Date: February 18, 2025

To,
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400001
Scrip Code: 544256

To,
National Stock Exchange of India Limited,
Exchange Plaza, C-1, Block-G, BKC,
Bandra (East), Mumbai – 400051
Symbol: PNGJL

Subject: Transcript of Conference Call

Dear Sir/ Madam,

Pursuant to Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the transcript of audio call of the Conference Call held on Thursday, February 13, 2025, at 04:00 P.M.

The details are also available on the website of the Company at https://www.pngjewellers.com

Kindly take the above information on your records.

Thanking You.

Yours Sincerely,
For **P N Gadgil Jewellers Limited**

PRAKHAR GUPTA
Digitally signed by PRAKHAR GUPTA
Date: 2025.02.18 19:21:14 +05'30'

Prakhar Gupta
Company Secretary & Compliance Officer

“P N Gadgil Jewellers Limited

Q3 FY25 Earnings Conference Call”

February 13, 2025

MANAGEMENT: **MR. SAURABH GADGIL – CHAIRMAN AND MANAGING DIRECTOR – P N GADGIL JEWELLERS LIMITED**
MR. KIRAN FIRODIYA – EXECUTIVE DIRECTOR AND CHIEF FINANCIAL OFFICER – P N GADGIL JEWELLERS LIMITED

MODERATOR: **MR. NAVEEN TRIVEDI – MOTILAL OSWAL**

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY25 P N Gadgil Jewellers Limited Conference Call hosted by Motilal Oswal. 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 touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Naveen Trivedi from Motilal Oswal. Thank you and over to you.

Naveen Trivedi: Yes, thank you so much. Good afternoon, everyone. On behalf of Motilal Oswal, I am Naveen Trivedi, would like to welcome you all to the P N Gadgil Jewellers Q3 FY25 Earnings Conference Call. From the management today, we have Mr. Saurabh Gadgil, Chairman and Managing Director, Mr. Kiran Firodiya, Executive Director and CFO. I would now hand over the call to the management for the opening remarks. Over to you, Saurabh.

Saurabh Gadgil: Thank you, Naveen. Good evening, everyone, and thank you for joining us today for the P N Gadgil Jewellers Q3 FY25 Earnings Call. I hope you all had an opportunity to go through our financial results and earnings presentation, which are already uploaded on the stock exchanges and the company's website. So this quarter has been really remarkable for us as we continue to build on our strong market presence and customer trust.

We were delighted to share that October 2024 was our best ever month in which revenues surpassed INR 1,050 crores, setting a new benchmark for the company. For the entire Q3 FY25, our total revenues stood at INR 2,435 crores, registering a 23.5% growth year-on-year compared to INR 1,972 crores in Q3 FY24. This performance was largely driven by a strong demand during the festive and wedding season, an uptick in the consumer sentiment and our ongoing efforts to enhance our product portfolio.

At the store level, our revenues per store stood at INR 127 Crore, Net profit per store at INR 3.25 crores, demonstrating strong operational efficiency. Our SSG, the same store, sales growth continues to be strong at 26%. Our retail segment - our business is primarily divided into three segments, retail, E-com and franchisee, of which the retail segment is around 77% and leads to delivering 42% Y-o-Y revenue growth, an EBITDA margin of 6.42% and a PAT margin of 4.23%.

Beyond retail, we witnessed exceptional growth in our E-com and franchisee segments too. Our E-com revenue grows by almost 100% to INR 70 crores and the franchisee revenue rose by 87% to INR 226 crores in Q3 FY25. This robust growth across all the segments reinforces our strategic direction and positions us well-sustained in the upcoming quarters.

Adding to that, our customer engagement remains very strong with our transaction volume rising by 21% and the average transaction value, ATV, increasing by 22% to INR 86,000 per transaction. Moreover, we recorded a 36% increase in footfalls and supported by a strong conversion ratio of 93%. This has helped us to really focus on the consumer demand and purchasing at all our stores in a most efficient way.

This festive season played a crucial role in Q3, with Navaratri sales increasing by 18% and Diwali sales increasing by 53%. We capitalized on this momentum by successfully expanding our footprint with the launch of nine showrooms in nine consecutive days during Navaratri, bringing our total store count to 48. I think this is the first time that some jewellery brand has been able to demonstrate nine days of Navaratri with nine store launches.

This marks a 45% year-on-year growth and we are on record to reach 53 stores by Q4 FY25. The expansion reflects our commitment to growth and our ability to meet festive consumer demand effectively. Additionally, an important point we observed is a 39% year-over-year increase in our studded ratio, which now stands at 7.4% highlighting our evolving consumer preference towards more premium jewellery offerings.

Our engagement with the entertainment industry also continues to be strong with our brand presence in the promotion of the movie "Paani" at our stores this quarter. Despite record high prices of almost INR 80,000 compared to INR 72,000 last year, we witnessed a 5% increase in demand. The strong demand during the wedding season has been particularly beneficial, contributing significantly to our growth.

We are also observing a shift in the consumer preferences with a growing inclination towards lightweight, rose gold, white gold, primarily among younger customers. We also anticipate that by 2029, the demand for 18-carat gold will increase significantly, bringing further opportunities for growth in the industry. A key highlight of this quarter also has been our enhanced hedging strategy, where the proportion of hedged gold through GML increased from 12% last quarter to over 45% this quarter, which showcases our effective risk management strategy and the ability to navigate further.

We are confident that our growth strategy, customer-centric approach and expanding store footprints will continue to drive value for all our stakeholders. With this, now I invite our CFO, Mr Kiran Firodiya to provide deeper insight into financial performances. Thank you. Over to Kiran.

Kiran Firodiya: Thank you and good evening, everyone. Let me take you through the financials of the company. For the quarter ended December 2024, we reported consolidated revenue of INR 24,357 million, reflecting 23.5% year-on-year growth. We achieved EBITDA of INR 129 crores, making 37.2% growth year-on-year with EBITDA margin of 5.3 up from 50 basis points year-on-year.

For the consolidated PAT, come to INR 86 crores, representing almost 49.5%, that is 50% year-on-year growth with PAT margin of 3.5%, a 60 basis point increase year-on-year. We have achieved robust performance across all key business segments. A retail segment posted a strong growth of 42% contributing INR 187 crores to overall revenue - INR 1,878 crores revenue to the overall top line. The e-commerce segment demonstrated exceptional growth for almost 100% gearing to INR 70 crores.

Lastly, the franchise segment recorded growth of 87% which is contributing INR 227 crores on our top line. If I have to give some update, about 9 months ended 31st December 2024, our consolidated revenue stood to INR 61,052 million, a 32.7% year-on-year increase. We reported an EBITDA of INR 2,619 million reflecting almost 40% year-on-year with EBITDA margin of 4.3% and PAT for 9 months stood at INR 156 crores making 53.7% strong growth year-on-year.

This reflects our operational execution and customer-centric approach and strategic investment across all channels. We are confident in our ability to sustain this momentum as we continue to aggregate the value for our stakeholders. Lastly, the most important is the hedging, the metal loan which we avail for meeting our day-to-day gold requirement. This is based on daily sales criteria. In aggregate, the hedging is currently as on December is 83.6% and as on today that is January, we are fully hedged with respect to my total business in gold. So over to you guys.

Saurabh Gadgil: So now we will be open to questions and further clarifications from investors.

Moderator: Sure sir, would you like to begin with the question and answer session?

Saurabh Gadgil: Sure.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. We have the first question from the line of Tushar from BigShot Investment. Please go ahead.

Tushar: Yes. Good evening, sir. My first question is if I see your last year quarterly results, company achieved lower profitability in Q1 and Q2 and whereas Q3 and Q4 profitability was at the same level. So do we expect this trend to continue this year or should Q4 be lower than Q3 this year?

Kiran Firodiya: Hi. Good evening. So with respect to the profitability for last Q3 quarter ended, we are hopeful that we will continue the momentum on the same way. Main reason is that now we are focusing more on hedging part, so there should not be any impact whether gold prices will be go up or go down. There will be neutral effect. So whatever may be the business we are expecting, that is definitely going to generate the profit in the same margin.

Tushar: Okay. Next question is the ROC on the new store is comparable to some of our old stores?

Kiran Firodiya: Sorry.

Tushar: ROC on the new store is comparable to some of our old stores?

Kiran Firodiya: So ROC of the new store, as we mentioned or as we have given some insight at the time of IPO, that time also we have demonstrated that whatever new store we have opened, it is typically taking 15 months to 18 months to reach at breakeven, but if you ask me the current data of nine days, nine stores which we have opened, as on date they are operationally self-sufficient to cater all the store expenses.

So if the momentum continues, then we are hopefully able to breakeven even less than a year and then they will definitely start adding to the ROC as well as bottom line.

Tushar: Ok. And one last question. We are planning to expand to MP, Chhattisgarh and Jharkhand from next year. Our brand will be relatively unknown in these markets compared to Maharashtra. So how do we expect to maintain our performance in these markets and what is our strategy?

Saurabh Gadgil: It's a good question. So this is something which we have been working on since the last 6 months. Growth strategy for us is a very planned move. We have been speaking about following the

Peshwa route outside Maharashtra, moving to Madhya Pradesh, Chhattisgarh, Jharkhand, Bihar, UP.

So for that we have been – where we are holding exhibitions there. Primarily we have been doing exhibitions there, connecting to city-based consumers there, connecting to friends of brand, different organizations and build up the brand in the state before we go. Also these states have a very strong connection with Maharashtra where people have moved here for employment, for education.

So the brand awareness is healthy in those states as far as PNG is concerned. So it should not be very challenging, but for us it's definitely a well-planned move and we are sure that we will be able to achieve the same kind of brand penetration and loyalty which we have been able to demonstrate in the state of Maharashtra. Again the legacy of almost 200 years is something which is definitely going to be a big USP when we enter into different areas.

And our expertise of jewellery making, handcraft jewellery is something which will give us the edge when we go into newer markets.

Tushar: Okay sir, thank you so much. That's all from my side.

Moderator: Thank you. We have the next question in the line of Sanjaya Satapathy from Ampersand Capital. Please go ahead.

Sanjaya Satapathy: Sir, I just want to understand your other expenses increased a lot this quarter. Is it because of the new stores that you opened?

Kiran Firodiya: So my other expense which increased by almost INR 30 crores on quarter-on-quarter basis, these are basically the marketing spend that we have done. And at the same time there are some mark-to-margin which we have to pay because we have taken gold metal also. So we have to hedge that 100%.

So for that also we have to consider in the mark-to-margin category. And other than this there are a couple of discount schemes which we have launched during the Navaratri and Diwali festival. Because these being the festival wherein we have reached to a remarkable revenue of almost INR 1,000 crores in a single month. So all this considering the impact is of that way.

Sanjaya Satapathy: Is there any losses relating to those customs duty reduction again this quarter as well or no?

Kiran Firodiya: No. There is no impact on Q3 as far as customs duty is concerned, because customs duty impact happened in the H1 or Q2 of this financial year and that has been fully recovered. Because at the time when duty reduction happened, we also witnessed the increase in the sales post 22nd July, 2024. So it is compensated with the inventory infusion. So we have also replenished the inventory at lower cost. So considering net-off, there is hardly impact of INR 3 crores which we have already taken hit in last H1 and Q2.

Sanjaya Satapathy: Understood. And sir you have increased your number of stores quite significantly during Navaratri time. And I understand that there is some amount of seasonality to your sales rate.

That is March quarter typically is lower than December quarter, but since you have increased the number of stores, do you think you will be able to match December quarter performance in March as well?

Saurabh Gadgil: Typically in the jewellery industry, Q1 and Q3 are the quarters wherein the major festive seasons lie. So one is Gudi Padwa and Akshaya Tritiya and Q3 where Diwali season lies. But having said that, again Q4 has the advantage of the wedding season. Also this year, Gudi Padwa is on March end which is going to be in Q4 itself. And with the sustained consumer interest in gold as an investment, in gold as jewellery and with the price outlook remaining bullish, we see a strong traction of consumers.

The same store growth has been in double digits. And I think that the new stores also have taken off more than what was desired. So I think we are confident that we should be able to keep the momentum going because the stores were rightly selected at the right locations and each store has shown remarkable sales right from day one. So considering that, we do not see this as a challenge where it will have an impact on the numbers for Q4, but yes, Q3 definitely is a month which has the advantage of Diwali and Navaratri.

Sanjaya Satapathy: And sir you have - you are more or less going to probably complete your target of some 52 jewellery stores by the end of this financial year?

Saurabh Gadgil: Yes. So we have already added two stores in January. So right now we are at 50 stores. And in the month of March, we will be adding three more stores. So we will be at 53 stores as of March end.

Sanjaya Satapathy: And then, what kind of store addition are you planning for next financial year? Is that something which you are disclosing?

Saurabh Gadgil: Next financial year, the plan is that considering a company-owned store and a franchisee store, along with our litestyle format what we have envisaged, the store with lighter weight jewellery, we would be adding 25 stores in the next financial year, which will be a mix of franchisee and company-owned stores.

Sanjaya Satapathy: Okay. So considering this kind of growth rate, do you think you will be able to maintain current EBITDA margin because you will be constantly spending more on these new stores which have more than 12 months of breakeven?

Saurabh Gadgil: Our strategy is very different. We are not expanding randomly in different states, but we will be focusing on two particular states for next year which we will have a majority of the stores here. Plus, we will be doing some more expansion in the state of Maharashtra. And like I mentioned, the litestyle stores, litestyle by PNG, this is basically targeting the new generation of young, stylish jewellery.

So these stores typically need a very low capex. The stock investment would be in the range of INR 5 to INR 7 crores. So our internal accruals are strong. And we will not be looking at raising heavy debt to fund the expansion. It will be managed through our internal accruals. And around

10 stores out of this would also be franchisees, which will not be draining our capital. So to answer your question, will they have an impact on margin?

No, because the 9 stores which started this year, the 3 stores starting before years, all these stores will also lead to maturity and stock cycle, stock turn of more than 1.5 to 2. So that will aid us to be able to easily fund this new store expansion.

Sanjaya Satapathy: And if we can just ask one more question because you have already spent almost entire IPO proceeds in your this thing. So you are saying that you will be able to fund your expansion through internal accruals going forward?

Saurabh Gadgil: From the IPO proceeds, we have also repaid the entire bank debt. So if you have seen the IPO objectives, INR 300 crores was to repay the term loan, the bank debt and then the balance was primarily used for stock infusion. So as we speak on December end, we were almost debt free, just a INR 50 crores to INR 60 crores term loan. So we are in a very comfortable position as debt-to-equity ratio is concerned.

And that would really help us along with our strong internal accruals and the focus being only on investing back in stock. So this is how we have planned the expansion in the coming year.

Sanjaya Satapathy: Thank you so much.

Moderator: Thank you. We have the next question from the line of Aniruddha Kekatpure from Edelweiss AMC. Please go ahead.

Aniruddha Kekatpure: Hi, congratulations Saurabh and Kiran on a good set of results. A couple of questions now. These 25 store additions which you are planning in FY26, how many would be the COCO stores in this?

Saurabh Gadgil: So the mix for 25 stores would be PNG stores, which would be full-fledged stores, which would be in the range of having inventory of around INR 40 crores. And then there would be litestyle by PNG stores, which would be smaller format stores, 1,000 to 1,500 square feet with a capex of INR 7 crores to INR 8 crores. So the plan for the year is that we would be doing 8 COCO stores, 7 to 8 franchisee stores for PNG, the regular INR 40 crores model.

And then around 10 litestyle stores, which would be half COCO and half FOCO. Along with that, we will also be expanding with a store or two in the US. So the area identified are right now is Seattle, where we will be starting the store hopefully in Q1 of next year.

Aniruddha Kekatpure: Okay and what would be typically the breakeven for these litestyle stores that you are expecting?

Saurabh Gadgil: Litestyle stores are in the same line as what we are looking at in our stores. But litestyle being a lighter weight,we expect it to break even in 9 months to 12 months. These are stores where it will be gold jewellery of 18 carat and a bit of 22 carat, but lighter in weight, designs which are not catering to PNG.

And then there will be diamond jewellery which is 18 carat gold and diamond. Again, designs which we don't keep in PNG. It may also have 14 carat gold, but the advantage of this is that the pricing here is a little premium. So margins here would range in the range of 15% to 20%.

Aniruddha Kekatpure: Okay, so how do you think this should help move your overall studded ratio there? So it was 7.4% in this particular quarter. Can you help me with what was this on a Q-o-Q as well as Y-o-Y basis the studded ratio?

Saurabh Gadgil: Litestyle by PNG strategy is not to target studded. It's primarily to target the younger population, GenZ, people who are looking at very stylish jewellery, different shopping experience, maybe mall presence. So that is where we are targeting Litestyle by PNG. As far as the studded ratio is concerned, in late Q2 we launched our polki, jadau collection by the name of Polmi, which saw good traction during the month of Diwali.

And that is what we are moving ahead with. So Polki as a category is something which will really help us to gain two, three basis points in the studded ratio category. Along with that, precious stones and colour stone jewellery is another area of focus. So this along with strong growth in the natural diamond category, is what will help us to achieve, to reach to that target of around 12%, 13% studded in the next 2 years, 3 years.

Aniruddha Kekatpure: Okay, this last bit of question. What would be the SSG for this particular quarter? You've given 26% for 9 months. What was it for Q3?

Kiran Firodiya: Q3, one minute. Yes so talking about - so Q3 same store sales growth we have in terms of gold is 44%, wherein the value growth 44% and volume growth we have observed 14% year-on-year.

Aniruddha Kekatpure: Okay, understood. Can you just, lastly just briefly comment how is the environment at this point in time, in terms of what are the customer needs that you're seeing given that gold prices have kind of moved up very sharply recently or they continue to consistently move up. Are you seeing any reduction in footfalls? What is the customer behaviour at this point in time?

Saurabh Gadgil: Our customer footfalls have seen a positive rise. As we mentioned in our presentation, my ATV has gone up to INR 86,000.

Aniruddha Kekatpure: No, that's Q3. I'm saying for Q4, this ongoing quarter, I'm saying?

Saurabh Gadgil: Ongoing quarter, Q4 we do not see a dip in footfall primarily due to pricing, because prices it's somewhere with the consumer are some way accepted too. So I do not see that we'll have a major impact in terms of footfall. We are seeing that the wedding season looks strong. Again, from 15th of March onward, the festive Gudi Padwa we'll start showing the collection launches planned for Gudi Padwa Akshaya Tritiya.

So I think overall, Q4 also looks to be on a good, sound footing. But to answer your question, whether there's been a customer holdback due to high prices, that has not been the case. The prices have shown increase. So people, the currency has changed. Some people would exchange old gold to make wedding jewellery. So that portion can see a higher rise. But people looking at encashing gold or selling gold, that phenomenon has not kicked in. So we believe that the consumer sentiment remains strong.

Aniruddha Kekatpure: Excellent. Congratulations once again and all the very best.

Moderator: Thank you. We have the next question from Abhishek Kumar from Sanctum Wealth. Please go ahead.

Abhishek Kumar: Hello, good afternoon. Congratulations on a good set of numbers. Most of my questions have been answered. So I'll just have one bit on the expansion strategy. So given that we are one of the biggest players in Maharashtra, we have a rich history and knowledge and understanding of the local Maharashtra market. Given that we have aspiration of moving to different states from here on, Madhya Pradesh, Jharkhand, as the one which you mentioned.

So given that there would be competitive activity from local and other pan-India players. So what kind of strategies are you thinking in order to deploy there so that you have a right to win in those markets and other brand building activities which you plan to undertake in the coming months when you actually launch the store? And also, would those stores be primarily COCO stores or you would experiment with FOCO?

Saurabh Gadgil: Good question. So I answered part of it before that the strategy would be in a very planned way. We have already done the market survey in the areas which we are looking to expand. That is primarily looking at the market, comparing, mapping with competition, mapping on the design front, mapping on the brand front. Post that we'll be doing exhibitions in various cities which we are focusing for growth ahead. Along with the exhibitions, we do a lot of customer-connect activities.

We do a lot of branding activities. So the brand presence, the brand connection before we store launch is quite well established. And this really helps us to be able to start sales as soon as the store opens. Having said that, yes, definitely it's a different market, but we have seen that advantages which Central India, North India has to offer, it's a single language state. These states have a very strong connect with Maharashtra.

And that really has helped to get the brand awareness, the brand familiarity and brand evangelists are already there in those states. So we do not see it as a big challenge. We definitely would be able to continue with our same strategy as we go there in terms of pricing. And what we believe is the entire shopping experience which a customer feel that PNG and the brand relationship which we have developed, that's a strength which also will be adequately used as we go in those states.

Along coupled with that, we would be again positioning at the same level what we're positioning here. So we are a jewellers to the middle class, upper middle class and that's a big base of the pyramid that is what we're also targeting in those states when we go ahead.

Abhishek Kumar: And store expansion initially would be COCO run stores?

Saurabh Gadgil: Yes, so initially we would be doing the COCO stores there. But like I mentioned, we would also be looking at franchises where it's FOCO a franchise-owned company operated. We already have a strong interest on that front, but the company would first do three to four COCO stores and only then undertake the FOCO model as we further progress in those states.

Abhishek Kumar: Okay, got it. Thanks for answering my question. All the best.

Moderator: Thank you. We have the next question from the line of Dinesh Kulkarni from Finsight. Please go ahead.

Dinesh Kulkarni: Yes, thank you, sir. Thanks for giving me the opportunity and really a great set of numbers. Sir, my question was under this line what was asked here just now. Are we saying that the growth in Maharashtra for PNG has more or less captured or penetrated most of Maharashtra? Is that why we are looking out at other states? Is that the competition in Maharashtra is such that we are not seeing the same kind of growth which we saw in the past? Can you just elaborate on that?

Saurabh Gadgil: During our IPO presentation, we had said that in Maharashtra we would be looking at around 50 to 55 stores. And post that, we would be expanding in neighbouring states. And that is the same thing that we are right now saying. At 53 stores in Maharashtra, we feel that the state is quite well covered by us. Growth definitely will happen in the state and existing stores will keep on performing. Maharashtra is a growing state and definitely there is potential for the state.

But in terms of locations, we feel we are quite well covered. There are a few more locations which today may not be sunrise, but which are emerging in the coming years. So we will also keep an eye on Maharashtra and any opportunity, any state where any city where we feel there is opportunity, we will definitely look at that. But having said that, we need to further expand the brand and that is where we are looking in the neighbouring states. But our SSG in Maharashtra has been strong and will continue to be strong.

Dinesh Kulkarni: Yes sir. That is the concern. What we know today, Maharashtra is obviously a growing state and it is the largest contributor to the GDP. But if you compare Maharashtra with other states, even the per capita consumption and expenditure would not be as high as Maharashtra. So would not that impact the SSG growth? However we look at those aspects?

Saurabh Gadgil: The maximum number of hallmark Jewellers are in the state of Maharashtra. When you look at the entire belt of Central India and say North India, the number of Jewellers compared to the population, the state size is very attractive for the opportunity to expand further there. And again, Maharashtra is an established state. It is a state wherein there is already development happening and it will happen further.

But India is growing and that is where we see a lot of new states with new opportunities and we want to be a part of those new opportunities also. Our focus on Maharashtra will remain strong and we would seize every opportunity we have in this state here.

Dinesh Kulkarni: Okay sir. That sounds great. And so eventually, can we expect the kind of margins we are doing in Maharashtra, those similar will be reflected in our company's performance in other states as well? We are on the same line or are they at a lower end? How is that going to impact the margins 3 years from now?

Saurabh Gadgil: In the long run, the pricing in Maharashtra and other states is almost the same for jewellery. There isn't any much difference. So I think on the margin front, we would be looking at positive improvement because as the studded ratio goes further up, we would be seeing a benefit from that. And also, since we are now fully hedged, price fluctuation and price movement will not affect our margins. So going ahead, we should see better margins as the studded ratio starts growing further and further.

Dinesh Kulkarni: Okay. That sounds really encouraging. This is the last point from my end. So we said that we are going to introduce this Litestyle by PNG. That's a great initiative. I just wanted to understand, where does that stand vis-a-vis comparison with PN Gargi? Are they on the same line or are they different business models?

Saurabh Gadgil: PN Gargi, is a fashion jewellery brand. Litestyle by PNG is a fine jewellery brand. So it will be dealing in gold and diamonds only. It is not fashion jewellery or silver jewellery. So this is primarily complementing our existing PNG gold and diamond sales, but targeting a new TG, targeting a younger TG and being able to offer designs which are highly differentiated than what we have in our existing stores with better margins than existing stores.

So the ATVs there would be lower than what we have in the stores here. It will be more of fun jewellery. It will be more of casual shopping, more of impulse buying as compared to PNG where it is a planned buying and a serious shopping.

Dinesh Kulkarni: Okay, that sounds really great, sir and thank you very much. All the best.

Moderator: Thank you. We have the next question from the line of Vikas Reddy from Lakshmi Kala. Investments.. Please go ahead.

Vikas Reddy: Good evening, sir. Congratulations on a good set of numbers. Sir, after the recent spike in gold prices, have you noticed an increase in demand for 18 carat gold as compared to 22 carat?

Saurabh Gadgil: I think there has been a slight introduction of 18 carat in all our stores. So it is right now more of a pilot project than a serious project. We are trying to look at people's preferences. So 18 carat is being slowly introduced more in chains and in finger-rings categories, but serious shopping is still happening in 22 carat and people are looking at enhancing their new designs by exchanging old gold.

But I think wedding shopping primarily is still 22 carat driven while lightweight shopping, gifting can move to 18 carat, but it is too early to say that there is a sure short shift in that direction.

Vikas Reddy: And I just wanted to know that what is the difference between retail and non-retail side of business? So what is the non-retail side of business?

Kiran Firodiya: So retail means the sale which we are happening across the counters of all our 48 stores and non-retail means these are the stores which we are doing through franchisee partners through e-commerce.

Vikas Reddy: And as we have discussed in last con call, we are trying to reduce the non-retail side which is bullion sales. So we are more focusing on retail stores only?

Kiran Firodiya: Correct. So as we promised, we have totally stopped that refinement on retail which is across my 48 stores and franchisee and e-commerce.

Vikas Reddy: Okay, got it. My last question is sir, hearing a lot of buzz in lab-grown diamonds, most of our peers are building their own stores in lab-grown diamonds. Are we planning to open our own store selling lab-grown diamonds?

Saurabh Gadgil: At PNG, there has been no demand from consumers asking for lab-grown diamonds. And the reason for that has been that we have been - most of the jewellery chain, diamond jewellery sales are in the size of minus 11 so 11 cents and minus. Lab-grown diamonds have only taken off in the bigger sizes, so 30 cents, 40 cents plus. So it has not had any impact on our sale or on demand for natural diamonds.

So we have no plans under PNG to introduce lab-grown diamonds. Like you said, if it's a trend which catches on, are we equipped? Yes, we are equipped and maybe at a time litestyle by PNG can venture into lab-grown diamonds if the situation is favourable for lab-grown diamonds.

Vikas Reddy: Thank you so much, sir and all the best.

Saurabh Gadgil: Thank you.

Moderator: Thank you. We have the next question from the line of Bismith Nayak from RW Advisors. Please go ahead.

Bismith Nayak: Thank you. Sir, first question would be, what sort of inventory gain would we have booked in this quarter and the base quarter?

Kiran Firodiya: Almost INR 2.5 crores.

Bismith Nayak: So INR 2.5 crores in this quarter?

Kiran Firodiya: Q3.

Bismith Nayak: Okay, and in Q3 FY24?

Kiran Firodiya: FY24, since we are not using the hedging tools, that time we are not listed, so that freedom means we have. We are bullish on the gold segment but after IPO, as we committed that we are increasing the hedging proportion that we have done it and so this is affecting in Q3 and as on date of January, my entire business is...(inaudible)

Bismith Nayak: Okay, and one more question, Sir, on other expenses. Since we added a lot of stores in starting of Q3, so should we expect this run rate to continue or come down a bit?

Kiran Firodiya: As far as my new stores are open, we have a set of system or the procedure or policies as far as new store opening is concerned. So we have tight control on all expenditure with respect to new store which we are opening and at the same time we have SOP for new store to monitor the expenses as well. So we observe, based on the historical data, the same thing that typically 1.5 years.

So 18 months is required to come to a particular store as a breakeven, but when we open 9 store in 9 days in Navaratri, this financial year, as on date they are self-sufficient to ensure that there is no cash infusion required to particular store to run. They are self-sufficient. So hopefully, in less than 1 year, this 9 store also can come to a breakeven and contribute in my total net profit.

Bismith Nayak: So my question was on the blended, consol level other expenses. Should the run rate continue or would it go up a bit?

Kiran Firodiya: We are definitely, the moment sales figure will increase, the revenue increase, then my operating expenses and other things will be totally under control because these are more or less fixed on account of rental, on account of manpower cost, on account of other expenses. These are also centrally managed like all AMCs are done under centrally agency of admin. So things are under control. The moment revenue increases at particular store, then I think these costs will be under control.

Bismith Nayak: Understood. Thank you.

Moderator: Thank you. We have the next question from the line of Lakshmi Narayan from Tunga Investments. Please go ahead.

Lakshmi Narayan: Thank you. I just want to understand what has been the volume growth on the old stores. For example, the stores that were - that we had as on end of FY24 on the 9 months, what has been the grammage growth for those stores?

Kiran Firodiya: You're talking on the volume growth, right?

Lakshmi Narayan: Yes on the volume growth of your stores, I think we had almost 40 stores I mean, as on FY24, the number of stores we had in March 2021-2024. I just want to understand what has been the grammage or volume growth for those stores in the last 9 months?

Kiran Firodiya: So, talking about YTD growth of same store sales growth, that time total we have 48 stores, but if I have to give you the figure for same store sales growth, then I have to consider only 22 stores because these are the stores which are available last year as on December and as comparable with respect to Q3 of FY25.

Considering only these 22 stores, then my total growth in terms of value is 27% and in terms of volume, it is 5%, only in talking about gold. At company level, considering the overall growth, my volume is increased by 13% and value is increased by 40%.

Lakshmi Narayan: Got it. And what is the mix of trade-in jewellery and scheme based jewellery and outside this and coins?

Kiran Firodiya: You are talking about the bullion part of it?

Lakshmi Narayan: No. Some of the gold will be recycled in a sense that somebody brings it and then recycles and then second will be scheme-led ones where you already have subscriptions and the monthly one and then third would be outside this. So, I just want to understand what is the broad mix of this across for the last 9 months?

Saurabh Gadgil: Our old gold which people exchanged for new jewellery would be in the range of 25% to 28%. Our scheme wherein people have what you call the future purchase plan, that would be in the range of 8% to 10%. And the balance is primarily on the spot fresh purchase.

Lakshmi Narayan: Got it. And the new stores which you have actually opened, especially the one during Navaratri, what has been the kind of a run rate per month of sales of these new stores which got opened? Roughly, maybe per quarter, what kind of revenue these new stores are generating?

Kiran Firodiya: So now, we have opened nine stores in nine days and the performance of these nine stores is that in Q3 they have contributed INR 240 crores in the top line. So, as per our plan, the breakeven is that once we reach INR 1,010 crores, then I think all my nine stores will be reached. So, we are at present at 24% of the new stores.

Lakshmi Narayan: Got it. This is very helpful. Thank you so much. Thank you.

Moderator: Thank you. We have the next question on the line of Naveen from Motilal Oswal. Please go ahead.

Naveen: Just a couple of questions from my side. One by the end of December, what was our inventory and GML?

Kiran Firodiya: Closing inventory on December is 1,800 crores. And my GML is almost 558 kgs.

Naveen: Okay. And when you said by the end of December, your hedging ratio was 83%. So, how did the ratio actually derive?

Kiran Firodiya: Actually, the thing is when we are saying that whatever may be the price gain upward and downward. So, we are considering what is my sale. So, typically, hedging policy as we have observed all the peers, whatever they are forecasting for next financial year, that much amount we are continuously hedging.

If you are talking about total inventory which is lying in the company, then we are almost 75% because 30% by way of old gold which is continuously exchanging across the counter, 30% to 35% by way of GML and we have 10% to 11% by way of derivatives. So, considering total inventory, we are in the range of 60 to 70. With respect to the effect on the profitability, we are fully hedged.

Naveen: Sure. And how much was our ad spend during the quarter? I am sure that since a lot of stores have opened in the quarter 3, the ad spend would have been quite lumpy compared to the normal which we do it for other quarters. So, how much was the ad spend this quarter?

Kiran Firodiya: Expense pertaining to?

Naveen: How much advertisement spends which we had done in quarter 3?

Kiran Firodiya: Naveen, I am not getting your question.

Naveen: Kiran, I was saying that in quarter 3, how much we had spent over the advertisement which we had done for new stores?

Saurabh Gadgil: So, Naveen, Kiran will give the numbers to you. But our total spend would be around 1% of our entire turnover. So, we are well in budget. This year, we should be closing at around INR 7,500 crores to INR 8,000 crores. So, marketing spend for the year would be in the range of INR 55 crores to INR 60 crores, including all the new store launches.

Naveen: Yes, sure. And just last question from my side, when you talked about this litestyle stores, any specific location which you had identified in? I am sure that this would have been largely in Maharashtra only?

Saurabh Gadgil: You are talking of Maharashtra? I didn't understand your question.

Naveen: I am saying which all markets in Maharashtra you are looking for these stores?

Saurabh Gadgil: See, Maharashtra the next three stores which we have planned in Maharashtra, primarily one is in Pimpri in Chinchwad area, on the outskirts of Pune, near Chapekar Chowk. One store is going to be another one of the flagship store here, on Lakshmi Road very close to our existing store. And the third one is going to be in a place called Talegaon, which is on the Bombay-Pune highway.

Along with these three – post these three stores next year we also have the Dadar in Mumbai, which is again a flagship store planned, hopefully in Q1 of next year. And post that, we also have places like Jalgaon in Maharashtra, which again we are catering to. So there is a mix of Maharashtra and outside Maharashtra. In terms of expansion outside Maharashtra, as we have said, UP, Bihar and Madhya Pradesh are the states where expansion will commence in the next financial year.

Naveen: Thank you so much. I will be in the queue. Thanks.

Moderator: Thank you. We have the next question from the line of Devanshu from Emkay Global. Please go ahead.

Devanshu: Congratulations on a very good performance in both Q3 and 9 months. Saurabh, my question is broader and not specific only to you. I wanted to better understand this decline in gold grammage per store. Obviously, this is happening due to significant increase in gold price. But as an owner, does this concern you and what steps are we sort of taking to improve this going ahead?

Saurabh Gadgil: Decrease in grammage is not something which is alarming because what is happening is one side is that decrease is average grammage which was safe around 12-13 grams of jewellery or maybe even 14 grams would have gone down by a gram. But the number of footfalls which we are seeing, the new additions which we are seeing is far more than that. Per capita income spending is rising.

So that is offsetting this entire decrease in maybe your ATVs. But having said that also, the interest towards studded is something which is helping PNG again to gain better margins. As prices go increasing, people's budget is going to somewhere not be able to match that hike. We will definitely see a little dip in your ticket size, but this will be compensated by the rise in number of customers and our focus to further increasing our revenue and conversions is something which will definitely be of use to us. This is not a concern and it is already well addressed by our company.

Devanshu: Saurabh from an inventory perspective, I wanted to understand, this is like 4 years, 5 years ago at your stores and now, in terms of kg are you also seeing some optimisation happening? Because gold price has increased, consumers are purchasing lower grammage. So have you been able to reduce the grammage at your stores over the last 4 years, 5 years? What is your strategy there?

Saurabh Gadgil: This is a strategy we adopted during COVID. So post-COVID was the time when we decided to work on linear inventory level. This was the year 2021-2022 when we got down the inventory level by around 25%, 30% across all the stores. We compensated this drop by looking at made-to-order business. That has been a strategy which has really successfully worked for us.

So inventory level, which today our competition would be having INR 55 crores, INR 60 crores, we work at INR 40 crores and that helps us to get better stock turns, to get better revenue per square feet and revenue per store. So this is something which we have been constantly working on. But it's not only because of high prices. This was something which we had thought even before that and that really has paid off in the last 4 years, 5 years.

Devanshu: That's really encouraging to hear. Saurabh, I just wanted to understand from a price increase perspective. I wanted to understand. Suppose a necklace was 30 grams earlier. Have we been able to reduce it to say 27 grams because there was some 8%, 10% decrease in grammage purchased by consumers. So I just wanted to check your thoughts there on that perspective?

Saurabh Gadgil: Which is happening so like bangles which were initially 10 years ago 50 grams have today come to 40 or even maybe 37 grams. 38 grams. So we are definitely working on trying to make the same design in lighter weight. That's an ongoing process and that is something which has really been the flavor of the season as prices go up and budgets don't match the same rise.

Devanshu: Very helpful Saurabh. Thanks for taking my questions.

Moderator: Thank you. We have the next question from Nitin Jain from Fairview Investment. Please go ahead.

Nitin Jain: Apologies if my question has been answered already. So I just wanted to know how Q4 has panned out so far given the unprecedented rise in gold prices?

Saurabh Gadgil: I didn't get a question. Can you please repeat?

Nitin Jain: I joined a little late. So apologies if the question has been answered already. I just wanted to know how Q4 has panned out so far given that gold prices have gone up unprecedented?

Saurabh Gadgil: I think Q4 is a month when we see sales on a steady level primarily backed by wedding shopping. Month of February is again gifting anniversary, the season of love. And then March is Gudi Padwa. So that starts by mid-March. The shopping for Gudi Padwa will start. So overall the quarter has been decent.

Though prices have gone up, the consumer interest still remains. Gold exchange has gone up, but even in this quarter at the record price, the sentiment remains strong. People's interest and commitment to gold and jewellery remains strong. So I think as of now, things are on track and it's been a good quarter.

Nitin Jain: Thank you and congratulations on the standout quarter.

Moderator: Thank you. We have the next question on the line of Dinesh Kulkarni from Finsight. Please go ahead.

Dinesh Kulkarni: My question was more on expansion. You mentioned that they're looking out across Uttar Pradesh and Maharashtra. How is the focus on Karnataka because I believe a lot of people from North Karnataka work across many parts of Maharashtra. So what is the focus on that state?

Saurabh Gadgil: You're speaking on Karnataka?

Dinesh Kulkarni: Yes, Karnataka.

Saurabh Gadgil: In the strategy, we had mentioned that we'll be looking at Central India. So that is something which we are right now following and looking at research there. We've already finished a lot of ground market survey there. As far as Karnataka is concerned, we are still evaluating the market there, looking at the survey and looking at market potential there.

So there isn't any fixed plan of doing that. But like you mentioned, it's a neighbouring state having a very strong connection to Maharashtra. So that can be looked at. So we're exploring it further.

Dinesh Kulkarni: Okay. Fair enough. So my question next is on the hedging, sir. Like you mentioned, as you can see, the other expenses part is on a consolidated level. It's almost INR 200 crores just for the 9 months, which is way above the full FY2024. So can you just explain this? How, as we do more and more hedging for the upcoming years and quarters and years, so this expense will increase.

So will there be proportionate increase with respect to sales either in value terms or volume terms? How will that be like how should we look at that?

Kiran Firodiya: To answer your question, whatever may be the hedging portion that is not coming in other expense, that is coming in the COGS part only. But the hedging which we are doing for my gold deposit scheme, like currently at present we have almost 40 kgs of the gold which we have recently launched, that gold purchase plan wherein people are coming and buying the instead of paying the amount, they are booking the gold in regular basic in SIP model.

So whatever gold they are planning to purchase in future, that amount we have to hedge. So that is not part of my COGS. So that mark-to-margin will come in my other expense. Other than this, whatever current hedging that is going to effect, neutralize in my cost of goods sold only.

Dinesh Kulkarni: Okay. Fair enough. One more thing then. You said we are doing some online transactions and online selling as well. So how does that work really? I mean, it is just like I select something from online store and deliver it or like where to go and because I have never really seen anyone really buying gold on online basis. I mean, how is it trend there and why is it so growing if it is growing so much?

Saurabh Gadgil: I will explain to you the online model. So on the online model as we call the E-commerce model, we function on two different platforms. One is our own PNG website and one is third party website like Amazon, Flipkart, Tata CLiQ, AJIO. So we have product listed on the partner website and also on our website. People can purchase jewellery, both gold and diamond and maybe diamond, coins, bar.

How it happens is you go online, you select what you want. Bullion, coins are all ready to ship. Jewellery can be in two categories, ready to ship and made to order. As for that, you make the payment. If it is order placed, you will be placing the order. If it is ready to ship, it will be shipped immediately and it comes to delivers to your place mentioned in the invoice fully insured by the company. So this is how the E-commerce model functions.

If you are asking me the growth, there is a lot of demand from people especially during festive days, during times of investment mode when they want to purchase coins, bars. Jewellery, lot of lightweight jewellery, gifting jewellery is purchased online and heavy jewellery, wedding jewellery today is a hybrid model where people browse online and buy offline. So online model definitely also aids your offline sales and also gives you pure online sales.

Dinesh Kulkarni: Okay, but eventually the delivery will happen from the flagship store or nearby store. I mean it is as good as buying from the, how does that because, I mean like are the margins different there online versus offline?

Saurabh Gadgil: Margins are the same. It will be done through our central office. So it will not be done through the stores, it will be done through our central warehouse and if it is made to order also, it will be ordered, done in the same process like a customer order, undergoing QC and then post that, it will be shipped to the customer. So this is all done from a separate location, not from any of the stores.

Dinesh Kulkarni: Okay, so basically you are saying the ATV is more or less across irrespective of online or offline. It is just the mode of purchase that differs?

Saurabh Gadgil: ATV is lower because online ATV, you will not be looking at heavy shopping online. So ATV definitely is lower, but it is convenient for people and that is the trend which people today prefer buying lighter weights online. So it is the need of the hour and that is why we are there.

Dinesh Kulkarni: Okay, so some last question from my end. So in the last 4 years, 5 years we have seen the gold prices almost doubled even, in fact more than doubled and so how have we seen the footfalls, like say compared to I am going way far back in the history, 5 years versus today so just because the doubling of gold price, how has that impacted on the footfalls?

Saurabh Gadgil: If you look at any industry, you know, even if you look at auto today with petrol going up, the number of cars on the road is only increasing. Population is increasing, people's buying power is increasing. In jewellery, the move from unorganised to organised is increasing in a big way. So all this for organised players has been on the positive side. So we are seeing a lot of movement and a lot of newer additions to our existing consumer base. So price has never been an obstacle.

Certain erratic movements in prices may empanelled people to hold on for a couple of months, but eventually buying happens and as long as in today's bullish market where everyone is looking at gold scaling further high, definitely there is no pressure on people's buying or on the number of consumers. As we showed in the presentation, our consumer base has increased. We have shown also high conversion rates.

So I think the online industry is seeing a big benefit from this entire move and today brands, people with legacy brands, transparency, transparent and ethical brands, in all industries have been rewarded and so in jewellery.

Dinesh Kulkarni: Okay, sir. Thank you very much. All the best.

Moderator: Thank you. I would now like to hand the conference over to the management for closing comments.

Saurabh Gadgil: So I think, thank you everyone for taking time out and joining this conference. It was insightful from us to have a conversation with you. Your questions have definitely helped us to work on the strategy side and I think we'd be able to answer any further questions if you have. You can reach the company or you can feel free to reach to our Investor Relations Partner X-B4 Advisory. Thank you very much. Good day everybody

Moderator: Thank you. On behalf of Motilal Oswal, that concludes this conference. Thank you for joining us and you may now disconnect your lines.