PNGS Gargi Fashion

Operator: Good morning, everyone. This is the first day of the Bharat Connect Conference. I welcome you all to the call of PNGS Gargi Fashion Jewellery Ltd. Today, from the management side, we have Mr. Amit Modak, Non-Executive Director. Before I hand over the call to management, I will lay out the flow of the event. We will start with brief introductory remarks by management, followed by a question-and-answer session. Over to you, sir.

Amit Modak – Non-Executive Director: Yes. We are from the PN Gadgil and Sons group. They are not direct promoters, but their promoters promoted and incorporated this company. In 2021, the fashion jewellery business was separated and carved out to form PNGS Gargi Fashion Jewellery Ltd. Our parent company has a legacy of more than 190 years. It has a plain gold jewellery business as well as another company named PNGS Rivaa Diamond Jewellery Limited. PNGS Gargi Fashion Jewellery Ltd. was carved out in November 2021, and it has been operating separately since then.

In December 2022, there was a very small, token IPO on the SME platform, which was around 7.5 crore rupees. From a top line of 15 crore at the time we carved out the business, we have now reached 145 crore. At that time, the bottom line was around 1.5 to 2 crore, which has now reached 32 crore. At that time, we had only SIS as our format. Now we have 34 SIS, and along with those 34 SIS, there are now more than 100 third-party SIS or EBOs. Moreover, those third-party SIS are with Shoppers Stop in various malls, while the EBOs are located in malls as well as on high streets.

EBOs have three combinations. They are either operated directly by the company as PNGS Gargi Fashion Jewellery Ltd. under its own COCO model, or they operate under the FOCO model with the parent company, PNGS Limited. The parent company has taken a few franchises on a FOCO basis. The third format is Shoppers Stop, which has SIS. All SIS with PNGS Limited are on a FOFO basis, meaning franchise-operated and franchise-owned. These are the four main formats.

Last year, we closed FY26 with a top line of around 145 crore. Prior to that, we closed with 125 crore, but that year there was a one-time sale of 25 crore rupees of inventory to the parent company's SIS, {? and converting ?} their SIS from FOCO to FOFO. We are mainly in 925 silver fashion jewellery, along with gifting items. Recently, on November 24, we started offering 14-carat natural diamond jewellery. During last year's Dussehra-Diwali festival season, we also started offering 9-carat jewellery as part of our product range. The 9-carat category is picking up but has a very small contribution as of today. It contributes around 3 to 3.5 crore, while diamond jewellery contributes around 47 to 50 crore, and the remaining contribution comes from silver jewellery.

Q1 was slightly disappointing for investors, with only 10% year-on-year growth on a like-for-like basis from Q1 of the previous year to the current year's Q1. This was mainly because our parent company, to which we were transferring inventory, changed its policy and asked us to transfer inventory on a just-in-time basis. Therefore, a push-based sale was not possible. They were taking inventory only 7 days in advance, and that affected us.

Otherwise, on a B2C basis, meaning at the ultimate customer level, the SIS performed extremely well. Those 34 SIS performed extremely well. {? Last ?}, that is, in Q1 FY26, they did business on a B2C basis to the tune of 16 crore, whereas this year it is almost 27 crore. Ultimately, the business in the hands of the customer has not declined; it has increased. So, precisely, it increased from 16

Report is AI-generated and may contain inaccuracies.

crore to 39 crore. That growth was present as far as the SIS under the FOFO model are concerned.

This segment is growing, and that is why it was segregated from the main company. It has grown from a top line of 15 crore to 145 crore. Targeted branding efforts were undertaken. This business is mainly for the young generation, millennials, Gen Z, and corporate working women who like fashion and signature products with a brand attached to them.

It is a lifestyle and fashion product that they want to buy with a brand. When they move in society, they cannot wear or use a product that leads other people to ask, “Where did you purchase it?” They cannot simply say, “I bought it by going inside the shop with the blue-colored shutter at such-and-such place.” They want to mention the product name or brand, which increases their social value. That is why we decided to separate this business, and that is what happened.

It is, moreover, wardrobe jewellery because it matches every dress or attire of a corporate working woman. For every new attire or dress that she buys, she buys fashion jewellery, costume jewellery, or silver jewellery. Whenever she discards her earlier attire or dress, she also discards that jewellery. Generally, one customer visits the shop 3 or 4 times a year because repeat buying continues to take place. That is a very good feature of this business: customers return repeatedly.

The average ticket size is generally between 3,500 and 7,500 rupees. Depending on the range, it varies from 500-600 rupees to approximately 15,000 rupees for silver jewellery. For diamond jewellery, it ranges from 8,000-10,000 rupees to 125,000 rupees. For the 9-carat jewellery that we started only 6-8 months ago, the average ticket size is somewhere between 10,000 and 30,000 rupees.

From my side, I have given the introduction. Our company has been operating for the last 3-4 years, and various financial statistics are available in the public domain. Investor earnings calls are also available, through which you can obtain the information. I will hand over the call for the question-and-answer session, which will be more useful for both you and me, because providing information that is already available has limited value.

As far as this year's expansion is concerned, we said in the investor earnings call that we would complete 20-25 locations. We have already completed 12 locations, and another 3 locations are coming up in the next 1-2 weeks. Therefore, by the end of the year, we will definitely deliver whatever we have committed. Thank you.

Operator: Thank you so much, sir. If participants would like to ask questions, they can raise their hands. The first question is from Kumar Saurabh. Please go ahead, sir.

Kumar Saurabh: Hello, sir. I have 2 questions. The first question is: how many of our stores have completed more than 12 months, and among those that are more than 12 months old, have all of them achieved break-even on a payback-period basis? That is my first question. If you can provide the count, it would be helpful.

My second question is regarding what you said about our number growth being 11% last quarter because of the inventory change. However, we have made another observation. Most of the pure gold jewellery players in the listed market have seen their footfalls decline because of higher gold

Report is AI-generated and may contain inaccuracies.

prices. They are still protected because when their footfall declines, the price of gold increases.

However, for jewellery such as Gargi's fashion jewellery in the parent store, if the footfall declines, we do not benefit from the increase in gold prices. What has been the year-on-year footfall for the parent jewellery business where our SIS are located? These are my 2 questions, sir.

Amit Modak – Non-Executive Director: I had given you the precise top line for Q1 last year and Q1 this year. Did you hear that correctly? It was from 16 crore to some {? 26 crore ?}.

Kumar Saurabh: Yes, sir.

Amit Modak – Non-Executive Director: Last year it was 16 crore, whereas this year it is 26 crore.

Operator: Hello? Sir, your voice is not audible.

Kumar Saurabh: Hello? We lost you for 1 minute, sir.

Amit Modak – Non-Executive Director: Okay.

Operator: Amit sir, are you there?

Amit Modak – Non-Executive Director: I am here, but you cut the connection, so I had turned the video off. Is there a technical issue?

Operator: No, sir. The next question is from Dhwanil Desai. Please go ahead, sir.

Dhwanil Desai: Am I audible?

Amit Modak – Non-Executive Director: Yes, yes.

Dhwanil Desai: Hi, Amit sir. Good afternoon. My first question is regarding our SIS stores. I think SIS contributed 70% of sales. Considering the 34 outlets that we have, on average, it means we are generating close to 3 crore in sales per SIS store. That is a very good number, and we have been achieving more than 25-30% same-store growth in those stores.

However, every store eventually reaches maturity. What would be the number after which we reach a mature level of, let us say, 8-10% same-store growth? Do you have any sense of that?

Amit Modak – Non-Executive Director: For fashion jewellery, I do not expect same-store growth to decline below 15% because that customer base is growing. If somebody enters the category at the age of 15 or 16, generally they will buy fashion jewellery until the age of 40. Therefore, they will continue buying for another 20-25 years.

Every addition will move forward, and new 15-16-year-olds will keep entering the category. If we look at our Indian population, their share is very high. Gen Z and millennials, who earlier received pocket money of 100 or 200 rupees, are now receiving pocket money of 4,000-5,000 rupees. They generally buy jewellery themselves.

Earlier, shopping was done with parents. Events and shopping were always undertaken along with parents. Nowadays, these young people come directly and shop on their own. Therefore, I do not

Report is AI-generated and may contain inaccuracies.

think same-store growth of 7-8% will occur at any point. At the early stage, it should be 25-30% for new stores, and at maturity it should not be less than 15%.

Dhwanil Desai: So even at the mature level, we believe that SIS can achieve 15% same-store growth?

Amit Modak - Non-Executive Director: Yes, yes, yes. It is delivering that for us. It is delivering that because our oldest store, which is located at Chinchwad in a parent company store, is as old as 20 years.

Dhwanil Desai: Okay, understood, sir. My second question is whether you can briefly help us understand how the unit economics differs between SIS and EBO. We appreciate that the EBOs are still only 1-1.5 years old. In terms of the models or calculations on which you base your assumptions, what are the EBO numbers in terms of capex requirement, throughput, margins after considering costs below gross margin, EBITDA margin, and payback? Could you help us broadly understand that for both EBOs and SIS?

Amit Modak - Non-Executive Director: For SIS, since it is SIS, it is FOFO. Therefore, I am least concerned about it because I give them a markdown of approximately 37.5% and bill them at {? entry ?}, while they sell at the tag price. All the costs are borne by them, so I am not concerned about what their margin will be.

For me, the margin is fixed. If I am applying a loading of 2.75, an item costing 1 rupee is priced by me at 2.75 rupees. If I give a 37% discount on 2.75 rupees, which comes to approximately 1 rupee and some paise, I retain 40% for myself. I pass the remaining amount to the SIS under the FOFO model. Therefore, my margin is fixed in the SIS arrangement with the parent company.

However, in EBOs operated independently by Gargi, the margins depend on the costs incurred during the year compared with the revenue and profit realized during the period. Revenue is one thing, and profit is another. The entire profit will be in my pocket. If I sell a 1-rupee article for 1.75 rupees, the entire 1.75 rupees will be in my pocket, but there will be costs such as rent, electricity, hospitality, and staff costs.

To compensate for those costs and become viable, or to reach what you call break-even, the store should be given a period of at least 15 months. I am observing that within 15-18 months, all EBOs, or points of sale operated either by us or by the parent company under the FOCO model, become economically viable.

Dhwanil Desai: No, sir, what I wanted to understand was this: if we hold 100 rupees of inventory, is the throughput such that we generate 250-300 rupees of sales, and that 100 rupees of inventory...?

Amit Modak - Non-Executive Director: I value 100 rupees of inventory at 275 rupees, as I explained. I load 1 rupee to 2.75 rupees, which means I add 1.75 rupees to it.

Dhwanil Desai: No, sir, that is the loading from your side. I am asking what the throughput is and what the sales are. That is what we wanted to understand.

Report is AI-generated and may contain inaccuracies.

Amit Modak – Non-Executive Director: Sales generally occur at approximately 2 to 2.5 times the inventory.

Operator: Thank you, sir. I request all participants to restrict their questions to 2 only. The next question is from Darshil Zaveri. Please go ahead, sir.

Darshil Zaveri: Hello. Thank you for taking my question, sir. I wanted to understand the seasonality. How dependent is the business on festivals throughout the year? How do Q2 and Q3 compare? Are they the stronger quarters?

Amit Modak – Non-Executive Director: Generally, Q3 and Q4 are the highest-selling quarters because of festivals such as Dussehra and Diwali, which are our traditional festivals, as well as festivals for the younger generation and corporate employees, such as Christmas, New Year, and Valentine's Day. Therefore, Q3 and Q4 are always stronger compared with Q1 and Q2.

In Q1, there is generally Akshaya Tritiya and Padwa. Akshaya Tritiya makes Q1 slightly better, but Q2 is always very quiet.

Darshil Zaveri: That is helpful, sir. We are adding many stores at present. As the stores mature year-on-year, will we see an improvement in margins? How do you see the margin trajectory developing for us?

Amit Modak – Non-Executive Director: Our margins are already almost the highest in the industry. There is limited scope for further expansion. However, as you said, the EBOs are still new because we started the EBOs only during the last 2 years.

Their costs have started affecting our EBITDA- and PAT-level margins, making them slightly lower. The cost of the EBOs has an impact of approximately 200-300 basis points because there are separate HR, rental, hospitality, and electricity costs. The benefit will start being realized after 2-3 years.

Even if break-even is achieved after 15-18 months, that is not sufficient to improve the margin. To improve margins, the EBO must operate beyond break-even, and that happens after 15-18 months. Therefore, as we expand the EBOs, once we expand the first 50 EBOs and mature them over a period of 3 years, they will start contributing substantially to profitability.

Until then, they will absorb some of their costs from the SIS and existing profit-making activities. Therefore, whatever profitability we showed earlier, when only SIS were operating or when the majority of the business came through SIS, will be affected by the EBO expansion over the next 2-3 years.

Once the EBOs mature and fewer new EBOs are added compared with the number of mature EBOs, the disparity of 200-300 basis points will disappear, and we will again return to PAT margins of approximately 20-22%.

Operator: Thank you, sir. We have the next question from Ankit Gupta. Please go ahead, sir.

Ankit Gupta: Thank you for the opportunity, sir.

Report is AI-generated and may contain inaccuracies.

This is the second year in a row in which we have changed our inventory policy. Last year, I understand the change, but this year we normally have not seen jewellery companies working on just-in-time inventory. They generally keep a decent amount of inventory with them. That was one observation.

This year, growth was impacted in Q1, and Q2 will also be affected because the festive season is delayed this time, with Diwali and Dussehra falling in October and November. How do you see our Q2 sales being affected, and what do you expect for the full year?

My second question is regarding margins. You said that because of the increasing number of EBOs over the next 2-3 years, we should expect margins to be 2-3% lower than the average of the past 3 years. Is that correct?

Management: I have not changed my inventory policy. The people taking inventory from me have changed their policy. Last year, I changed my inventory policy because I sold one-time inventory to the {? SIS ?} franchisees that were earlier operating under the FOCO model and were subsequently converted to the FOFO model, based on advice from our tax advisors and consultants.

This was because of a GST limitation. We cannot claim the service tax portion as a cash refund. We have to carry it forward for several years, and that is a problem for all jewellery and other businesses operating under the FOCO model. The service tax portion in the GST keeps getting carried forward for years. It continues to accumulate, but we cannot claim it as a cash refund from the government because it relates to the service tax portion, or the SGST portion.

Therefore, that policy was changed last year. This year, the parent company that purchases inventory from me said that it wanted inventory on a just-in-time basis. It did not want inventory too far in advance. I cannot comment on its policies. Therefore, the policy change is not from my side, and it will not affect the profitability or anything else of my company.

Ankit Gupta: This year, we understand one part of the issue. However, jewellery companies generally do not work on just-in-time inventory. They maintain a decent amount of inventory. That was one observation.

Management: We are procuring inventory. We are procuring it, and they are receiving ready goods. They are not our vendors. We order from vendors. Therefore, our backend inventory is available on time, but they want the invoice and transfer to their location on a just-in-time basis.

That is justifiable. Whenever jewellery houses operate, approximately 80% of the transfer is based on information. I also have a plain gold jewellery business with a top line of 5,000 crore rupees in the parent company. There also, we purchase inventory from vendors, ask them to keep it ready, and take it into our books only 7-8 days before our requirement, rather than much earlier.

Ankit Gupta: This year, growth was affected in Q1, and Q2 could also be affected because the festive season is delayed. Diwali and Dussehra are in October and November. Therefore, our Q2 sales could be impacted. What do you expect for the full year?

Also, regarding margins, you said that because of the increasing number of EBOs over the next 2-3 years, margins could be 2-3% lower than the average of the past 3 years. Is that correct?

Report is AI-generated and may contain inaccuracies.

Management: Yes, because EBOs will incur costs before they mature.

Ankit Gupta: What sustainable margins should we work with? When we refer to 25-27%, are we talking about EBITDA, PBT, or PAT?

Management: EBITDA? EBITDA, sir?

Ankit Gupta: EBITDA, sir.

Management: I do not understand EBITDA. I do not understand EBITDA at all. I treat interest as a cost as well. I consider only the profit that I can write on a cheque to be profit.

Ankit Gupta: Please tell us what we should assume for PAT margins.

Management: PAT margin should comfortably be between 17% and 20%, but it will be around 17-18% when there is EBO expansion.

Ankit Gupta: Regarding growth, you have always guided that we would achieve 35% growth. Given the current situation, what should we expect for growth this year and next year?

Management: We will achieve growth of up to 35%; that is correct. I am a batsman who scores centuries and I score a century in every match, but I may be unlucky and fail to score a century in 1 or 2 matches. Nobody throws me out because of that.

This year, in the first quarter, there was a war between Iran and America, inflation increased, employment was affected, and young people and Gen Z became somewhat cautious about spending. Nobody had predicted all of this. They were worried that they might lose their jobs or that their salaries might decline, and they wondered what they would do.

Therefore, they became very cautious. April and May were extremely quiet because there was no buying from them in the market. The only buying that took place was in June, when our Monsoon Discount Sale was held. In April and May, we were affected by the West Asia problem, inflation, and uncertainty regarding employment.

Ankit Gupta: Regarding the end consumer, as you provided the numbers—

Management: We are leading with the end customer.

Ankit Gupta: You mentioned that end-consumer sales increased from 16 crore to 27 crore. That is good growth.

Management: It would have been better if April had performed well.

Ankit Gupta: Even after removing the inventory issue, despite all these challenges, we increased sales from 16 crore to 27 crore. Is that a fair understanding?

Management: The situation is that, for me, it represents a 37% reduction because I give them the inventory after applying a 37% reduction. Therefore, you should remove 37% from both 16 crore and 27 crore. On a like-for-like basis, it remains almost the same because the same reduction applies to

Report is AI-generated and may contain inaccuracies.

both.

Sales increased by 60–70%, but overall business can certainly achieve 25% growth.

Ankit Gupta: How should we think about growth in FY28–29? This year has been affected, but what growth should we expect in FY28–29?

Management: I do not know what the uncertainty will be at that time. That is why I am saying that I can be certain of growth of up to 25%. This is subject to an unforeseen extreme condition, such as the government banning certain spending, or an extreme and sudden increase in jewellery GST. If something like that happens, I do not know what will happen because these matters are beyond my control.

However, if the current conditions remain the same, silver prices do not go beyond 5 lakh, and gold prices do not go beyond 2.5 lakh, we will safely achieve 20–25% year-on-year growth.

Ankit Gupta: This is my last question. If you look at your earlier calls, we have consistently delivered growth, and our track record shows that we have exceeded the guidance you provided. You used to say that 35% growth should continue for the next 2–3 years. This is the first time you are talking about 20–25% growth, subject to unforeseen circumstances.

Management: I did not know that the first quarter would perform this way. The first quarter has shown me this level of growth because of the sales shortfall in April and May.

Ankit Gupta: I am referring to FY28–29, sir. Please leave aside FY27; I am asking specifically about FY28–29.

Management: Even in FY28–29, there will be EBOs that will not yet be mature, so they will not make a substantial contribution. Whatever contribution comes will come from the existing business. I am assuming 25% growth in the existing business, and any new contribution from the EBOs will be added to that. However, I do not want to define that contribution as a percentage at this stage.

Ankit Gupta: Understood, sir. Thank you very much.

Operator: Thank you, sir. We have the next question from Nishant Joshi. Please go ahead, sir.

Nishant Joshi: Hello. Am I audible?

Operator: Yes, sir, you are audible, but Amit sir is not audible.

Management: Am I not audible? I can see only Ankit Gupta here. Nishant Joshi has not joined yet.

Operator: Sir, could you please close your camera if there is a network issue? I think there is some network problem.

Management: Is it okay now?

Operator: Yes, sir.

Report is AI-generated and may contain inaccuracies.

Nishant Joshi: I would like to congratulate you on the performance that Gargi has delivered over the last 2-3 years and on the way you are expanding. My question is: how do we see Gargi as a brand 2-3 years from now, and how do we want to develop it?

When we look at competition in the market, some competitors may be operating in another price segment or in a similar product segment. The way they are building their brands is somewhat different. How do you view Gargi and how do you see it moving toward improvement?

Also, how do you see your network growing over the next 2-3 years along with the brand? I believe that if a brand has a reputation among buyers, it creates strong value over the longer term. I would like your comments on this.

Management: Hello. Hello.

Nishant Joshi: Were you able to hear me, sir, or should I repeat the question?

Management: Yes, please repeat it because I could not hear your voice.

Nishant Joshi: I was saying that I appreciate the way Gargi has grown as a brand over the past 2-3 years and the value it has created for investors. I wanted a 2-3-year view on how we will develop Gargi as a brand.

We operate in a particular segment in which we sell a significant amount of silver jewellery. There is competition in the market, with different competitors operating through different models. Everyone has a different approach to brand building. Which customer segment are we targeting so that we can grow through repeat sales over the next 2-3 years? I wanted your outlook on this. How will we make brand building stronger?

Management: As of today, 34% of our business, or 70% of our sales, comes from the parent company's SIS. The people who come to the parent company's SIS are generally from well-to-do backgrounds. Along with them, we interact with Gen Z, millennials, and corporate working women. Therefore, our targeted customer base consists of these 3 groups.

We have an online presence, but we do not want to spend excessively on it. We do not want abnormal expenditure or cash burning. Online sales currently contribute up to 4% of our total revenue. It is growing. In the first year, it was approximately 1.5-2%, whereas today, 4% of 150 crore means revenue of 6 crore. We undertake minimal cash burning on this revenue.

We do make updates, including software updates, catalogue updates, and website updates. That is where the expenditure occurs. We do not undertake discount-led marketing on platforms such as Amazon or Flipkart, and we do not want to do so because we are against cash burning.

Our objective is to remain a fashion jewellery company, with silver jewellery as the main composition. The second product line will be 14-carat diamond jewellery, and the third will be 9-carat gold jewellery. These are the 3 main product lines that we are planning and will develop in this company.

Report is AI-generated and may contain inaccuracies.

Another very important factor in this entire exercise is that we always want to keep this company in the profitable segment. It should never become a loss-making company. We remain highly focused on this, which is why we do not want to enter discount-led marketing where we achieve very strong top-line growth but do not earn a profit.

Nishant Joshi: I have an additional point. When we look at our competitors, their strategy has generally been to spend more on marketing to grow rapidly. Their product segment or pricing segment may be different, but ultimately they are now achieving break-even because many companies operated at losses for the last 6 years. They have reached break-even at the EBITDA level.

Management: Are you saying break-even at the EBITDA level or at the PAT level?

Nishant Joshi: At the EBITDA level.

Management: I do not even know EBITDA, nor do I study it, because what is EBITDA? Interest is also a cost for the business. Why do you exclude interest by referring to EBITDA? No, no, let us undertake another round of private placement.

Nishant Joshi: My question was related to this. Suppose we grow at a particular pace in today's developing market, where the business is also growing organically and unorganized businesses are becoming organized.

If our competitors are achieving higher sales in the premium segment, they may be able to capture more of that market segment. We will remain profitable, but our top-line growth may not follow the same pattern as theirs over the next few years. In this regard, I wanted to understand whether there is anything we can do.

Management: I can grow at their pace, but I can show you a loss after tax of 50-60 crore, or a loss before tax and loss after tax of 50-60 crore, while creating a top line of 500 crore. The choice is yours.

I hold 70% through the promoter holding, but I can take your call for 1 year and explain to the promoter that they should not worry about profit. Even if there is a loss, it does not matter because investors are ready to accept the loss and are ready to give your business a valuation, a good valuation, even though you are making losses.

Nishant Joshi: No, sir, this is not a question of valuation or losses. You understand this business better than we do, and we appreciate that. That is why we are here.

Management: I want to always keep this business profitable. That is one thing. I want to grow, but not at the cost of the hard-earned money invested in the business by the promoter or the investor.

Nishant Joshi: Understood, sir. I have one point. Could you try to answer this discussion from a perspective beyond profitability?

Management: I understand the market. Those who increase their top line—

Report is AI-generated and may contain inaccuracies.

Management: Those who increase their number of locations want to enter the valuation game. If I wanted to enter the valuation game, I would not have started the business by offering shares to you at 30 rupees.

Nishant Joshi: Sir, please allow me to explain my question once. My only question is about the aspiring women you mentioned—office-going women, college-going women, and young students who buy from your brand.

We have opened exclusive brand outlets, and we have done very well so far in SIS. What is our brand appeal in that format? What is our brand story? I am not asking you to connect it with profitability. What is the appeal of our brand for these customers that makes us a preferred brand compared with BlueStone or any other brand, for example?

Management: I do not compare Gargi with BlueStone at all because Gargi is in silver jewellery, whereas BlueStone is not in silver jewellery. BlueStone operates in the high-end diamond market, with an average order value of 40,000-75,000. Our average order value is approximately 30,000.

Nishant Joshi: What is our brand story, sir? If a woman enters one of our stores—many of our EBOs appear rather plain—what is the brand appeal that we want her to understand?

Management: They will not appear fancy. You should visit the stores of our parent company as well. Those stores represent a 190-year legacy, and we cannot create flashy stores. The high-end aspect will come from the legacy, not from a celebrity-oriented approach.

Nishant Joshi: We understand that, sir. We may not need a celebrity, although I recently saw in the last presentation that we had associated with a celebrity. My point is that we need to sell some brand story with which young, aspiring women can associate our company.

Management: You should visit our Instagram page. There is no generic or mechanically inflated activity there. You will see that many posts are uploaded continuously for communication.

However, I have no interest in creating the brand story you may be expecting, where I bring in a celebrity, run nationwide marketing or a theme around that celebrity, put a ring on her finger, and make that known as a Gargi ring. I have no interest in creating or promoting a single product in that way because I know that such products do not provide a top-line contribution equivalent to the marketing expenditure incurred on that product or on creating that brand story or product story.

Operator: Thank you. We have the next question from Ashish Soni. Sir, please restrict your question to 1 or 2 questions.

Ashish Soni: Could you explain the inventory changes in a simple manner? There was a change last year and another change this year. Is there any plan for further changes going forward?

Management: If there is a change, we disclose it transparently. We do not hide it. If we had wanted to hide it last year, we would have done so. If we only wanted to say that we had achieved fantastic growth in the first quarter, we would have remained silent. We would not have told you that there was a change in billing and that we transferred inventory to the parent company to convert FOCO to FOFO.

Report is AI-generated and may contain inaccuracies.

The model has not changed. FOFO remains FOFO. However, they have started taking inventory into their books and at their location on a just-in-time basis. That is why, whereas we used to send inventory to them 3-4 weeks in advance, we have now started sending it only 1 week in advance at their request.

Ashish Soni: You also mentioned the West Asia crisis and said that your target audience consists of corporate working professionals and Gen Z. Typically, when the price of gold or silver rises, they generally move toward the lower end of the value chain. Therefore, this seems contradictory to me. Could you explain this?

Management: It may seem contradictory to you, but the young people who purchase items worth 3,000, 5,000, or 7,000 rupees from me had questions about their employment in April and May. There was a possibility that they might continue their employment at lower salaries, or that their employment might not continue. Since their earnings became uncertain, they adopted a cautious approach and considered whether to spend now or later.

It was not about high prices or low prices. If they could afford to spend on the high end, I would have a market for only 2 months out of 12, whenever gold or silver prices increased abnormally. I would not have business for the other 10 months. Business continues throughout the year, but even among those customers, if there is uncertainty about their income, they defer their decision-making.

In the United States financial market, it is said that sales of underwear and undergarments decline when such uncertainty arises. This does not mean that an upper-end customer has reduced spending. In this customer class, consisting of customers purchasing affordable jewellery, if they feel uncertain about their lives, salaries, or employment, they may defer or postpone their purchases. That happened during April and May.

If I only wanted to create cosmetic results, I would have told my parent company not to change anything and that I would provide the inventory, with payment to be made later. My current debtor age is 10 days. As soon as I transfer the inventory, it goes through their quality control and I receive payment.

Therefore, I was not worried that I would provide inventory and not receive payment, because it is the parent company and I have no concern about receiving the money. However, I do not want cosmetic results either.

Otherwise, I would have requested them to take the inventory by saying, “The results will look slightly weak, so please take this quarter's inventory. The remaining sales with me are also lower, so this sale will make my sales look good.” We have a very transparent system, and that is why I am telling you the reason behind the change.

Otherwise, I could have given only one reason and remained silent by saying that there was a deferment in April and May and that sales were lower in April and May because of West Asia. That could have been the only explanation.

Report is AI-generated and may contain inaccuracies.

Ashish Soni: You mentioned the target audience of working professionals, corporate employees, and Gen Z. Do you have an internal breakdown of how much each of these 3 target groups contributes?

Management: We do not ask customers whether they are Gen Z, whether they are buying gold or silver, or whether they are buying fashion jewellery. However, one thing is clear: customers who come for shopping are generally below 40 years of age. There are more customers below 40 than above 40.

I refer to corporate working women because when groups come shopping, one friend brings another friend and says, "I bought this from here; you should also buy it." We learn about the customer profile through such interactions.

We do not maintain statistics by ticking a box to indicate that a bill belongs to a corporate working woman, another bill belongs to Gen Z, and another bill belongs to a particular category. We do not maintain records in that manner, and it is very difficult to track.

People maintain CRM systems and provide statistics, but the genuineness of those statistics is questionable. I have been in the jewellery business for 30 years. Sometimes the father's mobile number is provided, sometimes the son's, sometimes the daughter's, and sometimes the wife's. Therefore, I cannot track whether purchases made against one mobile number represent a repeat customer.

Ashish Soni: Understood, sir. All the best.

Operator: Thank you very much. We can take one last question from Nirvana Capital. Please go ahead. Nirvan sir, are you there? Okay. We can take one final question from Swetch Jain. Please go ahead, Swetch Jain.

Swetch Jain: Hi, sir. Am I audible?

Management: Yes, you are audible. Please continue.

Swetch Jain: We are currently in silver jewellery and are also offering natural diamond jewellery. We are targeting Gen Z and millennials. There is another emerging trend in which many Gen Z customers and people in this group purchase lab-grown diamond jewellery. Are we considering launching lab-grown diamonds at some point, either in silver or in another format?

Management: Lab-grown diamonds have never been part of our target, and as of today we are not planning anything in lab-grown diamonds. We want to offer fashion jewellery with ticket sizes that have buyback value. For that purpose, we have started offering natural diamonds with 14-carat gold.

Lab-grown diamonds do not have buyback value or repurchase value. Someone may come with their fiancée and purchase a bracelet worth 25,000 rupees this time. The next time, they may purchase a bracelet worth 40,000 rupees, give back the 25,000-rupee bracelet under the buyback arrangement, pay the top-up amount, and take the 40,000-rupee bracelet.

Report is AI-generated and may contain inaccuracies.

We were interested in creating that facility in the fashion jewellery segment. That is why we created natural diamond jewellery with 14-carat gold rather than silver jewellery with lab-grown diamonds.

The combination of silver and lab-grown diamonds does not offer much beyond the CZ jewellery we sell in silver because CZ stones also have no buyback value, and CZ stones provide greater sparkle. Therefore, what is the benefit of using lab-grown diamonds?

Lab-grown diamonds also face a new limitation. You cannot use the word “diamond” on the bill, in your marketing, in a brochure, or in any other material. The word “diamond” can be used only by people dealing in natural diamonds, not by those dealing in lab-grown diamonds. They need to use LGD or something similar. They cannot even use the words “precious stone.”

Operator: Thank you very much, sir. Due to time constraints, we will have to close the call. On behalf of Arihant Capital, I would like to thank the management for sparing time and sharing insights about the company. If participants have any further questions, they can contact the Arihant Capital team. Sir, do you have any closing comments?

Management: We are very thankful to you for giving us this opportunity. I am somewhat outspoken, which is why I may have given very direct answers that some people may not have liked. I apologize to them, but my style of giving answers, replies, and explanations is to be outspoken and present only the reality, rather than something gloomy. Thank you.

Operator: Thank you, sir.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

Report is AI-generated and may contain inaccuracies.