Ref: SEC/SE/48/2024-25

Date: 21st August 2024

The Manager- Listing **The National Stock Exchange of India Limited** "Exchange Plaza", Bandra – Kurla Complex, Bandra (EAST), Mumbai – 400051 **NSE SYMBOL: SENCO**	The Manager – Listing **BSE Limited** Corporate Relationship Department Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400001 **BSE SCRIP CODE: 543936**

Dear Sir(s)/ Madam(s),

Sub: Earnings Call Transcripts pertaining to the Unaudited Financial Results of Q1 FY25

Pursuant to Regulations 30 and 46(2)(oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of Analysts/Investors Earning Conference Call organized on 14th August, 2024 post declaration of Unaudited Financial Results (both Standalone & Consolidated) for the Quarter ended 30th June, 2024.

The transcript shall also be available on the website of the Company: https://sencogoldanddiamonds.com/investor-relations.

This is for your information and records.

Yours sincerely,
For SENCO GOLD LIMITED

Mukund Chandak
Digitally signed by Mukund Chandak
Date: 2024.08.21 19:19:26 +05'30'

Mukund Chandak
Company Secretary and Compliance Officer
Membership No. A20051

Encl: As above

Senco Gold Limited

Q1 FY '25 Results Conference Call

August 14, 2024

MANAGEMENT: **MR. SUVANKAR SEN – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – SENCO GOLD LIMITED**
MR. SANJAY BANKA – CHIEF FINANCIAL OFFICER – SENCO GOLD LIMITED

MODERATOR: **MS. VISHAL PANJWANI – EMKAY GLOBAL FINANCIAL**

Moderator: Ladies and gentlemen, good day and welcome to Q1 FY25 Results Conference Call of Senco Gold Limited, hosted by Emkay Global Financial Services. We have with us today Suvankar Sen, Managing Director and Chief Executive Officer, and Mr. Sanjay Banka, Chief Financial Officer. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes.

Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touch-tone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Vishal Panjwani from Emkay Global Financial. Thank you, and over to you, sir.

Vishal Panjwani: Hi, good morning, everyone. I would like to welcome the management and thank them for this opportunity. I shall now hand over the call to Mr. Suvankar Sen for his opening remarks. Over to you, sir.

Suvankar Sen: Hello, good morning, everyone. As we begin the day today, I would like to wish each and every one of you a very happy Independence Day in advance, as we will be celebrating it tomorrow. And we have announced our Q1 performance. We had our board meeting two days back and would like to take this opportunity to talk about it with all of you today. If you look at Q1, it's been a very exciting quarter, I must say especially as we have been discussing last time as well, that we know it is a month, a quarter of Akshaya Tritiya.

We had New Years in many different states, and as we begin the financial year, it is very important for us that we should start the year with a big bang and with a lot of excitement. So, we had our launch of a Bangle festival and offers related to Akshaya Tritiya. While this quarter was a quarter in which we had the elections and the heat waves were impacting retail sales and footfalls at the stores in many places, we saw that during Akshaya Tritiya, our sales for those 41 days had an increase of almost 20% to 21% in terms of sales value.

And also, we must mention that this was a quarter in which the gold prices also were extremely volatile, it had shown its upward trajectory, moving upward. So that also kind of impacted overall sentiments of the consumers and therefore, in terms of the sales of volume that we got, the increase of sales in value terms was only 7.5% (consolidated). And in terms of adding the new stores, in that particular quarter, we added 6 stores, out of which 4 were company owned, company- operated, and 2 were franchisees.

So that’s what it was, we have been planning and aiming to open about 18 to 20 stores for the whole financial year and in Q1 we have opened six stores out of the 18 to 20 stores and out of that one store in Dubai. So that was also a journey that we began to establish ourselves, our brand, with a global presence, reaching out to customers, not only from the Indian diaspora, but also Calcutta Jewellery for its popularity and what it is famous for, the handcrafted product is appreciated by consumers of the Middle East, as well as there are consumers in Africa that appreciate Calcutta Jewellery. And that is where we wanted to take it and use it as the beginning of our journey and a platform to promote this handcrafted product to the other parts of the world.

In terms of the retail sales, we have seen 11% growth, and the same store sales growth was about 4%. So, in terms of top line because of the~~se~~ multiple circumstances of elections, heat wave and the gold price movement, it was, I would say, a challenging quarter but what went right was the fact that our ATV grew by almost 12% and our ASP grew by 13%. So, despite of the challenges that we have seen, our hedging was much above 90%. So, in those kinds of situations, we tried to mitigate the volatility.

And even as the sales continue to happen, we build up stocks for the season, but post Akshaya Tritiya, the market became slower and slower. We were focusing more on ensuring that we kept optimizing the stocks. I must mention here that while our endeavour is always to increase the diamond sales and that would add to the margins, but this Q1 did not see that much growth in diamond sales.

Rather, there was a de-growth in diamond sales by about 3% to 4% as things were difficult, the sentiments of consumer, because when the prices rise, then the consumer, it has its impact on the gold component, the footfalls go down and consumers want to procrastinate and postpone their purchases. In terms of the current situation, while the Q1 has now ended and we need to look forward and what we want to see ourselves as, the current recent situation of reduction of duty by almost 9% is a big boost to the industry.

The way consumers were thinking that, oh, gold price is so high, it is not so good. And what we saw in Q1 was that it was the bigger ticket size items that were selling more, those who had to buy or buying related to weddings, they were more keen to buy rather than the smaller ticket sizes.

But I think this duty cut would make the demand for consumers across wedding and non-wedding category to come and buy the product. And we are already looking at it in a positive way. The footfalls have increased in the last, I would say, 15 days. The sales had gone up and this is a positive thing for the industry.

In our Q1, the trend that, we were seeing more of the wedding customers, though the wedding season wasn't much there, we launched the Gathbandhan-collection, which was all about the wedding jewellery, necklaces, bangles. And I think that kind of focused initiative to cater to the targeted customers who are in a mood to buy helped us and enabled us to achieve the sales and attract the consumers. But currently we are seeing that it is all kinds of customers, be it wedding or non-wedding, coming to the stores and buying the products ranging from earrings in gold and diamonds, bangles, necklaces, all kinds of products are being sold.

What I have already discussed and been saying is that, yes, the cut on the duty would have an impact on the valuation of stock because despite of our hedging, how do we hedge? We hedge in two methods. One is hedging by selling on MCX, on the sell side, or we take gold loan from the banks.

Now, the gold loan from the banks that are being taken, that is duty paid gold. So, yes, the international price movements get hedged by the gold loan, but the duty cut movements for the gold that you have already taken on loan from the banks, that portion of it is not hedged. So for us, that portion that is already bought through gold loan, we are analysing and assuming that approximately 50 crores of financial impact would be there due to the duty that has already been paid and the market value that has been coming down.

But at the same time, I think that the increase in sales, more footfalls, the ability to ensure that we will be able to achieve the numbers, the top line growth of 18% to 20% will be in pipeline. And in terms of how we manage this particular sudden impact, while on the other side, what position we had taken on MCX, out of there we have been able to protect ourselves and mitigate this duty cut impact and have been able to get the right kind of result. But here, through increase in diamond jewellery sales or ensuring that the discounting aspect of it that we have been seeing in the current market scenario, that players have been unnecessarily being aggressive in terms of their discounts and offers.

And I think that mostly that would go with the fact that gold prices had moved up. So, they were all under the pressure of achieving their targets and growing. And as a result, I think that the offers and discounts were a little more than what it was required to be given. But nonetheless, we all need to modify ourselves and ensure that this duty cut impact is rationalized through rational discounting and offers to the customers.

And other cost cutting measures, wherever we feel that, we can control our cost, we would be doing that to ensure that we get minimum impact. And this impact of 50 crores would be, I think, spread over the coming 2nd to 3rd quarters.

You will not be able to see the impact directly in one quarter because the inventory is there. And over a period of time, we will be adjusting it. So, this is what we feel. The wedding season is much in place. We had our exhibition as in the jewellery exhibition, India International Jewellery Show that happens annually during the month of August. I would be happy to tell you that there were a large number of footfalls and there were manufacturers, wholesalers, retailers, big and small and they were all overly excited. There were a lot of business that happened. So I think this duty cut that has been initiated by the government is a good signal and a good support to the industry in terms of the growth prospects.

Moderator: Sorry to interrupt again, sir, your voice is not audible.

Suvankar Sen: And with the wedding season, festive season, preparing for Diwali, Dhanteras and all the stores are now reaching out to customers and all the necessary steps towards a successful festive season is what we are focusing upon. Now, I would request Mr. Banka to further elucidate and take you through the numbers.

Sanjay Banka: Yes, good morning, sir. So, you have given a quite detailed update on everything. So I want to highlight two, three points. One is that despite the challenges of growth and the industry competitiveness, while we grew at. 9% overall (standalone), but and retail growth was 11%. And once again, this is the highest ever sale in this quarter. Similarly, we have maintained a good control on the opex, the gross margin has also been in a good range, primarily because what we see is that subsequent to the earlier quarters, like last year's Q1, or Q1 FY 22-23, we've seen an improvement in the quality of our business.

We have been constantly learning what is happening in the market and accordingly calibrating our marketing strategy, have kept a good control on our gold prices. While in the market we are essentially talking about one India, one gold rate and at Senco, we are cognizant that a long-term sustainable business has to be based upon value proposition and the value proposition cannot come simply by giving the price cuts that we maintain. Similarly, when the gold price rises, making charges are usually as a percentage of sales.

So, in a rising gold price scenario, while in terms of percentage or gross margin, it can look same, but in absolute term, we usually get a higher gross margin. So that is one. Similarly, in our pricing strategy for our franchisee, we have made minor corrections, all these changes in our business model have improved and calibrated our inventory valuation. And all this has led to improvement in the gross margin, which we are seeing. As you already said, hedging percentage has been, we said in the press release also, has been ~95%.

So, which clearly means that we are not concerned about the price movement of gold. And even though we knew that the gold price will rise, still we maintained above 80% and reached up to 96%, which led a loss on the hedging position. Because as a company, we are committed to the risk management strategy. So, while there were realized gains on gold, which was procured in Q3 and Q4, that was mitigated or negated by the hedging loss.

And still we managed a good margin, EBITDA margin and PAT margin. So with that, we hand over the call. And to the attendees, the respective investors can ask questions to us, and we will be very much delighted to resolve the queries.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have our first question from the line of Shirish Pardeshi from Centrum Broking. Please go ahead.

Shirish Pardeshi: Hi, Suvankar and Banka ji. Good morning. Thanks for the opportunity and congratulations for a good set of numbers. On slide 41, you mentioned that the revenue growth is 9% and SSSG is 4%. Can you give some colour how this SSSG would have moved or revenue would have moved in April versus May and June?

Sanjay Banka: Basically, in the first 41 days, the growth was 21% during the Akshaya Tritiya and after the prices were increased. It's not that the prices were not increasing in the first 41 days, but there was a momentum. Despite increasing prices, we have achieved 21% growth rate. And suddenly, as 41 days passed, later around 16th or 17th of May, by that time, elections were also at the peak and then the market had taken a dip. So SSSG during that period was certainly more than 10% to 12% as you said that when the growth is 20%, SSSG is usually 60% to 70% of total growth. But overall, in the next period, the market collapsed and that's what you are seeing a 4% SSSG.

Suvankar Sen: Correct. So basically, I think the right way to look at it is that in the first one and a half months of the quarter, it was a good season. The pickup was there. But post the middle of May, things started moving downwards. And that is where the average out SSSG was what we are seeing of

4% to 5%. So, if that could be, we don't have the exact month wise data, so we are just giving. But then the April and middle till Akshaya Tritiya, it was more positive. And post Akshaya Tritiya, it was more challenging. That's what we can tell you.

Shirish Pardeshi: Thank you, Suvankar. Just follow up on that. So if that growth is 20% or SSSG growth is 10%, I'm sure the average sales price or ATV would have been higher of 80,000-90,000 because your average is about 74,000.

Suvankar Sen: Yes, in the beginning of the quarter, the ATV & ASP was on the higher side. That's what we were analysing. And there are no qualms about disclosing those facts that we could see that it was most of the wedding jewellery type of products and heavier products that were growing. The necklace segment was growing but smaller ticket size ring, earrings, pendants, and all of those categories were not growing to that extent. The business was happening, but they were 10% on the downward trend.

So we were wondering that what is happening? Why is it that? So then we realized that those consumers with the disposable income and those with the need to buy jewellery for weddings or for their special occasions were still coming and buying. But those ones with their limited savings and funds who had to buy were thinking that, Okay, might wait for some time and buy it later. So I think that's the trend we saw in the Q1.

Shirish Pardeshi: Okay, my second question is that when I look at store openings, six stores and if I look at the depreciation, amortization expansion, which has gone up by 44%. So what explains, is there any one-off we have done or there is some refurbishment of older stores which has happened?

Sanjay Banka: No, I don't think so. I will get back to you. Basically, there is no one-off expenditure.

Shirish Pardeshi: Okay.

Sanjay Banka: There is no one-off expenditure. There is some, basically Rs 12 crores to Rs 18 crores. So during the last year, we had set up around 24-25 total stores and around 15-16 owned stores. So this impact may be due to that factor that we added so many stores and particularly one large-sized store, that we said in Hathibagan, which was under pivot for more than four to five years. So that was capitalized somewhere in June '23. This may be an impact due to one of the Hathibagan stores. But there is no one-off, there is no great impact that we can assure you.

Shirish Pardeshi: Okay. Banka ji, last question. Your studded has now reached 10%, which was about 10-11%, which has remained steady. So could you spell out what is the target or what is the inputs we are doing to improve the studded ratio? And maybe in Q1, what is the varying part of the business contribution?

Suvankar Sen: In Q1, the studded ratio, sir, came down. Last year, on an average, the studded ratio was about 11.5%. But in Q1, the studded ratio was around 9.6%~9.7%. So there was a lower traction and sales of diamond jewellery during the Q1.

Sanjay Banka: Going forward, as you said, we have maintained that this Q1 was an anomaly and not only for us, for the entire market. So we have been building the inventory. Despite, we know that there are challenges in the diamond sale. So we have built up the inventory, we have built up the work list. And if you look at our total inventory of around Rs 2400 crores in the balance sheet, to be precise, Rs 2593 crores. So around Rs 450 crores to Rs 500 crores is the diamond.

So we are clearly working out on the strategy. So we said that at least 100 basis points, the studded ratio will increase. So while it has become 9.5%~ 10.0% in the current quarter, our target remains the same. It is only one or two quarters, as you said, do not decide the journey. The journey very clearly remains a confident journey. And more so, since our diamond prices are quite attractive, we are with the competition.

We are sure that we will achieve the 12.5% to 13% this year. But surely, we will touch 12%.

Shirish Pardeshi: Okay. And on wedding, what is the contribution?

Suvankar Sen: Sir, wedding contribution, the definition of how we define a wedding jewellery is very subjective, but we assume that any product that is related to weddings, whether the price is above one lakh or it is specifically like say Mangtika or certain types of bangles that is wedding related, we kind of try to take it. So it's usually around 40% ~ 45% is what we assume the wedding jewellery share is.

Shirish Pardeshi: Thank you, Suvankar and all the best to you.

Suvankar Sen: Thank you.

Moderator: We have our next question from the line of Ayush from Shravas Capital. Please go ahead.

Ayush: Yes, good morning. I just had one simple question on the gold metal loan. So as far as my limited knowledge, I just wanted to understand how this is not being hedged, because just to give you a gist the gold metal loan is for 180 days, right? Just to give an example. Usually if there's a rate cut, the prices adjust and then the banks are supposed to give back that portion of the loan because the loan to value ratio is not the same rate because that price has reduced. So the bank has to pay off and if the price increases, you have to pay back the extra kind of the cost – I am just trying to understand.

Suvankar Sen: Yes, I will be happy to explain, Ayush. See, when you are taking the gold on a loan from the bank, the dollar rate, the rupee dollar conversion rate and the international gold rate, those remains, open. So with the increase in price or the decrease in price, you can always fix it. And that is the hedging way to do it. But when you are importing gold into the country and you are taking the gold from the bank, then the duty of 15% that you are supposed to pay to the government during the time of import, that is something that you have to pay upfront during the time of taking the gold, even in a loan. So you are hedged against the international price movement.

You are hedged against the rupee dollar movement. But you are not hedged against the duty cut or duty increase. I hope I could explain it.

Ayush: Yes, yes, I did understand.

Suvankar Sen: So basically, the 15% duty that was to be paid upfront for all the gold we have taken on a loan for the last six months before the duty cut, that is where the impact is happening, the duty, that 15% that you had paid is suddenly 6%. So that 9% difference between the duty paid and the current market rate, you are having to take a hit and you will have to adjust that hit over a period of time.

Ayush: Understood. Just one more question on mine. Could you just quantify what percentage is hedged by GML and what is hedged by MCX, just to give us an idea of the 90%?

Suvankar Sen: Yes, it is about, I think, the 90%, you could say 50-40.

Sanjay Banka: Almost, 95% of our gold metal loan remains unfixed. So as Sir rightly said, I would say 45-45, 45 and let's say 50.

Sanjay Banka: So 96%, we have said. So I would repeat that almost 90% to 95% of our gold metal loan remains unfixed, that is hedged.

Suvankar Sen: No, no, he's asking that what is out of the gold metal loan and out of the MCX, out of the total hedging.

Sanjay Banka: Almost 50-45 or 55-40. Got the answer?

Ayush: Yes, I'm done. Thank you so much.

Moderator: Thank you. We have our next question from the line of Videesha Sheth from Ambit Capital. Please go ahead.

Videesha Sheth: Yes, hi, good morning. Thank you for the opportunity. The first question was on the demand trend that while qualitatively you mentioned that so far we have increased over the last 15 days. Can you elaborate on the demand or sales trend in the second quarter till date and what kind of growth have you seen as it can now line with the 20% guidance that you've given?

Suvankar Sen: So what I can tell you is that if suppose we were growing at what you saw in Q1, the growth of 11% retail, correct? that growth number as on date can be assumed to be at 18% to 20%. So, that is how you have to look at it,

Sanjay Banka: Which means Videesha that we are growing around 25% to 30% YTD, sorry, in the in the 2nd quarter, till the end of now, so that gives around 18% to 20% YTD growth. And that's what we have said that we are confident that we will achieve overall 18% to 20% growth throughout the year subject to quarterly variances.

Videesha Sheth: Got it. Yes. Second is just a follow-up to the earlier participant's question on opex. There is a 25% to 27% QoQ increase in other expenses. So can you elaborate or clarify on this and is this the run rate to be expected going forward as well?

Sanjay Banka: No, this is not the run rate going to be. One is that last year, first quarter, this year first quarter, more stores came into picture. So there is a volume variance in terms of new stores, rental. So let's say total 18 new stores. So first quarter was only three because with the IPO money we raised the store. So one is a volume variance.

And one is that since the market was down in the second part of Q1, we spent a little more money on the marketing. But this is not the run rate. So you don't multiply it by four. So what projections we have said that will be there. This is not the run rate.

Videesha Sheth: Got it. Then on the gross margin movement, if you could just elaborate on the 500 basis point expansion, you also mentioned that there was some correction or some tweak in the franchisee model. So if you could elaborate on that as well.

Sanjay Banka: No, I can't elaborate much on that. These are the business strategy that we are looking at, with our gross margin improvement versus Q1 of last year or Q1 of 2023. But the correct way will be to look at Q3 and Q4. So our EBITDA margin in Q3 was around 11% and Q4 was 7.7%. And we said very clearly that this industry is clearly subject to signal resistance and clearly subject to price volatility.

So whenever price volatility happens in one quarter or other quarter, it will show you EBITDA will gets impacted temporarily. So as long as a company is doing a 90% or 95% or 100% margin, there the hedging, sorry, 90% to 100% hedging, they will remain fully protected. But from accounting perspective, the gross margin may look muted. And hence, it is important to look at the gross margin and EBITDA over two to three quarters, which may not fall within the same financial year. I'm qualifying the sentences.

Videesha Sheth: So for FY25, basically the gross margin would be in the normalized range of 15%, 15.5 %, 15% to 16%. Yes.

Sanjay Banka: We have said 14% 14.5% to 15% and EBITDA we have said 7% to 8%. And this is subject to this custom duty impact. And not only us I think the entire industry that custom duty impact has happened. So you can understand 50 crores on that to Rs 30 crores to Rs 40 crores of likely PAT. We will take necessary actions to recover this custom duty impact by multiple actions which will be taken.

Videesha Sheth: Okay, got it. And lastly, given that the gold exchange component has been increasing QoQ since the last few quarters, what would you attribute this to? I mean, one part of it is that, of course, the elevated gold prices and consumer presence for organized retail has gone up…

Sanjay Banka: What is the attribution? Higher gold exchange clearly is for two reasons. One is the increasing gold price and which is a major reason the customer has to buy gold he doesn't have money and he brings the old gold. Secondly, the trust and movement from unorganized to organized in the respective market. So in our market also, as we are market leader, this consistent increase, as you said, that almost a major portion is a non-Senco gold.

So clearly the branding and faith and trust of Senco is improving and we also want to take it to 40%-45%.

Suvankar Sen: If you remember, just to add to this, that even in the last financial year or last few quarters, we saw an increase in old gold exchange and we also shared some data on non-Senco gold coming into us and people exchanging it, which showed that there is a preference of consumers towards the brands.

Not just us, but all brands, right! Because all the top jewellery brands right now are giving such offers to the consumer that even if they bring their other kind of old gold that has been bought by other jewellers, they will get the same kind of facility if it is above a certain purity level. So I think that's what is attracting the consumers into the brands.

Videesha Sheth: Got it. Where I was getting at is that at company and brand specific initiatives, we have increased our marketing thrust as well, which has also contributed to the increase in exchange. Would that be a fair conclusion?

Sanjay Banka: No, marketing expenses cannot be linked to old gold, but we are promoting and increasing marketing expenditure. If a customer is coming towards the footfall, which is the objective of the marketing expenses, then he brings his own old gold. For us, old gold is just a good currency. I will say old gold for us is a green currency. It's our commitment to ESG and it is saving of the precious foreign exchange for India. So, it's a good social service. We think that as an organization and citizen, we can do for our beloved country.

Videesha Sheth: That's all from my side. I'll join back the queue. Thank you.

Moderator: Thank you. We have our next question from the line of Avi Mehta from Macquarie Group Limited. Please go ahead.

Avi Mehta: Yes. Hi, Suvankar and Sanjay. First, I want to just pick up on the last question about growth. Now, the 18% to 20% growth that we saw, is there more front-ended due to this custom front-ending of demand due to this custom duty cut that you see? And more importantly, just to understand the demand environment, you pointed towards some weakness in a segment which is concerned about incomes and maybe the entry level. Has that changed?

Suvankar Sen: Yes, in the last 15 to 20 days, after the duty cut, we are seeing a change of the lower entry level ticket sizes. So that is one part of the question that you have given. And the front-ending aspect of it is basically that, when there is a sudden reduction in price and internationally if you look at it, that the global uncertainties continue to remain. And the Fed rate cut and all of those aspects are factors that will lead to increasing of the international gold rates.

So I think, from our perspective and Jewellers perspective I think consumers are being made aware of those facts and the possibility of international prices going up. So, they are being pushed or inspired and motivated to come and do their booking, buying for the coming seasons. So this is how it's happening right now.

Sanjay Banka: If I can add here, to what you have said that in the 2nd quarter, the growth will happen. Higher growth is happening in the franchisee stores over the last year. So which clearly indicates that the tier three and tier four town demand is coming back and agriculture sector, good monsoon, stabilization of the economy post elections, faith in the government policy, a pro-farmer policy, I think most of them that's why the demand is coming back. And SSSG also, one other participant asked earlier, I think, so as you had said earlier that the SSSG is usually 60% to 70% of total growth. SSSG has also improved significantly, especially the franchisee one. So we are on course to 20% total growth, 13% to 14% SSSG.

Avi Mehta: Got it.

Sanjay Banka: As you can see today.

Avi Mehta: Okay. Got it. Just a clarification, if I may, has the change in discounting levels also happened after this duty cut or is that something that remains elevated? Because you know what the question, the aspects that you alluded to about gold price rising further. Does that worry you that this discounting is something that can sustain for a longer time?

Suvankar Sen: No, so for the short term, I think that this duty cut has affected every jeweller. So everyone is conscious of the fact and there will be plans and efforts towards rationalizing it. I wouldn't say it will completely stop, but things will get rationalized. So that will happen till the time that if the gold prices again shoot up, very fast in a very short period of time.

High then again, for those short term, attracting of footfalls and customers, it might happen. But if markets remain stable, then I think there will be rationalized discounting. So maybe, my answer is kind of a balanced answer, because very honestly, it's a very dynamic market. But based on situation, things will change. But if the situation remains stable, things will be rational.

Avi Mehta: Got it. And just a second bit, Suvankar was on this lab grown diamond foray. Now, how's the feedback been? And do you see, from a very broader perspective, do you see this, initiation or customer movement towards lab grown in any way hurting the luxury and exclusive feel that typically has been associated with diamond jewellery?

Suvankar Sen: So see, there are two ways to look at it. Yes, there was an aspirational and a luxury feel to diamond jewellery. And I think a lot of effort is being made by the industry towards building up that, continuing and building up it further with the formation of natural diamond council and promoting of natural diamonds. And it is rare. The fact is that it is rare and it takes so much effort to make it. But the lab grown aspect of it is also picking up.

And especially it is in the bigger size diamond that I think the market is getting impacted more because now you can get it at a much lower price and you can fulfil your desire. So I think in the smaller size diamonds, it won't be so much affected. So in terms of fashion and in terms of daily wear and casual wear for the smaller size diamond, the natural diamonds will continue to play a role in terms of modernity and aspiration.

But in the bigger size diamonds, while the people who will buy for their special occasions of weddings, or their own weddings, or engagement with the natural diamonds. But for fashion, for the impulsive purchases or for the destination wedding, which is again another segment where people would want to wear exclusive designs, but for natural diamonds, those designs become expensive to carry.

So those are the segments in which lab grown diamonds and with the wedding season in mind, I'm talking about it will have a role to play. So this is how we have to look at it.

Avi Mehta: Okay, and how's the feedback been? I mean, how are consumers kind of looking at this? Any initial feedback?

Suvankar Sen: So it is, I would tell you that, what we saw, not just with our company, we are also building up the brand, doing pilot with 3-4 stores, trying to reach out to customers because we have to play a very balanced approach right. Though we have created a sub brand and trying to create a different identity, but we have to protect the natural diamonds and ensure that people continue to aspire for it as well as see the consumer behaviour with the lab grown diamonds.

But what I saw in the exhibition, that were we could see various companies, jewellers, big and small, everyone coming, there has been a lot of curiosity and increased curiosity and more acceptance. I think these are the words that should be noted that, is happening in the industry. Now, the information percolation to the consumer will gradually happen. So the future is there, but it will not be able to completely take over the segment.

It will have a small role to play in the fashion segment. I think that's how we have to look at it.

Avi Mehta: Got it, Suvankar. Thanks a lot. That's all from my side. Thanks very much.

Moderator: Thank you. We have our next question from the line of Disha Poddar from Carnelian Asset Managers. Please go ahead.

Disha Poddar: Thank you so much for the chance. I just wanted to understand that you have opened one store in Dubai. So I wanted to understand the strategy of opening further more stores abroad and which regions would you be targeting? And would the economics be kind of similar or how should we look at that?

Suvankar Sen: No, Disha, I'll tell you, this is our beginning and the first step towards increasing the global presence. But we will have a very calibrated approach, and we want to understand, the market and the sentiments. And we would like to play our strategy. As I said, that, taking more product centric and our Karigar centric and design centric and try to reach out to multiple consumers, not only the Indian diaspora.

So there are no such big plans of many, many stores. But we will surely keep our, opportunities open if there are the way we have been expanding to our franchisee model in India. We will always look for any kind of opportunities if they come in. But it is more important that we first build a brand and establish ourselves with our products and our services. So I think we will be in a very methodical and a calibrated manner doing our expansion abroad.

Disha Poddar: Understood. And secondly, sir, on the growth that you mentioned that, you'd be targeting about 18% to 20% growth for the full year. So how much of this can we expect to come in from SSSG and how much from the new 18 to 20 stores that we are opening?

Sanjay Banka: That SSSG will be around 13% to 14%. When we say 18 to 20 between 13 to 14 SSSG. The major contribution anyway comes from the SSSG stores only.

Disha Poddar: Right. Okay. Thank you so much for the answer, sir.

Moderator: Thank you. The next question is from the line of Bhavya Gandhi from Dalal & Broacha Stock Broking. Please go ahead.

Bhavya Gandhi: Yes. Hi. Thank you for the opportunity. So I just wanted to understand, I mean, with respect to the lab grown diamond jewellery store, what sales per store are we targeting? I mean, have we even reached breakeven sort of period? Do we need to reach the breakeven levels?

Suvankar Sen: No, it's a very good question. And let me tell you that we haven't reached breakeven yet. Right. It's been a four-to-five-month journey. We are taking efforts to build the awareness. The targets, I might not be very comfortable to share the target right now because of the circumstances. But let me tell you that the breakeven is not reached yet. And it's the early stages of the journey. So yes.

Sanjay Banka: No I want to add once again that we have said very clearly that in the current year, in 24-25, when we talk about the Sennes segment, which consists of lab-grown perfume and the leather bags, the contribution is not likely to be more than Rs 100 crores. I have said earlier Rs 50 crores. I think between Rs 50 crores to Rs 100 crores. So it is not a very important part of our strategy for the current financial year. It's part of our vision to be a lifestyle partner.

Bhavya Gandhi: Right. No, I was just trying to understand because the stud ratio is on a higher side when it comes to lab-grown diamonds, because your stud ratio is far better than the normal natural diamonds. Right.

Suvankar Sen: So I just want to know how are you seeing it? I don't know. Would you be defining it? I don't know what your calculation might not be correct to look at it that way.

Bhavya Gandhi: Okay. So if you can help me understand, I mean, because lab-grown diamond, I mean, its lesser caratage and daily wear jewellery, most of them that you are targeting. So I believe that the stud ratio is on a higher side or is it not?

Suvankar Sen: No, see, compared to a natural diamond, the stud ratio, is a combination of the how we define stud ratio means we don't mean the stud ratio for the product. What we mean to say is that when we are selling, say, 100 jewellery, when we say it is 11.5% that means that for us, 11.5% is the diamond jewellery or studded jewellery. that is how we define a stud ratio.

And many of our clients have achieved much better numbers in terms of 20% stud ratio or higher. So this is our definition of stud ratio. And I think what that in any particular product is what is the ratio of gold vis-a-vis the stone component. So when the stone is a cubic zirconia or any kind of a semi-precious stone, then the value of the stone is lower compared to the gold value of the product.

So there, obviously, that would mean, more money that you can earn, lesser money that you can earn from the stone. But compared to a cubic zirconia or a semi-precious stone or American diamonds, as they call it, obviously lab grown is better. But compared to the natural diamond, the value of the lab grown will be lower. So it is going to be a studded jewellery. There will be certain gross margins associated with it.

But the ratio might not be that impactful in the overall stud ratio that we call it.

Bhavya Gandhi: Okay, just let me ask in another way. I mean, I could have rephrased it in a better way. So I mean, you are trying to say that 100 pieces, if you were to sell, and 11% is the stud ratio, that 11% is the diamond jewellery sales, diamond jewellery pieces, I would say. That is how you calculate stud ratio?

Sanjay Banka Let me make it simpler. Let's say we sell around 11 to 12 lakhs jewellery. So when we say 15%, will be 15% of the pieces. So when we say my total is around 5200 crores, 11% is around 550 to 600 crores is the diamond jewellery sales, within 55% to 60%. So when we look at the statute, we find value at 5 to 6%. When now we start a post listing, we've started using the term stud ratio that is 11%.

Bhavya Gandhi: Okay, fair enough. Last question, if I can squeeze in. So what would be the pecking order for the studded elements? I mean, if you can just throw, I mean, obviously diamonds have to be number one, natural diamonds, but post that, what would be the elements of studs? Okay, so diamond, important element, pecking order in the studs, your voice is not audible.

Suvankar Sen: Yes, I think we could say in the studded element of it, the pecking order would be diamonds will be the topmost and highest share. Then there would be emeralds and rubies, right? Those will be there. And I must tell all of you and you would be seeing it soon that coloured gemstones combined with diamonds, those have been in trend and those will soon be the, the coming season designs we would see more and more.

So and in diamond, there would be cut and polished diamond and polki also, uncut diamonds. So that will be there along in the diamond part, then rubies, emeralds. Then there are these other gemstones. Now lab grown is there. Now lab grown can gradually come up and, be in the second or the third position. But that will take some time. So this is how we have to look at it.

Bhavya Gandhi: Got it. Fair enough. Thank you so much. Really helpful. Yes, thank you. And that's it from my end.

Moderator Thank you. We have our next question from the line of Vikrant Kashyap from Asian Market Securities. Please go ahead.

Vikrant Kashyap: Good morning, Suvankar ji and Sanjay ji. Congratulations on very good set of numbers. First question is on your hedging policies. So you mentioned that 45 or maybe 55 is the hedge ratio between MCX and gold metal loan. But since we have a gold exchange coming in and we have monthly schemes running, doesn't it provide natural hedging to you?

Sanjay Banka: Yes, so I will explain to you**.** See, one is that a hedging, when, I'm saying when we are talking about hedging, we are talking about the inventory, not of the daily purchase sale. Let's say, 25 to 30 kg of gold in the market sale that is hedged. But I have an inventory of 2800 kg. So we have to hedge that inventory because if the price falls and if the price remains fallen for forever or for six months, I have to sell my old inventory at a lesser price. Got me. So almost 50% of that inventory, so when we talk about 2800 kg, around 40% is the gold metal loan with the banks.

So the price is not fixed and if the price falls, 50% is gold metal loan unfixed and balance around 45% to 50% is the MCX futures sale.

Vikrant Kashyap: So I now understand your point, Sanjay ji. My next question is, so no it's very clear. The second part, do we see gold metal loan increasing going forward for us and the mix will change?

Sanjay Banka: We have said earlier that the gold metal loan percentage in our borrowing, we want to take it to 75% so that my blended interest cost also falls. But it is a dynamic which we have to close with the bankers. Intent is very clearly to increase the GML as a percentage of total borrowing.

Suvankar Sen: But we need to keep in mind that GML will not have an impact of that, if there is any further duty cut, then GML will not be the right way to hedge. So we have to balance it. So that is the thing we need to keep in mind.

Vikrant Kashyap: Okay, great. Second question is on the demand side, since we have strong penetration in tier two and below markets in the eastern region. Have you seen any kind of reactions from unorganized players post this duty cut? Had they reacted differently and what kind of impact you have seen on their businesses?

Suvankar Sen: So, till now, we have not seen much of reaction from unorganized players. See, the way I think the organized players, I am saying that the way the organized players are hedging, taking gold low, doing exchange, the unorganized players are not doing so much of hedging. So they would be getting an impact on the financials for sure.

But for now, because of the duty cut, the way we are all so excited and elated that, yes, consumers are coming, and the transactions are happening and, turnover is happening, I think they are also happy about it, of the fact. And they are positive also and optimistic and thinking that no problem. Again, the gold prices will gradually go up.

So it's a short term impact. And in the long run, it will all work out well. So I think that's the thought process that they are having. And there is no such great reaction from their side.

Vikrant Kashyap: Okay, thank you, Suvankar ji and wish you best of luck.

Moderator Thank you. We have our next question from the line of Devansh Nigotia from Safe Enterprises. Please go ahead.

Devansh Nigotia: Yes, so thanks for the opportunity. Also regarding the impact that you mentioned for Rs 50 crores only for the duty cut. But I mean, if we look at our closing inventory, even for, March, that is almost Rs 2400 crores and a 9% cut on that translates to almost Rs 180 crores-Rs 200 crores impact. So why I mean, can you help us understand the math behind Rs 50 crores impact, which you mentioned?

Suvankar Sen: No, so you have to see that gold loan is what percentage of it and the impact on the duty cut on the duty paid gold that you take on gold loan. But the hedging that you are doing on the exchange, there you are not getting impacted, there you are getting a straight benefit. So it is only to that extent and the Rs 2400 crores, just, because see all of you will be doing your mathematics and doing your modelling.

You have to understand that Rs 2400 crores, there are Rs 400 crores to Rs 500 crores of diamond inventory or other stones inventory. Correct. So then you're taking the gold inventory only. And in that gold inventory, partially it is gold loan and partially it is MCX hedge. So then you do your mathematics and you come to a number. So I leave that mathematics and calculation to you and then you come to your number.

Devansh Nigotia: But even diamond inventory has been correcting almost like 10% every quarter for our last one and a half years has been very weak.

Suvankar Sen: See, the bigger size diamond is what has corrected more, what is like bigger size above 50 cents. But, the smaller size diamonds, that correction is very limited. Right. And if you look at our inventory or our sales, 80% is the smaller size diamond. So the impact of the, the diamond value has not been, I wouldn't say it would be much of an impact on the books.

Devansh Nigotia: Okay. And so just one last question on gross margins. I'm still confused because we know that the competition was very high and even gold had corrected in this quarter. Not able to understand the reason behind.

Suvankar Sen: No, gold has not corrected in this quarter. In Q1, gold has not corrected. Q2, gold has corrected. Right. So, you need to ensure that, yes, the competition was high in Q1 and in that competitive intensity, there have been a lot of discounting and a lot of, whatever price cutting that has happened and that pressure on margins was there. But at the same time, you need to understand that optimization of stocks at how are you, you have sold more, but because of the gold price rise, you will not buy to the extent that you have sold.

How do you manage your inventory? There are so many aspects to it. So the price correction is in Q2. So Q2 will be something that you will need to look forward on the impact of it. But Q1 was not so much on the price correction.

Devansh Nigotia: Q2 has impact of custom duty as well as fall in gold price.

Suvankar Sen: Yes, Q2 has impact of custom duty and fall in gold price, but it's more the custom duty that was impacted. More the gold price falling is also getting averaged out. So, yes. And so we mentioned.

Moderator: Sorry to interrupt, sir. May I request you to please re-join the queue as there are several participants waiting? Thank you. Ladies and gentlemen, we have our last question from the line of Dhairya Trivedi from DJT Corporation and Investments. Please go ahead.

Dhairya Trivedi: Hi, sir. Thanks for taking my question. How do you see the net impact of this inventory loss of Rs 50 to Rs 60 crores because of custom duty reduction vis-a-vis the increase? You know, that's an account of so-called falls. So do you think the increased falls will kind of offset the inventory loss of 50-60 crores?

Suvankar Sen: Yes, we are very positive. And even if it is not going to offset to this extent, but through various methods of rationalizing, discounting and other initiatives of increasing products with higher margins, these are certain broad strategies everyone will be taking. But I'm just calling it out. We will have to manage and reduce the impact. So I'm very optimistic that if not the full part, but a large part will be managed and adjusted.

Dhairya Trivedi: Got it. And what will be the exit guidance, EBITDA guidance for FY25 in terms of margins? Are you looking to maintain or increase margins from last year?

Suvankar Sen: I'm saying that our guidance on 18%-20% growth on top line will continue, our guidance on 18%-20% growth on bottom line. Ideally, post the duty impact should be muted in the sense that there might be a rather than a growth of 18%-20%, we should look at a growth of 15%-18%, if I may say so. But our endeavour will be towards making it higher than 18%. But because of the impact, we need to understand that there will be some impact. So the growth on bottom line will be 15%-18% growth. So I think that's how one has to look at it, but yes.

Sanjay Banka: Kindly allow me to share my views. One is that custom duty impact has happened. So whatever sir has said, should be Rs 40-50crores, we are getting into more details. But it's Rs 50 crores impact will happen. Within this year, and we are now working to take the necessary action. A clear picture we will be able to give you after Q3.

So right now, while the original plan was very clear 18-20% top line and 18-20% bottom line, right now on the bottom line, it is better to implement the causes and comment on it after significant sales increase. It's a question of 30 to 300 to 400 sales increase, which will counter this risk.

Suvankar Sen: So the efforts will always be there. Efforts will be there, but what a fact is, is a fact, right? So we need to keep that in mind and have a conservative approach. And after Q3, both of us and you all will be more sure of what the scenario is. That is how I think one has to look at it.

Dhairya Trivedi: Right, sir. Got it. Thank you so much.

Moderator: Thank you. Ladies and gentlemen, that would be the last question for today. And I would now like to hand the conference over to the management for closing comments.

Suvankar Sen: So thank you, everyone, for all the questions on the part of the quarterly earning call. I must tell you that we really look forward to interacting with all of you. And every quarter for the jewellery industry brings in a lot of activity, a lot of excitement. There is the impact of economics, geopolitics, policies. There is the creativity in it. There are new designs, collection, consumer behaviour.

So it's a wonderful industry to really be a part of. And I'm sure with all of you there, we are always there to hear you out, listen from you; learn from you and hoping for a great Q2 and preparation for Q3, festive season. So thank you and happy Independence Day once again. Vande Mataram. Thank you.

Moderator: Thank you. On behalf of Emkay Global Financial Services, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.

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