30% growth in retail jewelry and faster growth in exports/e-commerce/B2B



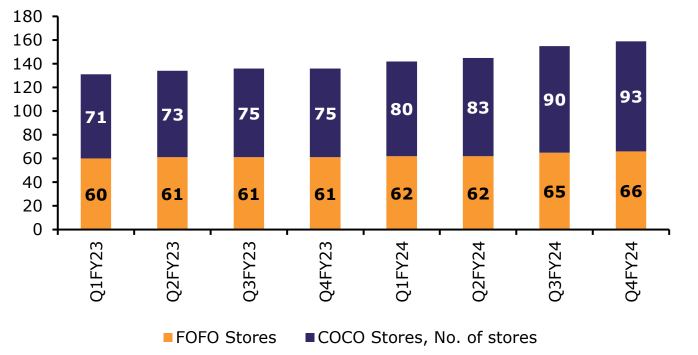
Source: Company, Emkay Research

Exhibit 2: Despite a 160bps dip in gross margin due to a one-off in the base, EBITDA margin was down 40bps due to op. leverage



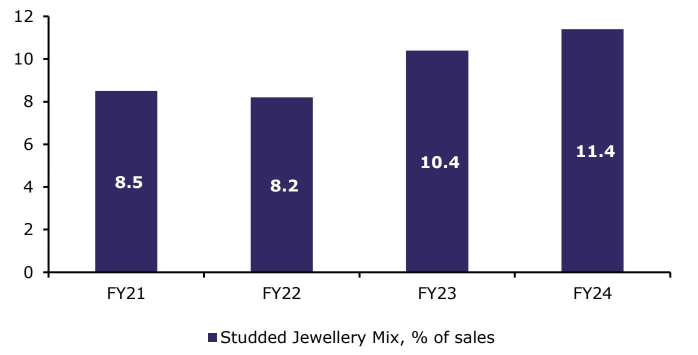
Source: Company, Emkay Research

Exhibit 3: Senco opens net 4/23 stores in Q4/FY24, which includes 18/5 COCO/FOFO stores in FY24



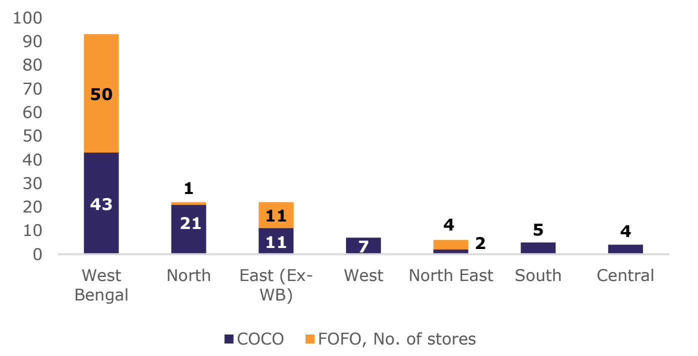
Source: Company, Emkay Research

Exhibit 4: Stud ratio improves by 100bps to 11.4% over FY23; long-term target of achieving 15% remains intact



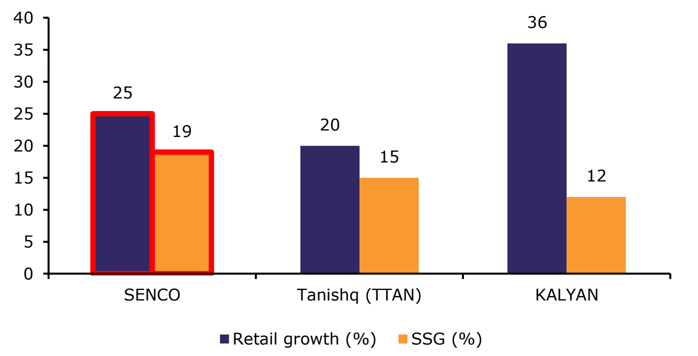
Source: Company, Emkay Research

Exhibit 5: Senco turning asset-light with the franchisee route in stronghold regions vs COCO in the West/Central/South India



Source: Company, Emkay Research;

Exhibit 6: Senco posted 25% retail growth in FY24, supported by best-in-class SSG of 19%



Source: Company, Emkay Research; **Note: For Kalyan, we have considered reported India business growth.**

Exhibit 7: Actual vs. Estimates (Q4FY24)

(Rs mn)	Actual	Estimates		Variation		Comments
		Emkay	Consensus	Emkay	Consensus	
Net Sales	11,373	11,352	9,863	0.2%	15.3%	Topline was in line with our estimates, after revision, post Senco's Q4 business update.
EBITDA	877	845	765	3.8%	14.7%	Higher EBITDA was on account of higher operating leverage.
EBITDA Margin	7.7%	7.4%	7.8%	27	-4	
PAT	322	320	292	0.4%	10.4%	PAT came in line due to marginally higher depreciation and tax.

Source: Company, Emkay Research

Exhibit 8: Summary of quarterly results

Y/E, Mar (Rs mn)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (%)	QoQ (%)	FY23	FY24	YoY (%)
Revenue	**8,194**	**13,054**	**11,466**	**16,522**	**11,373**	**38.8**	**-31.2**	**40,774**	**52,414**	**28.5**
Expenditure	**7,532**	**12,382**	**11,071**	**14,711**	**10,496**	**39.3**	**-28.7**	**37,608**	**48,659**	**29.4**
Consumption of RM	6,664	11,422	10,111	13,439	9,429	41.5	-29.8	34,219	44,401	29.8
as % of sales	*81.3%*	*87.5%*	*88.2%*	*81.3%*	*82.9%*			*83.9%*	*84.7%*	
Employee Cost	278	254	253	325	280			934	1,112	
as % of sales	*3.4%*	*1.9%*	*2.2%*	*2.0%*	*2.5%*			*2.3%*	*2.1%*	
Advertising & SP	247	196	172	248	250			811	866	6.8
as % of sales	*3.0%*	*1.5%*	*1.5%*	*1.5%*	*2.2%*			*2.0%*	*1.7%*	
Other expenditure	342	511	534	700	536	56.5	-23.4	1,644	2,281	38.8
as % of sales	*4.2%*	*3.9%*	*4.7%*	*4.2%*	*4.7%*			*4.0%*	*4.4%*	
EBITDA	**662**	**672**	**395**	**1,811**	**877**	**32.5**	**-51.6**	**3,166**	**3,755**	**18.6**
Depreciation	140	126	133	158	184	30.9	16.0	456	600	31.8
EBIT	**522**	**546**	**262**	**1,653**	**693**	**32.9**	**-58.0**	**2,711**	**3,155**	**16.4**
Other Income	74	94	110	89	128	73.9	44.1	311	422	35.6
Interest	245	266	234	283	298	21.5	5.4	861	1,081	25.6
PBT	**350**	**375**	**139**	**1,459**	**524**	**49.5**	**-64.1**	**2,162**	**2,496**	**15.5**
Total Tax	113	98	20	366	202	78.6	-44.8	577	685	18.8
PAT	**237**	**277**	**119**	**1,093**	**322**	**35.6**	**-70.6**	**1,585**	**1,811**	**14.3**
Extra ordinary items	0	0	0	0	0			0	0	
Reported PAT	**237**	**277**	**119**	**1,093**	**322**	**35.6**	**-70.6**	**1,585**	**1,811**	**14.3**
Minority Interest	0	0	0	0	0			0	0	
Adjusted PAT	**237**	**277**	**119**	**1,093**	**322**	**35.6**	**-70.6**	**1,585**	**1,811**	**14.3**
Adjusted EPS (Rs)	**3.4**	**4.0**	**1.7**	**15.8**	**4.7**	**35.6**	**-70.6**	**23**	**26**	**14.3**
(%)	**Q4FY23**	**Q1FY24**	**Q2FY24**	**Q3FY24**	**Q4FY24**	**(bps)**	**(bps)**	**FY23**	**FY24**	**(bps)**
EBITDA margin	8.1	5.1	3.4	11.0	7.7	-40	-320	7.8	7.2	-60
EBIT margin	6.4	4.2	2.3	10.0	6.1	-30	-390	6.6	6.0	-60
EBT margin	4.3	2.9	1.2	8.8	4.6	30	-420	5.3	4.8	-50
PAT margin	2.9	2.1	1.0	6.6	2.8	-10	-380	3.9	3.5	-40
Effective Tax rate	32.3	26.1	14.1	25.1	38.6	630	1350	26.7	27.5	80

Source: Company, Emkay Research

Exhibit 9: Peer Comparison

Companies	Price (Rs/sh)	Mcap (Rs bn)	Reco	Target Price (Rs/sh)	EPS (Rs)			P/E (x)			EV / EBITDA (x)*		
					FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Titan Company	3,412	3,029	Buy	4,150	39.4	49.7	63.5	86.7	68.7	53.8	57.6	45.4	36.6
Page Industries	35,555	397	Reduce	36,300	510.3	595.0	711.0	69.7	59.8	50.0	44.4	38.9	33.1
Jubilant FoodWorks	467	308	Add	525	3.7	5.3	6.8	125.2	88.4	68.6	28.0	23.1	19.9
Devyani International	152	183	Reduce	165	0.7	1.5	2.3	229.2	100.0	65.3	28.8	22.1	17.2
ABFRL	290	294	Reduce	230	-5.6	-4.4	-2.2	-51.3	-65.9	-129.3	20.7	14.5	11.3
Westlife Foodworld	864	135	Reduce	875	4.4	3.6	9.6	194.6	243.0	89.7	36.7	35.1	24.5
Sapphire Foods	1,391	89	Add	1,600	8.2	11.3	25.1	170.1	122.6	55.4	18.8	15.8	11.8
Go Fashion	996	54	Buy	1,300	15.3	18.9	26.3	65.0	52.7	37.8	21.5	18.3	14.2
Ethos	2,351	58	Buy	2,950	34.0	42.5	55.7	69.1	55.4	42.2	36.1	28.4	20.9
Senco Gold	**874**	**68**	**Buy**	**1,100**	**23.3**	**27.6**	**35.4**	**37.5**	**31.7**	**24.7**	**19.6**	**16.2**	**13.0**
Varun Beverages	1,498	1,947	Add	1,650	15.8	21.1	28.2	94.7	70.9	53.2	55.1	40.8	32.2
Aditya Vision	3,561	46	Buy	5,150	60.1	93.1	133.6	59.2	38.3	26.6	28.4	21.3	15.9

Source: Company, Emkay Research; Note: ***Post-IndAS116 EBITDA***

Exhibit 10: Changes in estimates

(Rs mn)	FY25E			FY26E			FY27E
	Old	New	% change	Old	New	Change (%)	New
Revenue	63,041	63,195	0.2	74,812	74,898	0.1	88,450
EBITDA	4,585	4,543	**-0.9**	5,651	5,632	**-0.3**	6,818
EBITDA margin (%)	7.3	7.2	-10 bps	7.6	7.5	0 bps	7.7
Net profit	2,314	2,145	-7.3	2,930	2,750	-6.2	3,410
EPS (Rs)	29.8	27.6	-7.4	37.7	35.4	-6.2	43.9

Source: Company, Emkay Research

Senco Gold: Consolidated Financials and Valuations

Profit & Loss

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	**40,774**	**52,414**	**63,195**	**74,898**	**88,450**
Revenue growth (%)	15.4	28.5	20.6	18.5	18.1
EBITDA	**3,166**	**3,755**	**4,543**	**5,632**	**6,818**
EBITDA growth (%)	14.2	18.6	21.0	24.0	21.1
Depreciation & Amortization	456	601	803	920	1,051
EBIT	**2,711**	**3,154**	**3,740**	**4,712**	**5,767**
EBIT growth (%)	15.3	16.4	18.6	26.0	22.4
Other operating income	0	0	0	0	0
Other income	311	422	528	634	760
Financial expense	861	1,081	1,400	1,670	1,969
PBT	**2,162**	**2,495**	**2,868**	**3,676**	**4,559**
Extraordinary items	0	0	0	0	0
Taxes	577	685	723	926	1,149
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	**1,585**	**1,810**	**2,145**	**2,750**	**3,410**
PAT growth (%)	22.8	14.2	18.5	28.2	24.0
Adjusted PAT	**1,585**	**1,810**	**2,145**	**2,750**	**3,410**
Diluted EPS (Rs)	**22.9**	**23.3**	**27.6**	**35.4**	**43.9**
Diluted EPS growth (%)	18.0	1.6	18.5	28.2	24.0
DPS (Rs)	**1.7**	**1.7**	**2.0**	**2.6**	**3.2**
Dividend payout (%)	**7.2**	**7.2**	**7.2**	**7.2**	**7.2**
EBITDA margin (%)	7.8	7.2	7.2	7.5	7.7
EBIT margin (%)	6.6	6.0	5.9	6.3	6.5
Effective tax rate (%)	26.7	27.5	25.2	25.2	25.2
NOPLAT (pre-IndAS)	**1,987**	**2,288**	**2,797**	**3,525**	**4,314**
Shares outstanding (mn)	69.1	77.7	77.7	77.7	77.7

Source: Company, Emkay Research

Balance Sheet

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	691	777	777	777	777
Reserves & Surplus	8,764	12,878	14,869	17,420	20,584
Net worth	**9,455**	**13,655**	**15,646**	**18,197**	**21,361**
Minority interests	0	0	0	0	0
Deferred tax liability (net)	(179)	(228)	(263)	(302)	(347)
Total debt	**5,396**	**5,983**	**6,282**	**6,596**	**6,925**
Total liabilities & equity	**14,671**	**19,410**	**21,665**	**24,491**	**27,939**
Net tangible fixed assets	847	1,121	1,177	1,250	1,294
Net intangible assets	23	65	64	71	80
Net ROU assets	(171)	(194)	(369)	(572)	(806)
Capital WIP	131	15	15	15	15
Goodwill	0	0	0	0	0
Investments [JV/Associates]	1	1	1	1	1
Cash & equivalents	**95**	**185**	**220**	**259**	**796**
Current assets (ex-cash)	25,850	33,177	40,382	47,672	55,816
Current Liab. & Prov.	12,105	14,960	19,825	24,205	29,258
NWC (ex-cash)	**13,746**	**18,217**	**20,556**	**23,467**	**26,559**
Total assets	**14,671**	**19,410**	**21,665**	**24,491**	**27,939**
Net debt	5,301	5,798	6,062	6,337	6,129
Capital employed	14,671	19,410	21,665	24,491	27,939
Invested capital	**14,445**	**19,209**	**21,428**	**24,216**	**27,127**
BVPS (Rs)	136.7	175.7	201.4	234.2	274.9
Net Debt/Equity (x)	0.6	0.4	0.4	0.3	0.3
Net Debt/EBITDA (x)	1.7	1.5	1.3	1.1	0.9
Interest coverage (x)	0.3	0.3	0.3	0.3	0.3
RoCE (%)	**23.2**	**21.0**	**20.8**	**23.2**	**24.9**

Source: Company, Emkay Research

Cash flows

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	2,162	2,495	2,868	3,676	4,559
Others (non-cash items)	456	601	803	920	1,051
Taxes paid	(615)	(734)	(757)	(966)	(1,194)
Change in NWC	(3,324)	(4,434)	(2,315)	(2,882)	(3,060)
Operating cash flow	**(773)**	**(1,413)**	**1,471**	**1,784**	**2,564**
Capital expenditure	(393)	(415)	(350)	(412)	(424)
Acquisition of business	(1)	0	0	0	0
Interest & dividend income	311	422	528	634	760
Investing cash flow	**(75)**	**159**	**144**	**183**	**292**
Equity raised/(repaid)	750	2,700	0	0	0
Debt raised/(repaid)	1,322	399	308	324	342
Payment of lease liabilities	(447)	(556)	(652)	(755)	(873)
Interest paid	(642)	(809)	(1,081)	(1,299)	(1,541)
Dividend paid (incl tax)	0	0	0	0	0
Others	(136)	(390)	(155)	(198)	(246)
Financing cash flow	**848**	**1,345**	**(1,580)**	**(1,929)**	**(2,318)**
Net chg in Cash	(1)	90	35	38	538
OCF	(773)	(1,413)	1,471	1,784	2,564
Adj. OCF (w/o NWC chg.)	2,551	3,021	3,786	4,666	5,624
FCFF	(1,166)	(1,828)	1,121	1,372	2,140
FCFE	(1,715)	(2,487)	248	336	931
OCF/EBITDA (%)	(24.4)	(37.6)	32.4	31.7	37.6
FCFE/PAT (%)	(108.2)	(137.4)	11.6	12.2	27.3
FCFF/NOPLAT (%)	**(58.7)**	**(79.9)**	**40.1**	**38.9**	**49.6**

Source: Company, Emkay Research

Valuations and key Ratios

Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	38.2	37.6	31.7	24.7	19.9
P/CE(x)	29.7	28.2	23.1	18.5	15.2
P/B (x)	6.4	5.0	4.3	3.7	3.2
EV/Sales (x)	1.6	1.4	1.2	1.0	0.8
EV/EBITDA (x)	20.8	19.7	16.3	13.2	10.9
EV/EBIT(x)	24.3	23.4	19.8	15.8	12.9
EV/IC (x)	4.6	3.8	3.5	3.1	2.7
FCFF yield (%)	(1.8)	(2.5)	1.5	1.8	2.9
FCFE yield (%)	(2.8)	(3.7)	0.4	0.5	1.4
Dividend yield (%)	0.2	0.2	0.2	0.3	0.4
DuPont-RoE split					
Net profit margin (%)	3.9	3.5	3.4	3.7	3.9
Total asset turnover (x)	3.1	3.1	3.1	3.2	3.4
Assets/Equity (x)	1.6	1.5	1.4	1.4	1.3
RoE (%)	**19.0**	**15.7**	**14.6**	**16.3**	**17.2**
DuPont-RoIC					
NOPLAT margin (%)	4.9	4.4	4.4	4.7	4.9
IC turnover (x)	3.2	3.1	3.1	3.3	3.4
RoIC (%)	**15.5**	**13.6**	**13.8**	**15.4**	**16.8**
Operating metrics					
Core NWC days	63.5	65.1	67.2	67.7	66.7
Total NWC days	**123.0**	**126.9**	**118.7**	**114.4**	**109.6**
Fixed asset turnover	22.6	24.0	25.0	27.5	30.3
Opex-to-revenue (%)	6.7	6.3	6.1	5.9	5.9

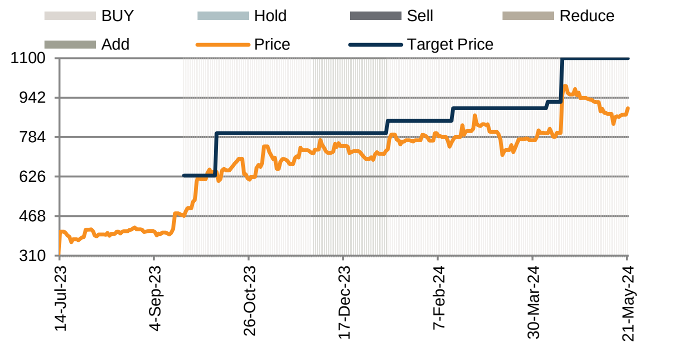
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
15-Apr-24	952	1,100	Buy	Devanshu Bansal
07-Apr-24	800	925	Buy	Devanshu Bansal
15-Feb-24	774	900	Buy	Devanshu Bansal
10-Jan-24	735	850	Buy	Devanshu Bansal
30-Nov-23	719	800	Add	Devanshu Bansal
11-Nov-23	657	800	Buy	Devanshu Bansal
26-Oct-23	614	800	Buy	Devanshu Bansal
08-Oct-23	645	800	Buy	Devanshu Bansal
20-Sep-23	469	630	Buy	Devanshu Bansal

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	<15% downside

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