



**SMC Ranking**

★ ★ ☆ ☆ ☆ (2/5)

### Issue Highlights

Industry	Jewellers
Offer for sale (Shares)	43,103,448
Fresh Issue (Shares)	91,954,023
<b>Net Offer to the Public</b>	<b>135,057,471</b>
Issue Size (Rs. Cr.)	1161-1175
Price Band (Rs.)	86-87
Discount offered to Retail & Employee investors	8/- per share
Offer Date	16-Mar-21
Close Date	18-Mar-21
Face Value	10
Lot Size	172

### Issue Composition

	In shares
Total Issue for Sale	135,057,471
QIB	67,528,736
NIB	20,258,621
Retail	47,270,115

### About the company

Kalyan Jewellers is one of India's largest Jewellery companies. The key business activities of the company is to design, manufacture, and sell a variety of gold, studded and other jewellery products for various occasions i.e. wedding, festivals, etc. Initially, the company was started with a single showroom in Kerala, and over the years, it has expanded its presence with 107 showrooms located across 21 states and union territories in India. It not just serves the domestic market but also serves overseas customers with 30 showrooms located in the Middle East. The company generates a significant portion of revenues from gold jewellery, accounted for 74.77% in fiscal 2020 followed by studded (diamond and precious stone) and other jewellery segments.

### Strength

**Established brand built on the core values of trust and transparency:** The company has endeavoured to establish a strong brand in the Indian jewellery market that its customers associate with trust and transparency. Through its various initiatives, coupled with concurrent customer education and awareness campaigns, particularly through its "My Kalyan" network, it has helped strengthen its brand by building customer trust and promoting transparency. Some of its initiatives are BIS hallmarked jewellery, detailed price tags disaggregating various components, Karatmeters to verify purity, Transparency in gold exchange, Product certification and Relevant Staff Training. As per the RHP, its reputation and brand image built on trust and transparency are critical to the success of its business and it continues to focus on operational and marketing efforts based on these principles.

**One of India's largest jewellery companies with a pan-India presence:** It is one of the largest jewellery companies in India based on revenue as of March 31, 2020, according to the Technopak Report. It has a pan-India presence with 107 showrooms located across 21 states and union territories in India and also have 30 showrooms located in the Middle East, as of December 31, 2020. In Fiscal 2020 and in the nine months ended December 31, 2020, 78.19% and 86.21% of its revenue from operations was from India and 21.81% and 13.79% was from the Middle East.

**Hyperlocal strategy enabling it to cater to a wide range of geographies and customer segments:** The Company strives to appeal to a broad base of customers via a multi-faceted hyperlocal strategy by deploying the following initiatives in its operations:

- Localisation of its product portfolio
- Localisation in brand communication and marketing
- Localisation of its showroom experience for customers
- Localisation through its "My Kalyan" network

Its localisation strategy, combined with its large scale of operations, allows it to cater to a wide range of customers across geographies, age groups, socio-economic status levels and genders as well as across urban, rural and semi-urban markets, all of which greatly widens its appeal and addressability to broad segments of jewellery consumers across India. The company has used this strategy successfully to expand its operations across India in an industry with substantially differing customer preferences for jewellery across regions.

**Extensive grassroots "My Kalyan" network with strong distribution capabilities enabling deep customer Outreach:** Its grassroots "My Kalyan" customer outreach network is a key element of its hyperlocal strategy enabling it to be a neighborhood jeweller

### Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	67.99%	60.53%
QIB	32.01%	32.92%
NIB	0.00%	1.97%
Retail	0.00%	4.59%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

\*calculated on the upper price band

### Objects of the Issue

The IPO proceed will be utilized towards the following business purposes;  
To finance business working capital requirements.  
To meet general corporate purposes.

### Book Running Lead Manager

- Axis Capital Limited
- Citigroup Global Markets India Private Limited
- ICICI Securities Limited
- SBI Capital Markets Limited
- BOB Capital Markets Limited

### Name of the registrar

- Link Intime India Private Limited

and is focused on marketing and customer engagement across urban, semi-urban and rural areas in India. As of December 31, 2020, it had 766 “My Kalyan” locations and 2,699 dedicated “My Kalyan” employees located across 21 states and union territories in India. Its “My Kalyan” network has been a critical tool in boosting the sales productivity of its showrooms and increasing enrolment of its purchase advance schemes. Its “My Kalyan” network contributed 17.02% and 20.82% of its revenue from operations in India and 30.88% and 36.02% of the enrolment to its purchase advance schemes in India in Fiscal 2020 and in the nine months ended December 31, 2020.

**Wide range of product offerings targeted at a diverse set of customers:** Its products span jewellery for special occasions, such as weddings, to daily-wear jewellery, and its product portfolio also caters to a wide range of price points. The company has launched numerous sub-brands that address specific customer niches such as:

- Ornate wedding jewellery, which it sell through its “Muhurat” brand to its wedding customers;
- High-volume, mass market jewellery, which it sell through its “Aishwaryam” brand to its value conscious customers;
- Antique and heritage gold jewellery, studded with precious stones jewellery, polki and uncut diamond jewellery that it sell through its “Mudhra”, “Sankalp”, “Nimah” and “Anokhi” brands to its mid-to-high end customers; and
- Technology savvy customers, to whom it cater through its online platform.

**Robust and effective internal control processes to support a growing organisation and showroom network with a pan-India presence:** It has established a robust set of operational and control processes to manage its business operations and to support its future growth at both the showroom and corporate level. Given the high value nature of its jewellery, its inventory management and internal audit procedures are critical to the success of its business. It closely tracks its inventory starting from the initial procurement of raw materials to its ultimate sale in its showrooms, including by barcoding each piece of finished goods inventory and conducting daily counts at its showrooms.

## Strategies

**Leverage its scalable business model to expand its showroom network and diversify its channels of Distribution:** It intends to leverage its substantial past efforts and experience, to expand its presence across several markets in India which it has identified as having potential for opening further showrooms. It believes the significant investments it has already made in (a) brand building across a large number of local markets, (b) understanding the varying nuances of customer behavior across geographies, and (c) building an artisan network across various parts of India, will enable us to effectively utilise its previously proven playbook in successfully expanding its showroom network. It intends to set up Candere kiosks in shopping malls, as well as at some of its showrooms in order to offer its customers the option to purchase products offline and also offer them the opportunity to tangibly experience its products offered online. It also intends to leverage its increasing engagement with a digitally savvy consumer base to increase revenues for jewellery sold online through [www.candere.com](http://www.candere.com).

**Widen its product offerings to further increase its consumer reach:** It intends to continue to increase its focus on studded jewellery going forward as these products have widened the consumer base to which it caters and also typically has a higher gross margin profile than its gold jewellery. In the last few years, it has introduced a range of jewellery collections under distinct sub-brands, such as “Muhurat”, “Mudhra”, “Rang”, “Nimah” and “Anokhi”, which are designed to cater to specific customer niches such as antique jewellery, temple jewellery and polki diamonds and precious stones jewellery. It intends to build further on this portfolio of branded jewellery, which allows it to engage in distinct marketing efforts targeted at certain customer niches, and to couple this with its strategy to increase its range of jewellery offerings, in order to widen its appeal across larger cross sections of the Indian jewellery consuming population.

**Leverage its “My Kalyan” network to deepen customer outreach and strengthen the distribution network in its core markets:** It intends to continue leveraging its extensive “My Kalyan” network of 766 centres across India to deepen customer engagement and actively bolster its efforts

to acquire a larger customer base in the markets in which it operates. Additionally, it intends to expand its “My Kalyan” network in areas where it believes its network is currently underpenetrated relative to the scale of the latent demand opportunity in those particular markets. As it continues to embark upon its showroom expansion, it also plans to expand its “My Kalyan” network in tandem with its showroom footprint in order to promote its brand, showcase its product catalogue, enrich its customer database and help drive traffic to its showrooms.

**Invest in CRM, marketing and analytics to more effectively target consumers and drive sales:**

It intends to continue to invest in customer relationship management, or CRM, strategies, campaigns and technologies to analyse and manage customer interactions and related data throughout the customer lifecycle, with the goal of creating a long-term relationship with customers, building customer retention and driving sales. It plans to leverage the “near me searches” technology through which it is able to make its “My Kalyan” centres and showrooms discoverable across internet searches and allow its customers to contact a showroom or “My Kalyan” centre closest to them seamlessly. It believes this technology along with its large presence across India gives it a clear competitive advantage within its industry. It also intends to further build its relationships with external agencies that assist it with analytics in order to use data more effectively and to target new uses and methods of analyzing customer data.

**Risk factors**

- The strength of Kalyan jeweler brands is crucial for its success and in the future, it may not succeed in maintaining and develop such brands.
- Company ability to attract customers would depend on the success and visibility of its showrooms.
- The company may be unable to maintain or establish arrangements with contract manufacturers or suppliers through whom they manufacture its products and procure raw materials and may experience disruptions in the operations of such parties.

**Peer comparison**

Company	Net Sales (TTM)	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
Titan Company Limited	17355.31	755.25	8.51	174.21	20.68	71.68	1.00	1482.50	131614.30
Kalyan Jewellers**	5516.70	-79.95	-ve	-ve	3.14	27.75	10	87.00	8961.46

\*\* Financials are as on Dec,2020

**Valuation**

Considering the P/E valuation of actual annualised FY20, on the upper end of the price band of Rs. 87, the stock is priced at pre issue P/E of 57.36x on its FY20 EPS of Rs. 1.52. Post issue, the stock is priced at a P/E of 62.99x on its EPS of Rs. 1.38. on the upper end of the price band of Rs.87, the stock is priced at pre issue P/Bv of 3.78x on its FY20 BVPS of Rs. 23. Post issue, the stock is priced at a P/Bv of 3.14x on its BVPS of Rs. 27.75.

Considering the P/E valuation of actual annualised FY20, on the lower end of the price band of Rs. 86, the stock is priced at pre issue P/E of 56.70x on its FY20 EPS of Rs. 1.52. Post issue, the stock is priced at a P/E of 62.26x on its EPS of Rs. 1.38. on the lower end of the price band of Rs.86, the stock is priced at pre issue P/Bv of 3.74x on its FY20 BVPS of Rs. 23. Post issue, the stock is priced at a P/Bv of 3.10x on its BVPS of Rs. 27.75.

**Industry overview**

The Indian jewellery retail sector’s size in Fiscal 2020 was approximately US\$64 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 unorganised segment, comprised of over 500,000 local goldsmiths and jewellers. Indian consumers’ jewellery consumption is influenced by multiple factors such as region, income, cultural notions and generally vastly differs across states. Southern states make up 40% of the Indian gold jewellery market while the Eastern states account for

15%. Demand heterogeneity is also influenced by seasonality in jewellery purchases witnessed across regions in India. Jewellery demand peaks during the run up to marriage months such as May-June, September-November and January. The current growth of online jewellery retailing is driven by the affordable range of low carat gold, studded and silver jewellery that caters to urban demand in Metro cities and Tier I towns. Gold serves a dual purpose of investment and ornament and is prone to contamination. Historically, there has been 10% to 15% of gold leakage due to over-valued or under-carated purchase in India which negatively impacts Indian gold buyers Less than half (approximately 40%) of the gold jewellery sold in India is currently hallmarked. To overcome these challenges, hallmarking of gold jewellery and artefacts with purity of 22 CT, 18 CT and 14 CT will be made mandatory across the country from 2021.

### Outlook

Kalyan Jewellers India Limited is one of largest Jewellery companies in India and has an established brand name. The company's domestic showrooms covered a total aggregate area of 465235 sq. ft. and Middle East showrooms covered a total aggregate area of 38056 sq. ft. For the FY18 to FY20 and 9 months period ended on December 31, 2020, the company's advertisement spending was in the range of 2.07% to 3.04%. Despite having a strong brand name, financial performance of the company is not attractive. Jewellery business itself remained quite risky.

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

EVENT	INDICATIVE DATE (On or about)
Bid/Offer Opens Date	March 16, 2021
Bid/Offer Closing Date	March 18, 2021
Finalisation of Basis of Allotment with the Designated Stock Exchange	On or about March 23, 2021
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	On or about March 24, 2021
Credit of Equity Shares to depository accounts of Allottees	On or about March 25, 2021
Commencement of trading of the Equity Shares on the Stock Exchanges	On or about March 26, 2021

### Consolidated Financials

#### Profit & Loss

Rs. in Cr.

Particulars	Period ended	Period ended	Period ended
	31-Dec-20 (9 Months)	31-Mar-20 (12 Months)	31-Mar-19 (12 Months)
Revenue from operations	5,516.70	10,100.92	9,770.76
Total expenditure	5,150.09	9,340.65	9,190.43
<b>Operating Profit</b>	<b>366.62</b>	<b>760.27</b>	<b>580.34</b>
OPM%	56.77	65.87	48.53
Other Income	33.09	80.10	43.27
<b>PBDIT</b>	<b>399.71</b>	<b>840.37</b>	<b>623.60</b>
Depreciation	170.05	239.17	223.62
<b>PBIT</b>	<b>229.66</b>	<b>601.20</b>	<b>399.98</b>
Interest	288.78	380.32	379.06
<b>PBT</b>	<b>-59.12</b>	<b>220.89</b>	<b>20.93</b>
Tax	20.83	78.61	25.79
<b>Profit After Tax</b>	<b>-79.95</b>	<b>142.28</b>	<b>-4.86</b>

**Balance sheet is on next page**

## Balance Sheet

Rs. in Cr.

Particulars	As on 31-Dec-20	As on 31-Mar-20	As on 31-Mar-19
<b>Asset</b>			
<b>Non-current assets</b>			
Property, plant and equipment	986.24	1079.19	1089.73
Capital Work-in-Progress	38.45	24.23	16.71
Right-Of-Use Assets	840.54	1011.05	984.94
Investment property	61.14	62.23	62.23
Goodwill	5.06	5.06	5.06
Intangible assets	8.00	9.66	10.02
Intangible assets under development	0.11	0.22	5.02
Investments	0.00	0.00	2.56
<b>Financial Assets</b>			
Other financial assets	62.44	58.84	74.42
Deferred tax assets (net)	33.14	8.10	30.23
<b>Other Non-Current Assets</b>	<b>56.71</b>	<b>61.73</b>	<b>66.56</b>
<b>Total non-current assets</b>	<b>2091.82</b>	<b>2320.29</b>	<b>2347.46</b>
<b>Current assets</b>			
Inventories	5168.20	4,720.34	4500.70
<b>Financial assets</b>			
Trade receivables	130.50	213.65	146.69
Cash and cash equivalents	128.02	160.87	150.10
Bank balances other than Cash and cash equivalents	423.07	589.27	675.34
Other financial assets	37.91	81.22	46.05
Other current assets	143.47	133.04	193.56
<b>Total current assets</b>	<b>6031.16</b>	<b>5898.39</b>	<b>5712.45</b>
<b>Total Assets</b>	<b>8122.99</b>	<b>8218.68</b>	<b>8059.91</b>
<b>Non-current liabilities</b>			
Borrowings	55.68	84.84	107.50
Lease Liabilities	599.38	667.41	730.49
Provisions	34.30	30.68	23.97
<b>Total Non-Current Liabilities</b>	<b>689.36</b>	<b>782.92</b>	<b>861.97</b>
<b>Current liabilities</b>			
Borrowings	2635.46	2338.21	2099.95
Metal gold loan	803.53	1167.14	1496.43
Lease Liabilities	83.44	90.34	68.06
Trade Payables – MSME	0.10	0.00	0.00
Trade Payables – Other than MSME	528.27	557.56	419.41
Other Financial Liabilities	195.62	65.64	97.45
Provisions	9.04	7.82	7.06
Other current liabilities	1045.38	1011.90	1008.43
Current tax liabilities (net)	74.90	39.07	0.52
<b>Total current liabilities</b>	<b>5375.74</b>	<b>5277.68</b>	<b>5197.31</b>
<b>Total</b>	<b>6065.10</b>	<b>6060.60</b>	<b>6059.27</b>
<b>NET Worth</b>	<b>2057.89</b>	<b>2158.08</b>	<b>2000.64</b>
Net worth represented by:			
Share capital	839.24	839.24	839.24
Compulsorily convertible preference share capital	119.05	119.05	119.05
Other equity	1099.15	1202.82	1045.93
Non-controlling interest	0.45	-3.03	-3.58
<b>Total Networth</b>	<b>2057.89</b>	<b>2158.08</b>	<b>2000.64</b>

## RANKING METHODOLOGY

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

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