



# Thangamayil Jewellery Limited (TMJL)

June 2022





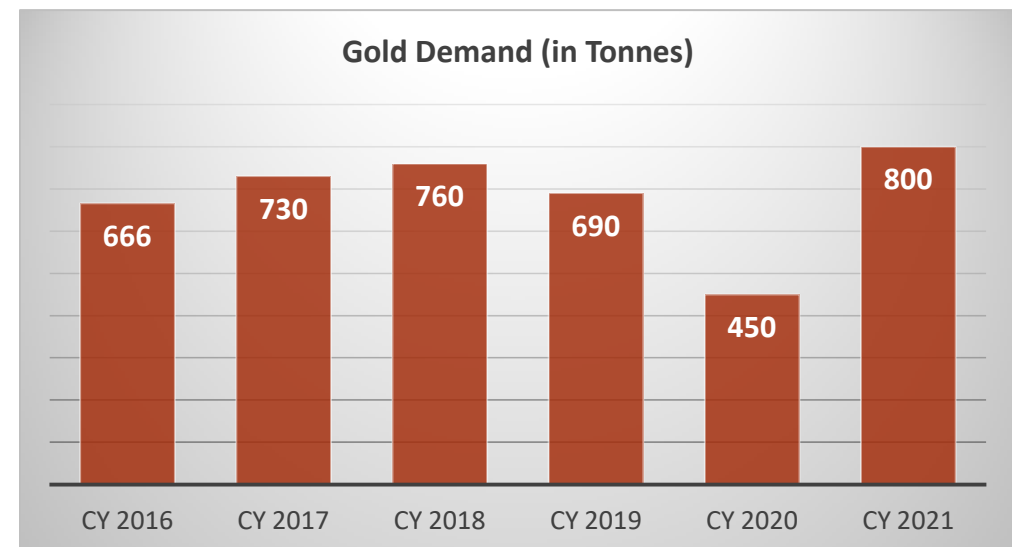
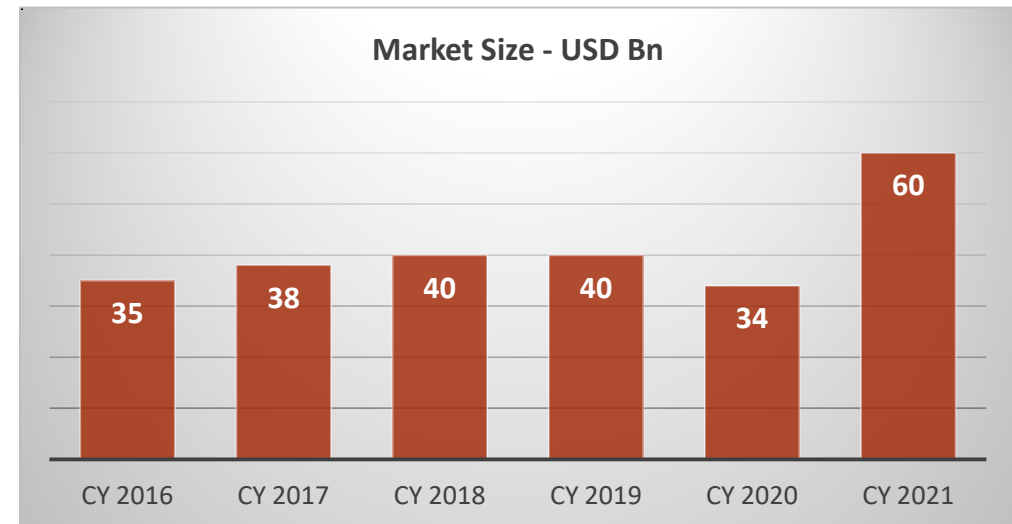
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## Indian's obsession with gold to continue

- Demand for gold jewellery has remained steady at 700-800 tonnes over CY2017-2021, as people buy gold to mark new beginnings, birth, festivals and weddings
- Majority of gold demand in India is linked to weddings, as buying gold jewellery for an Indian bride is based on the concept of Streedhan
- Additionally, Indian temples own significant quantity of gold, which is offered to the temple deities by devotees



Source: CareEdge Research



# South region / Rural India contributes chunk of demand

- South India constitutes c40% of gold demand (Source: WGC), with a majority of the jewelry market being captured via value conscious customers / economy products
- Rural population prefers to invest in gold post their harvest season, since it is highly liquid and lack of trust towards financial products
- Demand trends for jewelry remain skewed with specific months, it being driven via marriage / festival season and crop harvest

## Urban vs Rural: Gold Ownership (%) based on Income Level

(Source: World Gold Council)

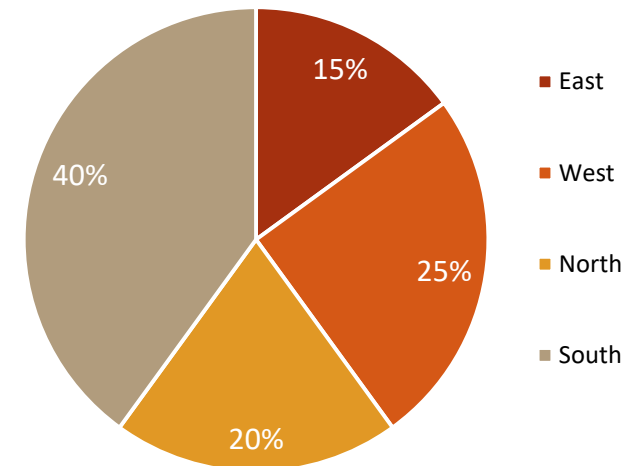
Income Level	Urban	Rural
40,000-1,00,000	49	74
100,001-400,000	60	76
400,000+	80	93

## Seasonality in Jewellery buying - done

Month	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Festival	✓			✓					✓	✓	✓	
Harvest	✓	✓	✓	✓					✓	✓	✓	✓
Marriage	✓				✓	✓			✓	✓	✓	✓

(Source: CareEdge Research)

## Regionwise Gold demand in India - %



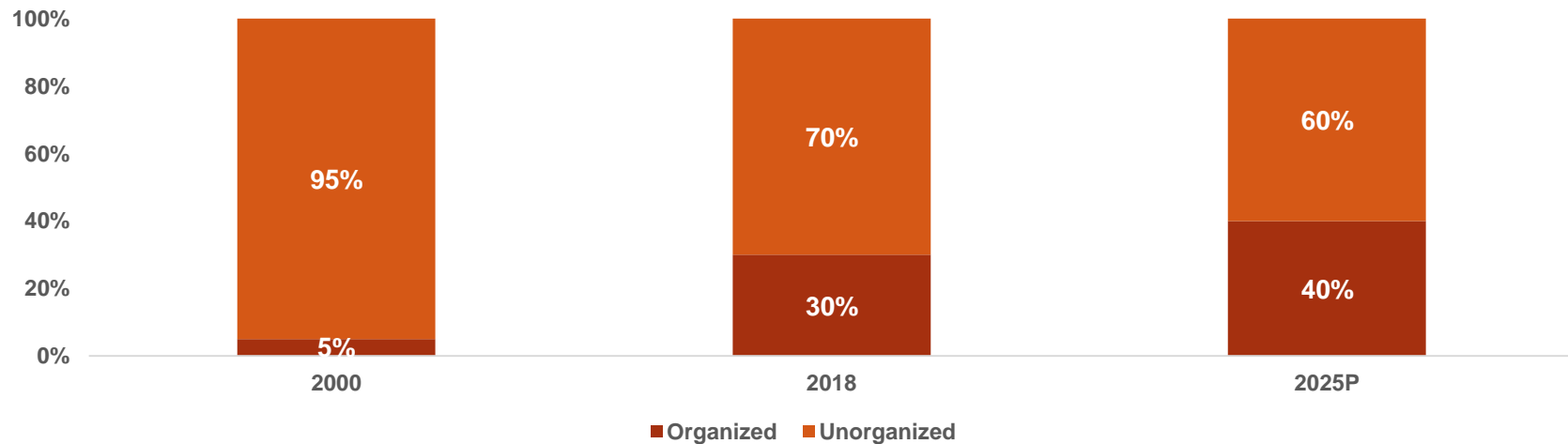
Source: WGC



# The dazzling shift to formalization

- Organized players have grown at a faster rate vs Industry growth rate in medium term owing to market share gains, although industry growth might remain subdued.
- Troika of factors – such as Regulatory, Macro and Business oriented will drive dazzling shift to formal players from unorganized sector.

Organized and Unorganized Jewellery Market Breakup



Source – WGC



# Regulatory interventions – setting base for formalization

- *During the era of FY12-17, government introduced a slew of regulations, which was hurting organized sector more than benefitting them. However, seen in hindsight, it was setting base for formalization*

## Regulatory Factors which were introduced between FY12-17, with most of them being withdrawn now

1. Ban on Gold Metal Loan for a short duration
2. Introduction of 80 : 20 scheme – which required 20% of gold to be exported out of total imports made
3. Reduction in requirement of PAN card Threshold to Rs 2 Lakh (**remain in force till date**)
4. Levy of TCS on Cash transactions above certain limit
5. Introduction of PMLA for any transaction above Rs 2 Lakh

## Following macro events have broken neck of unorganized players

Actually, series of regulatory interventions since 2016 has aided growth of formal / organized sector, although created disruptions in short term, but has broken the neck of unorganized players to a significant extent

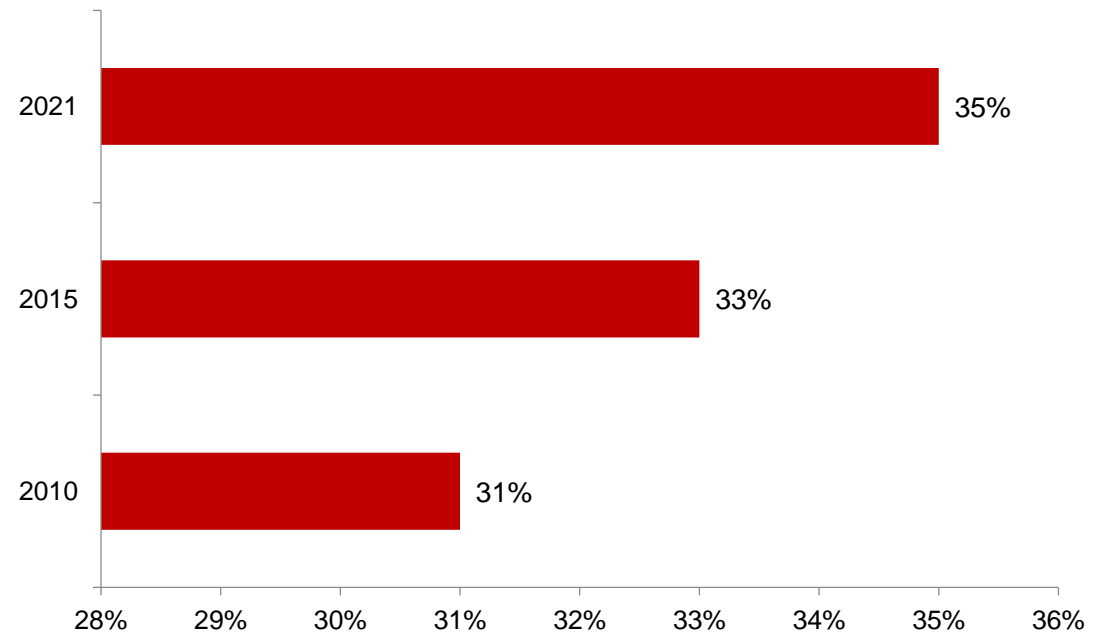
- Demonetization (2016)
- GST Implementation (2017 onwards)
- Hallmarking regulations (Dec, 2021)



# India's demographic dividend in favor of formalization

## Macro factors

- Increase in share of Urbanization to 35% now has resulted in shift in demand to more organized brands that provide authenticity, purity and innovative designs
- Nuclearization of families
- Increasing share of women's workforce, who have more say in purchase decisions rather than relying on family.
- Higher disposable income – which gives boost to discretionary consumption



Source: CareEdge Research, World Bank



# Organized players' share set to rise

## Business factors

- Setting up of large format stores - better range/ variety, contemporary design, access to trained staff enables to cross-sell and give better customer experience vs unorganized players
- Mandatory implementation of Hallmarking to put unorganized players in spot, as they will have to increase making charges, thereby reducing competitive edge of under-karatage
- Access to low cost GML only to selected organized players sets foundation for faster network expansion
- Mom and pop jewellers business to remain under stress- owing to concept of small land holdings, increased competitive intensity in money lending business and lack of interest from new generation to expand business





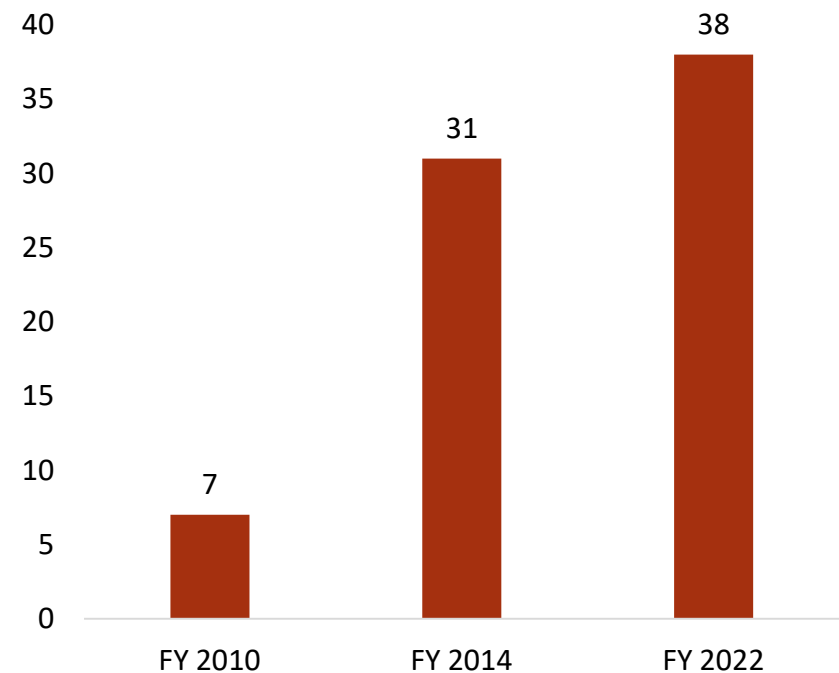
# Company Section



# TMJL : Entering a Golden era

- Promoters forayed into business of jewellery retailing under the name of “**Balu Jewellers**” in 1947 in city of Madurai, Tamil Nadu.
- Proprietorship business converted into a Corporate entity in 2000 under the name of “Thangamayil Jewellery Pvt Limited, before going public and **raising Rs 287mn via IPO in 2010.**
- Value retailer, with majority of its business operations **focused towards Tier 2 / Tier 3 cities and rural areas**, where there is relatively less competition from organized jewelers.
- Significantly scaled up business operations, post its IPO **from 7 stores in FY10 to 31 stores in FY14 in Western / Southern part of Tamil Nadu.** Hiatus on store openings till FY19 owing to increased regulatory interventions / deteriorating macro situation. before **again starting store expansion, leading to 38 large format stores in FY22.**
- Set up 13 small format stores (150-200 sq. ft) with name “TMJL Plus” over the past 3 years, with prime intention of acting as (A) collection center for Schemes; (B) displaying range of silver / MRP based jewellery; and (C) displaying catalogue with respect to range of items available in large format stores
- **Focus on improving asset turns has led to more emphasis on selling Gold jewellery (c. 90% of sales),** which although low margin, is fast moving in nature

Store Expansion (LFS)



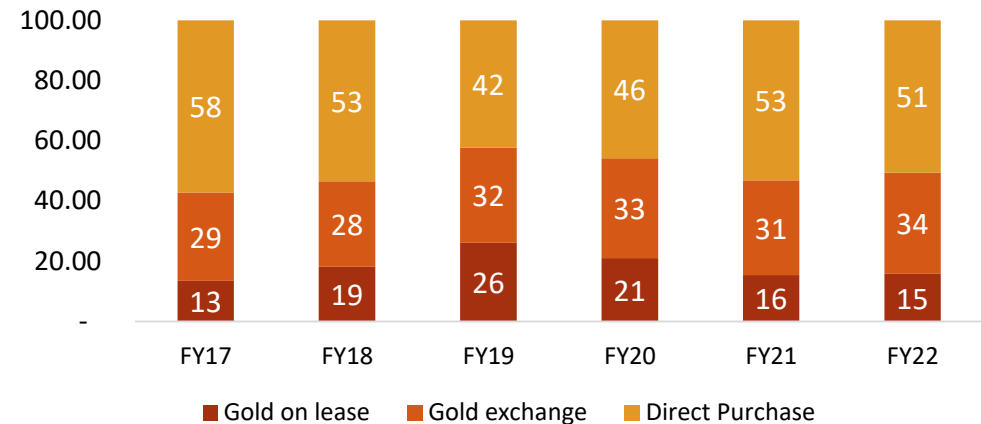
Note: LFS\*: Large Format Store



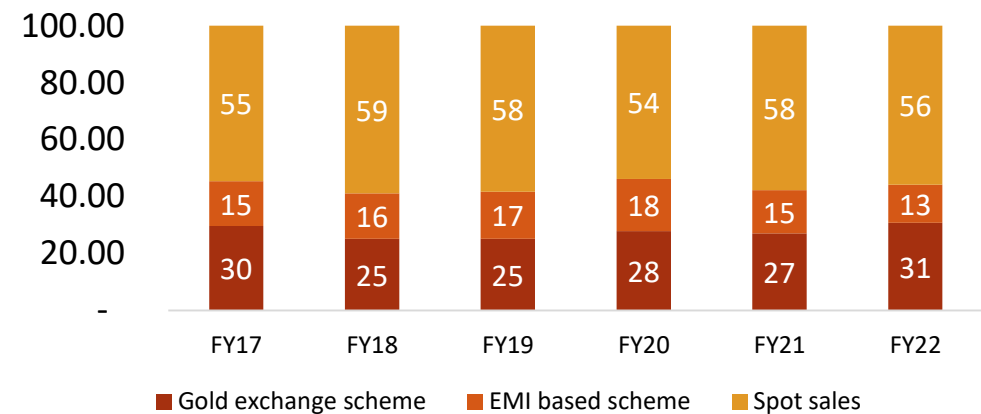
# Key Performance Indicators for TMJL

- **Gold procurement** : TMJL has a very balanced approach in gold procurement using the mix of low cost and stable sourcing options, given historically there has been lot of flip-flop's as far regulation are concerned
- **Jewellery sales** : TMJL again has diversified sales mix, with decent amount of sales coming from old gold exchange programme, monthly collection schemes and spot purchases
- **Run by Team of Promoters and professionals** : TMJL is converging from promoter run organization to professionally run organization. It has beefed up its professional team, so that the company is in position to handle enhanced scale of operations

### Annual Inventory Funding - %



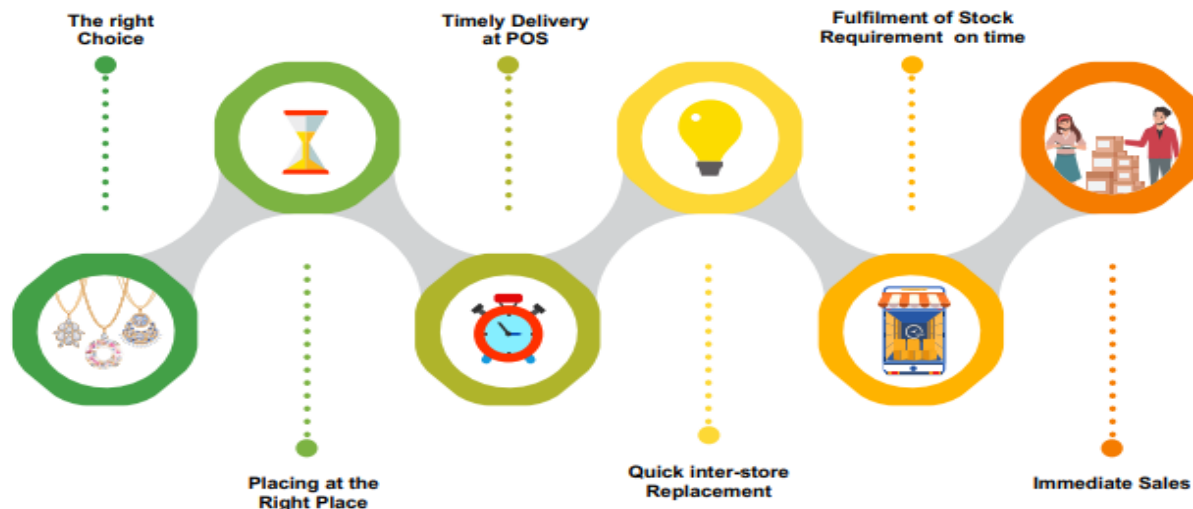
### Sales mix - %





# Inventory management practices

- Since majority of the investments being in inventory, TMJL has deployed best in class inventory management practices to improve stock turnover ratio – so that it can free up working capital
  - Hired Goldratt (Theory of Constraints expert), who has been expert in inventory management
  - Rotation of slow moving stocks amongst stores, since most of them being located in cluster
  - Have developed a brand-based vendor management for ensuring “right in time” supply with the help of successful in-house software
  - It has increased capacity of manufacturing traditional / repetitive / common items within 24 hours, which can ensure faster replacement

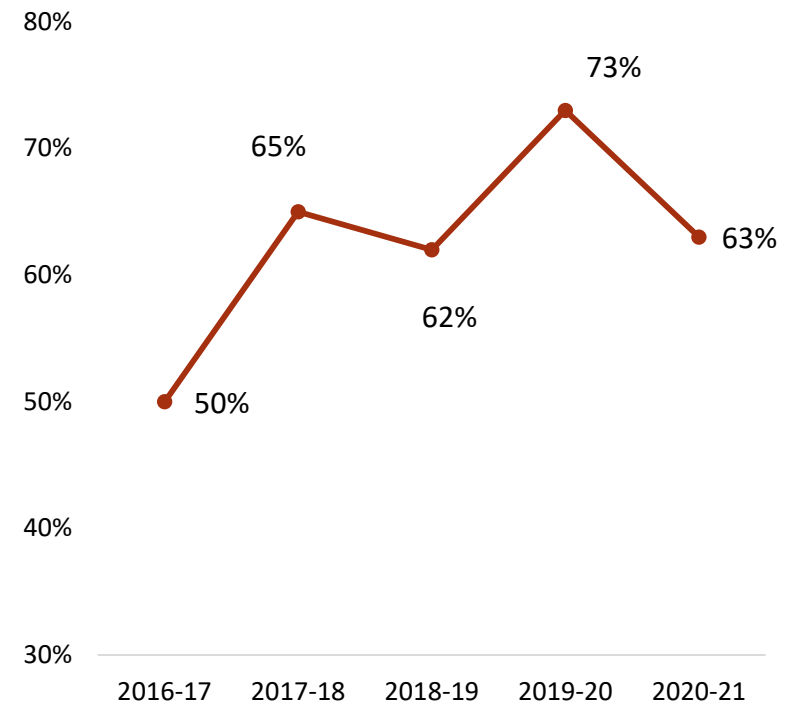




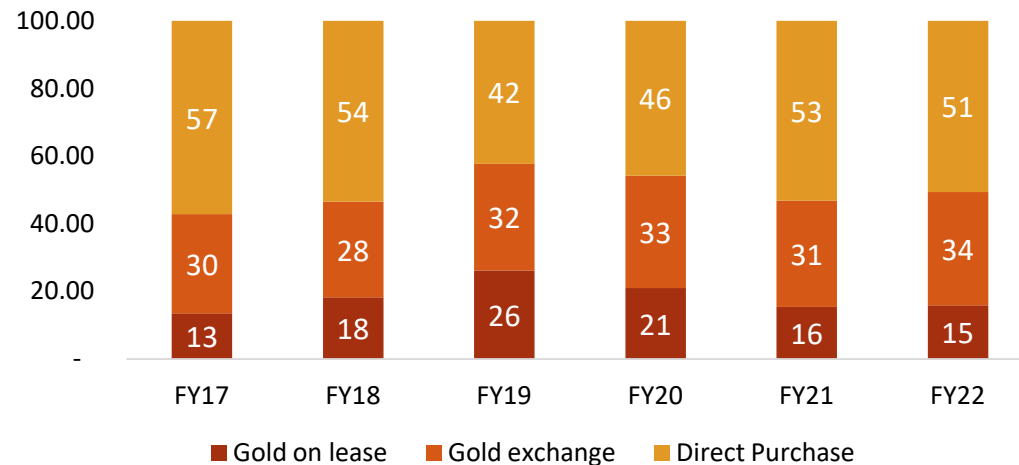
# Hedging Strategies

- TMJL though get natural hedging in the form of metal loan from banks and customers advances in gold form, the company made it a policy to hedge the aggregate inventory in operations up to 75%.
- The balance 25% unhedged portion often helps the company to generate cash to meet incremental margin requirement for hedged portion.

Gold Metal Hedging in Inventory Holding



Annual Inventory Funding - %





# Profile of Key Professionals associated with the Company

Name	Department	Designation	Qualification	Experience in TMJL (in years)
VIJAYARAGHAVAN V	MANAGEMENT	COMPANY SECRETARY	B.A, LLB, ACS	15
LAKSHMANAN SOMAN	FINANCE & ACCOUNTS	VICE PRESIDENT	ACA, ACS	3
SUBHA V	FINANCE & ACCOUNTS	ASSISTANT GENERAL MANAGER	B.COM	21
DR.MADAN.C	HR	ASSISTANT GENERAL MANAGER	MBA MLM PhD	11
SURESH N	IT	HEAD IT	MCA, ICWA	4
NAGESH NAYAK B	INVENTORY MANAGEMENT	SENIOR MANAGER	MBA	2
HARIHARAN S	INVENTORY MANAGEMENT	SENIOR MANAGER	PMBA	1
KARTHIKEYAN K	ADMIN	HEAD ADMIN AND COMMERCIALS	MBA	4
GUNASEKARAN N	PURCHASE GOLD	HEAD		21
PAULPANDI	MARKETING & SALES	ZONALMANAGER	BA	17
SURESHKUMAR.D	MARKETING & SALES	ZONALMANAGER	MBA	4

# Family tree



## Promoter Group



**Mr. Balarama Govinda Das (CMD)**

*A commerce scholar, has been driving the business of manufacturing and trading gold, silver and diamond jewellery for more than 40 years.*



**Mr. B A Ramesh (Jt. MD)**

*He has been Involved in business for around 40 years and played key role in nurturing and modernizing the business.*



**Mr. N B Kumar (Jt. MD)**

*He has been managing the day-to-day affairs of the Company for over 35 years with a specific focus on human resource planning and development*



**Mr. B Rajesh Kanna (CFO)**

*He holds diploma in Gemology, has been associated with company since 2001. He's eldest son of Mr Balarama Govinda Das.*



**Mr. B Prasannan (GM - HRA)**

*He holds diploma in Gemology & Diamond grading, has been associated with company since 2007. He's the 2nd son of Mr Balarama Govinda Das.*



**Mr. N B Arun (GM – Sales)**

*He hold Bcom and MBA - HR, has been associated with company since 2014. He's the youngest son of Mr Balarama Govinda Das.*



**Mr. R. Gokul (GM – Finance)**

*He hold BBM and M.sc in Finance & Risk Management, has been associated with company since 2014.*



**Mr. B.K. Kishore (New Store Expansion and Store Management)**

*He hold BBA and Diploma in Gemology and Diamond grading*



# SWOT Analysis

## STRENGTH

1. Value retailer operating in Tier 2 / Tier 3 cities of western / Southern India, where is less competition from organized retailers
2. Improving sales mix in favor of high margin diamond studded / fixed price silver jewellery
3. Ability to handle enhance scale of operations as it has team of professionals who are looking after business expansion /development and has “Goldratt” working on backend to improve inventory turns
4. Cluster based approach of store expansion ensure efficiencies – since non-moving stock can be rotated amongst stores and costs can be controlled

## CHALLENGES

1. Gold price volatility leads to deferment of non-discretionary purchases
2. Frequent change in customer taste / preferences for jewellery designs
3. Concentration risk - Natural calamities / excessive rainfall in state of Tamil Nadu could de-rail growth story, since most of the operations are located in TN

## SWOT

## OPPORTUNITIES

1. Massive headroom to gain market share in smaller cities owing to implementation of hallmarking norms, where most of unorganized players are non-compliant
2. Expandable retail network model, given most of the premises are on lease and majority investments are for purchase of inventory. Low cost GML could facilitate inventory purchase
3. Potential to explore the retail brand value for allied products
4. Re-furbishment of existing stores - to drive incremental sales, since consumers flock to stores which offer best experience and have contemporary designs

## THREATS

1. Unhealthy competition from unorganized sector due to higher level of duties / taxes and increased compliance requirements
2. Increased preference of younger audience for white / brown goods instead of making savings for jewellery purchases
3. Higher competition even from organized players, who are better credit rated or have recently raised funds from IPO
4. Regulatory risks such as ban on import of gold, as seen in the past given rising fiscal deficit could put entire business at risk

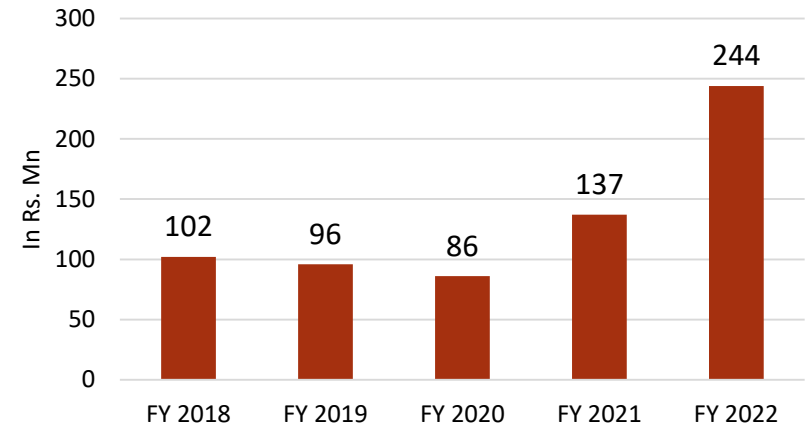




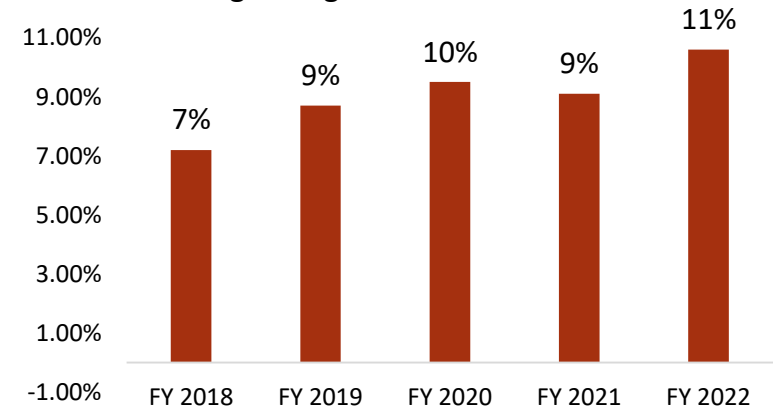
# Growth Strategy

- Refurbishment of existing stores, which shall lead to improved SSSg / Margins
- Plans to embark upon aggressive asset light store expansion strategy
  - Focus on setting up stores in rural areas, so that tendency of customers to visit from rural areas to Metro / Tier 1 cities is arrested
  - Setting up more stores in Western / Southern Tamil Nadu, so that it can fully leverage A&P spends made at state level.
  - Hallmarking is leading to increased traction for organized jewellers
- Improved outlay on A&P spends – to position itself “value jeweller” and sync itself with its title – “best quality choice of products at right price”
- Focus on improving salience of high margin products (improved from 7.2% in FY18 to 10.6% in FY22)
- Emphasis on significantly improving stock turnover ratio

Advertisement & Publicity Expense



% of High Margin Products vis a vis sales





# Financial Information

Profit & Loss (Rsmn)	FY19	FY20	FY21	FY22
<b>Net Sales</b>	<b>14,434</b>	<b>16,920</b>	<b>18,186</b>	<b>21,931</b>
% Change	4.6	17.2	7.5	20.6
Raw materials cost	(12,903)	(14,814)	(15,928)	(19,749)
Manufacturing expenses	(126)	(155)	(186)	(205)
<b>Gross Profit</b>	<b>1,405</b>	<b>1,951</b>	<b>2,071</b>	<b>1,977</b>
Gross Margin (%)	9.7	11.5	11.4	9.0
Advertising expenses	(96)	(86)	(137)	(244)
Employee Cost	(354)	(422)	(333)	(451)
Other expenses	(249)	(464)	(132)	(420)
<b>EBITDA</b>	<b>735</b>	<b>1,008</b>	<b>1,493</b>	<b>879</b>
EBITDA Margin (%)	5.1	6.0	8.2	4.0
% Change	20.6	37.1	48.2	(41.2)
Depreciation	(76)	(102)	(95)	(97)
<b>EBIT</b>	<b>659</b>	<b>906</b>	<b>1,399</b>	<b>782</b>
% Change	24.9	37.5	54.5	(44.1)
Interest	(203)	(212)	(229)	(262)
<b>PBT</b>	<b>455</b>	<b>694</b>	<b>1,170</b>	<b>520</b>
% margin	3.2	4.1	6.4	2.4
Tax	(153)	(238)	(304)	(135)
Tax Rate (%)	33.6	34.2	26.0	25.9
<b>Rep PAT</b>	<b>303</b>	<b>457</b>	<b>866</b>	<b>385</b>
Rep. PAT Margin (%)	2.1	2.7	4.8	1.8

Balance Sheet (Rsmn)	FY19	FY20	FY21	FY22
Share holders fund	1,932	2,201	2,979	3,243
Loan funds	1,777	2,481	3,116	4,044
<b>Total liabilities</b>	<b>3,709</b>	<b>4,683</b>	<b>6,096</b>	<b>7,287</b>
Net fixed assets	721	827	811	913
Deferred Tax Assets	(11)	4	9	11
Current assets				
Inventory	5,040	5,639	6,492	7,500
Sundry Debtors	22	1	26	26
<b>Cash and cash equivalents</b>	<b>520</b>	<b>314</b>	<b>169</b>	<b>166</b>
Other Current Assets	107	261	130	293
Loans & Advances	114	106	113	142
Current liab & provisions				
Current Liabilities	65	94	99	123
Advances from customers	1,994	1,877	1,269	1,433
Sundry Creditors	747	370	128	74
Lease Liabilities	-	121	117	131
Provisions	-	8	40	3
Net assets	2,998	3,851	5,276	6,363
<b>Total assets</b>	<b>3,709</b>	<b>4,683</b>	<b>6,096</b>	<b>7,287</b>



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