

Kalyan Jewellers India Ltd : Average Issue

IPO Note : High Debt : Very Low margins : High Risk : Ranking**



Issue details

Price band (Rs)	Rs.86-87
IPO Opening Date	16/03/21
IPO Closing Date	18/03/21
Issue Size	Rs.1175 Cr.

Recommendation

On the financial performance front, for the last three fiscals, KJIL has posted total income/net profits (loss) of Rs. 10580.02 cr. / Rs. 141.00 cr. (FY18), Rs. 9814.03 cr. / Rs. - (4.86) cr. (FY19) and Rs. 10181.02 cr. / Rs. 142.28 cr. (FY20). For the first nine months of FY21 ended on December 31, 2020, it has incurred a loss of Rs. - (79.95) cr. on a turnover of Rs. 5549.80 cr. Thus, based on 9M-FY21, the issue is having negative P/E. For the last three fiscals, KJIL has posted an average EPS of Rs. 0.98 and an average RoNW of 4.46%. The issue is priced at a P/BV of 3.97 based on its NAV of Rs. 21.94 per share as of December 31, 2020, and at a P/BV of 3.14 based on post issue NAV of Rs. 27.75. Based on FY20 earnings the issue is priced at a P/E of 63.04. But considering its negative earnings for FY21-9M, it is at a negative P/E. KJIL is the second-largest PAN India retailer of gold and other fancy jewellery. It has suffered a setback for FY21-9M following pandemic and incurred losses. Thus, the offer price is at a negative P/E based on the latest financial data. It has total debt of Rs.3667 crore as on Dec.2020. PATM is at 1.41%. Hence we recommend to avoid this IPO.

Highlights

- Kalyan Jewellers India Ltd. (KJIL) is one of the largest jewellery companies in India based on revenue as of March 31, 2020
- It has since expanded to become a pan-India jewellery company, with 107 showrooms located across 21 states and union territories in India, and also have an international presence with 30 showrooms located in the Middle East as of December 31, 2020.
- KJIL intends to continue to open additional showrooms as it expects significant opportunity for further penetration in existing markets as well as in new markets, primarily in India. The company also sells jewellery through our online platform at www.candere.com.
- The issue is having negative P/E considering the latest negative performance.

Company Introduction

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.

KJIL designs, manufactures and sells a wide range of gold, studded and other jewellery products across various price points ranging from jewellery for special occasions, such as weddings, which is our highest-selling product category, to daily-wear jewellery.



www.kalyanjewellers.net

Financial Summary (Rs. In Crore)

Particulars	nine months ended Dec., 2020	FY2020	FY2019	FY2018
Total Income	5549.79	10181.01	9814.02	10580.19
Net Profit	79.94	142.27	-4.86	140.99
EPS (Rs)	0.77*	1.38	-	1.36

*EPS not annualized

Source: RHP and ACE Equity

RANKING METHODOLOGY

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

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%.

Company Promoters:

Mr. T.S. Kalyanaraman, Mr. T. K. Seetharam, and Mr. T. K. Ramesh are the company promoters.

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.

IPO Issue Proceed

To part finance its need for working capital (Rs. 600 cr.) and general corpus funds, KJIL is coming out with its maiden combo IPO of fresh equity issue worth Rs. 800 cr. and an offer for sale (OFS) of Rs. 375 cr. taking the total issue size to Rs. 1175 cr. It has fixed a price band of Rs. 86 - Rs. 87 per share for shares having a face value of Rs. 10 per share. The company will be issuing 91954124 as fresh equity shares and 43103448 shares as OFS (total 135057572 shares). The Minimum application is to be made for 172 shares and in multiples thereon, thereafter. The issue opens for subscription on March 16, 2021, and will close on March 18, 2021. The issue constitutes 13.11% of the post issue paid-up capital of the company. The company has reserved shares worth Rs. 2 cr. For eligible employees and offering a discount of Rs. 8 per share to them. From the residual portion, the allocation of IPO quota is 50% for QIBs, 15% for HNIs and 35% for Retail investors. KJIL's current paid-up equity capital of Rs. 938.10 cr. will stand enhanced to Rs. 1030.05 cr. Based on the upper price band of the issue, the company is looking for a market cap of Rs. 8961.46 cr.

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