

PC Jeweller : Good Issue IPO Note: OPM 10.9% looks attractive Ranking:***



Issue details

Price band (Rs)	Rs.125-135
IPO Opening Date	10/12/12
IPO Closing Date	12/12/12
Issue Size	Rs.564.17-609.30 Cr.

Valuations & Recommendation

At a price band of Rs 125 to Rs 135 per equity share, the P/E at the lower band works out to 9.69 times and at upper band it works out to be 10.47 times the EPS of Rs 12.9 for FY 2012 (on post-IPO equity). In the diamond, gems and jewellery sector, companies such as Gitanjali Gems, Shree Ganesh Jewellery House, Tribhovandas Bhimji Zaveri, and Thangamayil Jewellery are trading at a PE of 18.56x, 2.5x, 33.44x, and 8.66x times. Overall its working is satisfactory and hence We recommend to invest in this IPO for listing as well as long term gain.

Highlights

- There is a discount of Rs 5 to retail bidders and eligible employees.
- CRISIL has assigned a IPO Grade 3/5 to the IPO of PC Jeweller.
- Company's operations include the manufacture, retail and wholesale of jewellery. PCJ offers a wide range of products including gold jewellery, diamond jewellery and other jewellery including silver articles. They provide 100% Hallmarked jewellery and Certified Diamond jewellery.
- As of September 30, 2012, the company had 30 showrooms under the "PC Jeweller" brand located across 23 cities

Company Introduction Company Profile

PC Jeweller, promoted by Padam Chand Gupta and Balram Garg, is one of the leading jewellery companies in India in the organized jewellery retail sector. The company's operation includes manufacturing, retail and export of jewellery. It offers gold jewellery, diamond jewellery and other jewellery including silver articles, with a focus on diamond jewellery and jewellery for weddings. As of September 30, 2012, the company had 30 showrooms under the "PC Jeweller" brand located across 23 cities in north and central India.



www.pcjeweller.com

Financial Summary (RS. In Crore)

Particulars	FY2012	FY2011	FY2010
Sales	3041.93	1977.06	984.85
OPM %	10.9	10.1	10.0
Net Profit	231.29	144.87	66.46
EPS (Rs)*	12.9	8.1	3.7

*Annualised on post-issue equity of Rs 179.1 crore.
Face value Rs 10

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

Manufacturing facilities

The company has two jewellery manufacturing facilities in Selaqui, Uttarakhand, that cater to its domestic sales. It has also set up two jewellery manufacturing facilities at the Noida SEZ, Uttar Pradesh, that cater to its export sales. Also, in November 2011, it commenced manufacturing operations at an additional 34,000 sq.ft. jewellery manufacturing facility in Noida, to further increase manufacturing capabilities. For FY 2012 and half year ended September 2012, it has processed 4831.96 kg and 2725.47 kg of gold, respectively, at its own manufacturing facilities. The manufacturing enables the company to control costs and increase the profit margin and gain a competitive advantage over some of its competitors who do not have their own manufacturing facilities.

IPO Proceed

The company is entering capital market to raise money in the range of Rs 564 crore to Rs 609 crore by issuing around 4.51 crore equity shares (of which 3.58 lakh equity shares are reserved for eligible employees) of face value of Rs 10 each at the price range of Rs 125 to Rs 135 per share. The proceeds from issue of shares will be used to expand its showroom network across India, including in southern and western parts of India. It intends to open an additional 20 showrooms by FY 2014, all of which are to be financed through the net proceeds. All of the proposed showrooms are intended to be large-format showrooms. The company's retail network expansion plans are aimed at not only increasing sales volumes, but also enabling to consolidate its position as a leading Indian jewellery retailer in the organized jewellery retail sector, by increasing its brand visibility, geographical presence and market share.

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