

Estimate change	TP change	Rating change
	↓	
		↔

Bloomberg	SENGO IN
Equity Shares (m)	164
M.Cap.(INRb)/(USDb)	55.5 / 0.6
52-Week Range (INR)	772 / 227
1, 6, 12 Rel. Per (%)	1/-31/-39
12M Avg Val (INR M)	438

Financials & Valuations (INR b)

Y/E March (INR b)	FY26E	FY27E	FY28E
Sales	76.2	88.9	103.4
Sales Growth (%)	20.4	16.7	16.3
EBITDA	5.3	6.0	7.0
Margins (%)	7.0	6.7	6.8
Adj. PAT	2.5	2.9	3.5
Adj. EPS (INR)	15.4	17.5	21.4
EPS Growth (%)	24.3	13.9	22.3
BV/Sh.(INR)	134.0	149.2	167.8
Ratios			
Debt/Equity	0.6	0.7	0.7
RoE (%)	12.1	12.4	13.5
RoIC (%)	10.7	10.3	10.6
Valuations			
P/E (x)	22.0	19.3	15.8
EV/EBITDA(x)	5.3	5.2	4.3

Shareholding Pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	64.4	64.3	68.5
DII	12.8	12.6	10.5
FII	6.8	7.2	7.7
Others	16.1	15.9	13.4

FII includes depository receipts

CMP: INR339 **TP: INR385 (+14%)** **Neutral**
Hike in making charges and lower hedging ratio aid margin

- Senco Gold (SENCO) delivered a consolidated revenue growth of 30% YoY to INR18.2b (in line) in 1QFY26, with SSSG of 20%. Management indicated that despite a surge in gold prices, consumer demand remained elevated, fueled by festivities. The company expects revenue growth of 18-20% in FY26, driven by a strong focus on expansion in East and North India.
- The company opened ten stores (+13% YoY) during the quarter, bringing the total store count to 186 (109 COCO, 76 FOCO, and 1 Dubai). Looking ahead, the company plans to open 8-10 COCO stores and 8-10 franchise outlets annually, with the new stores concentrated in the North and East. Senco will focus more on opening franchise outlets.
- Consolidated GM expanded 180bp YoY to 19.1% (ahead of our est.), largely backed by improved studded mix, lower hedging %, and an increase in making charges. Employee expenses rose 23% YoY, and other expenses were up 32% YoY, while marketing expenses increased 10% YoY. EBITDA margin expanded 230bp YoY to 10.1% (ahead of our est.). Studded jewelry sales jumped 51% YoY in 1Q, and the stud ratio improved from 9.9% to 11.6% YoY, leading to better margins. Management has guided to increase the studded jewelry mix to 15% over the next 2-3 years, indicating a strategic push toward higher-margin products.
- For FY26, the company expects an EBITDA margin of 6.8-7.2% and an APAT margin of 3.7-4.0%. Return ratios (RoE/RoCE) are expected to improve to 17-18% over the next 3-4 years. Given the inconsistency in operating margins and fluctuating hedge ratios adopted by the company, we remain cautious on SENO's operating margin performance in the quarters ahead. **We reiterate our Neutral rating with a TP of INR385.**

Sales in line; a beat on profitability

- **In-line sales growth:** Consolidated revenue grew 30% YoY to INR18.2b (est. INR17.9b). SSSG was healthy at 19.6% in 1Q. SENO's sales growth was largely in line with that of its peers. Titan (jewelry standalone, ex-bullion), Kalyan (standalone), and P N Gadgil (retail) delivered revenue growth of 17%, 31%, and 19%, respectively. The company has opened ten stores, bringing the total count to 186 (109 COCO, 76 FOCO, and 1 Dubai). Old gold exchange stood at 39% of sales.
- **Margins expand sharply:** Consolidated GM expanded 180bp YoY to 19.1% (est. 16.8%, 16.8% in 4QFY25). Inconsistency in gross margin remains high on a quarterly basis. Employee expenses jumped 23% YoY, and other expenses were up 32% YoY, while marketing expenses rose 10% YoY. EBITDA margin expanded 230bp YoY to 10.1% (est. 7.6%; 9.2% in 4QFY25), primarily backed by a sharp rise in gross margins.
- **Improvement in profitability:** EBITDA grew 69% YoY to INR1.8b (est. 1.4b). APAT grew 104% to INR1.05m (est. INR693m).

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

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Key takeaways from the management commentary

- The quarter was marked by continued geopolitical tensions and a tariff war, as well as a spurt in gold prices by 32% YoY and 5% QoQ, despite which consumer demand remained elevated. The strong momentum was significantly fueled by popular festivals such as Akshay Tritiya and Poila Baishakh.
- Given high gold prices and competitive intensity, SENCO resorted to discounting in the quarter. However, an increase in making charges covered up for the same. The company does not expect making charges to reduce significantly despite elevated competitive intensity.
- To mitigate rising GML interest rates, the company has increased making charges, which has protected SENCO's profitability.
- The hedging ratio in 1QFY26 again reduced to 55-60% from ~75% in the past few quarters. The company's average inventory is around six months, and going forward, management indicated that the hedging will be in the range of 50-80% depending on the risk perception of the company.
- For FY26, the company maintains its revenue growth guidance of 18-20%. Additionally, it expects to record an EBITDA margin of 6.8-7.2% and an APAT margin of 3.7-4.0%.
- Going forward, the company plans to open 8-10 COCO stores and 8-10 franchise outlets annually, with more focus on opening franchise outlets.

Valuation and view

- Given the outperformance in 1QFY26, we raise our EPS for FY26E and FY27E by 5-8%, with operating margin assumptions remaining unchanged at ~6.7-7.0%.
- Management maintained its EBITDA margin guidance of 6.8-7.2% for the coming years. Return ratios (RoE/RoCE) are expected to improve to 17-18% over the next 3-4 years. Given the inconsistency in operating margins and fluctuating hedge ratios adopted by the company, we remain cautious on the company's operating performance in the quarters ahead. **We reiterate our Neutral rating with a TP of INR385, premised on 20x Jun'27E EPS.**

Y/E March	Consolidated Quarterly Performance								(INR m)		
	FY25				FY26E				FY25	FY26E	FY26
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			
Stores	165	166	171	175	186	189	192	194	174	194	186
Net Sales	14,039	15,005	20,460	13,777	18,263	18,006	23,836	16,067	63,281	76,171	17,970
Change (%)	7.5	30.9	23.8	21.1	30.1	20.0	16.5	16.6	20.7	20.4	28.0
Gross Profit	2,428	1,976	2,373	2,313	3,489	2,611	2,979	2,500	9,090	11,579	3,019
Gross Margin (%)	17.3	13.2	11.6	16.8	19.1	14.5	12.5	15.6	14.4	15.2	16.8
Operating Expenses	1,341	1,159	1,297	1,042	1,653	1,530	1,668	1,432	4,839	6,284	1,653
% of Sales	9.5	7.7	6.3	7.6	9.1	8.5	7.0	8.9	7.6	8.3	9.2
EBITDA	1,087	818	1,076	1,270	1,836	1,080	1,311	1,068	4,251	5,295	1,366
Margin (%)	7.7	5.4	5.3	9.2	10.1	6.0	5.5	6.6	6.7	7.0	7.6
Change (%)	61.8	107.1	-40.6	44.8	68.8	32.1	21.9	-15.9	13.2	24.6	25.6
Interest	322	326	339	375	430	445	450	443	1,362	1,768	400
Depreciation	181	178	131	191	187	190	194	209	681	781	190
Other Income	123	149	127	147	186	150	150	130	546	617	150
PBT	708	462	732	851	1,406	595	817	546	2,754	3,363	926
Tax	195	117	190	226	359	150	206	132	729	847	233
Effective Tax Rate (%)	27.6	25.3	26.0	26.6	25.6	25.2	25.2	24.3	26.5	25.2	25.2
Adjusted PAT	513	345	542	624	1,047	445	611	413	2,024	2,516	693
Change (%)	85.3	188.7	-50.4	94.0	104.1	29.0	12.7	-33.8	11.8	24.3	35.1
PAT	513	121	335	624	1,047	445	611	413	1,593	2,516	693

E: MOFSL Estimates



Key takeaways from the management commentary

Demand environment and performance

- The quarter was marked by continued geopolitical tensions and a tariff war, as well as a spurt in gold prices by 32% YoY and 5% QoQ, despite which consumer demand remained elevated. The strong momentum was significantly fueled by popular festivals such as Akshay Tritiya and Poila Baishakh.
- Given high gold prices and competitive intensity, Senco resorted to discounting in the quarter. However, an increase in making charges covered up for the same. The company does not expect making charges to reduce significantly despite elevated competitive intensity.
- To mitigate rising GML interest rates, the company has increased making charges, which has protected SENCO's profitability.
- The hedging ratio in 1QFY26 again reduced to 55-60% from ~75% in the past few quarters. The company's average inventory is around six months, and going forward, management indicated that the hedging will be in the range of 50-80% depending on the risk perception of the company.
- During the last six months, the company has hired a consulting company, which is helping it improve store economics and assortment mix.
- In 1Q, Non-East revenue contributed 17.5% of total retail revenue.
- In the retail segment, COCO showrooms, contributing 63% to the overall retail revenue, registered a 25% growth in Q1. The FOFO business, which accounts for the remaining 37%, grew by a strong 34% during the same period.
- 1QFY26 saw strong performance in diamond jewellery, which saw 35% YoY growth in volumes and 50%+ in value. This has resulted in the stud ratio improving from 9.9% to 11.6% YoY, leading to better margins.
- 2QFY25 saw a duty cut, which led to robust sales in Jul and Aug'24, thus giving a high base. SENCO expects 2Q growth to be in the range of 18-20%.
- Secondary sales are ~85% of primary sales. The management indicated that as the share of franchisee stores increases, the gap will further widen.
- ASP of 9k jewellery is in the range of INR3.5k-3.9k. SENCO indicated that 9k will be mostly offered in the studded category. Initial traction, especially from young customers, has been healthy for them. Furthermore, the management expects 9k jewellery to become a significant gifting tool.
- Average ticket size for Senco is INR70-72k, with ~60-70% of products sold being lightweight in nature at ~INR50-60k. Most lightweight jewelry is studded in nature, and thus, the company expects its margins to be higher than plain gold jewelry.
- LGD revenue has been in the range of high single digits to low double digits. Currently, SENCO has 6-7 LGD stores. For FY26, the LGD's sales will be less than INR500m. The management indicated that for weddings and other social occasions, the customers resort to natural diamonds only.
- SENCO's old gold exchange program ensured that the price rise impact was mitigated, ensuring continued demand. It contributed ~39% of sales in 1Q vs 25% of sales almost 2 years back.
- This quarter, they launched over 11,400 new jewellery designs and opened 10 new showrooms. Senco remains on track to open 18-20 stores in FY26.
- For new stores, the company will focus on East and North India, while having less focus on the southern part, given the high competition in that region.

Cost and margins

- GM expanded by 180bp YoY to 19.1% largely backed by improved studded mix, lower hedging, and an increase in making charges.

- While 1QFY26, saw robust improvement in EBITDA margin (+230bp), the management has maintained its annual EBITDA margin guidance of 6.8–7.2%.
- Senco indicated that, given the uncertain geopolitical scenario, the GML rates have again inched up. However, an increase in the making charges has protected SENCO's profitability.

Guidance

- Revenue is expected to grow by 18–20% in FY26, with a strong focus on expanding in East and North India.
- The company is expecting an EBITDA margin of 6.8–7.2% and an APAT margin of 3.7-4% for FY26.
- Looking ahead, the company plans to open 8–10 COCO stores and 8–10 franchise outlets annually. The company plans to open more franchisee outlets.
- Strategically, the company prefers the franchisee model in the current environment due to its asset-light nature. However, it remains selective and enters into franchise agreements only after thorough due diligence.
- The company has guided to increase the studded jewellery mix to 15% over the next 2–3 years, indicating a strategic push toward higher-margin products.

Key exhibits

Exhibit 1: SSSG was 20% in 1QFY26

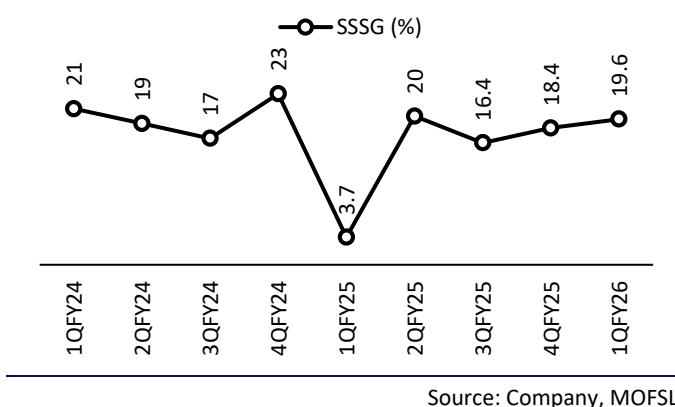


Exhibit 2: Consol. sales grew 30% YoY in 1QFY26

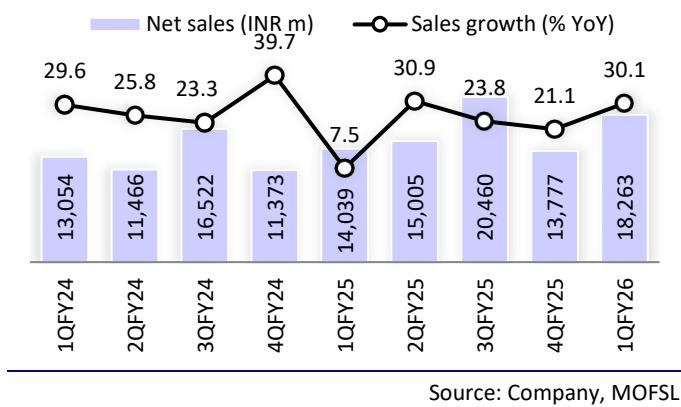


Exhibit 3: GP margin expanded 180bp YoY to 19.1%

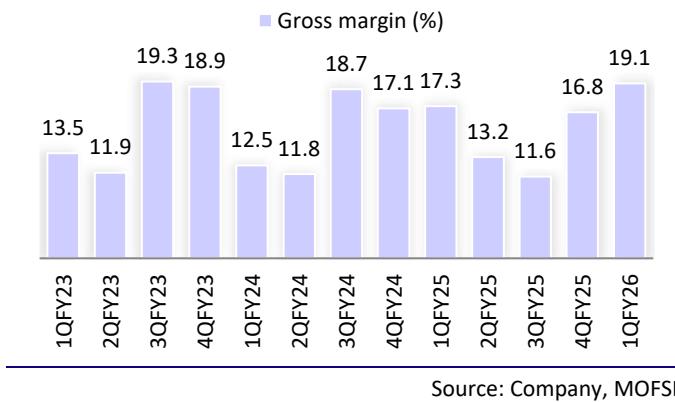


Exhibit 4: EBITDA margin expanded 230bp YoY to 10.1%

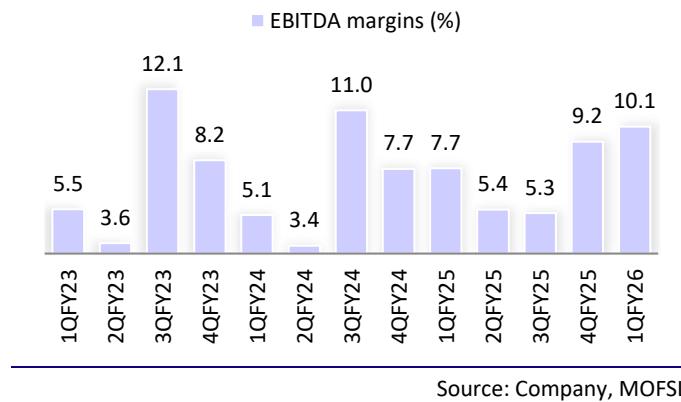
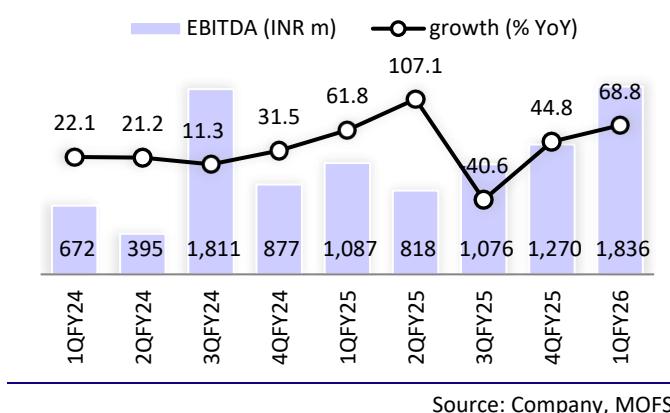
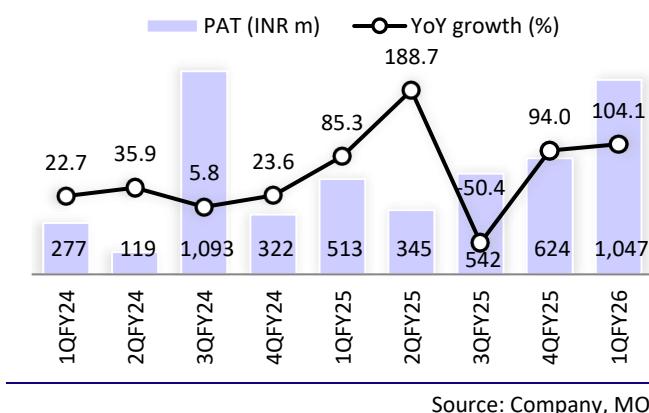


Exhibit 5: EBITDA grew 69% YoY to INR1.8b in 1QFY26


Source: Company, MOFSL

Exhibit 6: Adj. PAT grew 104% YoY in 1QFY26


Source: Company, MOFSL

Valuation and view

- Given the outperformance in 1QFY26, we raise our EPS for FY26E and FY27E by 5-8%, with operating margin assumptions remaining unchanged at ~6.7-7.0%.
- Management maintained its EBITDA margin guidance of 6.8-7.2% for the coming years. Return ratios (RoE/RoCE) are expected to improve to 17-18% over the next 3-4 years. Given the inconsistency in operating margins and fluctuating hedge ratios adopted by the company, we remain cautious on the company's operating performance in the quarters ahead. **We reiterate our Neutral rating with a TP of INR385, premised on 20x Jun'27E EPS.**

Exhibit 7: We increase our EPS for FY26E and FY27E by 5-8%

(INR b)	New		Old		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Net Sales	76,171	88,903	74,189	85,850	3%	4%
EBITDA	5,295	5,977	4,979	5,730	6%	4%
Adjusted PAT	2,516	2,865	2,319	2,738	8%	5%

Financials and valuations

Income Statement										(INR m)
Y/E March	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Net Sales	24,843	24,203	26,604	35,346	40,774	52,414	63,281	76,171	88,903	1,03,407
Change (%)	12.5	-2.6	9.9	32.9	15.4	28.5	20.7	20.4	16.7	16.3
Gross Profit	3,732	4,242	3,750	5,541	6,555	8,014	9,090	11,579	13,267	15,356
Margin (%)	15.0	17.5	14.1	15.7	16.1	15.3	14.4	15.2	14.9	14.9
Other expenditure	1,977	2,081	1,997	2,769	3,388	4,259	4,839	6,284	7,290	8,376
EBITDA	1,755	2,162	1,753	2,772	3,166	3,755	4,251	5,295	5,977	6,980
Change (%)	24.9	23.2	-18.9	58.1	14.2	18.6	13.2	24.6	12.9	16.8
Margin (%)	7.1	8.9	6.6	7.8	7.8	7.2	6.7	7.0	6.7	6.8
Depreciation	278	372	396	421	456	601	681	781	881	959
Int. and Fin. Charges	448	557	666	709	861	1,081	1,362	1,768	1,926	2,062
Other Income - Recurring	94	87	145	128	311	422	546	617	660	726
Profit before Taxes	1,123	1,320	837	1,770	2,162	2,495	2,754	3,363	3,831	4,685
Change (%)	17.8	17.5	-36.6	111.5	22.1	15.4	10.3	22.1	13.9	22.3
Margin (%)	4.5	5.5	3.1	5.0	5.3	4.8	4.4	4.4	4.3	4.5
Tax	471	371	288	496	613	728	729	847	965	1,181
Deferred Tax	-68	40	-66	-17	-37	-43	0	0	0	0
Tax Rate (%)	35.9	31.1	26.5	27.0	26.7	27.5	26.5	25.2	25.2	25.2
Profit after Taxes	721	909	615	1,291	1,585	1,810	2,024	2,516	2,865	3,504
Change (%)	26.2	-32.4	110.0	22.8	14.2	11.8	24.3	13.9	22.3	22.3
Margin (%)	2.9	3.8	2.3	3.7	3.9	3.5	3.2	3.3	3.2	3.4
Extraordinary income	0	0	0	0	0	0	431	0	0	0
Reported PAT	721	909	615	1,291	1,585	1,810	1,594	2,516	2,865	3,504

Balance Sheet

Y/E March	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Share Capital	665	665	665	665	691	777	818	818	818	818
Preference Share Capital	0	0	0	0	0	0	0	0	0	0
Reserves	4,002	4,853	5,361	6,595	8,764	12,878	18,885	21,122	23,611	26,640
Net Worth	4,667	5,518	6,026	7,260	9,455	13,655	19,703	21,940	24,429	27,459
Minority Interest	0	0	0	0	0	0	0	0	0	0
GML	3,054	2,003	2,504	4,314	6,376	9,082	11,818	12,199	14,526	15,954
Loans	2,626	3,750	2,820	4,316	5,396	5,901	5,872	7,486	8,910	9,784
Lease liabilities	1,029	1,351	1,474	1,630	2,098	2,628	2,904	3,356	3,683	4,010
Deferred Tax	-114	-59	-127	-141	-179	-228	-265	-265	-265	-265
Capital Employed	11,262	12,564	12,697	17,378	23,145	31,038	40,032	44,715	51,282	56,941
Gross Block	1,272	1,428	1,537	1,726	2,035	2,563	3,046	3,209	3,522	3,834
Less: Accum. Depn.	507	679	864	1,035	1,188	1,405	1,670	1,948	2,254	2,587
Net Fixed Assets	765	749	674	691	847	1,158	1,376	1,261	1,268	1,247
Intangibles	47	27	27	25	23	28	26	16	13	9
Capital WIP	47	44	24	65	131	15	20	20	20	20
Right of use asset	961	1,246	1,417	1,516	1,927	2,434	2,644	3,034	3,215	3,119
Investments	0	0	0	0	1	1	2	2	2	2
Curr. Assets, L&A	10,744	13,098	13,323	18,563	25,945	33,362	43,130	47,772	55,407	62,594
Inventory	8,684	10,871	10,395	13,912	18,855	24,570	32,993	35,878	44,017	48,346
Account Receivables	184	277	276	394	454	529	810	975	1,139	1,324
Cash and Bank Balance	1,150	920	1,281	2,788	4,376	5,514	5,909	6,876	5,590	7,559
Others	725	1,030	1,371	1,469	2,261	2,749	3,419	4,042	4,662	5,365
Curr. Liab. and Prov.	1,301	2,601	2,769	3,483	5,729	5,960	7,166	7,389	8,642	10,050
Trade Payables	591	1,251	609	1,174	1,445	2,069	1,516	1,808	2,117	2,464
Provisions	68	25	31	14	27	66	79	94	110	128
Other current liabilities	642	1,325	2,128	2,295	4,258	3,825	5,571	5,487	6,415	7,458
Net Current Assets	9,442	10,497	10,554	15,081	20,216	27,402	35,964	40,383	46,765	52,544
Application of Funds	11,262	12,564	12,697	17,378	23,145	31,038	40,031	44,715	51,282	56,941

E: MOSL Estimates

Financials and valuations

Ratios

Y/E March	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Basic (INR)										
EPS	5.4	6.8	4.6	9.7	11.5	11.6	12.4	15.4	17.5	21.4
Cash EPS	7.5	9.6	7.6	12.9	14.8	15.5	16.5	20.1	22.9	27.3
BV/Share	35.1	41.5	45.3	54.6	68.4	87.9	120.4	134.0	149.2	167.8
DPS	0.0	0.0	0.0	0.0	0.0	0.5	1.1	1.7	2.3	2.9
Payout %	0.0	0.0	0.0	0.0	0.0	4.3	8.9	11.1	13.1	13.5
Valuation (x)										
P/E	62.4	49.4	73.1	34.8	29.5	29.0	27.3	22.0	19.3	15.8
Cash P/E	45.0	35.1	44.5	26.2	22.9	21.8	20.4	16.8	14.8	12.4
EV/Sales	1.0	1.0	0.9	0.7	0.6	0.5	0.4	0.4	0.3	0.3
EV/EBITDA	13.6	11.7	13.7	8.7	7.7	7.1	6.5	5.3	5.2	4.3
P/BV	9.6	8.1	7.5	6.2	4.9	3.8	2.8	2.5	2.3	2.0
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.1	0.3	0.5	0.7	0.9
Return Ratios (%)										
RoE	16.7	17.9	10.7	19.4	19.0	15.7	12.1	12.1	12.4	13.5
RoCE	9.6	10.9	8.7	12.0	10.9	9.6	8.5	9.1	9.0	9.3
RoIC	11.0	11.9	9.6	14.0	13.4	11.8	10.2	10.7	10.3	10.6
Working Capital Ratios										
Inventory days	125	147	146	126	147	151	166	165	164	163
Debtor (Days)	4	3	4	3	4	3	4	4	4	4
Payables days	9	14	13	9	12	12	10	8	8	8
Cash conversion days	121	137	137	120	139	142	160	161	160	159
Inventory turnover (x)	2.9	2.5	2.5	2.9	2.5	2.4	2.2	2.2	2.2	2.2
Asset Turnover (x)	2.2	1.9	2.1	2.0	1.8	1.7	1.6	1.7	1.7	1.8
Leverage Ratio										
Net Debt/Equity (x)	1.0	0.9	0.7	0.8	0.8	0.7	0.6	0.6	0.7	0.7

Cash Flow Statement

Y/E March	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
OP/(loss) before Tax	1,123	1,320	837	1,770	2,162	2,495	2,179	3,363	3,831	4,685
Int./Div. Received	-47	-47	-50	-72	-164	-249	-379	-617	-660	-726
Depreciation & Amort.	278	372	396	421	456	601	681	781	881	959
Interest Paid	448	557	666	709	861	1,081	1,362	1,768	1,926	2,062
Direct Taxes Paid	-546	-404	-421	-388	-592	-708	-745	-847	-965	-1,181
Incr in WC	-1,024	-2,241	934	-1,313	-1,408	-3,374	-5,246	-3,007	-5,271	-2,304
CF from Operations	276	-462	2,310	1,111	1,306	-232	-2,212	1,441	-259	3,496
Incr in FA	-193	-211	-140	-247	-311	-382	-368	-164	-322	-322
Free Cash Flow	83	-673	2,170	864	995	-614	-2,580	1,277	-582	3,174
Investments	1	2	-136	113	-212	44	-108	-945	-813	-594
Others	58	43	53	60	127	201	401	617	660	726
CF from Invest.	-134	-166	-224	-74	-396	-138	-75	-492	-476	-191
Issue of Shares	-	-	-0	0	750	2,482	4,483	0	0	-0
Incr in Debt	213	1,137	-923	1,499	1,086	509	-28	1,613	1,424	874
Dividend Paid	-33	-83	-	-148	-114	-93	-70	-278	-376	-475
Interest paid	-343	-545	-682	-705	-833	-791	-1,026	-1,768	-1,926	-2,062
Others	-220	-111	-120	-176	-211	-600	-678	452	327	327
CF from Fin. Activity	-383	398	-1,725	471	678	1,507	2,682	19	-551	-1,336
Incr/Decr of Cash	-241	-231	361	1,507	1,588	1,138	395	967	-1,286	1,969
Add: Opening Balance	1,391	1,150	920	1,281	2,788	4,376	5,514	5,909	6,876	5,590
Closing Balance	1,150	920	1,281	2,788	4,376	5,514	5,909	6,876	5,590	7,559

E: MOSL Estimates

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SELL	< - 10%
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