



I P O R E S E A R C H D E S K

RESEARCH REPORT DATED 20 AUGUST 2026

Shankesh Jewellers Limited

Mainboard IPO — Research Note

ISSUE DATES	18 – 20 August 2026 · Anchor book 17 August 2026
PRICE BAND	₹88 – ₹93 per share (face value ₹5)
LOT SIZE	160 shares · Retail minimum ₹14,880
ISSUE SIZE	₹367.18 Cr — Fresh ₹274.18 Cr / OFS ₹93.00 Cr
LISTING	BSE & NSE · Allotment 21 Aug · Listing 25 Aug 2026 (tentative)
LEAD MANAGERS	Aryaman Financial Services · Smart Horizon Capital Advisors

SECTOR Gems & Jewellery — B2B handcrafted gold jewellery manufacturing	FINANCIALS Rev ₹1,630.93 Cr (FY26) · PAT ₹106.68 Cr · 2-yr rev CAGR +24%
VALUATIONS P/E 12.81x post-issue · EV/EBITDA 9.72x · Shanti Gold 10.04x	DEMAND Anchor 30% · Day-2 close 0.94x — the book has not covered
GMP ₹2 · ~2% over ₹93 · 20 Aug 2026, down from ₹3	RECOMMENDATION AVOID

I P O R E S E A R C H D E S K

Prepared for BHNI investors · Listing and short-term momentum mandate

2. Executive Summary

Shankesh Jewellers is a Zaveri Bazar B2B gold jewellery house. It does not sell to consumers. It designs, sources and supplies handcrafted 22-carat and 18-carat jewellery to retail chains — Kalyan Jewellers, Joyalukkas, P N Gadgil, Aditya Birla's Novel Jewels — and takes job-work orders where the client supplies the bullion. Production is entirely outsourced to karigars. Forty-six permanent employees run a business that put through ₹1,630.93 Cr of income in FY26, with PAT of ₹106.68 Cr. On the reported numbers the company earns a 50.94% return on net worth and asks 12.81x post-issue earnings. Screened cold, that is a cheap, high-return compounder.

It is not screening cold. The book has not covered. After two full days the issue stood at 0.94x overall — QIB 0.76x, bHNI 0.65x, sHNI 0.99x, retail 1.13x — and the grey market has gone the wrong way, from ₹3 to ₹2, a premium of about 2% on a ₹93 cap. The anchor round of ₹110.15 Cr took NIL from domestic mutual funds, insurers and pension funds; five of the fourteen anchor names do not appear anywhere in our seven-year base of 688 mainboard anchors. The two lead managers have six mainboard issues between them across seven years, with average listing-day gains of +1.84% and -14.97%. Where Sunshine Pictures had a thin book carried by a wave of retail demand, this one has a thin book and no wave.

There is a second problem, and it is in the accounts rather than in the tape. PAT went up 8.3 times in two years while cash did not follow: operating cash flow was negative ₹23.11 Cr in FY25 and effectively nil at ₹0.33 Cr in FY26 against ₹106.68 Cr of reported profit. And one bullion supplier accounts for 55.30% of purchases. Our call is AVOID. We will revisit if the final print materially changes the demand picture, but a listing-gains desk has nothing to trade in an uncovered book at a 2% premium.

Recommendation	Listing-Day View	Momentum View (T+2 - T+5)
AVOID	Negative — no tradeable premium at this level of demand	Negative. Uncovered issues open thin and trade thinner

Listing-day view. Subject to review on the final subscription print at close of bidding on 20 August 2026.

3. Company Overview & Business Model

Incorporated in 2005 and operating out of the Mumbadevi Diamond Premises in Zaveri Bazar, Shankesh Jewellers manufactures and supplies handcrafted gold jewellery on a business-to-business basis. There is no retail counter, no brand spend and no consumer-facing risk. The customers are the jewellery chains themselves.

How the money is made

Two revenue streams sit under one roof. In the outright supply model the company buys bullion, has it worked into finished jewellery by karigars, and sells the finished piece to a retailer — it carries the gold on its own balance sheet and takes the price risk in between. In the job-work model the customer supplies the bullion and Shankesh charges a making and design fee — no gold on the books, no price exposure, and a far smaller revenue figure per unit of effort. The blend of the two is what determines the reported margin, and it is why a 9.68% EBITDA margin on ₹1,630 Cr of income is not directly comparable to a retailer's.

Everything downstream of design is outsourced. Seventy-two associated jobworkers and a wider karigar network do the actual manufacturing; the company holds the designs, the customer relationships and the working capital. There is no factory to depreciate, which is why return on capital employed prints at 41.57% and why the objects of the issue contain no capital expenditure line at all. The capital in this business is gold, not plant.

Scale and organisation

Forty-six permanent employees. Over thirty years of operating history. All products BIS-hallmarked. That is a very small permanent organisation moving ₹1,630 Cr of gold-linked turnover, and it works precisely because the model is a coordination layer rather than a manufacturer. The flip side is that the company controls very little of its own production process.

Promoters and governance

Kantilal Kheemraj Jain, Mahavir Kantilal Jain and Manoj Kantilal Jain are the promoters, holding 95.48% pre-issue and 69.53% after. Kantilal Jain and Manoj Jain are the two selling shareholders, offloading 48,00,000 and 52,00,000 shares for ₹44.64 Cr and ₹48.36 Cr respectively. No dividend has been paid in the last three years. No director on the board has prior experience serving on a listed company. For a first-generation family business coming to the mainboard with a ₹1,367 Cr market capitalisation, that last point is not a formality — the reporting, disclosure and investor-communication burden of a listed entity is a discipline this board has not yet had to keep.

The elegance of the model is also its exposure. A coordination business with no plant, no brand and no consumer relationship earns its margin from two things only: the designs it holds and the gold it can finance. Take away access to bullion on credit and the model stops. That is why the supplier concentration in Section 6 matters more here than customer concentration ever could.

4. Market Position & Client Base

This is the part of the business that genuinely works, and it deserves to be said before the criticism starts. Shankesh supplies some of the largest organised jewellery retailers in India — Kalyan Jewellers, Joyalukkas India, P N Gadgil Jewellers and Novel Jewels, the Aditya Birla Group's jewellery venture. Getting on those vendor panels requires hallmarking discipline, design capability and delivery reliability at scale. It is a real credential and it is not easily replicated by a new entrant.

Concentration — the good news

The customer book is unusually well spread for a B2B supplier. Four hundred and eighteen customers. The largest single customer contributed 6.12% of FY26 revenue. The top ten sat between 30.48% and 39.56% across the three disclosed years. Roughly 80% are repeat buyers. Set that against the 60–75% top-five concentrations we routinely flag in supplier businesses and it is a materially better structure. On this axis the company has nothing to answer for, and we will not manufacture a risk where the disclosure does not support one.

What the customers actually are

The exposure that does exist is second-order. Shankesh does not sell to the public, so its revenue is a derivative of how well its retail customers sell to the public. When gold prices spike and footfalls thin, chains slow their vendor orders before they slow their own store openings — the supplier absorbs the destocking first. That is the cyclical embedded in the model, and it does not show up in a customer-concentration table.

Competitive frame

The listed comparables are Shanti Gold International and Sky Gold — both B2B jewellery manufacturers, both recent listings, both genuinely comparable in a way that Sunshine Pictures' peer set was not. Shankesh runs a materially better return profile than either: 50.94% return on net worth against 23.42% and 23.37%, and 41.57% return on capital employed against 24.04% and 20.60%. EBITDA margin at 9.68% is line-ball with Shanti Gold's 9.86% and ahead of Sky Gold's 6.90%. On operating metrics the company screens at the top of its peer group. We deal with what that is worth in Section 9.

5. Geographic Distribution & Revenue Model

Sales are pan-India in description and concentrated in practice. Five states accounted for 67.84% of FY26 revenue, with Tamil Nadu and Maharashtra individually above 30%. That is a heavier regional skew than the pan-India framing suggests, and it tracks where the large organised chains have their densest store networks rather than any deliberate strategy.

Revenue Concentration — FY26	Share of Revenue	Read
Top five states	67.84%	Regionally concentrated
Tamil Nadu and Maharashtra (each)	Above 30%	Two-state dependence
Largest single customer	6.12%	Well spread
Top ten customers	30.48% - 39.56%	Well spread

As disclosed by the issuer. Top-ten customer range covers FY24 to FY26.

Revenue model mechanics

The distinction between outright supply and job-work is the single most important thing to hold in mind when reading the financials. Outright supply grosses up revenue with the value of the gold; job-work does not. A shift in mix between the two changes reported revenue and reported margin without anything changing in the underlying business. The company does not disclose the split between them, which is a real gap — it means an outside investor cannot tell whether the FY26 margin expansion came from better pricing, a mix shift toward job-work, or gold price movement flowing through inventory.

Sales returns are the other line worth watching here. Returns were ₹117.76 Cr in FY26, equal to 7.22% of revenue. In a business where the product is hallmarked to a standard and made to a customer's design brief, a one-in-fourteen return rate is high enough to want an explanation, and the disclosure does not give a satisfying one.

6. Manufacturing Model & Supply Chain

For a company with no factory, the supply chain is the business. This section carries the risk that we regard as the most serious in the entire issue.

The karigar network

All manufacturing is executed by independent artisans and seventy-two associated jobworkers. Written contracts with this network are limited; the relationships are long-standing but informal, which is entirely normal for Zaveri Bazar and entirely unhelpful to a public shareholder. The company's ability to deliver a large order on time depends on the availability and goodwill of people it does not employ. There is no capacity it can point to on a balance sheet and no contractual mechanism to compel delivery in a peak season.

Bullion supply — the concentration that matters

Purchase Concentration — FY26	Share of Purchases	Read
Single largest supplier	55.30%	Critical dependence
Top five suppliers	88.43%	Highly concentrated

As disclosed by the issuer. Bullion procurement for the outright-supply model.

More than half of everything this company buys comes from one counterparty, and nine-tenths comes from five. In a gold business the supplier relationship is not just a source of metal — it is a source of credit, because bullion is routinely supplied on terms. A single supplier holding 55.30% of purchases holds a great deal of influence over the working capital cycle, the input cost and, in a stress scenario, the ability to operate at all. This is the mirror image of the customer book: where customers are commendably well spread, suppliers are dangerously concentrated, and the disclosure does not name a second source of comparable scale.

Quality and returns

Outsourced manufacture and a 7.22% return rate belong in the same paragraph. When production sits with independent artisans working to varying standards, quality control is an inspection function rather than a process function, and rejects flow back as returns. Whether ₹117.76 Cr of FY26 returns reflects quality, design changes or customer destocking is not disclosed. Any of the three is worth knowing.

7. IPO Structure & Use of Proceeds

Issue Structure

Particulars	Amount (₹ Cr)	% of Total
Fresh Issue (2,94,82,000 shares)	274.18	74.7%
Offer for Sale (1,00,00,000 shares)	93.00	25.3%
Total Issue Size (3,94,82,600 shares)	367.18	100.0%

At the upper price band of ₹93. Post-issue market capitalisation ₹1,367.39 Cr. Promoter holding falls from 95.48% to 69.53%.

Use of Proceeds — Fresh Issue

Objective	Amount (₹ Cr)	% of Fresh Issue
Repayment / pre-payment of borrowings	158.00	57.6%
Funding working capital requirements	38.00	13.9%
General corporate purposes & issue expenses	78.18	28.5%
Total Fresh Issue	274.18	100.0%

Nearly three-fifths of the fresh money retires debt. On a ₹167.30 Cr borrowing book that takes the company close to unlevered and saves a meaningful interest line — at current rates, somewhere in the order of ₹13–16 Cr a year of pre-tax finance cost. That is real and it is the most defensible use of proceeds on the page. There is no capital expenditure objective because there is nothing to build. What the structure does not do is fund growth: ₹38 Cr of working capital against an inventory book that has grown ₹108 Cr in two years is a top-up, not a step change.

OFS at 25.3% is comfortably below our 50% exit threshold. Two promoters are selling ₹93 Cr between them and the family retains 69.53%. We have no complaint with the structure. Our objection to this issue is elsewhere.

Category reservation and the anchor

Category	Shares	% of Issue	Min. Application
QIB (incl. anchor)	1,97,41,600	50%	—
of which Anchor (17 Aug)	1,18,44,600	30%	14 investors
Non-Institutional (NII)	59,22,300	15%	—
— sHNI (₹2–10 lakh)	19,74,100	5%	₹2,08,320
— bHNI (above ₹10 lakh)	39,48,200	10%	₹10,11,840
Retail (RII)	1,38,18,700	35%	₹14,880

Anchor allocation ₹110.15 Cr at ₹93. Lock-in 50% for 30 days to 20 September 2026 and the balance for 90 days to 19 November 2026. Minimum applications at the ₹93 cap.

Aryaman Financial Services and Smart Horizon Capital Advisors are the joint book running lead managers; KFin Technologies is the registrar. Both bankers are dealt with in Section 10, and between them they are the second reason we are on the sidelines.

8. Financial Performance Analysis

Profit & Loss (₹ Cr)

Particulars	FY24	FY25	FY26
Total Income	1,061.91	1,403.94	1,630.93
EBITDA	28.60	65.35	157.90
EBITDA Margin (%)	2.69	4.65	9.68
Profit After Tax	12.82	40.31	106.68
PAT Margin (%)	1.21	2.87	6.54
Sales Returns	n.a.	n.a.	117.76

Restated standalone financials. FY = April–March. Sales returns equal 7.22% of FY26 revenue.

Balance Sheet & Cash Flow (₹ Cr)

Particulars	FY24	FY25	FY26
Net Worth	60.29	100.60	209.43
Total Debt	109.81	145.63	167.30
Debt / Equity (x)	1.82	1.45	0.80
Total Assets	177.07	249.56	403.76
Inventory	131.43	n.a.	239.96
Trade Receivables	39.85	n.a.	126.42
Cash Flow from Operations	n.a.	(23.11)	0.33
Return on Equity (%)	n.a.	40.08	50.94
Return on Capital Employed (%)	n.a.	26.28	41.57
Core Working Capital Days	58.85	n.a.	81.33

FY24 operating cash flow not separately disclosed in the material reviewed. Figures as restated by the issuer.

The trajectory, and what is behind it

The growth is real and it is steep. Total income compounded at about 24% over two years, from ₹1,061.91 Cr to ₹1,630.93 Cr. Profit after tax went from ₹12.82 Cr to ₹106.68 Cr — 8.3 times in two years. EBITDA margin tripled from 2.69% to 9.68%; PAT margin went from 1.21% to 6.54%. Debt to equity fell from 1.82 to 0.80. Return on net worth reached 50.94%. On a screen, this is one of the better-looking mainboard issues of the year.

Now the question a screen cannot ask: where did a five-fold margin expansion come from in a gold job-work business, on 24% revenue growth? Three candidates. Operating leverage on a fixed cost base — plausible, but there is barely any fixed cost base to lever on 46 employees and no plant. A mix shift toward higher-margin job-work — plausible, but the company does not disclose the split so we cannot verify it. Gold price appreciation flowing through inventory held on the outright-supply model — also

plausible, and in a period of sustained bullion strength it would produce exactly this pattern. The disclosure does not let us distinguish between the three. That matters, because only the second is durable.

The number that decides our view: FY26 operating cash flow was ₹0.33 Cr against reported PAT of ₹106.68 Cr. FY25 was negative ₹23.11 Cr. Over two years the company has reported ₹146.99 Cr of profit and generated ₹22.78 Cr of negative operating cash. Inventory has gone from ₹131.43 Cr to ₹239.96 Cr and receivables from ₹39.85 Cr to ₹126.42 Cr. The profit is being converted into gold and invoices, not cash.

None of this makes the earnings fictitious. Working capital absorption is what growth looks like in a gold business, and inventory in this trade is a liquid, hallmarked, marked-to-market asset rather than dead stock. Core working capital days at 81.33, up from 58.85, is a deterioration but not an alarming one in absolute terms. The honest reading is that the business is growing faster than it can fund itself, which is exactly why ₹158 Cr of the fresh issue retires debt and why the company has never paid a dividend.

What we cannot do is pay a growth multiple for earnings that have not converted, on a margin whose driver is undisclosed, in a business where one supplier controls 55.30% of inputs. At 12.81x that is not the objection it would be at 40x. But this is a listing-window desk, and none of it is the reason we are out. The tape is.

9. Valuation

Peer Comparison — FY26

Company	P/E (x)	RoNW (%)	RoCE (%)	EBITDA Mgn (%)
Shankesh Jewellers @ ₹93	12.81	50.94	41.57	9.68
Shanti Gold International	10.04	23.42	24.04	9.86
Sky Gold	34.86	23.37	20.60	6.90
Industry average	22.45	—	—	—

Shankesh P/E on post-issue diluted FY26 EPS of ₹7.26 at the ₹93 cap; pre-issue EPS ₹9.08 implies 10.24x. EV/EBITDA approximately 9.72x. Post-issue NAV per share ₹17.82 on a pre-money basis, against ₹83.00 for Shanti Gold and ₹77.80 for Sky Gold.

Unlike most issues we look at, this peer set is genuinely comparable — two listed B2B gold jewellery manufacturers running the same model at similar scale. At 12.81x post-issue earnings Shankesh sits between Shanti Gold at 10.04x and Sky Gold at 34.86x, and well below the 22.45x industry average. On returns it is comfortably the best of the three: 50.94% return on net worth against 23.42% and 23.37%. A 28% premium to Shanti Gold for more than double the return on net worth is, arithmetically, a defensible ask.

So we will say plainly what the valuation is: this is not an expensive issue. It is the first mainboard IPO we have looked at in some time where the price is not the problem. If the reported earnings are durable and the cash converts, 12.81x is a reasonable entry and the stock will find buyers at some point after listing.

Two qualifications keep us from turning that into a call. The return on net worth of 50.94% is flattered by a very small equity base — net worth per share of ₹17.82 against ₹83.00 and ₹77.80 for the peers — and it will compress mechanically once ₹274 Cr of fresh equity lands on the balance sheet. Post-money, the return profile will look a good deal more ordinary. And a low multiple is only cheap if the earnings are real; with two years of negative-to-nil operating cash conversion and an undisclosed margin driver, the discount to Sky Gold is not a mispricing so much as the market pricing a question mark. Neither point makes the issue expensive. Both make it something other than the bargain the screen suggests.

10. Demand, Application-Wise Breakup, Anchor Quality & BRLM Track Record

10.1 Subscription Trajectory (× subscribed)

Category	Day 1 (18 Aug)	Day 2 (19 Aug)	Day 3 (20 Aug)
QIB	0.03	0.76	Pending
NII — bHNI (> ₹10 L)	0.43	0.65	Pending
NII — sHNI (₹2–10 L)	0.27	0.99	Pending
NII (total)	0.38	0.76	Pending
Retail (RII)	0.53	1.13	Pending
Overall	0.36	0.94	Pending

Exchange-published day-close figures. Day-3 bidding was in progress at the time of publication.

An issue that has not covered after two of three days is telling you something, and the something is not subtle. Retail crossed 1x only on the second evening. The bHNI bucket — the bucket this desk trades — sat at 0.65x, meaning the large-ticket money that normally front-runs a good setup has looked at this and declined. QIB at 0.76x is better than it appears only because the anchor placement is already counted within the QIB portion; strip that framing away and institutional demand beyond the anchors has been minimal. For comparison, the issues we recommend applying to are typically 4x to 6x covered by this stage.

10.2 Application-Wise Breakup

Category	Day 1 (18 Aug)	Day 2 (19 Aug)
Retail (RII)	0.53	1.13
NII — sHNI (₹2–10 L)	0.27	0.99
NII — bHNI (above ₹10 L)	0.43	0.65
NII (combined)	0.38	0.76

Times subscribed, exchange-published day-close figures.

Minimum quantity to qualify for the bHNI category: 10,880 shares (68 lots) — ₹10,11,840 at the ₹93 cap.

10.3 Grey Market Premium

GMP is ₹2 as of the morning of 20 August 2026 — about 2% on the ₹93 cap, implying a listing around ₹95. It was ₹3 the day before. A grey market that drifts down through the bidding window is the opposite of the signal we look for; a rising premium says the unofficial market is marking demand up in real time, a falling one says the dealers are marking it down as the book fails to build.

The usual caveat applies with more force than usual here. The grey market is a handful of dealers quoting an unregulated forward on an instrument that does not exist yet, and at a ₹2 quote the number is barely distinguishable from zero — it is within the noise of dealer spread. We do not price off GMP. But a 2% quote on a listing-gains mandate is not a thin margin of safety. It is no margin at all.

10.4 Anchor Quality — the backtest

Fourteen anchors took 1,18,44,600 shares for ₹110.15 Cr at ₹93 on 17 August. The circular states in terms that there is no allocation to domestic mutual funds, life insurance companies or pension funds. We ran all fourteen against our seven-year base of 688 mainboard anchor participants. Five of them are not in it.

Anchor Investor	₹ Cr	% Anchor	Prior Issues	Avg Listing Gain	Avg P/E Bought
Tiger Strategies Fund – I	17.14	15.56%	1	+6.7%	11.0x
Necta Bloom VCC – Necta Bloom One	15.00	13.62%	5	+24.8%	45.1x
Venus Investment VCC – Venus Stellar	10.00	9.08%	3	+1.7%	104.1x
Zeal Global Opportunities Fund	10.00	9.08%	5	(6.9%)	n.m.
ASAS Global Fund Inc. VCC	10.00	9.08%	1	(10.4%)	18.4x
Uni Growth Fund	8.00	7.26%	Not in base	—	—
Sunrise Investment Trust	5.00	4.54%	Not in base	—	—
Innovative Vision Trust	5.00	4.54%	3	+5.8%	25.5x
Nexus Global Opportunities Fund	5.00	4.54%	Not in base	—	—
Arnesta Global Opportunities PCC	5.00	4.54%	1	(8.3%)	61.6x
Nova Global Opportunities – Touchstone	5.00	4.54%	Not in base	—	—
Compact Structure Fund	5.00	4.54%	4	+4.4%	69.9x
31 Degrees North Growth Fund	5.00	4.54%	Not in base	—	—
Viney Growth Fund	5.00	4.54%	6	+3.5%	20.1x
Total / weighted average	110.15	100%	29	+4.3%	—

Source: IPO Research Desk seven-year mainboard anchor base (688 participants, 2020–2026). Weighted average listing gain is allocation-weighted across the nine names with prior history, covering ₹82.15 Cr of the ₹110.15 Cr book.

The allocation-weighted average prior listing gain of the scoreable names is +4.3%. That is better than nothing and better than the anchor book we looked at on Sunshine Pictures, but it is carried almost entirely by one name — Necta Bloom, five prior issues at +24.8%. Strip Necta Bloom out and the weighted average falls to roughly minus 0.4%. Zeal Global at –6.9% and ASAS Global at –10.4% are the drags.

The composition is the more important observation. Fourteen tickets between ₹5 Cr and ₹17 Cr, drawn entirely from small offshore fund vehicles, VCC sub-funds and PCC cells, with five names having no mainboard anchor history at all — and not one rupee from a mutual fund, insurer or pension fund. This is an SME-type anchor book. We have now seen the identical configuration on two mainboard

issues this week, both from bankers whose franchise is the SME platform, and it is becoming a recognisable signature rather than a coincidence. It is placement, not validation.

On valuation fit there is nothing to complain about — the cohort's typical entry multiples span 11x to 104x, and 12.81x sits at the comfortable end. Nobody is stretching. But an anchor book that no domestic institution joined tells you the paper was not shown to, or not wanted by, the buyers whose participation actually anchors a listing.

10.5 BRLM Track Record — the backtest

Lead Manager	Mainboard IPOs (7 yr)	Positive Listings	Hit Rate	Avg Listing Gain
Aryaman Financial Services Ltd.	4	3	75%	+1.84%
Smart Horizon Capital Advisors	2	1	50%	(14.97%)
Combined	6	4	67%	—

Source: IPO Research Desk seven-year lead-manager base (78 BRLMs, 2020–2026). Mainboard issues only.

Six mainboard transactions between the two of them in seven years. Aryaman Financial Services has four, of which three listed positive, at an average listing-day gain of 1.84% — a hit rate that reads acceptable and an average gain that reads like nothing. Their last mainboard issue was in 2023 and it listed negative; there is no 2024, 2025 or 2026 mainboard activity in our base at all. Smart Horizon Capital Advisors has two: one in 2020 that listed negative and one in 2026 that listed positive, netting to an average of minus 14.97%.

Read the average listing gains rather than the hit rates. A 75% hit rate at +1.84% means these issues have historically opened at or barely above the offer price — they have not lost money, and they have not made any either. That is a distribution franchise built for getting an issue away, not for pricing it to leave something on the table. Pair it with an anchor book of fourteen offshore vehicles and a book that has not covered in two days, and the picture is coherent: this is an SME playbook being run on a ₹367 Cr mainboard issue, and the mainboard has not shown up for it.

Strong anchor participation and a good BRLM track record reduce listing risk; they do not eliminate it. Here we have neither, and unlike the last issue we reviewed, there is no compensating wave of retail and HNI demand either.

11. Risk Factors

[PRIMARY CONCERN] 1. Supplier concentration. One counterparty controls 55.30% of purchases.

The top five suppliers account for 88.43% of procurement and a single supplier accounts for 55.30%. In a bullion business the supplier is also the credit provider, because metal is routinely supplied on terms. A dependence of this size gives one counterparty leverage over input cost, working capital and, in a stress scenario, the ability to trade at all. No second source of comparable scale is disclosed. This is the risk we would want answered before any capital is committed, and the disclosure does not answer it. What would change our view: a named, material second supplier and a stated procurement policy capping single-source exposure.

2. Cash conversion. Two years of profit, no cash.

Operating cash flow was negative ₹23.11 Cr in FY25 and ₹0.33 Cr in FY26 against reported PAT of ₹40.31 Cr and ₹106.68 Cr. Cumulative reported profit of ₹146.99 Cr over two years has produced ₹22.78 Cr of negative operating cash. Inventory rose from ₹131.43 Cr to ₹239.96 Cr and receivables from ₹39.85 Cr to ₹126.42 Cr; core working capital days went from 58.85 to 81.33. Gold inventory is liquid and this is what growth looks like in the trade — but the company has never paid a dividend and is retiring ₹158 Cr of debt with issue proceeds, which tells you the same story from the other side.

3. The book has not covered.

At the close of Day 2 the issue stood at 0.94x overall, with bHNI at 0.65x and QIB at 0.76x. Grey market has fallen from ₹3 to ₹2, roughly 2% on the cap. An issue that requires the final session to reach full subscription lists into a market with no accumulated unsatisfied demand, and the allotment that does come through is close to full application size — the opposite of the scarcity that produces a listing pop. For a listing-gains mandate this alone is disqualifying.

4. Listing volatility.

Mainboard listings in the current regime have shown sharp intraday swings on the opening print and through the first sessions. An issue that barely covers has a thin, poorly-distributed float and no queue of unfilled buyers, which makes both the open and the first few sessions more erratic rather than less. A weak open or a broad-market gap-down on 25 August has nothing in this setup to cushion it. We do not consider any IPO recommendation risk-free, and this one carries more listing-print uncertainty than most.

5. Undisclosed margin driver. EBITDA margin went from 2.69% to 9.68% and PAT margin from 1.21% to 6.54% in two years on 24% revenue growth. The company does not disclose the split between

outright supply and job-work, so an outside investor cannot tell whether the expansion came from mix, pricing or gold price movement flowing through inventory. Only one of those three is durable, and we cannot identify which one is operating.

- 6. Outsourced manufacturing with limited written contracts.** All production sits with independent karigars and 72 associated jobworkers, engaged largely on informal terms. The company owns no manufacturing capacity it can call on. Delivery on a large seasonal order depends on the availability and goodwill of people it does not employ, with no contractual mechanism to compel performance.
- 7. Sales returns at 7.22% of revenue.** Returns were ₹117.76 Cr in FY26 — roughly one rupee in fourteen coming back. Whether this reflects quality control across a dispersed artisan network, design revisions or customer destocking is not disclosed. In a business where manufacture is outsourced, quality is an inspection function rather than a process function, and a return rate this size deserves an explanation the offer document does not provide.
- 8. Gold price and demand cyclicalities.** Revenue is a derivative of how well the retail chains sell. When bullion spikes and footfalls thin, chains cut vendor orders before they cut store openings, and the supplier absorbs the destocking first. The outright-supply model also carries gold price risk on inventory between purchase and sale.
- 9. Regional concentration.** Five states contributed 67.84% of FY26 revenue, with Tamil Nadu and Maharashtra each above 30%. The pan-India description overstates the spread; a regional demand shock in either state would be felt directly.
- 10. Governance and listed-company inexperience.** No director has prior experience on the board of a listed company, and no dividend has been paid in three years. A promoter family retaining 69.53% of a ₹1,367 Cr listed entity, with a board new to public-market reporting and disclosure discipline, is a real if unquantifiable risk for a minority shareholder.

12. Investment Strengths & Positive Indicators

- 1. Return metrics are the best in the peer group.** Return on net worth of 50.94% and return on capital employed of 41.57% in FY26, against 23.42% and 24.04% for Shanti Gold and 23.37% and 20.60% for Sky Gold. Even allowing for the compression that ₹274 Cr of fresh equity will mechanically cause, the operating return profile is genuinely superior to both listed comparables.
- 2. The valuation is not the problem.** 12.81x post-issue earnings against a 22.45x industry average and 34.86x for Sky Gold, with better returns than either peer. This is the rare mainboard issue where we cannot make a case that the price is stretched. Our objection is to the tape and the sponsorship, not to the multiple.
- 3. Genuine deleveraging.** Debt to equity fell from 1.82 to 0.80 over two years on retained earnings alone, and ₹158 Cr of the fresh issue retires borrowings outright. Post-issue the company is close to unlevered, saving a pre-tax finance cost in the order of ₹13–16 Cr annually. That flows straight to the bottom line from FY27.
- 4. Customer base is well diversified.** Four hundred and eighteen customers, largest at 6.12% of revenue, top ten between 30.48% and 39.56%, around 80% repeat. For a B2B supplier this is a materially better structure than the 60–75% top-five concentrations common in the trade, and it deserves credit.
- 5. Blue-chip customer credentials.** Kalyan Jewellers, Joyalukkas, P N Gadgil and Aditya Birla's Novel Jewels are on the customer list. Vendor-panel access at that tier requires hallmarking discipline, design capability and delivery reliability at scale, and it is not quickly replicated by a new entrant.
- 6. Asset-light structure with no capex burden.** No plant, no depreciation drag, no capital expenditure objective in the issue. The capital employed is gold and receivables, both of which are realisable, rather than fixed assets that would have to be written down in a downturn.
- 7. OFS is modest and promoters stay committed.** Offer for sale at 25.3% of the issue, well below our 50% flag. The promoter family retains 69.53% post-listing and no financial investor is exiting. The structure does not say that early money is heading for the door.

13. Final Recommendation & Conclusion

R E C O M M E N D A T I O N

AVOID

Listing-day view · Updated view to follow around 1:30 pm on the final subscription position

Our listing-day view on Shankesh Jewellers is AVOID. We record it as a view on the listing window and nothing further. It is not a judgement on the durability of the business, and it should not be read as one.

The issue is unusual in that the two factors which normally decide a negative call are not the factors deciding this one. On valuation we have no objection: 12.81x post-issue earnings against a 22.45x industry average, with a return on net worth of 50.94% versus 23.42% and 23.37% for the two listed comparables, is a fair ask on the reported numbers. On financial quality the picture is mixed rather than poor — income compounded at roughly 24% over two years, profit after tax rose 8.3 times, and debt to equity halved from 1.82 to 0.80, set against operating cash flow of negative ₹23.11 Cr in FY25 and ₹0.33 Cr in FY26 on cumulative reported profit of ₹146.99 Cr, and a five-fold margin expansion whose driver the company does not disclose. Offer for sale at 25.3% raises no exit concern and the promoter family retains 69.53%.

The call rests on demand and on sponsorship. At the close of the second day the issue stood at 0.94x overall, with the bHNI bucket — the constituency this desk advises — at 0.65x. The large-ticket money has had two full sessions to look at this and has not committed. The anchor round of ₹110.15 Cr was placed across fourteen offshore fund vehicles and VCC and PCC sub-funds with no allocation to any domestic mutual fund, insurance company or pension fund; five of the fourteen have no mainboard anchor history in our seven-year base, and the allocation-weighted prior listing record of those that do is carried almost entirely by a single name. Behind the placement sit two lead managers with six mainboard transactions between them across seven years, at average listing-day gains of 1.84% and negative 14.97%.

The principle we are applying is a narrow one. This desk trades the listing print, and a listing print is made by demand that could not be satisfied in the book. An issue that reaches full subscription only in its closing session leaves no such demand behind it: allotments approach full application size, the float is widely distributed at the offer price, and there is no queue of unfilled buyers on the opening screen. That is the condition we decline to underwrite, and it is the whole of our objection.

This view carries a review trigger rather than a full stop. Subscription in mainboard issues is materially back-loaded into the final session, and a decisive move in the closing hours — particularly in the

institutional portion — would change the demand assessment even where nothing else in this note changes. We will publish an updated view around 1:30 pm today, on the final subscription position. Until those figures are visible, we would not commit a funded application to an uncovered book.

This is not a risk-free recommendation, and an AVOID is not a forecast that the stock will trade below the offer price. It is a statement that we identify no tradeable premium in the listing window at the present level of demand. A strong anchor book does not guarantee listing gains, and this anchor book is not strong. We do not hold a long-term view on Shankesh Jewellers and this report does not offer one.

BHNI Guidance

Investor Category	Guidance	Allocation Approach	Exit Window
BHNI	AVOID	Skip at present. Do not commit a funded application to an uncovered book; reassess only on the final subscription position	Not applicable

Listing-day guidance. IPO Research Desk operates a BHNI-only advisory mandate covering the listing print and the immediate momentum window. No guidance is issued for SHNI, Retail or long-term horizons.

14. Standard Disclaimer

The analysis presented herein is based on publicly available information and data as of the date of publication. Investors should conduct their own due diligence before making investment decisions. Past performance is not indicative of future results. The author does not guarantee the accuracy, completeness, or timeliness of the information provided. Investment in IPOs and equity markets involves substantial risk, including the risk of loss of principal. Market conditions, company performance, regulatory changes, and macroeconomic factors can significantly impact investment outcomes.

Past performance is not indicative of future returns.