D. P. Abhushan Limited

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D. P. Jewellers
A BOND OF TRUST SINCE 1940
A VENTURE OF D.P. ABHUSHAN LIMITED

Date: February 14, 2025

To,
National Stock Exchange of India Limited
Exchange Plaza,
Bandra Kurla Complex
Bandra East, Mumbai – 400051
Symbol: "DPABHUSHAN"

To,
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001
BSE SCRIP Code – "544161"

Subject: Transcript of Q3 FY25 Earnings Conference Call dated February 11, 2025.

Dear Sir / Madam,

With Reference to Captioned Subject Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 please find enclosed the transcript of Earnings Conference Call with investors/analysts held on Tuesday, February 11, 2025 to discuss the Unaudited Financial Results of the Company for the Quarter ended December 31, 2024.

The above information is also available on the Company's website at www.dpjewellers.com

You are requested to kindly note the same.

Thanking you,

FOR **AND ON BEHALF OF**
D. P. ABHUSHAN LIMITED

Digitally signed by SANTOSH KATARIA
Date: 2025.02.14 16:31:27 +05'30'

D.P. Abhushan Limited RATLAM

SANTOSH KATARIA
Chairman and Managing Director
DIN: 02855068

"D.P. Abhushan Limited Q3 FY25 Earnings Conference Call"

February 11, 2025

MANAGEMENT: **MR. SANTOSH KATARIA - CHAIRMAN & MANAGING DIRECTOR, D.P. ABHUSHAN LIMITED**
MR. ANIL KATARIA - WHOLE-TIME DIRECTOR, D.P. ABHUSHAN LIMITED
MR. VIKAS KATARIA, PROMOTER, D.P. ABHUSHAN LIMITED

Moderator: Ladies and gentlemen, good day and welcome to D.P. Abhushan Limited Q3FY25 Earnings Conference Call.

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. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ajit Mishra from E&Y. Thank you and over to you, sir.

Ajit Mishra: Thank you, good evening to all the participants on this call. I am Ajit Mishra from Ernst & Young Investor Relations. Before we proceed to the call, let me remind you that the discussion may contain forward-looking statements that may involve known or unknown risks, uncertainties, and other factors. It must be viewed in conjunction with our business risks that could cause future result performance or achievement to differ significantly from what it expressed or implied by such forward-looking statements.

Please note that we have mailed the press release, results & the same are available on the company's website. In case, if you have not received the same, you can write to us and we will be happy to send the same over to you.

To take us through the results and answer your questions today, we have the top management of DP Abhushan Limited represented by Mr. Santosh Kataria, Chairman and Managing Director, Mr. Anil Kataria, Whole Time Director and Mr. Vikas Kataria, Promoter.

We will start the call with a brief overview of the industry, company performance for the quarter gone past and then conduct Q&A session. With that said, I will now hand over the call to Mr. Anil Kataria. Over to you, Sir.

Anil Kataria: Thank you, Good evening, everyone, and I warmly welcome you all to DP Abhushan Limited's Q3 FY25 Earnings Conference Call. I am Anil Kataria, Whole Time Director of DP Abhushan Limited, and I am pleased to be joined by Mr. Santosh Kataria & Mr. Vikas Kataria and the entire DP Abhushan team. We appreciate you taking the time to join us today.

Before we delve into the company's financials and business operations updates, I'd like to take a moment to share some key industry insights from the quarter gone by—Q3 FY25. Despite ongoing price volatility and global economic uncertainties, India's gold and jewelry market has demonstrated remarkable resilience. According to the latest data from the World Gold Council (WGC), overall gold demand in India rose by 5% in 2024, reaching 802.8 tonnes compared to 761 tonnes in 2023. This growth has been driven by record-high gold prices, reduced import duties, strong investment demand, and robust purchases tied to weddings and festival seasons.

Weddings, in particular, continue to be a significant driver of jewelry demand. The Indian wedding industry is projected to reach ₹10 lakh crore by 2025, with average wedding expenditures rising sharply from ₹20 lakh in 2022 to ₹30 lakh in 2024. Looking ahead, we anticipate gold demand to grow by 12%-15% and silver demand by 15%-18% by the end of FY2025.

We're also witnessing interesting shifts in consumer preferences. For instance, 18-carat gold jewelry demand grew by 25% year-on-year in 2024, driven by younger consumers gravitating towards rose gold and studded white gold over traditional 22-carat options. Additionally, there's a growing trend towards sustainable and ethically sourced jewelry. Mandatory hallmarking and rising compliance costs are further steering consumers towards organized jewelry retailers, and we expect the organized sector's market share to increase to 50% by FY29.

Building on this positive momentum in the industry, we're thrilled to report a quarter of exceptional performance, which not only reflects the strength of the Indian jewelry industry but also underscores our ability to capitalize on these favorable trends. In Q3 FY25, we achieved our highest-ever profitability, with a remarkable 123% year-on-year increase to ₹37.34 crores.

With that, I'd now like to hand over the call to Santosh Kataria, who will take you all through our business development initiatives and outlook in greater detail. Thank you all for joining us today, and we look forward to your continued support.

Santosh Kataria: Thank you, Anil ji, Now I will take this moment to highlight our business developments initiatives during Q3 FY25.

As per the guidance for FY25 strategic expansion, we launched a new showroom in Neemuch, Madhya Pradesh, during Q3 FY25. This showroom spans a super built-up area of 7,700 sq. ft. with a modern Ground+3 layout, located just 150 kilometers from our registered and administrative office in Ratlam. Following the successful launch of our Ajmer showroom in the previous quarter, we're pleased to share that both locations are receiving a positive response from customers.

Additionally, the construction of our second showroom in Ratlam is progressing well. This showroom will have a carpet area of 12,000 sq. ft., with 8,000 sq. ft. dedicated to retail and the remainder for back-office operations. We expect to launch this showroom by the end of FY25.

To support our strategic expansion plans, we are planning to raise up to ₹600 crores through the QIP route. This will enable us to strengthen our market presence and drive long-term value creation. Over the next five years, DP Abhushan Limited is set to expand its showroom network on a PAN-India basis, targeting key regions such as Gujarat, Chhattisgarh, and various parts of

Madhya Pradesh and Rajasthan. This expansion aims to enhance our market reach, provide customers with greater access to our products, and solidify our brand's position in the market.

I would like to share our marketing and promotional activities during the quarter. We organized two significant jewelry exhibitions, "Parinay" and "Jewels of Mewar," which took place in Ajmer, Banswara, Bhilwara, and Udaipur from November 25th to December 8th. These events were a fantastic opportunity for us to showcase a diverse range of our exquisite jewelry collections. The exhibitions attracted a substantial number of customers, and we were thrilled to see such a positive response. The variety and quality of our collections resonated well with the attendees, leading to impressive sales figures. The success of these exhibitions not only boosted our sales but also strengthened our brand presence in these regions.

With that, I'd like to pass the call over to Vikas Kataria, who will provide a detailed overview of our Q3FY25 financial performance. Thank you, everyone.

Vikas Kataria: Thank you, team EY. Thank you, Anil ji. Thank you, Santosh ji. and a warm welcome to everyone on the call. I'm excited to walk you through our financial highlights for Q3 FY25.

This quarter has been exceptional, with total revenue reaching ₹1,085 crores, a 42% increase compared to ₹766 crores in Q3 FY24. This growth was driven by sustained demand during the festive and wedding seasons. Our EBITDA stood at ₹56 crores, up 92% from ₹29 crores in the same period last year. EBITDA Margin grew by 135 basis points Year on year to 5.14%. Additionally, our PAT reached ₹37 crores, marking our highest-ever growth of 123% year-on-year with a margin of 3.4%, compared to ₹17 crores in Q3 FY24.

In terms of store performance, I'd like to highlight some of our top-performing stores. Our flagship store in Ratlam contributed the highest revenue of ₹750 crores in 9M FY25. Stores in Bhopal, Banswara, and Ujjain also recorded significant growth, with year-on-year increases of 76%, 54%, and 51%, respectively.

Moving to our revenue mix, 93% of sales contributed by gold, 5% from Diamonds, 2% from silver, & 0.3% from others which includes platinum.

Looking ahead, we are optimistic about the continued growth potential in the jewelry industry. Our expansion strategy, focus on emerging markets, and product diversification position us well to capitalize on upcoming opportunities and deliver sustained growth.

With that, I'd now like to open the floor for questions and answers. Thank you!

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Mayank Kapoor, an Individual Investor. Please go ahead.

Mayank Kapoor: Thank you. Congratulations, sir, on a fantastic set of numbers and thank you for giving this opportunity. I have a few questions. Question number one, being that I see that the revenue has increased about 42% for this quarter on a year-on-year basis, whereas our gross profit has increased 72%. So, wanted to understand what is the reason behind the gross margins being improved?

Vikas Kataria: Thank you, Mayank, for your question. This quarter, we delivered extraordinary results, with our profit margins increasing significantly. The improvement in gross margins is primarily due to our strategic focus on wedding and diamond jewelry, which have higher margins.

Mayank Kapoor: So, sir, on the QIP that we are planning on doing and just wanted to understand how do we think about the number of stores going forward, both in terms of the company owned stores, I think we had a target of doubling our stores in the next 2-3 years and then also the franchisee stores. So, just wanted to ask that.

Vikas Kataria: Right. We are undertaking a Qualified Institutional Placement (QIP) to significantly boost our store expansion, aiming to double them within the next 2-3 years. Additionally, we are planning to open a few franchises as part of our growth strategy, pursuing both avenues to achieve our goals.

Mayank Kapoor: Got it, just wanted to understand more on the QIP side, why is that we are raising the money? Is it not for the franchise stores or some other reason?

Vikas Kataria: The proceeds from the QIP will be utilized to open company-owned stores.

Mayank Kapoor: Got it. And sir, for the ninth month, I see that we have grown by 45% already, whereas we were given, a guidance of 15%-20%. So, are we, going to revise our guidance, and how should we take that number for the next year?

Vikas Kataria: Yes, we are definitely aiming to achieve the same growth. However, being conservative, we are targeting at least 20%-25% growth.

Mayank Kapoor: Got it. So, that's all from my side. Thank you.

Vikas Kataria: Thank you.

Moderator: The next question is from the line of Kushal from Inved Research. Please go ahead.

Kushal: Sir, I wanted to know that we are raising ₹600 crores from QIP. What will be the end use of this ₹600 crore? That is my first question. Second is, clearly margins have inflected for the last 2-3 years now, I think the management is working on improving margins. So, wanted your commentary on how the margins will improve in the future?

Vikas Kataria: Right, we are raising fund ₹600 crores. The majority of the funds will be allocated to inventory, with a smaller portion used for CAPEX, including store development. The remaining funds will primarily be used to open a new showroom, covering both inventory and CAPEX needs.

Kushal: So, how many stores will be opened from ₹600 crore?

Vikas Kataria: So, we are trying to double the number of the store. We will open 10 more stores almost.

Kushal: 10 stores? So, these will be small stores?

Vikas Kataria: There will be a combination of small and big stores. Like 5 stores will be small and 5 will be big. So, accordingly, that's our plan.

Kushal: Okay. Sir, where will be the store expansion majorly? The existing stronghold areas that are ...

Vikas Kataria: Yes, so majorly we are focusing in MP, Rajasthan. And now we are moving towards Gujarat, Chhattisgarh and we are also considering UP and Bihar.

Kushal: Okay. And these will be in Tier-2 towns only? Tier 2-Tier-3 towns or in main metros?

Vikas Kataria: Maximum Tier-2 and Tier-3. Our focus is major Tier-2-Tier-3. And maybe 1 or 2 stores in Tier-1. So, we are still considering.

Kushal: Got it, sir. My next question was on margins. How will you try to improve this, means, what are the levels to improve more margins in 2-3 years?

Vikas Kataria: We are definitely aiming to improve our current margins, targeting an increase of 20%-25% with continued focus on wedding jewelry, collection jewelry, diamond jewelry, studded jewelry, and Polki jewelry. This strategic focus will help us gradually and steadily increase our margins.

Kushal: Got it, sir. Thank you.

Moderator: Thank you. The next question is from the line of Shreya Tiwari, an Individual Investor. Please go ahead.

Shreya Tiwari: Thank you, sir. Congratulations for the good set of numbers. Sir, I have just one question. As you have mentioned about the franchisee model stores that you're going to open, so are there any plan, how many stores are we planning to open in the next 2-3 years?

Vikas Kataria: We plan to open 2-3 franchises within the next 2 years, with further expansion to follow. Initially, our focus is on establishing these first few franchises.

Shreya Tiwari: So, first we will see the interest and then we are going ahead with the franchise model.

Vikas Kataria: Yes.

Shreya Tiwari: Okay, sir and have we finalized the locations for franchise stores?

Vikas Kataria: The locations we have in mind for both franchises and company-owned stores include Madhya Pradesh, Rajasthan, Gujarat, and Chhattisgarh.

Shreya Tiwari: Okay, got it. Thank you and all the best.

Vikas Kataria: Thank you.

Moderator: The next question is from the line of Heet Parekh from Ashika Institutional Equities. Please go ahead.

Heet Parekh: Good evening, sir, and thanks for the opportunity. Sir, I have just one question. Our flagship store at Ratlam saw a 23% quarter-on-quarter degrowth in the topline. So, what was the reason for it?

Vikas Kataria: Degrowth?

Heet Parekh: Yes, Ratlam store, 3Q numbers. Coming at ₹264 crores versus 2Q numbers coming at ₹343 crores?

Vikas Kataria: Ratlam store is doing good, In this quarter we just crossed ₹750 crores for 9MFY25.

Heet Parekh: Yes, nine months number, sir, I agree that it's crossing ₹750 crores, Ratlam store. I was just asking sir, was there any one off in the Q2 quarter for Ratlam store to do ₹343 crores and in the third quarter the numbers have been almost ₹ 90 crores less sir, ₹ 80 crores?

Vikas Kataria: Not exactly. The higher gold prices caused a shift in purchasing patterns. We saw extraordinary results in Q2 because many customers made their wedding purchases earlier, taking advantage of lower gold prices at that time. This led to higher sales in Q2 compared to Q3.

Heet Parekh: So, you are saying the wedding buying of 3Q was a little early, so the numbers show in Q2?

Vikas Kataria: Because of the support of gold support. So, sales were high in Q2. Overall, it is better than the last year.

Heet Parekh: On a nine-month basis I know. I was just asking on the quarter-on-quarter basis. and sir, one more question. Sir, out of our total what you can say revenue, how much is coming from wedding jewelry and how much is coming from day-to-day jewelry?

Vikas Kataria: So, almost like the 50%-55% is coming from the wedding jewelry.

Heet Parekh: 50% to 55%. And sir, what is directionally, are we seeing gold, just as you mentioned in the opening comments that there is strategic shift happening towards 18 carats and rose gold, white gold kind of jewelry. So, how are you seeing the demand shaping up in this segment at DP level?

Vikas Kataria: Yes, people are increasingly interested in fancy jewelry, such as rose gold and white gold pieces. We also offer 22-carat rose gold jewelry. In the diamond segment, rose gold jewelry is particularly popular. The demand for rose gold and white gold jewelry is definitely very high in these segments.

Heet Parekh: So, what is the percentage contribution from Rose Gold, White Gold, jewelry?

Vikas Kataria: So, the White Gold and Rose Gold jewelry contribution is nothing very much, but yeah, 10% to 15% is the total contribution.

Heet Parekh: Okay sir, thank you. I'll join back the queue.

Moderator: Thank you. The next question is from the line of Rohan Singh, an Individual Investor. Please go ahead.

Rohan Singh: Hi, thank you for this opportunity, sir. I wanted to understand store metrics in the investor presentation. So, when comparing the year-on-year performance for the first nine months, Ratlam our oldest store grew by 42%. On the other hand, our stores in, Bhopal, Banswara and Ujjain showed even higher growth than Ratlam. So, what are your observations regarding the performance and growth of these locations?

Vikas Kataria: All our stores have shown significant growth over the past nine months. We are particularly focused on achieving more growth in our newer stores located in Banswara, Ujjain, Bhopal, Udaipur, and Kota. We are making concerted efforts to drive growth in these areas.

Rohan Singh: My second question is could you please provide the CAPEX incurred for these newly opened scores in Ajmer and Neemuch? Additionally what is the current inventory value held by these stores?

Vikas Kataria: This is approx. ₹ 1-2.5 crores capex and inventory which is held at the store is ₹55 cores- ₹60 crores.

Rohan Singh: Okay. And my last question is, till when can we expect the stores to reach breakeven with the reference to the current performance?

Vikas Kataria: Around 6 to 9 months.

Rohan Singh: Yes. Thank you. That's from my side.

Moderator: Thank you. The next question is from the line of Pranav from Singular Capital. Please go ahead.

Pranav: Hi sir, thank you for the opportunity. My first question was, other expenses have jumped up significantly quarter-on-quarter. Any points, any details you'd like to give on that?

Vikas Kataria: So, we are launching the new stores. So, the marketing budget is little bit increased in particular quarter and that's why you can see there is increase in other expenses.

Pranav: Okay. Sir, second question is on our inventory accounting model. So, as I understand our inventory accounting model is slightly different from most of our other peers in that we use the historical average cost method. So, I just wanted to understand if we were to use inventory model comparable to our peers, our gross margins would be lower. So, any sense you could give us on how much lower our gross margins would be in that case?

Vikas Kataria: Gross margin is like 2%-3% lower than the other players in the market.

Pranav: Sir, I am saying, we use a historical average cost of acquisition.

Vikas Kataria: We are using the weighted average method for the inventory. So, if the market is like the Rs.88,000 but our inventory price is somewhere around like ₹73,000- ₹74,000 of our inventory prices.

Pranav: Understood. So, that is what I was saying, we have inventory cost is ₹73,000- ₹74,000. Whereas if we were using the FIFO model or some other inventory accounting model, our cost of inventory would be higher than what we have currently. Is that the right way to understand it?

Vikas Kataria: Yes, it is the right way.

Pranav: In that case, our gross margins, can you give us an example on consolidated basis of what our gross margins would look like in that case? Because I am just trying to understand that like you said, our gross margins are different to peers but using different accounting methods for inventory doesn't make sense to compare. So, on a like-to-like basis what they would look like is what I am trying to understand. Maybe we could just take this question offline. I'll get in touch with you. Thank you.

Vikas Kataria: Yes, sure we can take this question offline. Thank you.

Moderator: Thank you. The next question is from the line of Kushal from Inved Research. Please go ahead.

Kushal: Thanks for the opportunity again. Since I am new to the company, sir, I wanted to know how do we hedge our inventory? Are we doing GML loans or suppose if tomorrow gold prices go down, what will happen to our inventory value?

Vikas Kataria: Thank you for asking the question. So, we are doing the weighted average method. So, our inventory price and market price is different. So, as of now our inventory price is lower than the market around like 8%-10% lower than the market. If market goes down so we are already hedged. We have the plan to hedge the inventory. If the gold stays high or higher, then definitely if our book value and market value is similar, then we will hedge by then. But now our book value is very low and our market value is high, so even if the market falls, then we are already naturally hedged.

Kushal: Okay, but going forward, sir, let's say 1 or 2 years out. If the gold market goes down.

Vikas Kataria: Market price and our book price is the same, then definitely we are doing the hedging method which everyone else does. Gold metal loan plus future selling in the future options.

Kushal: So, as of now, there is no hedging, but we are using an accounting policy which is marking our inventory lower versus the market value of the inventory.

Vikas Kataria: Yes. So, in weighted average, our price is like almost, 8% to 10% less than the current market price.

Kushal: Got it, sir. Fair enough. Thank you.

Moderator: Thank you. As there no further questions from the participants. I now hand the conference over to the management for closing comments. Over to you, sir.

Anil Kataria: Thank you, everyone, for your thoughtful questions and active participation in today’s earnings call.

As we bring this call to an end, I want to reaffirm our confidence in the journey ahead for DP Abhushan. This quarter’s outstanding performance is a testament to the strong demand in the jewelry sector and our ability to successfully execute our strategic plans.

As we move forward, we remain committed to expanding our footprint, enhancing our product offerings, and delivering unparalleled service to our customers. These efforts position us well to create long-term value for our customers, employees, and shareholders.

I would also like to take a moment to thank our incredible team for their hard work and dedication, as well as our stakeholders for their continued trust and support.

Thank you once again for joining us today. We are excited about the future of DP Abhushan and look forward to sharing our progress with you in the coming quarters. If you have any further questions, please feel free to reach out to the EY team, who manages our investor relations.

Moderator: On behalf of D.P. Abhushan Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.