

Micro Cap Multibagger



SKY GOLD LTD

Sky Gold Limited

Date: 25th Sep 2023 | CMP = ₹302

BSE: 541967 | NSE-BE: SKYGOLD

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- **The Gems and Jewellery industry in India is one of the largest** and most important to the Indian economy for various reasons. It is one of **the fastest growing sectors** and we know a number of renowned jewellery houses in India which have been standing strong for decades. These jewellery houses have stuck for so long due to their top notch quality of products, prices, customer relations amongst, strong management, amongst others.
- Today, we have **one such company which fuels most of the top jewellery houses in India**. Beginning business in 2008, **Sky Gold Limited is a supplier to the most well known companies and has had long standing relationships with them for the last 10 years due to their innovative designs and pristine quality.**
- The management of the company began their career from the Zaveri Bazaar in Mumbai. **Having seen everything you need to for selling jewellery, the three brothers Mr. Mangesh, Mr. Darshan and Mr. Mahendra Chauhan have put in all the knowledge and experienced gained into Sky Gold Limited.** From their to now, they have relentlessly worked their way up and have a business today that is on the road for great potential and growth.
- The company moved into their new facility on 1st August, 2023. **The facility will enable them to go up to a revenue of ₹5000 cr. in the coming year.** The highly experienced and humble management along with the company's constant growth plans has made it stand out in its industry.



Company Snapshot

- **Single Phase Buying Strategy = Buy between INR 285-320 (CMP = 302.40 as on 25th Sep'23).**
- **Price Target = INR 450+ in next 12 months & 3000+ in next 5 years. It can deliver ~40% CAGR over the period of next 5 years.**

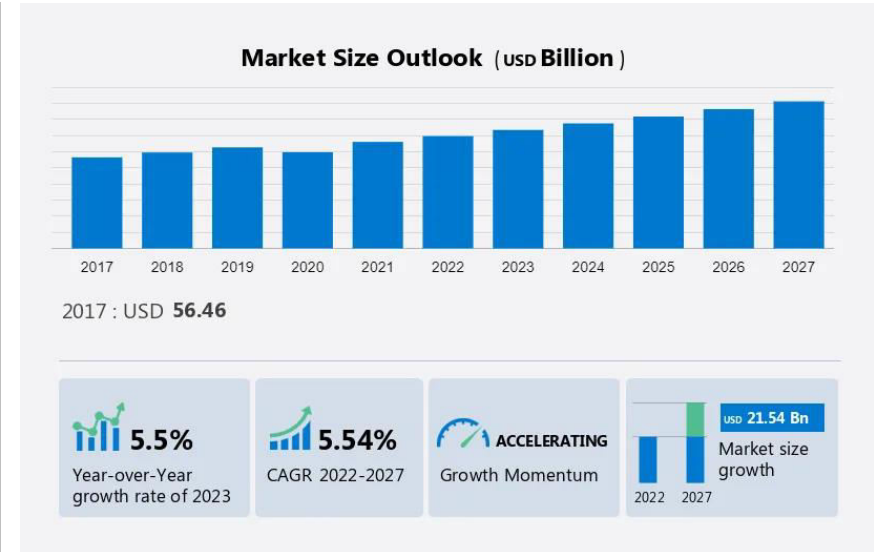
- Incorporated in 2008, **Sky Gold Limited is a B2B model business which is into the designing, manufacturing and marketing of lightweight 22 and 18 karat gold jewellery.**
- The company is a supplier to **the major jewelry houses** in India such as Malabar Gold, Kalyan Jewellers, Senco Gold, Joylukkhas and more.
- Mr Mangesh Chauhan (DIN:02138048), Mr. Mahendra Chauhan (DIN:02138084) and Mr. Darshan Chauhan (DIN:02138075) are the promoters of the company.
- **It was listed on 3rd October, 2018 on the SME BSE platform and moved to the main board of BSE on 6th January, 2023.**



Market Cap : ₹ 320 Cr.	Current Price : ₹ 302	52 weeks high/low : ₹ 415/136
ROE : 21.3%	Stock P/E : 12	Dividend Yield : 0.37%
ROCE : 17.5%	Debt to Equity : 1.49	Dividend Payout: 11.5%
Face Value : ₹10	Promoter Holding : 73.55%	Pledged Percentage : 0.00%
Sales growth (1Y) : 47 %	Profit Growth (1Y) : 11.7 %	Cash Cycle : 48.9
Market Cap to sales : 0.25	Asset Turnover : 5.4	Enterprise Value : ₹ 500 cr.
Debt : ₹ 145 cr.	Book Value : ₹ 91.3	Inventory Days : 28.2

Industry Overview (1/2)

- In the jewelry market, **plain gold jewellery maintains 80-85% of market share, the majority of which is 22-carat** although the market for 18-carat jewelry is growing. In India, studded jewellery – known as Polki, Kundan or Jadau – has an estimated market share of 15-20%, in Northern India this share is considerably higher. In the South, consumers are more inclined towards plain gold products, 60-70% of which are studded with diamonds and the remaining 30-40% set with precious or semi-precious stones.
- In India, the **revenue in the jewellery segment currently amounts to USD \$76.77bn in 2023**. The market is **expected to grow annually by 4.93% (CAGR 2023-2026)**. In global comparison, most revenue is generated in India (US\$76,770.00m in 2023).
- In the current financial year (FY24), **Indian gold jewelry consumption fell by 8% YoY in Q2, undermined by record high gold prices**. The H1 demand was down 12% YoY. The **demand for 18k gold jewelry continued on an upward trend**, as consumers were attracted by the affordability of these products.
- **Government initiatives such as reduced import duty for Gold & Silver (from 12.5% to 7.5%) help to bring down the prices of precious metals in the local market.**
- **India remains one of the world's largest exporters of gold jewellery.** In recent years, the US has surpassed the UAE as the largest export destination for Indian gold jewellery. This is because of, the imposition of extra tariffs on Chinese jewellery exports to the US, which has made Indian exporters more competitive and,, the implementation in the UAE of a 5% import duty in January 2017 and 5% Value Added Tax (VAT) in January 2018, both of which negatively impacted competitiveness. However, **under a Comprehensive Economic Partnership Agreement (CEPA), which was introduced in May 2022, 90% of Indian goods will be allowed duty-free access to the UAE.** This will have far-reaching effects as goods sold there are re-exported to other countries and already this has resulted in a substantial rise in India's gold jewellery exports.



Industry Overview (2/2)

- Gold is a major part of Indian culture, closely tied to religious beliefs, tradition and festivals. Bridal jewelry dominates the gold jewelry market, enjoying 50-55% of market share; weddings, together with festivals, constitute the two major gold purchase occasions in India. The importance of this type of jewelry in India stems largely from the fact that gold is looked at as an important form of financial security in most Indian households.
- **Agriculture remains important to gold demand.** India has seen significant urbanization yet 65% of the population still live in rural areas and depend on the land for their livelihood. Gold remains the most popular form of investment for these communities and while access to bank accounts has increased, faith in gold has not diminished.
- Under the HUID scheme by the Government of India have made it **mandatory for all gold jewelry to have a HUID which is a six-digit alphanumeric ID on each piece.** The HUID for each item is unique in order to enable traceability.
- Under this scheme **the jewelers are granted a certificate of registration to sell hallmarked jewelry.** The jewelers have to give the jewelry to Assaying and Hallmarking (A&H) centres where the jewelry is tested for its purity and then the A&H centres provide the hallmark on the jewelry along with declaration of purity provided it is found to be maintaining the Indian Standards including declared fineness.
- Currently, **the government has made it mandatory in 256 districts in India.**



Hallmark Unique Identification (HUID) Number

- Introduced on 1st July, 2021, The Union Ministry of Consumer Affairs, Food and Public Distribution recently announced that the sale of gold jewellery and gold artefacts without the HUID number is prohibited in India from April 1. To date, as many as 10.56 crore pieces of gold jewellery articles have been Hallmarked in 2022-23.
- HUID gives distinct identity to each piece of jewellery enabling traceability. It is **critical to the credibility of Hallmarking and addressing complaints regarding purity of Hallmarked jewellery**. It has been welcomed by the consumer groups.
- In HUID based Hallmarking, registration of jewellers is automatic with no human interference. It is aimed at ensuring the purity of Hallmarked jewellery and check any malpractice. HUID is a secure system and poses no risk to data privacy or security.
- HUID-based Hallmarking is a positive for both sides. It brings about transparency, ensures consumers' rights are protected. **Anyone can get existing jewellery Hallmarked and get true valuation of Gold.**
- **Hallmark consists of 3 symbols which give you some information. In this, the first symbol is BIS (Bureau of Indian Standards) logo, second symbol indicates purity and fineness and the third symbol is the HUID.** Before buying any piece of gold jewellery you have to see all these 3 symbols.
- **Beginning 1 April 2023, the Bureau of India Standards (BIS) has strictly prohibited the selling of hallmarked gold jewelry or gold artifacts without a 6-digit alphanumeric Hallmark Unique Identification Number (HUID).**



Company Overview

- Sky Gold Limited product types include Plain gold jewelry, Turkish jewelry and CZ studded jewelry.
- The process the company follows is **buying the bullion from banks and dealers and converting it to jewellery**. The company's strength lies in its craftsmen and have about 250+ of them from Bengal.
- They manufacture for corporates such as **Malabar Gold, Joyalukkas, GRT Jewellers, Kalyan Jewellers, Senco Gold, PC Chandra Jewellers and more.**
- Sky Gold Limited moved into **their new facility in 1st August of 80,000 sq ft. The new facility has a capacity of 5000 cr. Per sq ft sales in previous facility 4.65****
- Cutting edge research and technology implemented within the company

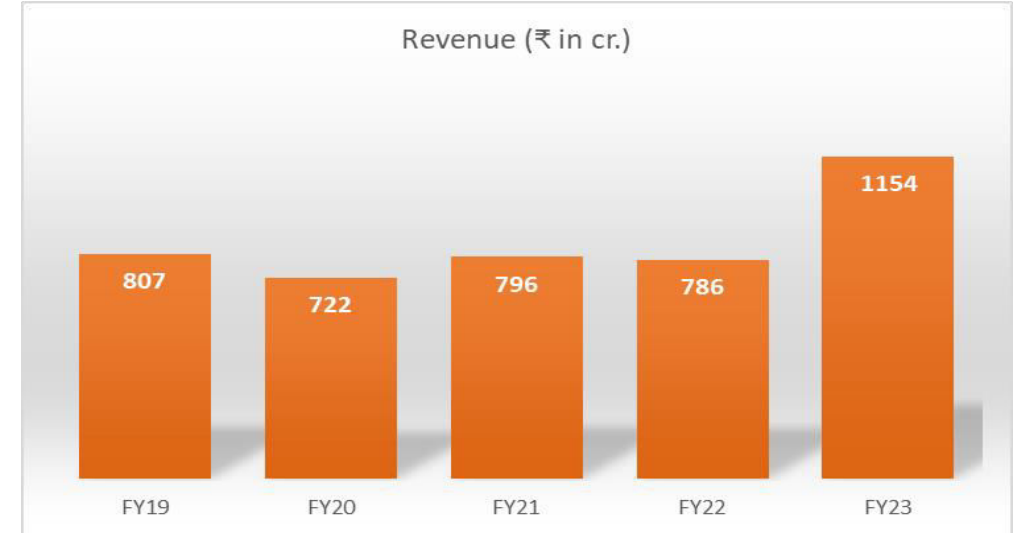


- Sky Gold Limited entered the B2C Markers in the United States in in 2021. They signed an agreement with a company called Varanium Inc, USA.
- **The company also has a subsidiary in the U.S by however, it has a low response.**
- They have an online presence in Australia as well and actively export to the UAE and Singapore



Business Overview (1/2)

- Sky Gold Limited specializes in casting jewelry and the **manufacturing process is a mix of machine and man-made where 50% of the products are made by machines and the other 50% includes the sizing, linking, polishing, filing which is done by the craftsmen.** They **design and manufacture region-specific jewellery** for instance, South-Indian based jewelry, according to the taste of corporations such as in Karnataka, Kerala and more.
- One of **the strategies to acquire new clients for the company is through participating in exhibitions such as the India International Jewellery Show (IIJS Signature)** , a renowned jewelry show by the GJEPC (Gem & Jewelry Export Promotion Council). They participated in the August exhibition in Goregaon, Mumbai, Goregaon as well as the exhibition in September where they were able to acquire new clients. **They are doing 4 exhibitions in a financial year.**
- The promoter says the **employee strength is between 400-500 employees** out of which 50 is managing staff and the rest comprises skilled workers, designers, CAD (computer design software) specialists. **150-180 are on salary and the others are on contract.** They are also in the process of hiring new production management heads as well as designers and kaarigars. This will help them increase product segment and make new monopoly products for their clients
- **Making charges:** for their higher-end monopoly products are around ₹300-₹600 per gram for Indian products.
- **Ordering process:** some corporates select products from the daily existing inventory and some give specialized orders to be delivered within 7-20 days. They have an in-house B2B app through which their clients can select products. While processing 100 gms losses will be about 5%-6% and after recovery it is 2%-2.5%.



Business Overview (2/2)

- The company keeps a design database out of which the clients choose. When receiving an order from, **the labor price is fixed (which changes every 2 years, for some clients they may retain the same price for 3 years) and the gold price depends on what the market price for gold is. Manufacturing price is locked for 1-2 years for basic products but for new products launched by sky gold, they give new and higher prices. They maintain margins by creating new products.** The company has set-up **new machinery at the new facility which they have imported from Germany and Italy.** With the help of the machinery, they will be able to reduce turnover time from order receipt.
- **Top clients:** Malabar Gold & Diamonds (largest client), Senco Gold, GRT Jewelers, Khazana, Lalita Jewelry, Kalyan Jewelry. In talks with Tanishq and Reliance.
- **Monopoly product: Uniqueness in design along with new tech machinery installed in new facility. They create monopoly products for each client.**
- They are making 200-250 kg monthly right now which is 0.5 tonnes monthly. **They predict to be able to go upto 1 tonne monthly in 2-3 years because of the new facility. In FY23 they made about 2.3-2.4 tonnes.**



Subsidiary, Agreements & Exports

- Apart from their business in India, Sky Gold Limited had entered the B2C USA Markets in 2022 where they launched their own brand in collaboration with Varanium Inc, USA in Gold Jewellery Products. These products have been showcased on Varanium Inc, USA ever since. Mr. Mangesh Chauhan, MD and CFO said that this is the first time the business is entering the retail market and the demand in the US retail market serves as an opportunity for the business. In this collaboration, after research and development for a year, they have launched 18 carat yellow gold, rose gold and white gold products mainly for the US audience with an expectation to grow their PAT in the next few quarters. However, **due to a low response the company is now in the process of calling off the agreement.**
- Sky Gold Limited has an online presence Australia as well and the company is also exporting products to the Singapore and Gulf countries.
- **Their U.S subsidiary has not been giving a good response either as said by Mr. Mangesh Chauhan. Therefore, they are not concentrating on that much in terms of investing capital or sending inventory, or marketing.**
- Focusing **only on domestic and export to UAE.**
- Export guidance: exporting to UAE and Singapore. Corporates like Malabar gold, Joyalukkas and kalyan have showrooms there as well. The **B2B Export to the showrooms in UAE and Singapore contribute to 5-10% of the revenue.**



Investment Rationale

Supplier to most corporates

Sky Gold Limited has been a supplier to most of the jewellery houses in India and has continued business for a decade now. This goes to show the strong client relationships the company has been able to foster and the reliability on its products.

Hallmark Unique Identification Number

India is the second largest country in term of gold jewellery consumer demand. The HUID has placed a standard that must be met in terms of quality to further benefit the consumer. This in-turn will benefit jewellery houses as consumer demand will be seen only in recognized jewellery houses rather than unorganized, small players'.

New facility with higher capacity

The company has recently moved to its new facility in Mumbai with a larger capacity which will allow them to produce 1 tonne monthly in the coming years.

Experienced management starting their career from the bottom

The management of the company began their career in the Zaveri Bazaar of Mumbai and have now come to own a company with a net worth of ₹98.1 cr. The promoters have been a part of all departments as possible and brought all the learnt knowledge into this company. They are successfully supplier to several clients whilst increasing their client base regularly.



Supplier to most corporates

- Sky Gold Limited is **one of the well-known organized company to supply to the best known jewellery houses in India.**
- Some of its clients include: Malabar Gold Diamonds, Kalyan Jewellers, Joyalukkas Jewellery, Senco Gold, PC Chandra Jewellers amongst others. **Sky Gold Limited grows as these clients grow, for example: Malabar Gold plans an investment of ₹1,000 crore in Maharashtra over next two years to expand its retail outreach.** It plans to open 60 new retail stores which is a huge positive for its supplier as well – Sky Gold Limited.
- The company has had long-standing relationships with its clients for over a decade and successfully acquires new clients during its participation in the India International Jewellery Show organized by the Gems and Jewellery Export Promotion council of India. Sky Gold participates in at least 4 exhibitions annually.
- **The company is currently in final talks with Tanishq and is expecting to begin supplying to them in Q3FY24.**

Hallmark Unique Identification Number

- This method, which has been required as of April 1, 2023, increases customer confidence by giving consumers a way to verify the weight, purity, and manufacturer information of gold jewelry, protecting them from inferior or counterfeit goods.
- Purity is guaranteed by the HUID number, which is a gold seal of authenticity that is laser-etched onto jewelry to ensure its purity. The Bureau of Indian Standards (BIS) also securely stores it in a database, ensuring that your jewelry sparkles with the real thing and is guaranteed to be pure.
- The HUID number acts as a barrier to counterfeit jewelry. Its difficult-to-crack code prevents imitations from entering the picture and guarantees that only real, shining gold makes it into your collection.
- All these factors are vital for the **success of a company like Sky Gold Limited because Indians see gold as a major form of security. When the consumers are ensured about the authenticity of the gold, they will be encouraged to purchase. This reduces the threat that comes from unorganized players.**

New facility with higher capacity

- The company moved into its new facility in August, 2023. The address is - Plot No. D-222/2 TTC, MIDC Shirawane, Mumbai, Thane – 400705. As mentioned by the promoter, this facility has a larger capacity to go up to ₹5000 cr. in the coming years.
- **The company made a CAPEX of ₹10-12 cr for the new facility including the machinery which they have important from Germany and Italy.** This machinery will help them reduce costs, produce efficiently and in a shorter time.
- **Mr. Mangesh Chauhan, one of the promoters, predicts to be able to go up to 1 tonne monthly in 2-3 years because of the new facility and machinery in place.**
- The company has **currently leased the facility but has plans in the future to buy it.** The previous facility had a capacity of ₹1500 cr. They moved into a new facility is because they had filled up capacity in Q4FY23 and needed to add more production due to the addition of new clients in FY24.

Mangesh Chauhan: 500 to 600 employees. Right now we have 350 to 400 employees so 500 to 600 employees we will start there. There is a capacity of 1200 employees in this factory. It is three times our manufacturing capacity which we expanded so step by step we will add on employees and go ahead.

Vaibhav Shah: Okay so once we transfer the facility so our old facility will be there or we will be totally winding up and all operations will be shifted to the new facility?

Mangesh Chauhan: We will be winding up all old operations because we have already there 80,000 square foot facility. Here we have 25,000 square foot so we will not be needing this facility here so it will be building itself with land for us so we may not be needing space here.

Vaibhav Shah: Okay so in the new capacity we have bought the area or we have taken on a long term lease or how is it?

Mangesh Chauhan: We have leased the factory. In the future the plan is to buy it but the facility we were not getting outright this time so we took it rented.

Vaibhav Shah: Okay so when we are going to the new facility likely what will be the capex amount? How much will go for towards new machinery and all?

Mangesh Chauhan: We have done the capex for Rs.10 Crores to Rs.12 Crores with machinery and furniture fixtures.

Experienced management starting their career from the bottom

- The management of company humbly **started their career in the Zaveri Bazaar in Mumbai which is known as the major location of B2B and B2C jewellery industry in India.** Having learned the process of B2B and everything from scratch is what makes them so incredibly knowledgeable today.
- The company is promoted by three brothers: Mr. Mangesh, Mr. Mahendra and Mr. Darshan Chauhan. Each one of them oversees different areas within the company with all the experience they have gathered in the last 15 years. The company's B2B model is something that is lesser seen within the jewellery industry. The promoters have incorporated effective technology within their operations – they imported German and Italian machinery which helps them reduce gold losses during the production process.
- The management of the company has **carefully curated monopoly products for each of their clients ensuring that no designs in terms of the monopoly products are the same for their clients.** They say that this strategy is one of the reasons why the companies have been with them for so long. T
- The constant innovation in product designs, exploring technology options within the industry, strategic and growth plans is what makes Sky Gold Limited stand out.



Financial Analysis

Particulars (₹ in cr.)	Annually					Quarterly	
	FY19	FY20	FY21	FY22	FY23	Q1 FY23	Q1 FY24
Revenue	807	722	796	786	1,154	313	376
Operating Profit	10	13	11	20	37	8	19
Operating Margin (%)	1%	2%	1%	3%	3%	3%	5%
Net Profit	3	6	5	17	19	5	11
Net Profit Margin (%)	0.37%	0.83%	0.63%	2.16%	1.64%	1.6%	3%

- Revenue in FY23 has grown by 47% from ₹786 cr to ₹1,154 cr due to acquisition of new clients in terms of distributors and corporates. Additionally, the company grows with its clients as its clients open 30-40 new show rooms every month such as Kalyan Jewellers.
- Revenues degrowth in FY20 by 11.8% due to COVID-19 pandemic
- **Top 5 customers contribute to 70% of the revenue. Malabar Gold being the largest followed by Joyalukkas.**
- EBITDA margin was 4% in FY22 compared to 3.2% in FY23 as there was a capital gain in FY22 which is why the EBITDA was higher.
- As debt is increasing to increase inventory, the company is increasing margins as well by introducing new product lines.
- **The company manufactures 18K and 22K jewelry where 22K contributes to 90% of the revenue.**
- **65% of the revenue comes from corporates and the rest from distributors.**
- Before moving in the facility, the facility in Mulund had a capacity of 300kg and the company was efficiently utilizing 200kg.

Balance Sheet Analysis

	Mar 2013	Mar 2016	Mar 2017	Mar 2018	Mar 2019	Mar 2020	Mar 2021	Mar 2022	Mar 2023
Share Capital +	1	1	1	4	5	5	5	5	11
Reserves	5	9	10	10	36	42	47	71	87
Borrowings +	19	24	25	52	49	59	73	92	146
Other Liabilities +	1	1	1	1	1	3	1	6	8
Total Liabilities	26	35	37	66	92	109	126	175	252
Fixed Assets +	1	1	1	4	4	4	5	8	9
CWIP	0	0	0	0	0	0	0	0	0
Investments	0	0	2	0	10	21	25	45	68
Other Assets +	25	34	34	62	78	84	96	122	175
Total Assets	26	35	37	66	92	109	126	175	252

- **Increasing PAT is added to the company's reserves which is being used for working capital needs a part from debt.**
- The borrowings have increased due to need of stocking inventory on a regular basis.
- The fixed assets have increased due to investments in new machinery for production as well as new facility which they moved into from Mulund to Navi, Mumbai.
- The facility is leased and the company did a capex up to ₹12 cr. Including the imported machinery which helps the company to prevent gold losses.

Cash Flow Analysis

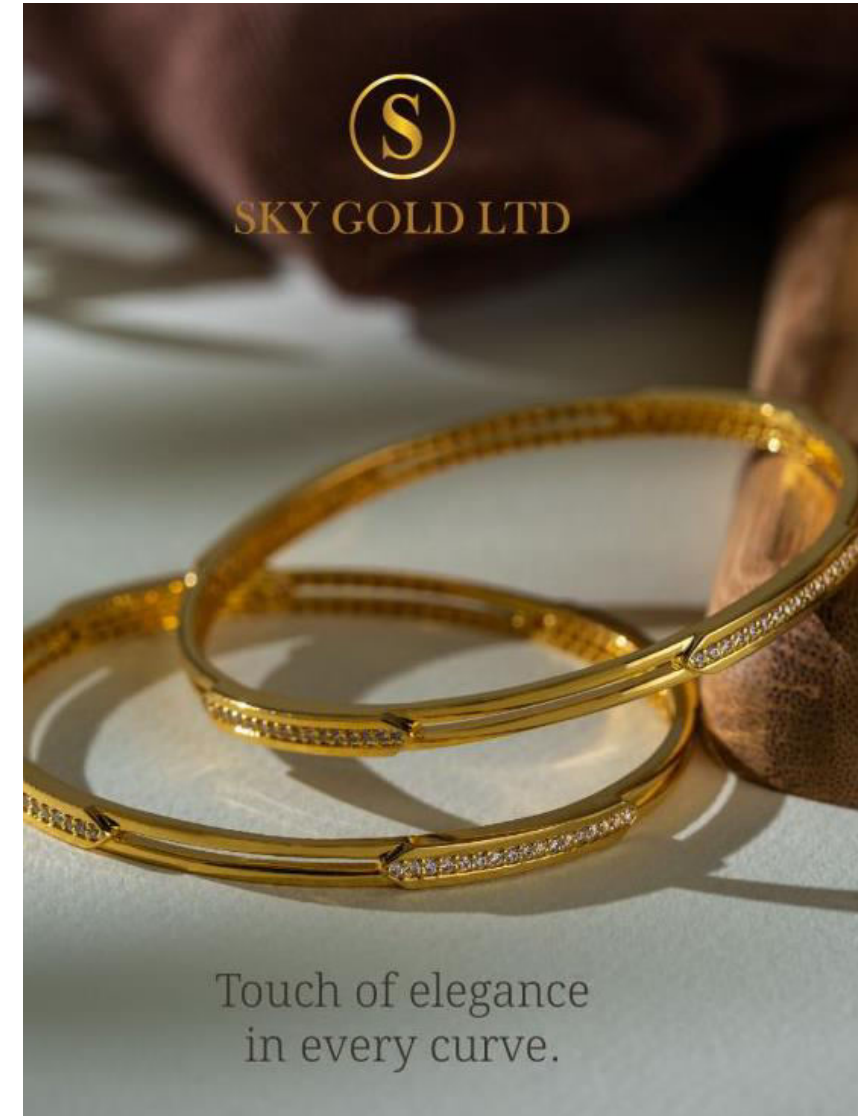
	Mar 2013	Mar 2016	Mar 2017	Mar 2018	Mar 2019	Mar 2020	Mar 2021	Mar 2022	Mar 2023
Cash from Operating Activity -	0	-1	3	10	-13	6	-5	-7	-6
Profit from operations	0.00	4.24	4.16	7.24	10.52	12.73	10.32	19.91	35.97
Receivables	0.00	-17.99	18.12	-15.05	-0.74	-16.31	23.16	-20.33	-23.53
Inventory	0.00	12.66	-18.08	-5.90	-17.46	8.40	-34.39	-6.06	-10.85
Payables	0.00	0.13	-0.06	-0.13	0.09	0.92	-0.96	1.35	0.07
Loans Advances	0.00	-0.01	0.00	26.34	-2.92	-0.03	-0.03	-0.03	0.00
Operating borrowings	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02
Other WC items	0.00	0.24	-0.37	-1.36	-0.80	1.33	-1.15	1.21	-1.01
Working capital changes	0.00	-4.98	-0.39	3.90	-21.82	-5.68	-13.37	-23.87	-35.30
Direct taxes	0.00	-0.53	-0.53	-1.35	-1.92	-1.38	-1.93	-3.26	-7.15
Other operating items	0.00	0.00	0.00	0.00	-0.03	0.00	0.00	0.00	0.00
Cash from Investing Activity +	0	-1	-2	-11	-10	-11	-4	-2	-20
Cash from Financing Activity +	0	2	-1	-3	19	4	9	10	43
Net Cash Flow	0	-0	0	-5	-4	-1	0	1	17

- **Cash from operating activities has been negative for the last 3 fiscals.**
- The debtor days may vary from 7 days to 30 days and these late payments contribute to the negative cash flows.
- Additionally, the costs of acquiring the raw materials are expensive given the surge in gold prices.
- Inventory turnover ratio increased by 30.39% as the company was able to achieve high turnover by maintaining inventory at low level
- **Net Profit Ratio is decreased by 25.24%** as compared to previous year this is because in previous year company has earned major profit from non-recurring income in form of capital gain on sale of Investments.

Ratio Analysis

	Mar 2013	Mar 2016	Mar 2017	Mar 2018	Mar 2019	Mar 2020	Mar 2021	Mar 2022	Mar 2023
Debtor Days	91	65	32	20	14	24	11	20	21
Inventory Days		2	44		20	18	32	36	28
Days Payable		0	0		0	1	0	1	0
Cash Conversion Cycle	91	66	76	20	33	41	43	55	49
Working Capital Days	104	66	74	37	34	41	44	54	48
ROCE %			12%	14%	13%	14%	9%	13%	18%

- The company has long standing relationships with its clients and the payments are usually done anywhere between 7-30 days which is why the cash conversion cycle has reduced to 49
- **ROCE has increased from 13% in Mar-22 to 18% in Mar-23**
- **Debt to Equity ratio is 1.49. The company is required to take debts in order to make its inventory for potential as well as new clients**
- **The market cap to sales ratio is 0.47 which is relatively low to its competitors and indicates its potential to grow**
- **The inventory days have reduced from 36 to 28 in FY23 and days payable have gone down to zero**





Mangesh Chauhan, Managing Director and CFO

Mr. Mangesh (43 years) completed his graduation from Ramanand Arya DAV College. **His 15 years of experience began by working in the shops of Mumbai's Zaveri Bazaar and then went on to form the partnership firm, in 2005 with the other two promoters namely, Mr. Mahesh Chauhan and Mr. Darshan Chauhan.** A few years later, in 2008, the partnership was dissolved and converted to Sky Gold Private Limited. Being the CFO, Mr. Mangesh keeps himself involved in the finances of the business but also involves himself in the strategy, marketing, creation and implementation activities. He mentioned that **the company is considering entering the B2C space** as well and R&D has begun for that. The promoter had leased one of his properties to the company which was the old manufacturing unit in Mulund.



Mr. Mahendra Chauhan, Director

Mr. Mahendra (44 years) is the cousin brother on Mr. Mangesh Chauhan Mr. Darshan Chauhan and currently oversees R&D, machine performance and manufacturing process at Sky Gold Limited. Currently, he is overseeing the R&D in the southern region where the company is planning on opening their company owned store.



Mr. Darshan Chauhan, Director

Mr. Darshan Chauhan (38 years) completed his Bachelors of Commerce from Mumbai University and **was initially introduced as a partner in M/s. Sky Gold in 2006.** He is involved in design, innovation and pricing at Sky Gold Ltd. He is the own brother of Mr. Mangesh Chauhan and cousin to Mahendra Chauhan.

Risk and Concern

Increase in Gold price

Increasing prices of gold are causing dissatisfaction amongst consumers and may lead to lesser demand. It is a concern of Sky Gold Limited as they are required to purchase the gold regularly that too outright. There has been a 7% fall in the demand of gold jewellery in Q2FY23.

Increasing debt

As mentioned by the promoter, it is important for them to increase their debt in order to finance their inventory for their clients and acquire potential clients. The company uses debt as well as reserves for this. This debt is used to finance the inventory which is expensive and therefore the margins stay low.

Changes in consumer preference

The tastes and preferences of the new generation is vastly different from the generations that stack up on gold jewellery in their closets. We are slowly witnessing heavy gold jewellery being used either as an investment or for wedding purposes. Today's consumers want lightweight jewellery with a western touch, moving away from the traditional designs.

Future Outlook

Particulars	Actual	Projected		
	FY23	FY24E	FY25E	FY26E
Revenue (INR Cr.)	1154	1557.9	2103.16	2839.26
Operating Profit (INR Cr.)	37	47	55	63
Operating Margin (%)	3%	3.5%	4%	4.5%
Net Profit (INR Cr.)	19	23	27	31
Net Profit Margin (%)	1.64%	1.47%	1.28%	1.09%

- The company is in the last few stages of talks with Tanishq Jewellery and are expecting to supply to them by November. The model followed here will be that Tanishq will supply the raw material and Sky Gold will manufacture and design. This will help improve their margins.
- R&D is currently in place in South India as the company has plans to open its first ever fully owned store in the southern region
- Q3 is expected to be a robust quarter for them as they will finish their orders with their clients for the wedding season which will take place in Q4.
- The company has already invested in equipment which will enhance the efficiency and enable them to go up to a capacity of ₹5000 cr in the coming years.
- The projections are based on revenue estimates given by management post new facility. We have discounted it by some degree and have projected revenue to about ₹3000 in the next 3 years.



81,000 Sq Ft
Ft Manufacturing Facility



SEBI Research Analyst Registration No. : INH200006451

1. At the time of writing this article, the analyst have no position in the stock covered by this report.
2. The analyst has not traded in the recommended stock in the last 30 days.
3. The research analyst does not have any material conflict of interest at the time of publication of the research report.
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