

Price: 306

Recommendation: Buy

Industry: Gems, Jewellery And

Sector: Consumer Discretionary

Report Date: 03-Apr-2025

Senco Gold Limited, a prominent player in the jewellery industry, reported a 27% revenue growth in Q3 and 22% for the nine months ending December 2024. Despite achieving Rs. 2,100 crore in Q3, the stud ratio remained stagnant due to a consumer shift towards gold jewellery. The company plans to open 18-20 new stores annually and diversify its offerings with Sennes Fashion. Senco Gold aims for sustainable growth, focusing on operational efficiencies and strategic expansion in North India.

Sales		Profit & Loss		Profitability Matrix	
Current Year	6027 Cr	Operating Profit(Year)	337 Cr	Operating Profit Margin	5.58 %
Previous Year	4076 Cr	Operating Profit(Quarter)	79.4 Cr	EBITDA Margin	7.25 %
Current Quarter	2023 Cr	PAT (Year)	189 Cr	Net Profit Margin	3.61 %
Previous Quarter	1459 Cr	PAT (Quarter)	33.2 Cr	EPS	8.92
Revenue (QYoY)	1651 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	35.7	Sales Growth	22.7 %	Sales Growth	38.66 %
PEG Ratio	1.75	PAT Growth	17.39 %	Sales Growth QYoY	22.53 %
EV/EBITDA	16.4	EPS Growth	-26.89 %	PAT Growth	97.62 %
P/B	3.48	Dividend Yield	0.33	PAT Growth QYoY	-70.09 %
Capital Allocation		Holdings		Leverage	
RoE	16.3 %	Promoter	64.1 %	Debt/Equity	1.31
RoA	5.70 %	FII	8.88 %	Debt	1881 Cr
RoCE	13.8 %	DII	13.3 %	Market Cap	5007 Cr
RoIC	9.08 %	Public	13.7 %	Enterprise value	6374 Cr
		No of Shares	16.4 Cr	Cash Equivalents	514 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

In the recent conference call, Senco Gold Limited reported a robust revenue growth of 27% year-on-year for Q3 and 22% for the nine months ending December 2024. The company achieved its best-ever quarterly performance, crossing Rs. 2,100 crore in Q3. Despite this growth, the stud ratio, which measures the percentage of diamond jewellery sales, remained stagnant due to consumer preference shifting towards gold jewellery. This shift, coupled with rising gold prices, impacted the overall cost structure, leading to a decrease in the stud ratio and affecting EBITDA and profit margins. The company acknowledged a duty cut impact of Rs. 58-60 crore on its financials, which contributed to a lower EBITDA margin of 4.8% compared to 7% in the previous year.

Senco Gold is actively pursuing new initiatives and business strategies to sustain its growth trajectory. The company plans to open 18 to 20 new stores annually, with a mix of company-owned and franchisee outlets. This expansion strategy is expected to drive a year-on-year growth of 18% to 20%. The company is also focusing on diversifying its product offerings, including the launch of Sennes Fashion, which will house lifestyle products such as lab-grown diamonds, leather bags, and perfumes. This diversification aims to tap into new consumer segments and enhance the company's market presence.

Looking ahead, Senco Gold is optimistic about its future growth and scaling prospects. The company anticipates maintaining a gross margin of 14% to 15% and an EBITDA margin of 7% to 8% over the next few quarters. The management is confident that the demand for gold and diamond jewellery will remain strong, driven by the wedding season and festivals like Akshaya Tritiya. The company expects to achieve a revenue of Rs. 6,300 crore to Rs. 6,400 crore for the full year, with a positive impact on EBITDA margins due to higher diamond jewellery sales and effective hedging strategies.

While the company is pleased with its performance, it acknowledges areas for improvement. The impact of rising gold prices and duty cuts on margins remains a concern. The management is focused on optimizing its product mix and enhancing operational efficiencies to mitigate these challenges. Additionally, the company is aware of the competitive landscape, with other jewellery players expanding aggressively. Senco Gold aims to leverage its strong brand presence in East India and expand strategically in North India to capture market share. Overall, the company is committed to delivering sustainable growth and value to its stakeholders.

SENC Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
PC Jeweller	8967.30	24.82	-18.99%	26.63%	1496.23%	-17.29%	174.73%
P N Gadgil Jewe.	7414.61	35.80	32.39%	20.25%	24.13%	163.14%	49.32%
Thangamayil Jew.	6448.34	55.81	27.95%	-4.11%	26.40%	376.32%	72.11%
Rajesh Exports	5902.26	154.19	2.24%	10.88%	75.81%	284.15%	0.55%
Kalyan Jewellers	52407.83	78.92	15.22%	20.14%	39.51%	67.79%	21.24%

Aspect	Commentary
Revenue	The company experienced significant revenue growth, with a 27% increase in Q3 and 22% over nine months. This growth is attributed to strategic expansion and consumer demand, despite challenges in the jewellery market. The focus on gold jewellery has driven sales, reflecting a strong market position and effective business strategies.
Profit & Loss	Operating profit and PAT show positive trends, with annual figures at 337 Cr and 189 Cr, respectively. Quarterly results also indicate growth, though margins are pressured by rising costs and market shifts. The company is managing profitability through strategic pricing and cost control measures.
Profitability Matrix	Profitability metrics reveal a stable operating profit margin of 5.58% and a net profit margin of 3.61%. EBITDA margin stands at 7.25%, indicating efficient cost management. The EPS of 8.92 suggests solid earnings performance, supporting investor confidence in the company's financial health.
Valuation Matrix	Valuation metrics show a trailing P/E of 35.7 and a PEG ratio of 1.75, indicating growth potential. The EV/EBITDA of 16.4 and P/B of 3.48 reflect market confidence in the company's value. These figures suggest the company is well-positioned for future growth, with a balanced valuation profile.
Growth (YoY)	Year-over-year growth is robust, with sales up 22.7% and PAT increasing by 17.39%. However, EPS growth is negative at -26.89%, highlighting challenges in earnings per share. Dividend yield remains modest at 0.33, indicating a focus on reinvestment and growth over immediate shareholder returns.
Growth (QoQ)	Quarter-over-quarter growth is strong, with sales up 38.66% and PAT nearly doubling at 97.62%. However, PAT growth QYoY is negative, reflecting volatility in quarterly earnings. The company is navigating these fluctuations through strategic initiatives and market adaptation.
Capital Allocation	Capital allocation metrics show a RoE of 16.3% and RoA of 5.70%, indicating effective use of equity and assets. RoCE and RoIC are 13.8% and 9.08%, respectively, reflecting efficient capital deployment. These figures suggest a strong focus on maximizing shareholder value and operational efficiency.
Holdings	The company's ownership structure is stable, with promoters holding 64.1% and public investors at 13.7%. Institutional investors, including FIIs and DIIs, hold significant stakes, indicating confidence in the company's prospects. The shareholding pattern supports a balanced governance framework.
Leverage	Leverage metrics show a debt/equity ratio of 1.31, with total debt at 1881 Cr. The market cap is 5007 Cr, and enterprise value is 6374 Cr, indicating a manageable leverage position. Cash equivalents of 514 Cr provide liquidity, supporting financial stability and strategic flexibility.

Analyst viewpoint: Senco Gold Limited demonstrates impressive growth with a 27% surge in quarterly sales, reflecting strategic expansion and robust consumer demand for gold jewellery. Their decisive plan to open 18-20 new stores annually aims to sustain an 18-20% year-on-year growth, bolstered by diversification into lifestyle products. Valuation metrics, including a trailing P/E of 35.7 and EV/EBITDA of 16.4, mark attractive returns for investors. Strong QoQ performance with sales up by 38.66% and PAT nearly doubling to 97.62% underscores their operational agility. Furthermore, an anticipated revenue of Rs. 6,300 to Rs. 6,400 crore suggests confidence in maintaining momentum over the next few quarters, propelled by seasonal upticks and strategic hedging efforts.

Despite the competitive landscape, Senco Gold's focus on optimizing product mix and operational efficiency ensures resilience against challenges like rising gold prices. The company's RoCE and RoIC of 13.8% and 9.08% respectively illustrate effective capital allocation, while their commitment to expanding within North India aims to capitalize on a burgeoning market presence. Yet, duty cuts impacting EBITDA margins require cautious navigation. Overall, Senco Gold's growth trajectory and strategic positioning indeed present a promising short to mid-term prospect, albeit with mindful awareness of market fluctuations and regulatory impacts.

Please read detailed disclosure on next page.

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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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