

Senco Gold

Recommended Date: 12 Aug 2025

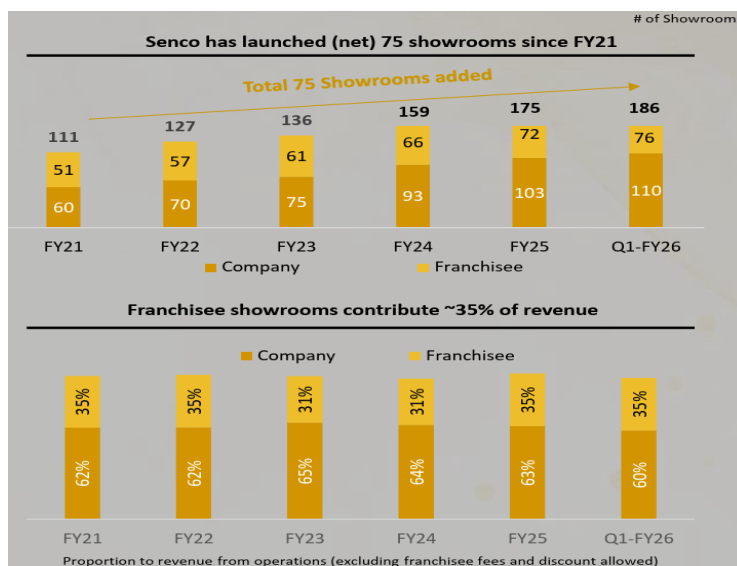
Price: 338

Action: BUY

Industry/Sector	Target Price	Upside Potential	Investment Duration
Jewellery- Retailer	400 to 416	18% to 23%	6 to 9 Months

About Company:

- Senco Gold is a prominent jewellery retailer in India with a legacy spanning over 85 years.
- Company is primarily engaged in the manufacturing and trading of a wide range of jewellery and articles made from gold, silver, diamonds, platinum and other precious and semi-precious stones.
- Company has developed sub-brands to cater to different market segments. Examples "Everlite" for lightweight & affordable diamond jewellery and "Aham" for men's jewellery. More recently, they have launched "Sennes," a brand dedicated to LGD (Lab-grown diamond) jewellery and other luxury lifestyle products like leather bags.
- 75% of portfolio is manufactured by 186 karigars (artisans) of company mostly around Kolkata, West Bengal.
- Segment-Specific Showrooms:-



- Company has total 186 showrooms as of 30 June'25– 109 company, 76 franchisee and 1 International (Dubai).

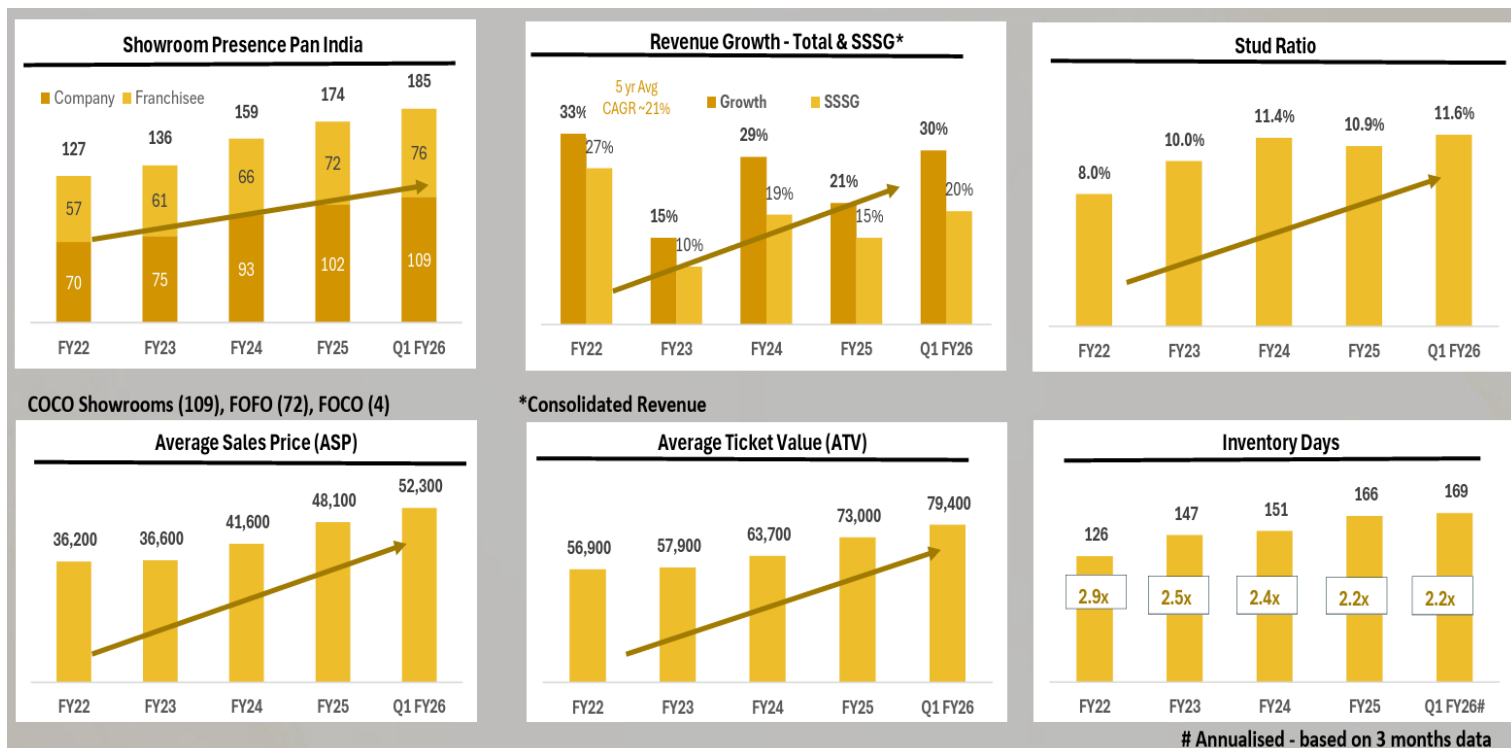
Region	Own	Franchisee	Total
West Bengal incl Kolkata	45	56	101
North including Delhi NCR	24	1	25
East(Excluding WB)	13	13	26
North East	2	4	6
West	8	1	9
South	5	0	5
Central	5	1	6
International-Dubai	1	0	1
Sennes	7	0	7
Total – 30th June, 2025	110	76	186
Total – 31st March, 2025	103	72	175
Total – 31st March, 2024	93	66	159

Historical Financial Performance:

- Adjusted EBIDTA & PAT This represents onetime adverse impact of custom duty reduction in FY25 (INR 57.42 Cr.) which had been adjusted to Inventory and Gross Margin (Cost of Goods Sold).
- Diamond jewellery saw a standout performance with 38% value growth and 21% volume growth in Q4FY25, driving an increase in the stud ratio to 10.9% (vs. 10.5% at 9M FY25). For FY25, diamond jewellery value grew 15% with a marginal 2% volume uptick.
- Average Ticket Value (ATV): Increased from INR 63,700 to INR 73,000 YoY (+15%), but less than the gold price increase, indicating a shift to lighter-weight and lower-purity jewellery.
- Diamond Category: Solitaire diamonds (>0.20 carats) grew 26% in sales in Q4FY25, attributed to price correction in solitaires, which encouraged consumer buying.
- A significant portion (around 40%) of Senco Gold's sales comes from the exchange of old gold in FY25. This not only drives sales but also helps in sourcing gold more efficiently.

Sl.No	Particulars (INR Mn)	Q1 FY26	Q1 FY25	YoY (%)	Q4 FY25	QoQ (%)	FY25	FY24	FY23	FY22
1	Revenue from Operations	18,262.8	14,038.9	30.1%	13,777.1	32.6%	63,280.7	52,414.4	40,774.0	35,346.4
2	Cost of Goods Sold	14,773.8	11,610.9	27.2%	11,464.6	28.9%	54,765.5	44,400.5	34,219.3	29,805.4
3	Gross Margin	3,489.0	2,428.0	43.7%	2,312.5	50.9%	8,515.2	8,013.9	6,554.7	5,541.0
4	Employee Cost	418.0	339.5	23.1%	356.5	17.3%	1,390.8	1,112.3	933.8	747.7
5	Marketing Cost	426.3	387.2	10.1%	178.8	138.4%	1,065.6	1,033.7	810.4	505.8
6	Other Expenses	808.8	613.8	31.8%	507.1	59.5%	2,382.5	2,112.8	1,644.3	1,515.7
7	Total Expense	1,653.1	1,340.5	23.3%	1,042.4	58.6%	4,838.9	4,258.8	3,388.5	2,769.2
8	EBITDA	1,835.9	1,087.5	68.8%	1,270.1	44.5%	3,676.3	3,755.1	3,166.2	2,771.8
9	EBITDA Margin (%)	10.1%	7.7%		9.2%		5.8%	7.2%	7.8%	7.8%
10	Custom Duty Impact	-	-		-		574.2	-	-	-
11	Adjusted EBIDTA*	1,835.9	1,087.5	68.8%	1,270.1	44.5%	4,250.5	3,755.1	3,166.2	2,771.8
12	Adjusted EBITDA Margin (%)	10.1%	7.7%		9.2%		6.7%	7.2%	7.8%	7.8%
13	Other Income	186.5	122.9	51.7%	146.8	27.0%	545.7	422.4	311.4	127.7
14	Depreciation and Amortization	186.8	180.7	3.4%	191.3	(2.4)%	681.3	601.1	455.5	421.2
15	EBIT	1,835.6	1,029.7	78.3%	1,225.6	49.8%	3,540.7	3,576.4	3,022.1	2,478.3
16	EBIT Margin (%)	10.1%	7.3%		8.9%		5.6%	6.8%	7.4%	7.0%
17	Finance cost	429.8	321.6	33.6%	375.0	14.6%	1,362.1	1,081.0	860.5	697.0
18	Profit Before Tax (PBT)	1,405.8	708.1	98.5%	850.6	65.3%	2,178.6	2,495.4	2,161.6	1,781.3
19	Total Tax Expenses	359.3	195.3	84.0%	226.4	58.7%	585.5	685.3	576.7	490.3
20	Profit/(Loss) for the Period/Year	1,046.5	512.8	104.1%	624.2	67.7%	1,593.1	1,810.1	1,584.9	1,291.0
21	PAT Margin (%)	5.7%	3.7%		4.5%		2.5%	3.5%	3.9%	3.7%
22	Adjusted PAT*	1,046.5	512.8	104.1%	624.2	67.7%	2,018.0	1,810.1	1,584.9	1,291.0
23	Adjusted PAT Margin (%)	5.7%	3.7%		4.5%		3.2%	3.5%	3.9%	3.7%

- A key focus for Senco Gold is increasing its "stud ratio," which is the percentage of sales from studded jewellery (e.g., diamonds). Studded jewellery generally offers higher margins and the company has been successful in growing this ratio.
- Same store sales growth (SSSG) was impressive at 19.6% in Q1FY26.



Q1 FY26 (April-June 2025) Financial Performance:

- EBITDA margin improved substantially to 10% as against 9.2% in Q4 FY25 and 7.7% in Q1 FY25 YoY which was primarily driven by higher diamond jewellery sales, improved product mix and improved realisation due to gold price rise.

Senco Gold (Q1 FY 26 Results) - Consolidated							
Amounts In Cr.	Q4 FY25	Q1 FY26	QoQ Growth		Q1 FY25	Q1 FY26	YoY Growth
Operating Revenue	1377.7	1826.3	32.56%		1403.9	1826.3	30.09%
Operating Profit	127	183.6	44.57%		108.7	183.6	68.91%
OPM % Without OI	9.22%	10.05%			7.74%	10.05%	
Other Income (OI)	14.7	18.6			12.3	18.6	
PAT (Net Profit)	62.4	104.7	67.79%		51.3	104.7	104.09%
PAT Margins %	4.53%	5.73%			3.65%	5.73%	

Management Commentary & Guidance:

- Retail revenue was up over 28% and SSSG growth was impressive at 19.6%. Company-owned stores growth was 25% and franchise-owned stores growth was 34%, with SSG for company-owned stores at 21% and franchise-owned at 16%, blending to 19.6%.
- In Q1, 10 new showrooms were added to the network, comprising 5 COCO (including 1 Sennes store), 1 FOCO and 4 FOFO formats.
- In the retail segment, COCO showrooms, contributing 63% to the overall retail revenue, registered a 25% growth in Q1.
- **Strong demand and sales growth in diamond jewellery (35% YoY volume growth, over 50% value growth), Diamond jewellery carries higher margins.**
- Strategic reduction of hedging ratios to about 55% to 60% (from 75-80% previously) to maintain liquidity and reduce margin calls due to high gold prices, which also generated gains. This contributed roughly 100-120 basis points to the gross margin in Q1 but is temporary.
- Emphasis on 18 karat, 14 karat and 9 karat gold jewellery as the future, to cater to younger generations and consumers with lower ticket sizes. These lower karat products, especially when studded with diamonds or other stones, have marginally higher margins than plain gold jewellery.
- For FY26, management had guided for 18%-20% revenue growth, sustainable EBITDA margin in the range of 6.8% to 7.3%, possibly reaching 7.5% on an "extremely aggressive side" and 3.7%-4.0% PAT margin. For Q2, the growth compared to last year's Q2 is expected to remain in the 16% to 18% range, acknowledging that last year's Q2 benefited from a government duty cut on gold.

Potential Future Growth Possibilities:

- **Growing the "Stud Ratio" and Diversification:-** A key strategic focus for Senco Gold is to increase its "stud ratio"—the percentage of sales from diamond and other studded jewellery. Studded jewellery typically offers higher profit margins than plain gold. The company has seen success in this area, with the stud ratio steadily increasing. Over the next six months, they will likely continue to push this segment through targeted marketing campaigns, new collections and a continued focus on their sub-brand for lightweight and affordable diamond jewellery, "Everlite." Furthermore, they are diversifying their offerings with new sub-brands like "Sennes" for LGD (Lab-grown diamond) jewellery and other luxury lifestyle products (leather bags, perfumes). This diversification allows them to tap into new, modern consumer preferences and segments.
- **Leveraging Festive and Wedding Season Demand:-** The next 6 to 9 months in India will include several major festive and wedding seasons, which are crucial for the jewellery industry. Festivals like Diwali and Durga Puja, as well as the ongoing wedding season, are periods of peak demand. Senco Gold's focus on traditional and handcrafted designs, which are popular during these times, positions them well to capitalize on this increased consumer spending. Their extensive presence in Eastern India, a region with a strong cultural affinity for their products, will be particularly beneficial during these periods.

Potential Risks:

- **Regulatory or Government Policies:-** Any changes in government policies, such as import duties on gold or diamonds, taxes or regulations on the gold exchange market, could impact the cost structure and profitability of the business. Such changes have affected the industry in the past and remain a constant risk.
- **Gold Price Volatility:-** The price of gold has been highly volatile in last couple of years. While Senco uses hedging strategies to manage this risk, a sharp and sustained increase in gold prices can impact consumer purchasing power, particularly for the middle-class segment. This can lead to a shift in consumer behaviour, where they might prefer buying gold in less profitable forms like coins or prioritize smaller, lighter jewellery pieces.
- **Lab-Grown Diamond Market:** The emergence of lab-grown diamonds as a lower-cost alternative poses a risk to the traditional diamond jewellery market. While Senco Gold has launched a sub-brand for this segment ("Sennes"), it's still a new and developing area. A significant and rapid shift in consumer preference towards lab-grown diamonds could disrupt the profitability of their traditional studded jewellery business.
- **Economic and Consumer Spending Slowdown:-** Jewellery purchases, especially for non-wedding purposes, are often considered discretionary. An economic slowdown could cause consumers to postpone or reduce their jewellery purchases or prioritize lower stud ratio jewellery, impacting sales & margins.

Peer Comparison:

- Senco Gold stands out among its peers in the jewellery segment due to a combination of superior operational performance, strong financial growth and sound corporate governance. The company delivered a significantly higher Same-Store Sales Growth (SSSG) of 19.6% in Q1 FY26, a key indicator of robust organic demand, far surpassing Thangamayil Jewellery's 6.83% and outperforming Titan's moderated SSSG. This operational strength is complemented by Senco's strong financial performance, which includes a 30% double-digit revenue growth in Q1 FY26 and a healthy 10% EBITDA margin, all while maintaining more attractive valuations than its larger competitors. Most importantly, Senco Gold's clean corporate governance record is a decisive factor, especially when compared to the significant issues faced by some listed peers. Kalyan Jewellers has a history of potential risks related to related-party transactions and a high percentage of pledged promoter shares. PC Jewellers also had a history of corporate governance failures, including allegations of insider trading, SEBI investigations against its promoters and a financial issue.

	Senco Gold	Thangamayil Jewellery	Titan
Market Cap (Cr.)	5,542	6,199	3,07,866
P/E Ratio	25.7	57.5	82.9
EV/ EBITDA	13.9	30.7	48.5
Price to Sales	0.83	1.18	4.83
SSSG (Same Store Sales Growth) - Q1FY26	19.6%	6.8%	NA
Revenue Growth - Q1FY26	30.0%	27.5%	20.4%
Revenue Mix	Gold Jewellery- 85%, Diamonds & Stones - 11% and Platinum Jewellery - 2.5%	Gold Ornaments -88.5% and Others (Diamonds, stones, etc.) - 11.5%	Jewellery - 88.2%, Watch & Wearables - 7.5%, Eye-Wear - 1.3% and Others - 3%
ROCE	15.8%	16.6%	36.9%
ROE	8.1%	10.8%	28.7%

Conclusion:

- Our outlook on Senco Gold is positive and recommend a BUY at the current market price for investors with a short to medium term horizon.
- The company's strong balance sheet along with multifaceted growth strategy, characterized by **retail store expansion**, particularly in Tier 2 and Tier 3 cities of **Eastern and Northern India** for deeper penetration and to grow the "**stud ratio**," increasing the proportion of higher-margin diamond in the products.
- We anticipate that the company may potentially capture the **inherent positive seasonality of the jewellery sector, which typically sees stronger performance in the** upcoming festive and wedding seasons, which are periods of peak demand for the jewellery industry. This is expected to contribute significantly to value creation. Combined with the management's proven track record and projected PAT growth of 18-21% for FY26, reinforces our positive outlook. Based on the strength of current fundamentals, reasonable valuations and the anticipated improvements in financial prospects, **we project an upside potential of 18-23% for the company over the next 6 to 9 months.**

1 Yr. Return Movement Comparison b/w Senco Gold and Benchmarks (Nifty50 & Nifty500):



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