

Small fish in a big pond

- Based out of Mumbai and operating since 2005, Sky Gold specialises in design, and manufacturing of casting gold jewellery.
- It is founded by 3 visionary promoters - Mangesh Chauhan, Mahendra Chauhan and Darshan Chauhan.
- It operates an asset-light, B2B model, distributing its products to corporate gold retailers (65% of revenue to top 15 clients) and mid-to-small jewellers (35% of revenue).
- Top clients: Malabar, Joyalukkas, Kalyan, Reliance, Senco, PN Gadgil & CaratLane.

Rationale 1 - Industry Tailwind: Shift towards larger B2B suppliers

Large retailers are eating the share of unorganised/single store players. A similar trend is being witnessed in the B2B outsourcing space as well with large retailers opting to source more from large suppliers which makes operations more efficient. Large jewellery retailers outsource almost 75-80% of their requirements from numerous small manufacturers.

Rationale 2 - Large TAM; small base provides multi year growth opportunity

- ✚ Domestic gems and jewellery market is estimated at Rs. 4.7 Lac Cr in FY23 of which 66% is the share of Gold jewellery (Rs. 3.1 lac Cr).
- ✚ The largest B2B company i.e. Emerald Jewel Industry had revenue of over Rs. 7,100 Cr in FY24E (9mFY24 annualised figure). In comparison, Sky Gold had revenue of just Rs. 1745 Cr in FY24). Sky Gold intends to be the No. 1 company in the long run.

Recent acquisitions to provide entry in new segments of chains and mangalsutra

- ✚ SG has acquired 2 promoter owned companies in the current year viz - Starmangalsutra and Sparkling Chains valuing them at a PE of just 6x FY25E which is a good move from SG's minority shareholders' perspective.
- ✚ This has resulted in almost doubling of the TAM from merely addressing gold casting jewellery (35% mix) to that of mangalsutra (15% mix) plus chains (15% mix).

Rationale 3 - Capacity expansion by 3.5x

- ✔ To meet rising volumes, SG shifted to a larger facility, with upgraded machinery, in FY24 at a cost of Rs. 20 Cr.
- ✔ Expansion to an 80,000sq. ft. facility in Navi Mumbai from a 25,000 sq. ft. one, marks a substantial rise in monthly production capacity from 300 kgs to 750 kgs.
- ✔ Acquisitions of Starmangalsutra and Sparkling Chains further adds monthly capacity of 300 kgs, thereby taking the total monthly capacity to 1,050 kgs in FY25 from 300 kgs in FY23.

Rationale 4 - Shift to GML (gold metal loans) to aid profitability

- ✔ Interest cost is expected to fall as Sky Gold shall shift to GML to meet its working capital needs. Interest cost on normal working capital loan stands at 9.5%, while on GML it is in the range of 4-7%. As contribution from GML rises to 70-80% by FY27E, it should add 30-40 bps straight away to PAT margins. (GML mix in debt has reached 20% as on Q3FY25 from nil in FY24)

Rationale 5 - Rising contribution of newer products

✚ Share of natural/lab grown diamonds and 18 carat gold jewellery which is just ~5% today is expected to increase to 15% in FY26 which shall aid growth and increase margins.

Rationale 6 - Onboarding of multiple new clients has led to increase in guidance

✚ SG has onboarded multiple new clients during FY25 such as CaratLane, PN Gadgil, Aditya Birla. This has resulted in the management upgrading their long term revenue guidance (FY27E) from Rs. 6,200 Cr to Rs. 7,200 Cr.

Valuation & Recommendation

✚ We expect SG's revenue/earnings to grow at a CAGR of ~50% over FY25-27E. We expect ROCE to improve from 13% in FY24 to 21% in FY27E. We value SG at P/E multiple of 30x FY27E (40% discount to fair P/E for Titan) and arrive at a TP of Rs. 482 by March 2026.

Figures in Rs Cr

Year	Revenue	Growth	EBITDA	Margin	PAT	Growth	EPS	PE	EV/EBITDA	ROCE
FY23	1154	47%	36	3.1%	19	9%	1.2	260.0	137.5	15%
FY24	1745	51%	77	4.4%	40	118%	2.7	119.5	64.5	13%
FY25E	3349	92%	170	5.1%	109	170%	7.2	44.3	29.3	17%
FY26E	5717	71%	290	5.1%	177	62%	11.8	27.3	17.2	20%
FY27E	7666	34%	389	5.1%	242	36%	16.0	20.0	12.8	21%

FUNDAMENTAL TEAM

Name	Sectors	E-mail	Numbers
Sunil Jain	Head Equity Research - Retail	sunil.jain@nirmalbang.com	6273 8195/96
Jehan Bhadha	Banks & NBFC, Auto, Capital Goods	jehankersi.bhadha@nirmalbang.com	6273 8174
Priyanka Ghadigaonkar	Chemicals, FMCG	priyanka.g@nirmalbang.com	6273 8177
Kavita Vempalli	IT, Telecom, Logistics, Textile	kavita.vempalli@nirmalbang.com	6273 8034
Devendra Pawar	Banks & NBFC, Auto, Capital Goods	devendra.pawar@nirmalbang.com	6273 8149
Shivani Walam	Database Management	Shivani.walam@nirmalbang.com	6273 8091
Saurav Motivaras	Database Management	Saurav.Motivaras@nirmalbang.com	6273 8054
Darxit Jain	Database Management	darxit.jain@nirmalbang.com	6273 8054

TECHNICAL AND DERIVATIVES TEAM

Vikas Salunkhe	Sr. AVP-Technical Analyst	vikas.salunkhe@nirmalbang.com	6273 8254
Swati Hotkar	AVP - Technical Analyst	swati.hotkar@nirmalbang.com	6273 8255
Nirav Chheda	AVP- Derivatives & Technical Analyst	nirav.chheda@nirmalbang.com	6273 8199
Amit Bhuptani	Sr.Derivatives & Technical Analyst	amit.bhuptani@nirmalbang.com	6273 8242
Sumit Vartak	Associate	sumit.vartak@nirmalbang.com	62738261

Research Reports that are published by Nirmal Bang Securities Private Limited (hereinafter referred to as “NBSPL”) are for private circulation only. NBSPL is a registered Research Analyst under SEBI (Research Analyst) Regulations, 2014 having Registration no. INH000001766. NBSPL is also a registered Stock Broker with National Stock Exchange of India Limited, BSE Limited, Metropolitan Stock Exchange of India Limited, Multi Commodity Exchange of India Limited, National Commodity and Derivative Exchange Limited and Indian Commodity Exchange Limited in cash and Equity and Commodities derivatives segments.

NBSPL has other business divisions with independent research teams separated by Chinese walls, and therefore may, at times, have different or contrary views on stocks and markets.

NBSPL or its associates have not been debarred / suspended by SEBI or any other regulatory authority for accessing / dealing in securities Market. NBSPL, its associates or analyst or his relatives do not hold any financial interest (Except Investment) in the subject company. NBSPL or its associates or Analyst do not have any conflict or material conflict of interest at the time of publication of the research report with the subject company. NBSPL or its associates or Analyst or his relatives may or may not hold beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of this research report.

NBSPL or its associates / analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Analyst during the past twelve months. NBSPL or its associates have not received any compensation or other benefits from the company covered by Analyst or third party in connection with the research report. Analyst has not served as an officer, director or employee of Subject Company. NBSPL / analyst has not been engaged in market making activity of the subject company.

Analyst Certification: The research analysts and authors of these reports, hereby certify that the views expressed in this research report accurately reflects my/our personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst(s) principally responsible for the preparation of this research report and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. NBSPL is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. In preparing this research, we did not take into account the investment objectives, financial situation and particular needs of the reader.

This research has been prepared for the general use of the clients of NBSPL and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. NBSPL will not treat recipients as customers by virtue of their receiving this report. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject NBSPL & its group companies to registration or licensing requirements within such jurisdictions.

The report is based on the information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up-to-date and it should not be relied upon as such. We accept no obligation to correct or update the information or opinions in it. NBSPL or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. NBSPL or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

This information is subject to change without any prior notice. NBSPL reserves its absolute discretion and right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, NBSPL is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.

Before making an investment decision on the basis of this research, the reader needs to consider, with or without the assistance of an adviser, whether the advice is appropriate in light of their particular investment needs, objectives and financial circumstances. There are risks involved in securities trading. The price of securities can and does fluctuate, and an individual security may even become valueless. International investors are reminded of the additional risks inherent in international investments, such as currency fluctuations and international stock market or economic conditions, which may adversely affect the value of the investment. Opinions expressed are subject to change without any notice. Neither the company nor the director or the employees of NBSPL accept any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research. Here it may be noted that neither NBSPL, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profit that may arise from or in connection with the use of the information contained in this report. Copyright of this document vests exclusively with NBSPL.

Our reports are also available on our website www.nirmalbang.com

Nirmal Bang Research (Division of Nirmal Bang Securities Pvt. Ltd.)

B-2, 301/302, Marathon Innova,
Opp. Peninsula Corporate Park
Off. Ganpatrao Kadam Marg
Lower Parel (W), Mumbai-400013
Board No. : 91 22 6723 8000/8001
Fax. : 022 6723 8010