



Motisons Group

SMC Ranking

★ ★ ☆ ☆ ☆ (1.5/5)

Issue Highlights

| Industry | Jewellery |
|--------------------------------|--------------------|
| Fresh Issue (Shares) | 2,74,71,000 |
| Net Offer to the Public | 2,74,71,000 |
| Issue Size (Rs. Cr.) | 151.09 |
| Price Band (Rs.) | 52-55 |
| Offer Date | 18-Dec-23 |
| Close Date | 20-Dec-23 |
| Face Value | 10 |
| Lot Size | 250 |

Issue Composition

In shares

| | |
|----------------------|--------------------|
| Total Issue for Sale | 2,74,71,000 |
| QIB | 50% |
| NIB | 15% |
| Retail | 35% |

Shareholding Pattern (%)

| Particulars | Pre-issue | Post-issue |
|-----------------------------|-----------|------------|
| Promoters & promoters group | 91.55% | 66.00% |
| QIB | - | 20.05% |
| NIB | 8.45% | 4.19% |
| Retail | 0.00% | 9.77% |
| Total | 100.00% | 100.00% |

*calculated on the upper price band

Objects of the Issue

The objectives of the Offer are to

1. Repayment of existing borrowings availed by the company from scheduled commercial banks.
2. Funding the working capital requirements of the Company and
3. General corporate purposes.

Book Running Lead Manager

- Holani Consultants Private Limited

Name of the registrar

- Link Intime India Private Ltd

About the company

Motisons Jewellers Limited, established in October 1997, sells gold, diamond and kundan jewellery as well as other jewellery products. The company sells pearls, silver, platinum and other metals. The company offers a wide range of products including traditional, modern and combination designs in various jewellery lines. These products are suitable for special occasions such as weddings and celebrations as well as for everyday use, for all ages and genders and in different price ranges. The company offers a wide range of jewellery products with over 300,000 designs in gold, diamonds and other materials at different price points. Motisons Jewellers' flagship store, Motisons Tower, is located in Jaipur, Rajasthan, and offers silver, gold and diamond jewellery across three floors. The latest branch, which opened in 2021, is located in the affluent Vaishali Nagar neighbourhood in the southwestern part of Jaipur, Rajasthan.

Strength

An established brand name with heritage and a legacy of over two decades: Motisons Jewellers is a proven track record of approx. 25 years. Over the years, it has grown significantly and have established its brand 'Motisons'. Motisons Jewellers offers a wide-ranging collection of antique finished, pearl, kundan and diamond jewellery. It initially started operations as a partnership firm in 1997 in the name of 'M/s Motisons Jewellers' and was converted into public limited company in 2011. The company's strength lies in the wide variety of designs offered by jewellery designers wherein it develops own creations and specialty designs according to the latest tastes and preferences of customers. To take its legacy forward, it will continue to innovate and strive for new benchmarks in quality, creativity and design.

Strategic location of showrooms: Jaipur, Rajasthan has been well-known for manufacturing of traditional jewellery. To leverage this opportunity and tap the growing historical jewellery retail market, Motisons Jewellers has rapidly expanded its retail network of strategically located stores in recent years across the city, which helps it to achieve logistical convenience in inventory management. It has four (4) retail showrooms in Jaipur. Rajasthan located in prime shopping region of Johari bazaar (hub of jewellery market of Jaipur, Rajasthan), Tonk road (busiest and most prime location in Jaipur, Rajasthan) and Vaishali Nagar. (one of the densely populated area of Jaipur, Rajasthan connecting Delhi Bypass road and Ajmer Road). Furthermore, its manufacturing facilities are located at Sitapura Industrial area and Babu Nagar Jaipur, Rajasthan.

Diversified product portfolio of over 3,00,000+ Jewellery Designs: Motisons Jewellers' product portfolio comprises over 3,00,000+ jewellery

designs, including a wide range of gold, diamond and other jewellery products across different price points. Its focus on design and innovation, ability to recognize consumer preferences and market trends, the intricacy of its designs and the quality and finish of its products are amongst the key strengths. Its product profile includes traditional, contemporary and combination designs across jewellery lines, usages and price points. In addition to manufacturing its jewellery in-house, its access to a wide range of manufacturers who are smaller, localized jewellery manufacturers from various parts of India, allows it to offer a diverse product range.

Established systems and procedure to mitigate risks and efficiencies in inventory management:

Effective inventory management is essential to meeting sales targets and providing prompt service to prospective clients: All customized orders; repairs are monitored and tracked through an RFID Tag or barcode as part of its inventory management. It also rotates jewellery among different showrooms in an effort to increase inventory turnover and make minimal accumulation of slow-moving stock at showroom locations driven by data analysis and report generation. Future inventory forecasts are done with the help of data analysis and forecasting of trends.

Technology Focus to protect customer information, efficient accounting and logistics management: Motisons Jewellers has POS systems at all showrooms, which are integrated with its centralized RFID Tag system and use the RFID at all its showrooms to maintain greater control over business operations such as inventory management, showroom management, accounting, logistics management and customer data storage, amongst others. Further, concerning the quality control, it stringently follows the hallmarking process for all its gold jewellery.

Procurement advantage - Motisons Jewellers operations integrate its sourcing, manufacturing and retail sales to provide it with several competitive advantages, including the ability to adjust its product range to continuously address shift in customer preferences, just in time inventory availability and changes in demand.

Strategy

Continue to expand retail network in a cost-efficient manner by leveraging 'Motisons' brand: Motisons Jewellers intends to leverage the scalability of its operations and expertise in developing the branded jewellery market in India to grow its network in existing and newer geographies. It is currently present in Jaipur, Rajasthan but intend to deepen its penetration in regions where there could be potential for further expansion due to the demand of jewellery in the region. It will continue to adopt a methodical approach in evaluating and selecting suitable locations for the establishment of new showrooms, such as local population density, rental lease rates, market potential, accessibility and proximity to its competitors

Focus on expanding product and brand portfolio to cater to existing portfolio gaps and increase consumer reach: Its product portfolio comprises of extensive all-embracing jewellery designs, including a wide range of gold, diamond and other jewellery products. To maintain its operational efficiency, it intends to continue to develop its existing branded jewellery lines and introduce additional designs and seasonal product offerings to cater to its customers, and develop diamond jewellery

markets through expansion of retail operations. It is continuing to explore opportunities to expand its range of sub-brands and to introduce new branded jewellery lines that are targeted at both specific customer niches as well as the luxury market. It also intends to leverage its goodwill associated with its existing brand, to further develop its various sub-brands in target markets and product segments in India. It intends to do so through expansion of its retail operations, continued marketing initiatives, promotional campaigns and advertising.

Leverage technology to grow operations and focus on online channels: It aims to continue to increase its presence and establish itself in the digital space through its online platform. With the consistent development of e-commerce platform, it expects increased revenues from the online channel. Its website complements its social media presence, allowing its brand more visibility and more exposure for an online presence, making up for those locations where we do not possess physical presence. The company's strategy is to increase business through the digital platform and leverage manufacturing capability thereby offering a seamless combination of both offline and online buying choice for customers..

Continue to invest in marketing and brand building initiatives: Its marketing and promotion efforts seek to increase sales by increasing brand awareness that stimulates interest in its product range and entrenching its position in the Indian jewellery industry. The key marketing channels that it uses on an ongoing basis include customer advertisements with specific coverage in local lifestyle, fashion magazines and events and newspapers, outdoor billboards and signage, radio advertisements etc. Going forward, its strategy is to increasingly market its products to millennial customers through digital media, such as social media websites, rather than focusing primarily on print media. This branding strategy will help the company to retain existing customers and attract new customers.

Risk factor

- The company is heavily dependent on third parties for supplying its products.
- All its four (4) showrooms are in one geography namely Jaipur, Rajasthan.
- The company faces competition in the markets in which it operates and may not be able to effectively compete in the future.
- The company has significant working capital requirements which are funded 53.15%, 53.80%, 55.87%, and 57.39% through borrowings for the period June 30, 2023, and for the fiscal years 2023, 2022 and 2021.

Peer Comparison

| Co_Name | Total Income | PAT | EPS | P/E | P/BV | BV | FV | Price | Mcap |
|---------------------------------|--------------|-------|-------|-------|------|--------|-------|---------|---------|
| "Goldiam International Limited" | 566.32 | 85.31 | 7.83 | 21.73 | 3.14 | 54.26 | 2 | 170.15 | 1854.2 |
| DP Abhushan Limited | 2074.19 | 52.99 | 18.21 | 31.21 | 9.16 | 62.04 | 10 | 600.05 | 1335.4 |
| "Thangamayil Jewellery Limited" | 3464.26 | 111.8 | 40.74 | 34.96 | 8.73 | 163.08 | 10 | 1424.45 | 3908.57 |
| "Renaissance Global Limited" | 2138.48 | 72.06 | 7.55 | 13.07 | 0.88 | 112.03 | 2 | 98.65 | 948.34 |
| Motisons Jewellers Limited | 366.20 | 22.20 | 2.25 | 24.39 | 1.84 | 29.85 | 10.00 | 55.00 | 541.45 |

Valuation

Considering the P/E valuation, on the upper end of the price band of Rs.55, the stock is priced at pre issue P/E of 17.59x on FY-23 EPS of Rs.3.13. Post issue, the stock is priced at a P/E of 24.39x on its EPS of Rs.2.25. Looking at the P/B ratio at Rs.55, pre issue, book value of Rs. 20.12 of P/Bvx 2.73x. Post issue, book value of Rs. 29.85 of P/Bvx 1.84x.

Considering the P/E valuation, on the lower end of the price band of Rs.52, the stock is priced at pre issue P/E of 16.63x on FY-23 EPS of Rs. 3.13. Post issue, the stock is priced at a P/E of 23.06x on its EPS of Rs. 2.25. Looking at the P/B ratio at Rs. 52, pre issue, book value of Rs. 20.12 of P/Bvx 2.58x. Post issue, book value of Rs. 29.85 of P/Bvx 1.74x.

Industry Overview

According to the Dun and Bradstreet Report, the Indian gems and jewellery sector continues to shine brightly on the global stage. It plays a pivotal role in the country's economic landscape, contributing a remarkable 7% to India's Gross Domestic Product. With over 5 million skilled and semi-skilled workers, this sector contributes approximately 10-12% of India's total merchandise exports, establishing itself as the third-largest commodity share in the country. Notably, in FY 2023, the domestic gems and jewellery market was valued at approximately Rs 4,700 billion, and gold jewellery was the leading segment.

Outlook

The company is a jewellery retail player in the city of Jaipur, Rajasthan with 4 outlets. Its product portfolio is more than 3 lakh products and it leverages the omnichannel approach with strong visibility in offline and online selling. However, the company is heavily dependent on third parties for supplying its products. A high risk appetite investor may opt the Issue.

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

| EVENT | INDICATIVE DATE (On or about) |
|---------------------------|----------------------------------|
| IPO Open Date | Monday, December 18, 2023 |
| IPO Close Date | Wednesday, December 20, 2023 |
| Basis of Allotment | Thursday, December 21, 2023 |
| Initiation of Refunds | Friday, December 22, 2023 |
| Credit of Shares to Demat | Friday, December 22, 2023 |
| Listing Date | Tuesday, December 26, 2023 |

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

| Particulars | Period ended 30-Jun-23 (3 Months) | Period ended 31-Mar-23 (12 Months) | Period ended 31-Mar-22 (12 Months) |
|---------------------------------|--------------------------------------|---------------------------------------|---------------------------------------|
| Revenue from operations | 86.73 | 366.20 | 314.33 |
| Total expenditure | 74.16 | 317.20 | 275.72 |
| Operating Profit | 12.57 | 48.99 | 38.61 |
| OPM% | 14.50 | 13.38 | 12.28 |
| Other Income | 0.03 | 0.61 | 0.14 |
| PBDIT | 12.61 | 49.60 | 38.75 |
| Depreciation | 0.42 | 1.91 | 2.83 |
| PBIT | 12.19 | 47.69 | 35.92 |
| Interest | 4.83 | 17.77 | 15.93 |
| Profit/(Loss) before Tax | 7.36 | 29.92 | 19.99 |
| Tax | 1.88 | 7.72 | 5.24 |
| PAT | 5.48 | 22.20 | 14.75 |

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

| Particulars | As on 30-Jun-23 | As on 31-Mar-23 | As on 31-Mar-22 |
|---|-----------------|-----------------|-----------------|
| Non-current assets | | | |
| Property, plant and equipment | 4.44 | 4.60 | 4.86 |
| Right of use assets | 2.49 | 2.72 | 6.20 |
| Intangible assets | 0.09 | 0.10 | 0.10 |
| Financial Assets | | | |
| Other Financial Assets | 0.62 | 0.63 | 0.57 |
| Deferred tax assets (net) | 0.68 | 0.68 | 0.73 |
| Other Non-Current Assets | 0.25 | 0.69 | 0.70 |
| Total non-current assets | 8.57 | 9.42 | 13.15 |
| Current assets | | | |
| Inventories | 330.71 | 320.33 | 283.76 |
| Financial Assets | | | |
| Interments | | | |
| Trade Receivables | 1.50 | 1.09 | 2.06 |
| Cash and Cash Equivalents | 1.61 | 2.60 | 5.41 |
| Bank Balances other than cash and cash equivalents as above | 0.09 | 0.09 | 0.09 |
| Other Current Assets | 5.66 | 2.98 | 2.06 |
| Total current assets | 339.56 | 327.09 | 293.38 |
| Total Assets | 348.13 | 336.51 | 306.53 |
| Non-current liabilities | | | |
| Financial liabilities | | | |
| Long term Borrowings | 11.94 | 12.89 | 16.26 |
| Long term Lease Liabilities | 2.11 | 2.38 | 5.48 |
| Long term financial liabilities | 6.27 | 6.10 | 5.45 |
| Total non-current liabilities | 20.32 | 21.36 | 27.19 |
| Current liabilities | | | |
| Financial Liabilities | | | |
| Short term Borrowings | 154.09 | 151.65 | 135.35 |
| Short term Lease Liabilities | 1.05 | 1.03 | 1.95 |
| Trades Payable - MSME | 9.52 | 10.62 | 3.86 |
| Trade Payables - other than MSME | 10.13 | 7.01 | 15.58 |
| Other current liabilities | 6.67 | 4.76 | 4.38 |
| Short term provision | 0.04 | 0.05 | 0.05 |
| Current tax Liabilities (Net) | 3.51 | 2.63 | 2.71 |
| Total current liabilities | 185.01 | 177.75 | 163.89 |
| Total | 205.32 | 199.11 | 191.08 |
| Net worth represented by: | | | |
| Equity Share Capital | 64.98 | 64.98 | 64.98 |
| Other equity | 77.83 | 72.42 | 50.48 |
| Net Worth | 142.81 | 137.40 | 115.45 |

RANKING METHODOLOGY

| | |
|------------------|-------|
| WEAK | ★ |
| NEUTRAL | ★★ |
| FAIR | ★★★ |
| GOOD | ★★★★ |
| EXCELLENT | ★★★★★ |

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