

IPO Note

September 21 2023

Manoj Vaibhav Gems 'N' Jewellers Limited



Issue Snapshot:

Issue Open: Sep 22 – Sep 26, 2023

Price Band: Rs. 204 – 215

*Issue Size: 54,099,027 eq sh (Fresh Issue of Rs 210.0 cr + Offer for sale of 2,800,000 eq sh)

Reservation for:

QIB	upto	50% eq sh
Non-Institutional	atleast	15% eq sh
((including 1/3 rd for applications between Rs.2 lakhs to Rs.10 lakhs))		

Retail atleast 35% eq sh

Face Value: Rs 10

Book value: Rs 93.05 (June 30, 2023)

Bid size: - 69 equity shares and in multiples thereof

100% Book built Issue

Capital Structure:

Pre Issue Equity:	Rs.	39.08 cr
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*Post issue Equity: Rs. 48.85 cr

Listing: BSE & NSE

Book Running Lead Managers: Bajaj Capital Limited, Elara Capital (India) Private Limited

Sponsor Bank: Axis Bank Ltd & Kotak Mahindra Bank Ltd

Registrar to issue: Bigshare Services Private Limited

Shareholding Pattern

Shareholding Pattern	Pre issue %	Post issue %
Promoter and Promoter Group	100.0	74.27
Public & Others	0.00	25.73
Total	100.0	100.0

*=assuming issue subscribed at higher band
Source for this Note: RHP

Background & Operations:

Manoj Vaibhav Gems 'N' Jewellers Limited (Vaibhav Jewellers), is a leading regional jewellery brand in South India led by a first generation woman entrepreneur Mrs. Bharata Mallika Ratna Kumari Grandhi along with her daughter Grandhi Sai Keerthana. It is a hyperlocal jewellery retail chain with presence in the micro markets of Andhra Pradesh & Telangana with 13 showrooms (inclusive of two franchisee showrooms) across 8 towns and 2 cities. It has a market share of ~4% of the overall Andhra Pradesh and Telangana jewellery market and ~10% of the organised market in these two states in FY2023. It was one of the earlier entrants in the organised jewellery retail market of Andhra Pradesh and continue to focus on regional expansion into the high growth untapped regions within the micro-markets of Andhra Pradesh & Telangana thereby creating a market for branded jewellery in the area of its operations. In FY 2023, the total market size of Andhra Pradesh and Telangana was USD 3.3 Bn and USD 2.8 Bn respectively. While the Andhra Pradesh jewellery market is expected to grow to USD 6.3 Bn by FY 2027 at a CAGR of ~18%, the Telangana market is expected to grow to USD 5.3 Bn during the same period at a CAGR of ~18%.

It caters to all economic segments of the micro markets of Andhra Pradesh and Telangana through its dedicated branded showrooms and has a strong rural market focus and a dedicated urban focus also. It has positioned itself as a retailer focussed on 'Relationships, by Design' where it focuses on offering designs, high quality, transparency and customer service to its customers. The Company connects with target groups through exhibitions to understand the taste and preference of the customers through its "Go to Marketing Strategy". Rural markets have a larger pie of the retail jewellery market and the inelasticity of rural demand for gold offers large potential for growth. 77% of its retail showrooms are in Tier 2 and Tier 3 cities catering to the semi urban and rural demand of Andhra Pradesh and Telangana. The remaining 15% of its retail showroom are located in Mini Metro city of Hyderabad and 8% of its showroom is located in Tier 1 city of Visakhapatnam catering to the urban consumers. Vaibhav Jewellers follow a hub & spoke model with small sized showrooms operating peripheral to the larger showrooms. This allows it to offer new products to the semi urban and rural customers on a continuous basis and capture a share of that market. Rural market in the state of Andhra Pradesh and Telangana contributes 50-52% of the total jewellery market in FY 2023 in these two states.

The Company has designed and developed a website – www.vaibhavjewellers.com, for its online sales in addition to other online market places. Its website can be easily navigated and is user friendly for online shopping, enquiries, live videos shopping options. It serves as a strong starting point to display of its varied collection and to push online sales that would transcend beyond southern boundaries and make a strong case for pushing the brand to other micro-markets as well as states. The e-commerce initiative of the company also enables it to reach out to its global customer base located at various locations. Further, the e-commerce is directly linked to the retail showroom which enables direct selling via augmented reality and video conferencing. It procures jewellery on an outright basis from its list of suppliers as well as it supplies bullion to job workers for creating varied designs of jewellery as per its specifications. It sells a wide range of gold, silver, diamond jewellery and precious gemstones and other jewellery products with wide collection of designs to meet the needs of all types of customers on all occasions throughout the year including festivals, weddings, special days such as Akshaya Tritiya and all other festive occasions.

Objects of Issue:

The Offer comprises of the Fresh Issue and an Offer for Sale by the Promoter Selling Shareholder.

Offer for Sale

The Promoter Selling Shareholder will be entitled to the respective portion of the proceeds of the Offer for Sale after deducting its portion of the Offer related expenses and relevant taxes thereon. The Company will not receive any proceeds from the Offer for Sale and the proceeds received from the Offer for Sale will not form part of the Net Proceeds.

Objects of the Fresh Issue

The Net Proceeds from the Fresh Issue are proposed to be utilized towards the following objects:

- To Finance Establishment of proposed 8 new showrooms, i.e.
 - ✓ Capital expenditure cost for the proposed eight (8) new showrooms
 - ✓ Inventory cost for the proposed eight (8) new showrooms; and
- General corporate purposes.

Utilisation of Net Proceeds

The Net Proceeds are proposed to be utilised in the following manner:

Particulars (In Rs million)	Amount which will be financed from Net Proceeds	Estimated deployment of Net Proceeds Amount	
		Fiscal 2024	Fiscal 2025
To Finance Establishment of proposed eight (08) new showrooms;			
Estimated capital expenditure cost for the proposed eight (8) new showrooms	120.00	30.00	90.00
Estimated inventory cost for New Showrooms proposed to be opened	1600.15	400.04	1200.11
Sub-total	1720.15	430.04	1290.11
General corporate purposes	*	*	*
Total	*	*	*

Competitive Strengths

- Key leading home-grown regional brand built on hyperlocal retail strategy
- Early mover advantage in the state of Andhra Pradesh
- Focus of fortifying business through Rural Market focus
- Through operating ethos of 'Relationships, by Design' Vaibhav Jewellers offers diverse product designs at varied price range to customers across budget bracket.
- Go to Market strategy is key business enabler thereby providing wider market reach; deep customer connects and has enabled it to build a loyal customer base Experienced promoter and professional senior management team enabling seamless strategy implementation and business Operations
- Employees and Customers are real Brand Ambassadors
- Ability to define operating parameters and internal control measures that enables to perform as well as grow business across the micro market of Andhra Pradesh and Telangana and also other jurisdictions through e-commerce platform.

Business Strategy:

- Expand in the untapped sections of the micro markets of Andhra Pradesh and Telangana and develop those markets for organized jewellery sales.
- Focus on further strengthening rural focus and improving sales from existing showrooms.
- Deepen customer relationships by enhanced focus on Go-to-Market strategy to strengthen customer engagement Focus on augmenting Brand strength.
- Invest to enhance product portfolio by offering wider spectrum of designs and thereby improve the sales of Premium Jewellery.
- Strengthen Inventory Management practices.
- Leverage on e-commerce platform to reach customers beyond brick and mortar network.

Key Concerns

- Business depends on the strength of its brand and reputation. Failure to maintain and enhance its brand and reputation, and any negative publicity and allegations in the media against it, may materially and adversely affect the level of market recognition of, and trust in, its services, which could result in a material adverse impact on its business, financial condition, results of operations and prospects.



- Current locations of showrooms may become unattractive, and suitable new locations may not be available for a reasonable price or acceptable terms and exposure to all of the risks associated with leasing real estate and any adverse developments.
- Impact, current and continuing of the COVID-19 pandemic on business and operations, or a similar public health threat.
- Ability to renew existing leases or secure new leases for its existing or new showrooms, or offices on commercially acceptable terms.
- Competition in the industry in which Vaibhav Jewellers operates in.
- Ability to successfully manage the introduction of new products.
- Non-availability or high cost and significant fluctuations in the price of quality gold bullion.
- Failure to anticipate and respond to changes in trends and changing customer preferences in a timely and effective manner.
- Any adverse change in regulations and/or policies of the Reserve Bank of India regulating sourcing of gold under the gold loan scheme.

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