

Estimate change	↓
TP change	↓
Rating change	↓

Bloomberg	SENCO IN
Equity Shares (m)	164
M.Cap.(INRb)/(USD\$b)	58.5 / 0.7
52-Week Range (INR)	772 / 343
1, 6, 12 Rel. Per (%)	-30/-30/-11
12M Avg Val (INR M)	517

Financials & Valuations (INR b)

Y/E March (INR b)	FY25E	FY26E	FY27E
Sales	63.2	74.7	86.4
Sales Growth (%)	20.6	18.2	15.6
EBITDA	3.8	4.9	5.8
Margins (%)	6.0	6.5	6.7
Adj. PAT	1.7	2.3	2.8
Adj. EPS (INR)	10.7	13.8	17.0
EPS Growth (%)	-8.3	29.0	23.3
BV/Sh.(INR)	117.5	129.6	144.3

Ratios

Debt/Equity	0.4	0.5	0.5
RoE (%)	10.6	11.2	12.4
RoIC (%)	9.9	11.0	11.4

Valuations

P/E (x)	33.7	26.1	21.2
EV/EBITDA(x)	7.0	5.7	4.9

Shareholding Pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	64.1	67.5	68.5
DII	13.3	9.6	7.0
FII	8.9	8.6	14.5
Others	13.7	14.4	10.1

FII includes depository receipts

CMP: INR360 TP: INR400 (+12%) Downgrade to Neutral Disappointing quarter!

- SENCO delivered consolidated revenue growth of 27% YoY to INR21.0b (in line) in 3QFY25, with an SSSG of 16%. The growth was driven by strong festive demand, and the healthy demand trend continued into Jan'25. However, the last 7-10 days saw a slowdown due to rising gold prices.
- The company opened five stores (+10% YoY) during the quarter, bringing the total count to 171 stores (100 COCO, 70 FOCO, 1 Dubai). It has planned to open 8-10 stores in 4Q, including 5-7 franchisee stores.
- However, there was a significant disappointment on the gross margin front. GM contracted sharply 740bp YoY to 11.3% (est. 17.7), even after adjusting the custom duty-related inventory loss of INR276m. This occurred despite a stable stud ratio YoY at 10.4% (11.1% in 2QFY25, 10.4% in 3QFY24). Hedging-related costs (>INR500m) from rising gold prices further impacted margins. It led to an EBITDA margin (ex-custom duty impact) contraction of 580bp YoY to 5.1% (est. 10.3%, 5.4% in 2QFY25). Adjusted EBITDA was down 41% YoY to INR1.1b.
- Management has maintained its EBITDA margin guidance of 7-8% for 4QFY25 and the coming years. However, the unsatisfactory explanation for the sharp contraction in gross margin in 3Q has undermined our confidence in the margin trajectory going forward. Peers have also reported 3Q results, but we have not seen similar margin volatility driven by gold inflation. While peers also engage in gold hedging, such hedging costs were not observed. Given the uncertainty around operating margins and slower SSSG than peers, we cut our EPS estimates 25-30% for FY25-27. We also downgrade our rating from Buy to Neutral, with a TP of INR400 at 25x Dec'26 EPS.

In-line sales; sharp miss on profitability

- **Strong sales growth:** SENCO's consolidated revenue grew 27% YoY to INR21.0b (est. INR20.7b). SSSG was healthy at 16% in 3Q; however, it was slower compared to its peers. The company has opened five stores, bringing the total to 171 stores (100 COCO, 70 FOCO, 1 Dubai). Old gold exchange stood at 38%.
- **Sharp contraction in margins:** After adjusting the custom duty effect of INR276m on inventory, gross margin contracted 740bp YoY to 11.3% (est. 17.7%, 13.2% in 2QFY25). According to the company, the hedging cost of INR580m from rising gold prices impacted margins. After adjusting for this, the GP margin stood at 14.5%. Employee expenses were up 11% YoY and other expenses were flat YoY. EBITDA margin (ex-custom duty impact) contracted 580bp YoY to 5.1% (est. 10.3%, 5.4% in 2QFY25).
- **Decline in profitability:** EBITDA declined (ex-custom duty impact) 41% YoY to INR1,076m (est. 2,129m). APAT (ex-custom duty impact) contracted 50% YoY to INR542m (est. INR1,304m). Reported PAT was down 69% YoY to INR335m.

- In 9MFY25, net sales and EBITDA grew 22% and 4%, respectively, while APAT was down 6% YoY.

Key takeaways from the management commentary

- The company experienced strong top-line growth, driven by robust festive demand in 3QFY25. In Jan'25, the company recorded 19% YoY revenue growth. However, revenue growth slowed over the last 7-10 days due to rising gold prices.
- The Gold Metal Loan (GML) interest rate, which was ~3% until Jan'25, is expected to increase to 6-7% due to the impact of U.S. tariff-related changes.
- The GP margin includes a making charge of ~10-11%, with an additional 4-5% revenue contribution from diamonds, platinum, silver, and other jewelry.
- The company maintains its revenue growth guidance of 18-20%. The GP margin guidance is 14-15%, while the EBITDA margin guidance is 7-8%. Owned stores deliver a GP margin of 19-20%, whereas franchisee stores deliver 6-7%.

Valuation and view

- We cut our EPS estimates by 25-30% FY25-FY27 as we cut our operating margin assumption (6.5%-6.7% for FY26 and FY27) and increase interest cost on GML.
- Management has maintained its EBITDA margin guidance of 7-8% for 4QFY25 and the coming years. However, the unsatisfactory explanation for the sharp contraction in gross margin in 3Q has undermined our confidence in the margin trajectory going forward. Peers have also reported 3Q results, but we have not seen similar margin volatility driven by gold inflation. While peers also engage in gold hedging, such hedging costs were not observed. Given the uncertainty around operating margins and slower SSSG than peers, we cut our EPS estimates 25-30% for FY25-27. We also downgrade our rating from Buy to Neutral with a TP of INR400 at 25x Dec'26 EPS.

Consolidated Quarterly Performance

Y/E March	(INR m)											
	FY24				FY25E				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		3QE	(%)	
Stores	142	145	155	159	165	166	171	177	159	177	170	
Net Sales	13,054	11,466	16,522	11,373	14,039	15,005	21,025	13,166	52,414	63,235	20,653	1.8
Change (%)	29.6	25.8	23.3	39.7	7.5	30.9	27.3	15.8	28.5	20.6	25.0	
Gross Profit	1,632	1,354	3,083	1,944	2,428	1,976	2,373	1,909	8,014	8,687	3,655	(35.1)
Gross Margin (%)	12.5	11.8	18.7	17.1	17.3	13.2	11.3	14.5	15.3	13.7	17.7	
Operating Expenses	960	960	1,272	1,067	1,341	1,159	1,297	1,079	4,259	4,875	1,527	
% of Sales	7.4	8.4	7.7	9.4	9.5	7.7	6.2	8.2	8.1	7.7	7.4	
EBITDA	672	395	1,811	877	1,087	818	1,076	830	3,755	3,811	2,129	(49.5)
Margin (%)	5.1	3.4	11.0	7.7	7.7	5.4	5.1	6.3	7.2	6.0	10.3	
Change (%)	22.1	21.2	11.3	31.5	61.8	107.1	-40.6	-5.3	18.6	1.5	17.5	
Interest	266	234	283	298	322	326	339	349	1,081	1,336	325	
Depreciation	126	133	158	184	181	178	131	179	601	669	185	
Other Income	94	110	89	128	123	149	127	125	422	524	122	
PBT	375	139	1,459	524	708	462	732	427	2,495	2,330	1,741	(57.9)
Tax	98	20	366	202	195	117	190	80	685	582	437	
Effective Tax Rate (%)	26.1	14.1	25.1	38.6	27.6	25.3	26.0	18.6	27.5	25.0	25.1	
Adjusted PAT	277	119	1,093	322	513	345	542	348	1,810	1,747	1,304	(58.4)
Change (%)	24.2	37.3	6.0	24.7	85.3	188.7	-50.4	8.1	14.2	-3.5	19.3	
PAT	277	119	1,093	322	513	121	335	348	1,810	1,316	1,116	

E: MOFSL Estimates



Key takeaways from the management commentary

Demand environment and performance

- The company experienced strong top-line growth, driven by robust festive demand in 3QFY25.
- Retail revenue grew 19% in 9MFY25, with SSSG of 16.4%.
- The studded jewelry ratio stood at 10.5% for 9MFY25, vs 11.6% in 9MFY24, and 11% in Q3FY25.
- In Jan'25, the company recorded 19% YoY revenue growth. However, revenue growth slowed in the last 7-10 days due to rising gold prices.
- With gold prices reaching an all-time high, consumer preference initially shifted toward gold jewelry over diamonds, leading to a decline in the studded jewelry ratio. However, as gold prices continued to rise, a gradual shift back towards diamond jewelry was observed from the end of 3Q onwards.
- As of 4QFY25 to date, diamond jewelry sales have grown 59% YoY.
- The old gold exchange ratio stood at 38% during the quarter.
- The GML interest rate, which was ~3% until Jan'25, is expected to increase to 6-7% due to the impact of U.S. tariff-related changes.
- The company has announced the incorporation of its wholly-owned subsidiary, Sennes Fashion Limited, which will cater to the consumer lifestyle segment, including premium leather accessories, lab-grown diamond jewelry, and perfumes.
- The company has seen category-wise growth of 21% in gold jewelry, 9% in diamond jewelry, 35% in silver jewelry, and 18% in Gossip jewelry during the quarter.
- The company does not engage in price competition and refrains from offering random discounts on gold metal to maintain its premium brand image. However, when entering a new market, the company offers higher discounts and promotions to attract customers and gain market share.

Cost and margins

- Gross margins remain largely stable, with variations primarily due to price volatility, hedging positions, unwinding of hedging positions, mark-to-market of future positions, and timing effects.
- There was an inventory loss of INR276m due to the custom duty reduction, which has now been fully absorbed, ensuring no further impact going forward.
- There was also an impact of INR580m due to hedging costs, resulting from rising gold prices.
- Adjusted gross margin was at 13.7% for 9MFY25 and 14.5% for 3QFY25.
- The GP margin includes a making charge of ~10-11%, with an additional 4-5% revenue contribution from diamonds, platinum, silver, and other jewelry.
- The margin on diamond jewelry has been impacted as gold prices have risen faster than diamond prices, resulting in a lower percentage share of diamonds in total jewelry sales.
- EBITDA margin is influenced by factors such as product mix, geographical sales mix, studded jewelry ratio, and channel sales mix.

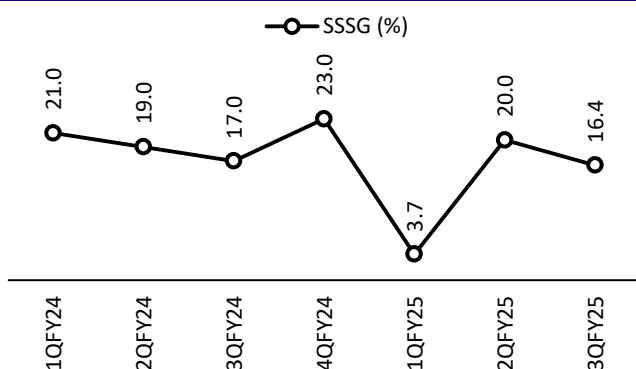
Guidance

- The company remains on track to open 18-20 new stores in FY25, having already launched 12 stores YTD. An additional 8-10 stores are planned in 4Q, including 5-7 franchisee outlets.
- The company's regional focus is 60-70% in East India, 20% in North India, and 10% in South & West India.

- It maintains its revenue growth guidance of 18-20%.
- The GP margin guidance is 14-15%, while the EBITDA margin guidance is 7-8%. Owned stores deliver a GP margin of 19-20%, whereas franchisee stores deliver 6-7%.
- As of now, the company has achieved a revenue of INR57b and is confident of exiting FY25 with an annual revenue of INR63-64b.

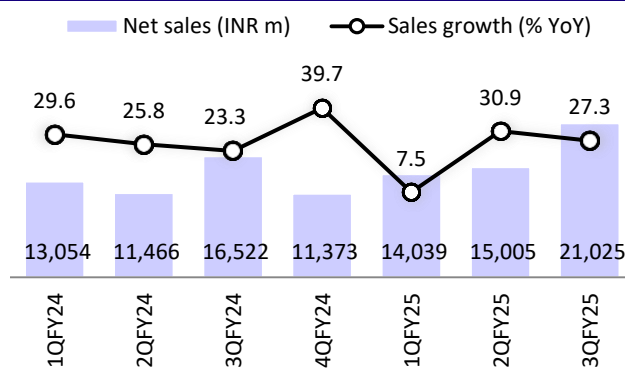
Key exhibits

Exhibit 1: SSSG was at 16% in 3QFY25



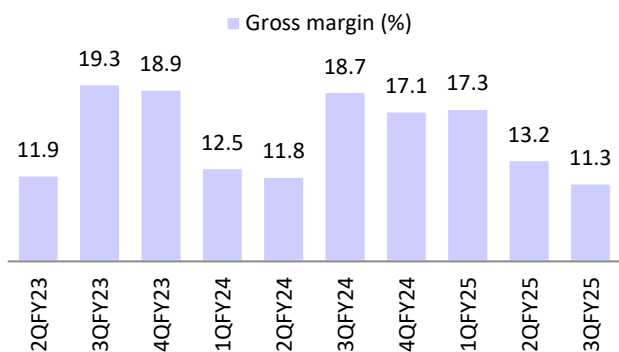
Source: Company, MOFSL

Exhibit 2: Consol. sales grew 27% YoY in 3QFY25



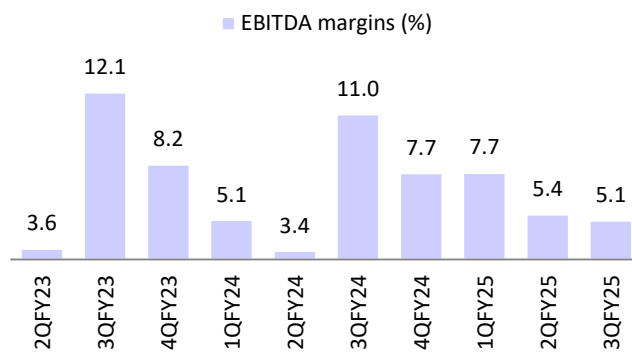
Source: Company, MOFSL

Exhibit 3: Adjusted GP margin contracted 740bp YoY to 11.3%



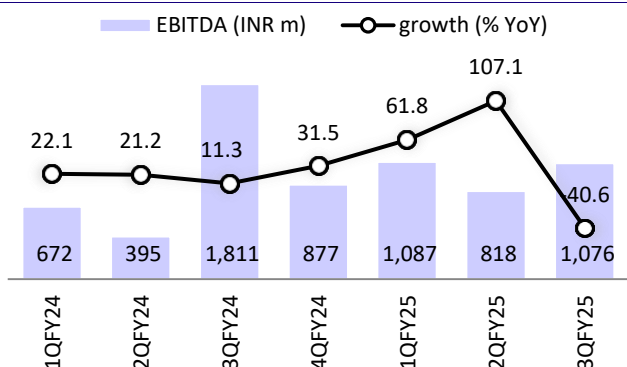
Source: Company, MOFSL

Exhibit 4: EBITDA margin contracted 580bp YoY to 5.1% in 3QFY25



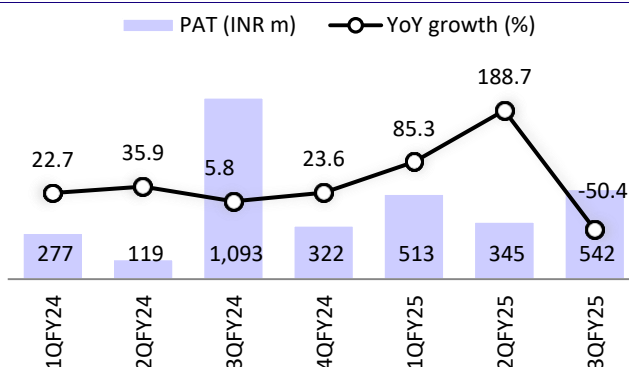
Source: Company, MOFSL

Exhibit 5: Adjusted inventory impact; EBITDA down 41% YoY



Source: Company, MOFSL

Exhibit 6: Adj. PAT declined 50% YoY in 3QFY25



Source: Company, MOFSL

Valuation and view

- We cut our EPS estimates by 25-30% for FY25-FY27 as we cut our operating margin assumption (6.5%-6.7% for FY26 and FY27) and increase interest cost on GML.
- Management has maintained its EBITDA margin guidance of 7-8% for 4QFY25 and the coming years. However, the unsatisfactory explanation for the sharp contraction in gross margin in 3Q has undermined our confidence in the margin trajectory going forward. Peers have also reported 3Q results, but we have not seen similar margin volatility driven by gold inflation. While peers also engage in gold hedging, such hedging costs were not observed. Given the uncertainty around operating margins and slower SSSG than peers, we cut our EPS estimates 25-30% for FY25-27. We also downgrade our rating from Buy to Neutral with a TP of INR400 at 25x Dec'26 EPS.

Exhibit 7: We cut our EPS estimates by 25-30% FY25-FY27

(INR b)	New		Old		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Net Sales	63,235	74,745	63,104	74,472	0%	0%
EBITDA	3,811	4,894	4,990	5,843	-24%	-16%
Adjusted PAT	1,747	2,255	2,525	3,041	-31%	-26%

Financials and valuations

Income Statement							(INR m)		
Y/E March	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
Net Sales	24,843	24,203	26,604	35,346	40,774	52,414	63,235	74,745	86,427
Change (%)	12.5	-2.6	9.9	32.9	15.4	28.5	20.6	18.2	15.6
Gross Profit	3,732	4,242	3,750	5,541	6,555	8,014	8,687	10,582	12,329
Margin (%)	15.0	17.5	14.1	15.7	16.1	15.3	13.7	14.2	14.3
Other expenditure	1,977	2,081	1,997	2,769	3,388	4,259	4,875	5,688	6,577
EBITDA	1,755	2,162	1,753	2,772	3,166	3,755	3,811	4,894	5,752
Change (%)	24.9	23.2	-18.9	58.1	14.2	18.6	1.5	28.4	17.5
Margin (%)	7.1	8.9	6.6	7.8	7.8	7.2	6.0	6.5	6.7
Depreciation	278	372	396	421	456	601	669	774	872
Int. and Fin. Charges	448	557	666	709	861	1,081	1,336	1,700	1,831
Other Income - Recurring	94	87	145	128	311	422	524	587	657
Profit before Taxes	1,123	1,320	837	1,770	2,162	2,495	2,330	3,006	3,706
Change (%)	17.8	17.5	-36.6	111.5	22.1	15.4	-6.6	29.0	23.3
Margin (%)	4.5	5.5	3.1	5.0	5.3	4.8	3.7	4.0	4.3
Tax	471	371	288	496	613	728	582	752	926
Deferred Tax	-68	40	-66	-17	-37	-43	0	0	0
Tax Rate (%)	35.9	31.1	26.5	27.0	26.7	27.5	25.0	25.0	25.0
Profit after Taxes	721	909	615	1,291	1,585	1,810	1,747	2,255	2,779
Change (%)		26.2	-32.4	110.0	22.8	14.2	-3.5	29.0	23.3
Margin (%)	2.9	3.8	2.3	3.7	3.9	3.5	2.8	3.0	3.2
Extraordinary income	0	0	0	0	0	0	431	0	0
Reported PAT	721	909	615	1,291	1,585	1,810	1,316	2,255	2,779

Balance Sheet

Y/E March	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
Share Capital	665	665	665	665	691	777	818	818	818
Reserves	4,002	4,853	5,361	6,595	8,764	12,878	18,408	20,384	22,788
Net Worth	4,667	5,518	6,026	7,260	9,455	13,655	19,226	21,203	23,606
GML	3,054	2,003	2,504	4,314	6,376	9,070	10,489	11,538	12,712
Loans	2,626	3,750	2,820	4,316	5,396	5,913	6,715	7,079	7,796
Lease liabilities	1,029	1,351	1,474	1,630	2,098	2,628	3,016	3,416	3,742
Deferred Tax	-114	-59	-127	-141	-179	-228	-228	-228	-228
Capital Employed	11,262	12,564	12,697	17,378	23,145	31,038	39,217	43,007	47,627
Gross Block	1,272	1,428	1,537	1,726	2,035	2,563	2,933	3,266	3,578
Less: Accum. Deprn.	507	679	864	1,035	1,188	1,405	1,649	1,920	2,217
Net Fixed Assets	765	749	674	691	847	1,158	1,284	1,346	1,362
Intangibles	47	27	27	25	23	28	20	18	15
Capital WIP	47	44	24	65	131	15	15	15	15
Right of use asset	961	1,246	1,417	1,516	1,927	2,434	2,798	3,114	3,298
Investments	0	0	0	0	1	1	1	1	1
Curr. Assets, L&A	10,744	13,098	13,323	18,563	25,945	33,362	42,419	47,048	52,784
Inventory	8,684	10,871	10,395	13,912	18,855	24,570	29,136	33,937	38,520
Account Receivables	184	277	276	394	454	529	641	758	876
Cash and Bank Balance	1,150	920	1,281	2,788	4,376	5,514	9,388	8,565	9,051
Others	725	1,030	1,371	1,469	2,261	2,749	3,254	3,789	4,337
Curr. Liab. and Prov.	1,301	2,601	2,769	3,483	5,729	5,960	7,321	8,536	9,848
Trade Payables	591	1,251	609	1,174	1,445	2,069	2,541	2,988	3,451
Provisions	68	25	31	14	27	66	81	95	110
Other current liabilities	642	1,325	2,128	2,295	4,258	3,825	4,699	5,452	6,287
Net Current Assets	9,442	10,497	10,554	15,081	20,216	27,402	35,098	38,512	42,936
Application of Funds	11,262	12,564	12,697	17,378	23,145	31,038	39,217	43,007	47,627

E: MOSL Estimates

Financials and valuations

Ratios							(INR m)		
Y/E March	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
Basic (INR)									
EPS	5.4	6.8	4.6	9.7	11.5	11.6	10.7	13.8	17.0
Cash EPS	7.5	9.6	7.6	12.9	14.8	15.5	14.8	18.5	22.3
BV/Share	35.1	41.5	45.3	54.6	68.4	87.9	117.5	129.6	144.3
DPS	0.0	0.0	0.0	0.0	0.0	0.5	1.1	1.7	2.3
Payout %	0.0	0.0	0.0	0.0	0.0	4.3	10.3	12.3	13.5
Valuation (x)									
P/E	66.4	52.6	77.9	37.1	31.4	30.9	33.7	26.1	21.2
Cash P/E	47.9	37.4	47.4	28.0	24.4	23.2	24.4	19.4	16.1
EV/Sales	1.0	1.1	1.0	0.7	0.6	0.5	0.4	0.4	0.3
EV/EBITDA	14.5	12.4	14.5	9.2	8.2	7.6	7.0	5.7	4.9
P/BV	10.3	8.7	7.9	6.6	5.3	4.1	3.1	2.8	2.5
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.1	0.3	0.5	0.6
Return Ratios (%)									
RoE	16.7	17.9	10.7	19.4	19.0	15.7	10.6	11.2	12.4
RoCE	9.6	10.9	8.7	12.0	10.9	9.6	7.8	8.6	9.2
RoIC	11.0	11.9	9.6	14.0	13.4	11.8	9.9	11.0	11.4
Working Capital Ratios									
Inventory days	125	147	146	126	147	151	155	154	153
Debtor (Days)	4	3	4	3	4	3	3	3	3
Payables days	9	14	13	9	12	12	13	13	14
Cash conversion days	121	137	137	120	139	142	145	144	143
Inventory turnover (x)	2.9	2.5	2.5	2.9	2.5	2.4	2.4	2.4	2.4
Asset Turnover (x)	2.2	1.9	2.1	2.0	1.8	1.7	1.6	1.7	1.8
Leverage Ratio									
Net Debt/Equity (x)	1.0	0.9	0.7	0.8	0.8	0.7	0.4	0.5	0.5

Cash Flow Statement

Y/E March	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
OP/(loss) before Tax	1,123	1,320	837	1,770	2,162	2,495	2,330	3,006	3,706
Int./Div. Received	-47	-47	-50	-72	-164	-249	-524	-587	-657
Depreciation & Amort.	278	372	396	421	456	601	669	774	872
Interest Paid	448	557	666	709	861	1,081	1,336	1,700	1,831
Direct Taxes Paid	-546	-404	-421	-388	-592	-708	-582	-752	-926
Incr in WC	-1,024	-2,241	934	-1,313	-1,408	-3,386	-2,781	-3,129	-2,701
CF from Operations	276	-462	2,310	1,111	1,306	-244	448	1,013	2,125
Incr in FA	-193	-211	-140	-247	-311	-382	-372	-343	-322
Free Cash Flow	83	-673	2,170	864	995	-626	76	669	1,803
Investments	1	2	-136	113	-212	44	-832	-865	-811
Others	58	43	53	60	127	201	524	587	657
CF from Invest.	-134	-166	-224	-74	-396	-138	-680	-622	-476
Issue of Shares	-	-	-0	0	750	2,482	4,434	-0	0
Incr in Debt	213	1,137	-923	1,499	1,086	521	801	364	718
Dividend Paid	-33	-83	-	-148	-114	-93	-180	-278	-376
Interest paid	-343	-545	-682	-705	-833	-791	-1,336	-1,700	-1,831
Others	-220	-111	-120	-176	-211	-600	388	400	327
CF from Fin. Activity	-383	398	-1,725	471	678	1,519	4,107	-1,214	-1,163
Incr/Decr of Cash	-241	-231	361	1,507	1,588	1,138	3,874	-823	486
Add: Opening Balance	1,391	1,150	920	1,281	2,788	4,376	5,514	9,388	8,565
Closing Balance	1,150	920	1,281	2,788	4,376	5,514	9,388	8,565	9,051

E: MOFSL Estimates

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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