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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/Madam,

Sub: Earnings Call Transcript pertaining to the Unaudited Financial Results for the Quarter & Nine Months ended 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 February, 2025 post declaration of Unaudited Financial Results (both Standalone & Consolidated) for the quarter and nine months ended 31st December, 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: 2025.02.20 15:52:34 +05'30'

Mukund Chandak
Company Secretary & Compliance Officer
Membership No. A20051

Encl: as above

"Senco Gold Limited

Q3 & 9M FY25 Results Conference Call"

February 14, 2025

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

MODERATOR: **MR. DEVANSHU BANSAL – EMKAY GLOBAL FINANCIAL SERVICES**

Moderator: Ladies and gentlemen, good day and welcome to Senco Gold Limited Q3 & 9M FY25 earnings conference call, hosted by Emkay Global Financial Services Limited. 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 and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr Devanshu Bansal from Emkay Global Financial Services Limited. Thank you and over to you, Mr. Bansal.

Devanshu Bansal: Yes. Hi. Good morning, everyone. I would like to welcome the management and thank them for this opportunity. We have with us today Suvankar Sen, Managing Director & Chief Executive Officer and Sanjay Banka, Chief Financial Officer.

I shall now hand over the call to the management team for the opening remarks. Over to you, sir.

Suvankar Sen: Thank you, Devanshu. Good morning, everyone. Today is the 14th of February, so wishing all of you a very Happy Valentine's Day. Just to inform all of you that yesterday we had our Board meeting. We announced the numbers and in terms of the achievements and in terms of the growth of the company, we are very happy to inform all of you that revenue growth was 27% in consolidated numbers for Q3 YoY and 22% for 9 months in a consolidated manner.

And on a standalone level, if we look and deeply analyse in terms of the growth that we have seen in YTD December, the retails revenue grew by about 19% and for Q3 particularly we have grown by about 22%.

In terms of performance, we can proudly say that we have crossed Rs. 2,100 Cr as a company in Q3 and had the best-ever performance in a particular quarter. Along with the fact that in top-line and revenue, we've had such a great performance. There have been certain impacts on consumer behaviour, in terms of the market forces, the duty cuts, and the fact that consumers have not been so keen to buy more diamond jewellery but were more interested and keener to buy gold jewellery.

As a result, what we have seen is that, in spite of the fact that the top-line growth has happened, the stud ratio, which is how much of the percentage of sales we had on diamond jewellery has not been able to grow. In absolute numbers and terms, we have seen that the sales of diamonds have almost been the same as it was in the previous financial year.

But since the overall numbers grew, that's what we see gold prices moving up in a piece of diamond jewellery. As you know, the price of diamond jewellery consists of the cost of diamonds, gold, and making charges. As gold prices rise, the proportion of gold in jewellery impacts its overall cost, which is not compensated by the diamond component of the jewellery. So, in totality, we have seen that the stud ratio has come down. As a result, it has led its own impact on the EBITDA, on the profit. So that was one.

In terms of the adjusted EBITDA and adjusted PAT, what we have seen is that we have taken into account Rs.58-60 Cr duty cut impact on the overall numbers. And what we see in Q3 FY25 is that compared to Q3 FY24, where we have seen a much higher performance in terms of EBITDA and PAT in the previous financial year. This particular financial year (9M FY25), we have seen an EBITDA of 4.8% versus 7% and a PAT of 2.1% versus a higher PAT of the previous financial year.

As a company, if we analyse what had happened in Q1 and Q2, if we go back to the past, we will see that in Q1 the numbers were looking at a much higher growth compared to the Q1 of previous year, and we were of the continuous thought and effort that yes, over a period of time, in the financial year, we will see a 7% to 8% EBITDA and about 3.5% to 4% PAT. So, what happens in a particular quarter of Q1 and Q2 gets normalized in Q3.

And coming to the situation that we are seeing in Q4, there are certain good actions that is happening at the ground level. One is that we are seeing that the diamond sales, which has been slow and low in the first half of the year, have started picking up from the festive season post Dhanteras, December, January, and February.

If you look at the sale of diamond that is happening right now, it is about 59% growth year-on-year that we are seeing in the last 3 months, which will have its positive impact in the coming quarter as we see Q4 coming in.

We are also expecting that the wedding season continue to be extraordinarily strong in February, March, up to April. Akshaya Tritiya season is in April.

So, the robust demand of consumers in spite of the gold prices that has been at all-time high at Rs.8,800 per gram. But continuously we see that the volume impact due to this price increase also has been quite low as we see today. There has only been a very minimum minus 1% volume impact in gold in YTD in spite of the high gold prices.

And in terms of diamond, what it was in the first half of the year or even to the extent of 9 months, the volume of diamonds were at a negative percentage of about minus 3%, but once we have crossed December and we are moving into January and now we are in the peak season, the volume growth of diamond has also been on the higher side and we have covered up for the degrowth that was there and we are now in a positive 2% to 3% growth in diamond value as well.

We always believe that while the top-line is something which is driven by sales, the number of invoices for us till YTD (9 months) had grown by 4.5%. We have seen that the ATV has gone up by 14.5%. We have seen the ASP has gone up by 15.5%. So, there have been positive signals in terms of the growth of the sales even though there has been an increase in prices.

Our endeavour has been to open about 18 to 20 stores for the financial year, where we were of the expectation that there will be 8 to 10 own stores and 8 to 10 franchisees. And we have opened about 14 odd stores till now and in the coming quarter for the remaining February and March, there are 5 to 6 stores that are in the pipeline. There are about 2 to 3 company-owned-company-operated stores and 2 to 3 franchisees. So that will allow us to open the target of 18 to 20 stores for the coming quarter and end the financial year with the target of 20 stores that we intend to open.

And then going forward for the new financial year, we will continue to endeavour to open about 20 odd stores, 8 to 10 company-owned-company-operated stores and 8 to 10 franchisees. So, these were the broad numbers with which we have seen in the 9 months. The ratio of old gold of the overall sale has continued to be at about 38%.

That has been a way that the consumers have come back and exchanged and taken the new jewellery that they had to buy. In terms of the achievements, we have been launching and had a great Dhanteras with Rs.1,000 crore sale in the month of October.

In terms of the brands, company formation, we had formed Sennes Fashion in the particular quarter as a company, and then gradually, under Sennes we will be opening 3 to 4 lab grown diamonds, leather bags and perfume stores. So those initiatives with a long-term perspective will continue to happen.

In the 9 months and especially for the particular Q3 in the last 3 years, if we analyse usually, Q1 and Q2 remains a muted quarter and Q3 remains a quarter with much higher growth and higher performance, not only in terms of top-line but in terms of bottom-line. But in this particular financial year, due to the price movement, due to the duty cut, due to the way we have seen that the sales of diamond as a ratio and a proportion of the overall sales have not grown to that extent.

Q1 and Q2 this particular financial year has been a much more robust quarter compared to Q3. So that has its own impact on the overall 9 months performance or the Q3 performance. Once again, I would like to reiterate that we're of the firm belief that Q4, which continues to be a robust quarter shall continue. And what we are expecting is that in terms of EBITDA, as we end the year, we will be about 7% to 7.5%.

In terms of top-line numbers, we have already crossed Rs.5,000 crore in the 9 months. So, we should be crossing Rs.6,200 crore as we end the year. And with that, positive growth and positive expectations, we will continue to perform and the team has been giving their best efforts and I'm sure that much like the 18% to 20% growth year-on-year that we continue to project and continue to work towards and we will be doing it in this financial year, and we will continue to give our best efforts and continue to grow at 18% to 20% in the next financial year as well.

Now, I would just request Mr. Banka to share his thoughts and his numbers.

Sanjay Banka: Since you've already covered business financials, EBITDA margin, everything, I think that without any more introduction, we can open the call for Q&A. I want to inform the investors that we listen to you. We have rescheduled the timing considering a lot of queries, which we received. We have sent the press release today morning, and we have uploaded the presentation.

So, we had received a few queries last night regarding the variance in the gross margin. So, while sir has spoken on that, I will once again take you through on the same, which we have explained through our presentation and also the press release.

In the presentation on Slide number 42, we have explained very clearly that the quality of our gross margin does not change quarter-on-quarter. So, what we have been guiding the market is that our gross margin is in the range of 14% to 15% and our EBITDA is 7% to 8%.

In the past quarter-on-quarter, there has been some variations. So, let's say, we have given you a trend of last 11 quarters (standalone)basis. In Q1 FY23 EBITDA was 5.5%, Q2 was 3.6%, Q3 was 12.1%. But I must add here that there was no qualitative change in the margins. In Q3, our volumes are high, this is primarily due to the price variations and the price variations are not same. They are unique for every year.

In FY24 also, incidentally, the trend was same, 5.2%, 3.4% and 11.1%. So somehow it appears that the market expected that in Q3, we will make 11%. But we have been consistently guiding that the gross margin and EBITDA have to be seen over 2 to 3 quarters. And those 3 quarters may not fall in the same financial year. It may be Q4, Q1, Q2 or it can be Q2, Q3, Q4.

When we look at the current year, the reported EBITDA margin was 7.8% for the first quarter as against 5.2%, but nothing has changed. And similarly for quarter 2, it was 3.8% where we've seen that, there is an adverse impact of custom duty around Rs.29 Cr and in quarter 3, we have reported 3.9%.

We have reported an adjusted EBITDA, whereby we have taken a total impact of Rs.57 Cr in YTD and at a PAT level, we have taken a number of Rs.41 Cr. So, my adjusted EBITDA for Q1, Q2 and Q3 is 7.8%, 5.9% and 5.3%. So, the 9 months YTD adjusted EBITDA is 6.2% as against last 2 years EBITDA of 7.1% in FY24 and 7.7% in FY23.

Basically, as against 7.1%, it is 6.2%, a 90-bps gap. So, we have analysed the same. It is primarily due to two reasons. One is the stud ratio. So, we've said that this short-term pressure on the diamond jewellery and the pressure is more on those who sell solitaire. In our case, almost 90% of our diamond jewellery is below 0.11 cent.

There are lower sales of diamond jewellery in stud ratio that impact is around Rs.15 Cr and the export sale is slightly higher this year, which has also impacted by Rs. 4 Cr to Rs.5 Cr. Overall, we believe our adjusted EBITDA margin of 6.2% aligns with market trends. So, this is one reason.

In slide number 45, we have given some more details once again for the 11 quarters and we have explained that we are following hedge accounting. The Indian hedge accounting that is Ind AS109 is in line with the global standards. We are audited by reputed statutory auditor. So, for last 10 years, we were audited by KPMG that is DSR & company now we are audited by Walker Chandiok which is called in common parlance Grant Thornton.

The hedging which we do, we have also informed that we are doing almost 80% plus hedging. So, in Q1 and Q2, it was 95% and 85%. And overall, we have said, it is 80% plus. You are aware that we all know that the gold price will rise.

Being a responsible jewellery company, we could have made decent money by not hedging our position, but we have taken a very concerted call to keep our position hedged. And we have explained that hedging we do by way of keeping the whole GML unfixed, and we take same position on MCX future.

Due to MCX future position, we had a loss on account of hedge position. Technically, we can't call it loss, we call it cost of the hedging. And the total impact in Q1 was around Rs. 95 Cr.

Overall, Rs.95 Cr to Rs.100 Cr has been the impact in Q1, Q2 and Q3 all taken together. The entire loss due to hedging, as well as a significant portion of the gold metal loan, remains unhedged, so that all costs are loaded on the inventory, while there will be a realization gain on account of increase in the gold prices, it is countered by the loss on account of hedge position. Overall, due to the netting of the hedge accounting impact, the results may not be perfectly aligned within the same quarter.

Due to the hedge accounting, price variations and hedge percentages, the result in the quarter cannot be net-net 0. So even if I hedge 100%, the result cannot be zero. While I understand that other jeweller does not have a major variance, but we are explaining our position of variance.

We have given 2 numbers in the slide number 45. One is the hedging loss, which was Rs.94 Cr in Q1, Rs.2 Cr in Q2 and Rs.6.5 Cr gain in Q3, totalling to a loss of Rs.89 Cr in 9M FY25 and then the custom duty impact in Q2 and Q3. Due to these 2 unique events, the margins of the current year are not in line with the past. We once again say in future also, the margin may not be exactly same with the previous quarter, because the events are entirely different.

Over 3 to 4 quarters, you will always find 14% to 15% gross margin and 7% to 8% EBITDA margin. So having said that, while our **adjusted gross margin for 9 months is 6.1%,** which we have explained the reason, we feel that the custom duty impact is always bad.

The market is good despite the rising prices, consumers continue to be interested. We hope and are confident that in Q4, we will deliver 7% to 7.5% EBITDA margin. Demand is picking up and with that confidence, we will look at delivering similar gross margin and EBITDA margin in future as well. And one more point which we want to say that the growth which we have achieved in the current year, which we reported at 27% in Q3 and 22% Y-o-Y in 9 months, that growth has been achieved in all the segments.

In gold jewellery, the growth is 21%. In the diamond jewellery, it has grown by 9%. So even though the stud ratio has come down, but since the absolute volume, the total base is increasing, that's why optically the stud ratio is looking down. 35% growth happened in silver jewellery and even our costume jewellery range, which we saw the youngsters and Gen Z, which has also grown by 18%. We are incredibly happy with the business. Yes, the business cannot be looked from one quarter to other.

We assure you that, we are conducting the business with the best of our efforts and the management team is fully committed hedging is fully done. And then we request that be invested in us and if you have any query, we will be very much pleased to address to your queries, particularly on the gross margin variance or EBITDA variance. Thank you very much.

Moderator: The first question is from the line of Praveen Kumar, an individual investor.

Praveen Kumar: Sir, my question is on your Q3 update versus the current results. In the Q3 update, you mentioned a 22% growth and now you're saying 27% growth. Why is this confusion and deviation. Can you help me understand, please?

And my second question is on your press release, and you said you have new start-ups and subsidiaries. But when I dig it deeper, you have only Sennes Fashion as the only subsidiary. What are those extra subsidiary? Please help me understand.

Suvankar Sen: To answer to the first part of the question, the 22% growth has been the retail sales growth that we have announced in the press release after the quarter ended. But the 27% growth that we are seeing is because it's consolidated. So, there is we have our multiple companies, the mother company, Sennes Fashion, the Dubai company, we have a subsidiary called Senco Artisan, which is running 2 factories. So, all put together, it is 27% growth. So that is the reason why in the press release after ending the particular quarter, we said 22%, which is mostly retail and that's what we tried to mention and 27% is consolidated.

And the second part is the opening of the company, which is Sennes Fashion. Yes, that is the new subsidiary company that has opened in this particular quarter that I have been speaking about. That is, it. So, this is to answer to your question.

Sanjay Banka: Praveen, just to add here, we have already launched the Sennes brand. We had opened 4 stores also in Calcutta. So, the objective was to keep it as a separate legal entity and have a more focused operation. We have a very long-term plan for our lifestyle business and with that objective, this entity has been created, which will house our aspiration for the lifestyle business.

Suvankar Sen: Sir, you're saying something about the first point?

Praveen Kumar: Yes, sure. Sir, if it was clearly mentioned as a retail growth of 22%, we could have been well aligned with your thoughts as well. But now that led to confusion. But it was 27%. I request you to not to maintain this kind of confusion going forward. My humble request.

Suvankar Sen: Okay.

Moderator: The next question is from the line of Moksh Ranka from Aurum Capital.

Moksh Ranka: My question was on the competitive aspect of the business. What we have observed is that a lot of branded jewellery players have done QIPs, and IPOs and they are using that money to open fresh stores. And when you open a new store, what you have to do is you have to offer discounts. And is that something which is affecting margins as an industry-wise? And this is a temporary phenomenon, and it will subside in the future. So that's my question.

Suvankar Sen: Thank you for your question. So, it all depends on whichever company it is applicable, that in which part of the country you are opening a new store. So if you are opening a new store in an existing market, which is your strong market, there is already a sense of loyalty and a customer base, then your new store does make you give some offer or discount, but not to that extent on a continuous basis to attract footfalls and customers.

If you open a new store in a market in which you are going there as a challenger brand and you want to capture more market share in that particular market, then you will need to give a higher discount and offer and keep your prices lower to attract the consumers and have a market share.

It is dependent on that. And as a strategy, what we at Senco are trying to do is that in terms of our expansion, we have always been saying that East India is our strength and North India is our focus market in terms of the future growth potential. Therefore, 60% to 70% of our new stores, we will continue to focus on growing in East India 20% odd we will grow in North India and remaining 10% in West and South.

With that strategy in mind, like for example, in this particular quarter, which is quarter 4 which is running, we have opened 2 stores in an emerging suburb of Calcutta. And just to give you an example we have seen that the numbers of those stores, even though they are new stores, the first day sales have crossed Rs.1 crore or Rs.50 lakhs, Rs.60 lakhs on another store.

Therefore, the consumers will feel happy that, the brand has come closer to their house and in their locality, and that will allow them not to go to another competitive store but visit that particular store.

This is what we see when we open in a strong market area and at the same time when you open, we've opened a store in Dehradun, that is a market which is new for us, our entry into the hill area.

We are having to spend on marketing, brand building, reaching out to customers, giving them offers, and discounts, and talking about the brand and that is taking a little more energy, but it will give us returns in the future. This is how the balancing out is happening.

Moksh Ranka: Okay. My next question was on the pricing scenario for natural diamonds and lab-grown diamonds. And also, like, we plan to be present in both natural as well as lab grown. So, don't we think it would cannibalize in a way? And, due to falling diamond prices, could you help me understand the impact on consumer behaviour because essentially a consumer is buying a natural diamond for the stores of value?

Suvankar Sen: Right. Buying natural diamonds as a store of value is mostly done for the purpose through solitaire, 1 carat and above. What we have seen in the last 1 year is that the prices of solitaires have come down to a large extent, falling almost 25% to 30%, if not more, that is what is impacting the consumer and their faith on diamond solitaire as a store of value has gone down for the short-term, while their faith on gold as a store of value and an asset has gone up to a certain extent. Therefore, a large number of customers at the ground level, when they are being asked to buy diamonds, not everyone is getting convinced, that is the reason why we are seeing that while the overall growth is happening, the growth of diamonds has not happened to the same extent as the growth of overall business and gold in terms of value.

In our business, 90% of it is diamonds which are below 0.50 cents or below 0.30 cents, it is the smaller size diamonds. While this consumer sentiment of emotional attachment towards gold has happened in the last 1 year, the diamond pickup has started happening now that the gold price has gone to an all-time high. People prefer 14-carat and 18-carat jewellery, and this is the kind of behaviour we have seen in 2021, 2022, and 2023 where the diamond jewellery sales growth was above 20% - 25%.

I would say, in H1 and to a certain extent in Q3, it was not happening in that manner, but from the end of Q3 and now what we see in Q4. We are seeing the shift of consumers towards diamond jewellery is gradually happening increasingly because gold prices have gone extremely high now.

This is what is happening on the consumer side, and if you ask me as a consumer, with the diamond solitaire prices have come down to a considerable extent. Now that there are talks of the Russia-Ukraine war to be kind of stopped in the coming month, it might have an impact of gradually the diamond prices will stabilize and move upward.

Now coming to your lab-grown diamond question, we maintain a risk register and we kind of list out all the various risks and the future any kind of event, black swan events or what could happen in the future. And that we have very much consciously noted that lab-grown diamonds will be a stone in the studded share that will continue to gain more traction, especially in terms of fashion jewellery. They will not be considered an investment, but more as a fashion and adornment, and it will have a share of the overall stud ratio.

So, people who will want to invest for the future, for the value and asset will continue to invest in natural diamonds. And that in the overall market is around 15% to 20% of the share. For Senco, it is about 10% to 11% share, which we intend to take towards 14% to 15%. And now we are taking steps towards that. But over a period of time, though the value of lab-grown diamonds is almost 1/3rd or 1/4th of the value of natural in terms of selling prices to consumers. But it will also gradually take about 2%-3% share of the overall sales over a period of time.

So, this is how we see it. And as a company, to hedge our own risk, we are creating a separate identity, separate store, and separate entity, and trying to provide any kind of option, whatever the consumers want, in terms of either being natural or lab grown. So, this is how we would want to look at it.

Moderator: We'll take the next question from the line of Naveen Trivedi from Motilal Oswal.

Naveen Trivedi: Could you please explain a bit more on the gross margin side? I know that you explained about the custom duty impact also was there. So even if we adjust the same, even the gross margins are around 700 bps down versus Y-o-Y.

Even sequentially, where we typically see quarter 2 to quarter 3 more seasonally, gross margins are accretive, we have seen sequentially also it is down. While our stud ratio sequentially was similar in Y-o-Y, it still has seen expansion. So, studded mix actually has become more favourable Y-o-Y. If you can just explain the same?

Sanjay Banka: Yes. Naveen, thank you very much for asking this question. So that's why we have uploaded this slide 45. See, gross margin for jewellery industry is the sum total of primarily making charge. That's a major contributor to the gross margin. And then in our case the margin on diamond. Then there will be a margin on platinum, silver, et cetera, and so on.

And then margin on gold, if any. So, seeing the competitive scenario today, when we are seeing that the competitors are offering huge discounts on the gold price, we don't understand how the competition is offering discounts on the gold.

So effectively, there may not be any margin on the gold metal as such. Now, over and of that, due to price volatility, as you said earlier if you keep your position unhedged, then you can make money. So, it depends upon how a jeweller hedges his position. But we have been hedging our position more than 80%. So, there is no scope for upside on the gold price rise.

And depending upon the hedge accounting, as we have said earlier also, there can be Rs.15 crore to Rs.20 crore, plus or minus on account of gold metal loans due to the gold hedging and the price volatility. So now we are left with making a charge in a diamond.

So, if you look at our presentation today, making charge percentage we have given, is around 10% to 11% on a total basis. So, when we talk about the balance of, let's say, 4.5% to 5%, that comes from diamond, platinum, silver, and so on.

Your point was that it has been volatile. So, what we have explained to you is that as far as the making charge is concerned, we have said it is consistent over the last 11 quarters. I can get into more, let's say, last 20 to 30 quarters, but given the past gross margin trend, it is in the range of 10% to 10.5%.

Now, stud ratio has also been standard. What you are seeing, the variance is primarily on account of price volatility, hedging position, unwinding of hedging position, the mark-to-market of the future position and the timing effect which comes due to IndAS.

So, our gross margins are fairly stable, that's what we say. Now in a particular quarter, the sales volume will increase, and the gross margin absolute amount will increase. But we have never guided that our gross margin percentage will increase, or EBITDA margin percentage will increase. EBITDA margin percentage will increase due to operating leverage, but not due to pricing where the competition is intense.

Naveen Trivedi: Yes, but I'm just trying to understand, I can understand about the gold price which is there. Is it that, now you also explained that the making charges are also stable, so I'm assuming that there are no added consumer offers that you have done this quarter, while you are seeing the competition is doing it. So, it still doesn't explain the gross margin dip, both on the Y-o-Y side and sequentially we are seeing. Is there any hedging cost which you had spent during the quarter which was higher than the first half or something of last year?

Sanjay Banka: We had a hedging cost/loss of around Rs.95 Cr in Q1, Rs.2 Cr in Q2, and Rs.6 Cr gain in Q3. Effectively, ~Rs.90 Cr impact which has come. So, in Q3, there is no loss, there is a gain, right? Custom duty impact is there. So, the major reason for the difference between this quarter and last quarter is the customs duty impact. We have taken a hit of Rs.29 Cr in Q2 and Rs.27 Cr in Q3. That has probably distorted the difference.

But the question is that the Q3 which we explained in the starting line the EBITDA margin of Q3 FY23 and FY24 have been 12% and 11%. But that is only incidental, coincidental. Even in our business, when we make the business plan, we keep the gross margin consistent over every month and all quarters. So, this is just an impact of the Ind AS accounting and price volatility. So, comparing this 3.9%, the reported number or 5.3% adjusted versus 11.1% may not be a correct indication.

Naveen Trivedi: What I understood is that the larger part of the gross margin impact is because of the gold price inflation. Is the understanding, right?

Sanjay Banka: Absolutely.

Naveen Trivedi: And what gives you confidence that in quarter 4, your margin will return to normalized level considering we're still seeing the gold inflation is there. So, what gives you confidence that your Q4 numbers will be at a normalized level?

Sanjay Banka: See, we are at a hedging of 80% plus, okay! So, let's say, if the gold price rises from here, we don't foresee that the gold price will rise from this $2,950 level, which only touches a high of $3000, it may not touch beyond $3,000. And if it falls, then whatever hit will be there, will be covered by our hedging position because we have invested a lot of time and money in our risk management strategy. So that gives us comfort. Our Board closely monitors our hedging practices. These are the two reasons.

We don't give random discounts on the gold metal. So, we don't come under competitive pressure and don't enter into any cut-throat competition even if we lose sales sometimes.

And making charges, we generally remain intact. We don't run discount offers at a very severe risk and we try to rather spend the money on marketing and brand building so that the customers will see our brand as a premium and should not see our product as a discount brand.

Suvankar Sen: So just to add to Mr. Banka, our making charge income percentage has continued to remain at the same level. That is what gives us confidence. Our income/margin in the diamond part of the diamond jewellery also remains at the same level in terms of the overall percentage.

It is just that the growth in gold jewellery in value terms has been higher than in diamond jewellery for which the stud ratio is looking down. And now that we are seeing that in January, and February, the diamond jewellery sales have gone up and the diamond stud ratio is marginally going up also. So that is also giving us the confidence that nothing in the quality of business changes.

The only thing as we are reiterating is for all of you to look at the numbers, not quarter-on-quarter, look at the numbers over the last 3 to 4 quarters, look at the previous years, full 3 quarters, the years before that full 3 quarters and this full 3 quarters, because gold price movement, the impact of hedging when we take metal gold loans from the banks that we take in August and September to build up the inventory for the Dhanteras festive season.

And then we kind of pick the rate for those flexible gold loans in October and November for Dhanteras. We call it the value differences, the price fixing, and the impact of that on the inventory, which is nothing but the hedging processes that we do, which will give certain movement.

So again, maybe I'm reiterating it again and again, but when the numbers of Q1 were looking extremely good, it was the election quarter. The markets were challenging, but because of the comparable situation, the growth percentage looked much higher. We were all very happy that yes, but we tried to guide everyone that over a period of the whole year, we are still expecting an EBITDA margin of 7% to 8% the PAT as it is, and the top-line will be 18% to 20% growth.

And we are continuously the firm belief telling all of you that yes, the EBITDA margin will be around 7% to 8%. We are putting our best effort into increasing the diamond jewellery sales, which is going to impact directly on the EBITDA. And I'm sure this normalization of overall numbers is going to happen. So, this is our guidance.

But at the same time, let us also talk about certain of the risks that we see that we must be conscious of and take action upon. One is that the metal gold loans that we are taking as a process of hedging due to the direct initiative by the U.S., the banks are increasing their interest rate, which for us was approximately 2.5% to 3% by 3% to 3.5%.

So the interest on gold loan that for till about, I would say January, which we were enjoying, say, at about an average of 3%, going forward in February and March, we are having to take into account that, that metal gold loan interest will move up to about 6% to 7%, depending from bank to bank, which means that for these 2 months, we will have a higher cost of funding by 0.5% or so, which is going to have an impact of approximately Rs.7 Cr to Rs.8 Cr on the overall numbers.

And we need to either have actions in terms of making charges or higher stud ratio and whichever to compensate for the same. So that is one situation which will impact in the coming two months and even for the full year but again, it all depends on how we look at the entire year. Will this higher interest rate for metal gold loans continue for the whole of next year, or it is only a temporary phenomenon of 3 to 4 months and then it again normalizes back to 3% to 3.5%? We have to keep on observing and taking updates quarter-on-quarter on the situation. So, these are certain things that we would like to also inform all of you about.

Moderator: We'll take the next question from the line of Chinmay Gandre from Canara HSBC Life Insurance.

Chinmay Gandre: A few questions from my side. What was the studded mix in Q3 of this year versus the same period last year?

Sanjay Banka: Sir, as of Q3, the number being reported, the number here is 10.5%.

Suvankar Sen: So, our 9-month stud ratio was 10.5%. And our Q3 stud ratio has been about 11.0%. And we are seeing that this 10.5%, which was the 9-month stud ratio, as on February 15, that 10.5% is moving up from 10.7% to 10.8%. So, the stud ratio, as we are moving and we are seeing this whole diamond season and Valentine's Day, is moving up towards 7.7%. But 9 months is 10.5%. The stud ratio for H1 was lower. So Q3 kind of picked up in terms of the stud ratio to close to 11%.

Chinmay Gandre: Sir, what was it last time in Q3? This 11% like-to-like was how much?

Suvankar Sen: We'll just look at the last quarter. We'll get back to you.

Chinmay Gandre: See, broadly, I mean, what I want to say is that you basically mentioned that the stud ratio was weaker in Q3 versus the previous year, right? So more or less, it will be lower by 1% to 2% at the best, right? Not beyond that. So maybe, I mean, that could have at the max, reduced your gross profit margins by around Rs.10 crore to Rs.15 crore, more or less, okay? But still, then if I adjust for that also, it's like around 6.5% at best case you will reach for the Q3.

So is the rest largely the explanation of the hedging part of it where basically there is a timing difference, which your kind of you is pointing out towards. And that should kind of reverse in the Q4 is how the understanding should be?

Suvankar Sen: Yes. Q4 will have a reversal in terms of what we are seeing in Q3 and a little bit of it will flow into the Q1 of next financial also.

And again, stud ratio is, let me reiterate and since we're having this discussion, what is the diamond jewellery as a total sale of jewellery? Right, so again we got this number for you, so the stud ratio for December 2023, 9 months was 11.6%, which is 10.5%. So, this is just a comparison.

The second thing that I would like to again state is, that even in diamond jewellery, so stud ratio is the percentage of diamond jewellery in the overall sale. In diamond jewellery, there is a diamond, there is a gold, and there is a making charge. And the gold value is moving up. So, the percentage share of the diamond in the diamond jewellery is also down.

So when we are defining and making a percentage profit or gross margin of diamond jewellery, then because the gold prices of the diamond jewellery have moved up higher than the diamond prices, therefore the margin on diamond jewellery itself is also not the way it was when the gold prices were lower and the share of diamond in the diamond jewellery was higher.

So, these are the 2 impacts. So, our sale of diamonds, just to reiterate, last 9 months was Rs.142 Cr and this particular 9 months is around Rs.143 Cr. So when we see and when we say that, oh, diamond Jewellery sales have gone up by 9% also or this particular year, when are have said that till February it has grown by 59%, we need to delve deeper down and say that what has been the increase of diamond in the overall diamond jewellery and what has been due to the increase of the gold price in the overall diamond jewellery. And the more and more diamond we sell, the margins will be higher. So, I hope I could make myself clear.

Chinmay Gandre: Yes, I got that, sir. So, but broadly, because the gold prices have moved further in Q4, then as you mentioned, the percentage of diamond value becomes lower in our diamond jewellery also and hence the margins become lower because of the weighted average. So that will kind of continue in Q4 also.

Suvankar Sen: So Q4, say Jan-Feb, we are growing 59%, last quarter 4 to now. It's a good number to talk about. Now 59% looks exceptionally good, but we have to break it up.

How much of that 59% is because of the gold price increase and how much of it is because of the volume increase, right? So, a volume increase of diamonds and an overall volume increase in gold and volume increase due to the price increase. So, to the extent that it is the volume increase of diamond, we will see that, that will have its impact on the gross margin.

Sanjay Banka: I'm trying to explain it voluntarily. So, we have provided some explanation for the hedging variance. I'm trying to explain it once again with reference to Slide number 45, this one is a very important point. And if required, we will update this slide with more visibility.

So, what we have explained in this slide, there is one more dimension to this slide. So basically, the gross margin which we have earned is, let's say, Rs.507 Cr of making charge and the margin on diamond, platinum et cetera, of around Rs.165Cr, total gross margin of Rs.621 Cr.

There is a negative impact of hedging and customs duty. The net impact of the same is Rs.551 Cr. So, the total gross margin, excluding the hedging impact, and I'm putting all these numbers on a YTD basis is Rs.673 crores. That gives me an adjusted gross margin of 13.7%.

Now, this adjusted gross margin of 13.7% is on a YTD basis, Q1 it was 13.5%, Q2 it was 12.9% and in Q3 it was 14.5%. So, the point is that the explanation and detail we provide, the fact remains that there are minor movements in the gross margin quarter-to-quarter, and it cannot be exactly explained. So, we'll try to add an additional slide as a part of the addendum to what we have submitted to the stock exchanges today. That's all from my side, and I invite questions again. The new slide will be numbered as 45A.

Naveen: Sorry, I'm not able to kind of reconcile all the numbers. So once again, I'll try and understand. So, there are 2 effects. One is you're saying that the added mix itself was lower by almost 60 basis points on a year-on-year basis.

The second effect is that within the diamond jewellery, there is a higher gold component and because of the pricing change, that's what has kind of led to a dilution in margin on the diamond jewellery itself. Am I right? Is there any other effect that one should think of? I'm adjusting the impact of custom duty here. So, any other effect one should think of?

Sanjay Banka: Sorry, I missed your question.

Suvankar Sen: So, he was saying that your margin is one because of the diamond stud ratio being lower. Even the margin is impacted because the gold component has gone up. Third is the customs duty. Any other reason for the margin to look lower, which is the hedging.

Sanjay Banka: One is the hedging impact, at the beginning, I explained that one is the hedge accounting impact, customs duty, right? Now what we explained is that **my adjusted gross margin is 6.2%** as against 7.1% last year for 9 months. That means it gives us a gap of around 90 basis points.

So, 90 basis points on approximately ₹4,900 Cr results in a gap of around ₹45 Cr. Roughly, ₹5,000 Cr multiplied by 90 basis points also amounts to about ₹45 Cr. We were analyzing this through a waterfall approach to identify the gap.

This gap is primarily due to two reasons. First, while diamond sales have grown by approximately 9%, the stud ratio remains lower. As a result, the lower diamond sales have had an impact of around ₹15 Cr to ₹16 Cr.

Similarly, in the total sales, exports are higher. And due to export being higher, we have seen around Rs.5 crore to Rs.6 crore gross margin is lower due to higher export, because in the export, the margin is lesser vis-à-vis what we sell in our own store. Now, these two are noticeably apparent reasons.

Now what are the other reasons why the margin is lower, **the adjusted gross margin is at 6.2%** versus 7.1%. It can be due to the product mix. See, as the prices are rising, customers are going for lightweight jewellery. And those customers who are going for a heavy diamond where our margins are lesser, more than 35%, are going for diamond jewellery with a lesser diamond percentage.

There are a mix of multiple reasons. And then when we talk about EBITDA, there is an Opex element also. In the current year, as the competitive intensity increases, we have to make investments in marketing. We constantly have to make investments in our IT. We continuously have to make investments in our people. And because we don't run the business from quarter to quarter. We have a long-term vision of the company. We are an 85-year-old company. We have a vision for the next 200 to 300 years for the company.

So, we spend money for the future. And hence, these are all investments. I'm an accountant, this can be an accounting concept, but these are investments for Senco, which will yield a long-term dividend for us.

Chinmay Gandre: Right. Okay. And sir, you also alluded to this aspect of higher competition and there are certain players who are probably not hedging, and that's how they are kind of holding on to margins. From our perspective, I understand we have 80% hedged. The effect of that in terms of either giving customer incentives fully reflected in the gross margin or there is something in operating expenses also?

Suvankar Sen: The duty impact, just to kind of...

Chinmay Gandre: Not the duty impact, sir. Sorry, I was referring to any incentives or discounts you may have given because you mentioned competitive intensity. Is that reflected in the gross margins for, let's say, the 9-month period this year versus last year?

Suvankar Sen: Yes. Because if we give any discounts or any offers, that is given on, say, as a percentage of making charges. So, if that is given, then it will be reflected in the gross margin itself. But again, we want to reiterate that the making charge income from retail sales that we have gained in the 9 months has continued to remain in the range of about 10.5%. So, there has not been any major reduction due to the offers and discounts that we have given.

Yes, in Dhanteras, we had to give or whenever there is an offer we give, but that has not impacted the margins. Again, as Banka ji has said the income that we have received from making charges, which is the margin that is there, the income that we've received by selling diamonds or the margin we received from platinum as a metal that particular margin, if we look quarter-on-quarter has remained in the similar range.

It is only the hedging impact, the impact of the gold price, where we are fixing the gold loan. And that move varies from quarter to quarter. So, one quarter would look higher, and the other quarter would look lower. But if you look at 9 months, it is normalized. So that is the impact that it has taken.

And yes, in terms of percentages because the share of diamond jewellery has come down. Therefore, that has taken its own impact. And you see that from an EBITDA of 1% we are at say, EBITDA of 6% for 9 months. And gradually with higher, higher growth of diamond jewellery sales compared to overall jewellery sales, we will be taking this 6% EBITDA to closer to 7% to 7.5%. So that will be our endeavour with higher diamond jewellery sales.

And then in Q3, now if we go below and look at the other opex, marketing, branding, since it's the festive season, we have invested in branding and marketing in Q3. And Q4, obviously, that percentage expenditure towards branding and marketing will be lower. So those leverages will play out, and we will have a bottom line, which will be percentage-wise stronger. So, this is how we are looking at it.

Sanjay Banka: No, I think, sir, let me build on my answers. See, this Rs.51 Cr, which is the sales impact of gold hedging and custom duty and so on. It was Rs.52 Cr gain in Q1, Rs.17 Cr loss in Q2, Rs.55 Cr loss in Q3. That's why this Rs.52 Cr gain in Q1, gave you say, a higher gross margin in Q1 and EBITDA margin. In Q2, it was a loss, it was lesser and in Q3 there was a loss.

But the point is that sir, we are consistently explaining that we are not a hedge fund. Our business is not to enter into a hedging position. We don't take a call on the gold. We don't do hedging as a business area. We do hedge purely to cover our risk as a risk management tool. Moreover, we do not determine the timing of accounting for these numbers.

Our job is to run the business, and we do a proper accounting in ERP. And we have got a very reputed auditor firm. It's not that we decide the timing that this will come in quarter 2 or this will come in quarter 3.

So, I'm making it very clear on the earnings call, that this timing of the impact of the hedging when it flows, is not decided by the management or by the company. It is decided by the Ind AS and by the statutory auditor. So that is where it is. And due to this timing gap, which you said is that the gross margin is impacted optically, I will say.

I want to use the word optically. This may not be a cash flow impact. With statutorily, we are not required to provide the cash flow. But for the full year, when we provide the accounts, we will provide a quarterly cash flow also to inspire confidence and trust. That's all I can say. And once again, any other questions, please.

Moderator: We'll take the next question from the line of Sabyasachi Mukerji from Bajaj FinServ AMC.

Sabyasachi Mukerji: While there has been a lot of discussion on margins, I just have a question on the growth. So, in 9 months, we have crossed Rs.5,000 crore. And for the full year, we are guiding for Rs.6,200 crore. That implies close to Rs.1,200 crores in Q4, which is almost a very low, I mean, growth when we compare to the Q4 of last year close to 5% to 6% of growth, despite you calling out that there has been a 59% growth till date in Q4 in studded, in diamond and there is a good wedding season lined up in Feb, March and beyond. My question is why are we looking for this very low growth in this scenario, in this environment?

Suvankar Sen: So, you are comparing last year's Q4 to this year's Q4. And we see we have had a wonderful Q3 crossing Rs.5,000 Cr. We are saying that we will be crossing Rs.1,200 Cr this particular Q4, taking it to Rs.6,200 Cr or Rs.6,300 Cr. And the growth in diamonds is higher than the growth in, say, gold jewellery. So that is a good sign in which we will see that the quality of business in terms of the higher stud ratio in Q4 will be impacting the bottom line.

But then we also have to say that the gold price is at an all-time high. And then that is where we will see that value-wise, we are growing, the wedding season is there. But obviously, there will be consumers who will kind of wait for the price to stabilize. So, this is how it is. We are looking at a 6% to 7% growth.

And then maybe as we end February and we move towards March, that 6% to 7% growth can move up to 10% growth. But all-in-all, if you look at the overall numbers, from last year's Rs.5,200 crore to Rs.6,200 crore, we will be clocking 18% to 20% growth Y-o-Y. So that is how it is. So maybe in quarter 4, currently, we are being 7% to 8%. That is how we have to look at it.

Sabyasachi Mukerji: So, is there any slowness in demand that you are seeing in gold jewellery? I understand studded, diamond is growing fast, but is there any?

Suvankar Sen: January sales were much higher. The demand was much more robust. And if we look at what has been happening in the last 7 to10 days in terms of the demand for gold jewellery, obviously, because of the gold prices that have moved up so high in the last 7 to 10 days, there has been a little bit of slowness on demand of gold jewellery. But this is a behaviour of the consumer that we see all the time then when there is a sudden jump in terms of pricing, consumers are in a wait-and-watch mode. And again, when the prices stabilize, the consumers will start buying again. So, this is how we have to look at it.

Moderator: We'll take the next question from the line of Ali Asgar Shakir from Motilal Oswal Mutual Fund.

Aliasgar Shakir: Sir, you've already given a lot of explanation on your gross margin. But I mean, I just have one observation, sir. So, see, generally, the hedging is done basically to protect your gross margin. And what you've explained so far, of course, is your impact on your making charge or probably your mix of diamonds being impacted, but the majority of the impact is on the hedging.

Now ideally, your hedging should help you protect your gross margin. In your case, this is the second quarter in a row that we are seeing an extremely high fluctuation in gross margin. So, I'm quite perplexed that actually, your hedging strategy should have helped you in a volatile gold price environment. Instead, on the other hand, it is actually hurting you more.

Second thing is, sir, I mean, if you look at the other listed companies who all have reported their numbers from one company like P N Gadgil who has not yet fully reached its 100% hedge position or to the other like Titan or Kalyan who is 100% hedge and they have also been able to have a normalized gross margin despite the same volatility in gold prices that you are talking about.

So, I heard you saying that, I mean, you are using the best accounting practices, and you have the best auditors is very much acceptable. But the problem is, sir, as institutional investors, I mean, to be honest, the reason why we prefer gold companies which have fully hedged gold inventory is so that you can have a normalized gross margin, and you don't run the risk of very big impacts on gross margin.

But to be honest, that is not helping. So, you've given a lot of explanation on your multiple slides and disclosures are very high. But this is something which I don't think I'm able to really get my head around the last 2 quarters that why the gross margin impact should be so high, where others are able to manage it. So, I don't know if this point explains my worry, but over to you, sir.

Sanjay Banka: It helped us to mitigate the risk. So multiple companies are talking hedging differently. So, in this public forum, I don't want to talk about the competition.

Everybody is talking hedging in a unique way and kindly read through the statements. So how do you hedge? Let's say, from the rain you can use umbrella. So, we hedge our inventory position. We kindly ask specific questions to others as to what the hedging are.

We have an inventory exposure of, let's say, Rs.2,800 Cr to Rs.2,900 Cr in our balance sheet, if we exclude the diamond. So, when we say hedging, this Rs.2,400 Cr to Rs.2,500 Cr of the gold position is to be hedged.

And when we say 80% minimum, it means at least Rs.2,000 Cr hedging. That means the hedging position should protect me from this Rs.2,000 Cr position, right and which is done.

So, I'm giving you a little ballpark number, so which means that almost Rs.1,000 Cr will be by way of gold metal loan **unfixed** and balance Rs.1,000 Cr will be by MCX future sale. So, we have been able to protect our position by hedging. But incidentally, in the last 3 quarters, the price has been only going northward.

So, we have the gain on dilution. So, it's not that we've only suffered on account of hedging. We have a gain on realization, and we have a loss on the hedging position. Both have neutralized each other, but it is not in a perfect order. It's not a fully synchronous position.

If you say that due to Ind AS accounting, due to the MCX position, realized gain, unrealized gain, mark-to-market hedge, cash flow hedge, it will require one full day to explain, and I'm not that expert actually. So, we have not lost on account of hedging. It has been counted by the hedging position, and we are happy with our hedging strategy. But we could have made money by not hedging our position, but we'll never do that.

And that's why you are seeing the result that is how a conservative and stable company works. We don't want to show number for the sake of pleasing. We believe in corporate governance. And that's sometimes the number you may not like it. But overall, you will know which is a strong company.

Suvankar Sen: And Aliasgar you look at the 9 months YTD, and you will then understand that whatever be the quarterly fluctuations that you are seeing from Q1 to Q2 and Q3, it is normalizing towards the expectation that we are moving towards. So kindly appreciate the effort that we are taking to explain all of this to all of your investors. And this particular year, Q2, the duty rate cut has happened. It has its own impact on pricing.

You have already paid the duty for the gold loans that you have taken. And when you are again selling those gold and you have taken the benefit. Why did Banka ji say that the loss on Q2 was minimum, there was rather a gain from hedging is because we were in a hedge position. And that is why at one end, when the gold prices came down due to the duty cut, we could take some benefit of the hedging. But once duties paid out is paid out. So, you get all of this has its impact.

You all have to maybe have the faith and trust in us. We are doing our best to explain the situation, and we are confident that we will be moving towards an EBITDA of 7% and topline growth to be 19% to 20% year-on-year. As per our expectation, we will open 18 to 20 stores for the year as we had told all of you. And next year also plans are on, and we will continue to grow in the same manner of 18% to 20% year-on-year.

Aliasgar Shakir: Just quickly, so 7% margin is what we can model for the full year, right, EBITDA margin and for the coming year FY26 as well?

Sanjay Banka: Ali, this is since we already have a reported EBITDA margin of 5% and adjusted or normalized EBITDA of 6.2%. So, it cannot be fully recovered in Q4. Q4 standalone will be 7% to 8%. Obviously, the 7% to 8% with reported 5% will not give you 7%. But yes, for next year, next to next year, we are consistently looking at and working at 7% to 8% EBITDA margin. But this year FY25 EBITDA margin will be lower. It's a fact. Other listed players have reported massive impact on account of custom duty.

Moderator: We'll take the next question from the line of Devanshu Bansal from Emkay Global Financial Services Limited.

Devanshu Bansal: Sir, there is some confusion as the numbers that you have spoken about are not visible in the PPT. I would just request you, if you could provide comparable gross margin numbers adjusted for customs duty impact and whatever hedging gain loss that we have seen over the last 6 to 7 quarters, maybe from Q1 FY24 to Q3 FY25, if you could provide the adjusted EBITDA margin number that will sort of help us better understand because these numbers are not visible in the PPT, but you have sort of spoken about this in your commentary?

Sanjay Banka: So, Devanshu, this year we were constrained by the excessive disclosure. But yes, we take your view with very high respect, and we will try to upload the revised slide, as I said, Slide number 45A in next 2 to 3 hours.

Devanshu Bansal: Understood. But sir, you did mention about 13.7%. So, what exactly is that number, I mean, for 9 months this year, it is 13.7%. What was this comparable number for last year 9 months?

Sanjay Banka: So, this is the adjusted gross margin adjusted for the hedging loss and custom duty, and last year this number was 15% for last full year. Let's do it for three to four 15.2% and 14% it will approximately 15% last year adjusted gross margin and the same number for 2022 and 2023 also similar. So out of the adjusted gross margin of 13.7%, which is 13.5%, 12.9%, and 14.5%, the making charge is around 10.5%.

Devanshu Bansal: Understood. And this 130 bps fall on a Y-o-Y basis is largely attributed to all these regions, right, studded mix, exports...?

Sanjay Banka: Yes. So primarily export, product mix, studded ratio, these are the 3 to 4 main reasons.

Moderator: We'll take the next question from the line of Videesha Sheth from AMBIT Capital.

Videesha Sheth: Please accommodate if my questions are repetitive in nature. But number one, on the growth aspect that you mentioned for fourth quarter, it being lower at 6% to 7% on an implied basis. Can you just share what is the growth in the month of Jan, the Y-o-Y growth in the month of Jan?

Sanjay Banka: Y-o-Y growth in the month of Jan is at least 19% to 20%. But despite the gold price rise, the demand for the gold has not come down, then the festival season continues.

Videesha Sheth: Okay. So, then what leads to this 6% to 7% growth guidance?

Suvankar Sen: So, we are talking of the full year growth of 19% to 20%. Right now, January has been a growth of 21% to 22%. February, we have seen that this 21% to 22% has taken a little hit because of the gold price increase, but the wedding season continues to play on, and we will see that in the entire year, we will achieve 18% to 20%.

But with this price range, we are being expecting a 7% to 8%. If you see only Q4 to Q4, but YTD, we are at 18% to 20%. So, you need to understand that YTD, we will be at 19% to 20%. Now Q4 to Q4, you will not see that 19% to 20%.

Videesha Sheth: Just to again double down on this. Is this low growth assuming that footfalls don't come back? Because typically, how customers behave is that if there's a sharp increase in gold prices, they eventually adjust to it and the footfalls do come back because purchases can't be postponed to a large extent?

Suvankar Sen: Correct. No. So the April month, March, all of it will see that the people will be buying. People will be buying, and weddings cannot be postponed. Only personal purchases will be postponed. But let me assure you that this 19% to 20% growth for the whole year and in Q4, while we say that, at the lower end, there will be the 7% to 8% growth, but at a higher end, we will all expect that the 20% growth will continue to happen.

So let me, I think, modify my statement as to exactly what we were trying to say is that, in terms of value, we will grow by 20%. In terms of volume, that growth percentage will be in single digits. But in terms of value, we will continue to grow at 20%.

Videesha Sheth: Understood. Now coming to the margin front again, this is more of a clarification. On the MCX hedging gain and loss, which is impacting the COGS or the gross margin, is it also a function of the gold volume bought versus what was sold? And just in addition to that, is there going to be any timing led reversal in the fourth quarter as well?

Sanjay Banka: Yes, it's very complex, Videesha. This MCX position is, first of all, we will take at a total inventory position. Now out of that total inventory, part is covered by the gold metal loan, okay? Now gold metal loan also you have to see across multiple banks, multiple expiries. So, there is no fixed formula, so we prefer to do hedging primarily by the driven position.

And then second option is MCX. Now, MCX will depend upon, if you do increase the frequency as you trade in the share market, if you got a trading mentality, if you want to make money once again, hedging is dependent upon whether you call it smart hedging, or you call it a conservative hedging. So, if a person starts trading into MCX on daily basis and they use it every day, then they will earn money, and the gross margin will increase, and they will say 80% hedging.

On the other hand, there is a stable investor, you take a hedging position, and you don't look at hedging position and try to match it with the full expiry. So, we have nuances and integrities, and we can go on discussing these things. If someone uses hedging at a treasury desk, then he will make money, his gross margin may be higher. I'm not making any comment against any of my respective fellow industry colleagues.

Videesha Sheth: Understood. So, if I were just to simplify the question, in the fourth quarter, how should we be looking at gross margins and EBITDA margins on a Y-o-Y basis?

Sanjay Banka: Gross margin, as you said, Videesha, 14% to 15% is the gross margin. Now 14% to 15% once again is a function of own store and franchisee store. Own store will be 19% to 20%, franchisee will be 6% to 7%. It will depend upon what sort of product customers pick up in this market when the gold price is at higher and then the export also, we are increasing. But broadly, we've said 14% to 15% gross margin, 7% to 8% EBITDA. And we are working very clearly along those lines.

Suvankar Sen: And Videesha, just to add to Banka ji, let me give you a number, updated number, right. As on date, we have clocked a turnover of Rs.5,700 crore as we speak to you, right? So, if we look at in that aspect, so our expected revenue numbers for the whole of the year should be anywhere between Rs.6,300 crore to Rs.6,400 crore. So, this is the confidence that we would like to give all of you that in terms of revenue numbers, we will be in the range of Rs.6,300 crore to Rs.6,400 crore. That is number one.

Number two, again, at the cost of reiterating, December, January until now February, we have seen that the diamond jewellery sales growth has picked up to a large extent, which will have a positive impact on the gross margins and on all the numbers, EBITDA, and PAT. And currently, for January, February it has grown by 59% year-on-year for these date range.

So, the guidance that we would like to give is that adjusted EBITDA is coming to 6% as of now. But due to the positive impact of higher diamond jewellery sales and the gold price hedging impact that Q3 has taken a hit. But the way in Q1 and Q2, the gains that were being made in Q3, it has taken a hit. But again, we believe that it will normalize in Q4 and that will make the EBITDA margins look much better than the adjusted EBITDA of 6% to closer to 7% due to these scenarios that we are seeing.

And yes, the concerns are that gold is at all-time high, but the sales continue to happen for weddings. Diamond jewellery stud ratio is on the rise. And Akshaya Tritiya is in the end of April. So, our endeavour to reach out to the customers to ensure that we take the bookings will begin from March.

And overall, I think the consumer sentiment for the short term due to the price rise has been a little slow in the last 7 to 8 days because of the sudden jump. But consumers inside their heart is happy that gold price is increasing. The old gold exchange that we usually talk about has been about 38% to 39%. And once again, we say that 62% of that is non-Senco gold that comes to us. So, this growth that we see, the same-store sales growth for us has been in the range of 13% to 14% in the overall growth of 19%-20%

So while the price movement of gold and hedging and duty cut and this lower diamond ratio in the overall sales has given this YTD adjusted EBITDA of 6% versus 7.1% of the last year for the 9 months, but with the fundamentals to remain strong and with our marketing and branding and sales endeavours, we will continue to grow in the top line. And yes, these headwinds of duty cut or the interest rate changes in gold loan, these will have a short-term phenomenon, which will be adjusted over a period of time by controlling of expenses or any kind of moving into selling of higher-margin products into this. So, this is how we will continue to do our business.

Videesha Sheth: Is it possible to share the cash flow number for 9 months FY '25 versus 9 months versus the base period?

Sanjay Banka: No, cash flow is not specifically required to be prepared for the Q3 numbers. So that, we have to work separately. We just completed our audit. As far as custom duty is concerned, clearly, there is a cash flow impact, and we wrote in the presentation as well that Rs.57 Cr we expect custom duty impact. So, what we purchased at Rs.115, we have sold at Rs.106, so while Rs.100 could have become Rs.115, but the custom duty part is the clear loss.

And ultimately, this is a foresight and it's a gratitude to government that they have taken this is statement while definitely the industry will be pain, we are pain. But long term for the Indian economy, it's a very, very positive moment that the government is taking steps to stop the unethical practices.

Net-net, these are good in the interest of Indian economy, short-term trends are there. And we as an honest and responsible citizen have to bear the same.

Videesha Sheth: Just the last question from my side on the studded portfolio. So, for peers, their studded portfolio has grown, although the mix would have impacted depending on the NIM. So, what is the reason why it did not grow for Senco? Is it the geography exposure? Or are there any other factors that have come into play?

Sanjay Banka: Videesha, we have explained earlier that our stud ratio, one is the own store and franchise store. So, what you look at 10.5% in the own store, it is 14%. And we have said earlier that in the zones like Delhi NCR, it is 17%. So, the stud ratio clearly has a potential to touch up to 17%, right? It is the existing business model.

So, the extent business model started with a focus on the gold. And yes, you are aware that in a diamond jewellery, the inventory turn is lesser. So, one has to take care of all these things. And it is not the stud ratio in itself will give you the high dividend. Had it been so, then you must have compared our financial with others. So, while there are some players footsteps receives higher at more than 25% to 26%, but the gross margin is lesser than us.

Suvankar Sen: I would just like to say that the growth of diamond jewellery has in quarter 3 has been 18%. It is just that the share or the ratio, stud ratio, which we mean to say is the share of diamond jewellery in the overall sales has not grown in the whole of year. I hope I could make myself clear in this, right?

Q3 YTD diamond jewellery sale is 9%. Q3 diamond jewellery sales growth is 19%. So, in the Q1 and Q2, diamond jewellery sales were lower.

But Q3 onwards, diamond jewellery sales are growing at a higher rate. And Q4, as we are moving through it, January and now we are in middle of Feb, again, to reiterate that the diamond jewellery sale is growing at 59% Q4 to Q4. So please try to understand that people in Q1 and Q2 did not buy much of diamond jewellery, but Q3 and Q4 onwards, the sale is increasing.

Moderator: Ladies and gentlemen, we will take that as the last question for today. I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Suvankar Sen: So, thank you very much to all the partners and investors for being with Senco having the faith. We understand that the movement of gold price, the duty cut and its impact on the overall numbers, there are queries and there are thoughts in the mind that whether this particular fall in terms of margin, the Q3 versus Q3 numbers is something which will continue to happen in the future or not.

But again, as we end the conversation, we would like to request all of you to look at a longer period of time. You see Q1, Q2, Q3, and you will see that the adjusted EBITDA and the adjusted PAT normalizes.

The Q1 and Q2 numbers in terms of growth of EBITDA, growth of PAT had been much higher. In Q3, due to the duty cut and the movement of gold price and the lower stud ratio, it has taken a hit. But again, Q4, the numbers are picking up. So while in terms of top line, we are very proud and happy to say that we have crossed Rs.2,000 Cr, had the best ever month of Rs.1,000 Cr plus sales and consumers continue to get added of, say, 4.1% more invoice, higher ATV, higher ASP.

But in terms of the overall numbers as we end the year, we will continue to see the way we are growing 18% to 20%. We will continue to do that in terms of value. In terms of volume, it is going to be low single digit. In terms of value, we will end the year with 18% to 20% and Q4 growth year-on-year also in terms of value will be 18% to 20% minimum. And that will have its own positive impact on the EBITDA and the overall numbers of adjusted EBITDA will move upwards.

So, thank you once again. Happy Valentine's Day and wishing all of you a great next few months ahead.

Sanjay Banka: Thank you, everybody. Thank you very much.

Moderator: Thank you, members of the management. On behalf of Emkay Global Financial Services Limited, that concludes this conference. We thank you for joining us, and you may now disconnect your lines. Thank you.

**As highlighted in bold, the term "Adjusted Gross Margin" mentioned during the earnings call refers to Adjusted EBITDA.*
***Some numbers discussed during the session may have minor decimal variations. Please refer to the published results for accuracy.*