

Date: 15th Nov, 2023

<p>The Manager- Listing</p> <p>The National Stock Exchange of India Limited “Exchange Plaza”, Bandra – Kurla Complex, Bandra (EAST), Mumbai – 400051</p> <p>NSE SYMBOL: Senco</p>	<p>The Manager – Listing</p> <p>BSE Limited</p> <p>Corporate Relationship Department Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai -400001</p> <p>BSE SCRIP CODE: 543936</p>
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Sub: Earnings Call Transcripts pertaining to the Unaudited Financial Results of the Company for the 2nd quarter and half year ended 30th September, 2023

Dear Sir/Madam,

Pursuant to Regulations 30 and 46(2)(oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of Investors’ conference call organized on 10th November, 2023 post declaration of Financial Results (both Standalone & Consolidated) for the 2nd quarter and half year ended on 30th September, 2023.

The transcript is also available on the website of the Company:
<https://sencogoldanddiamonds.com/investor-relations>.

Kindly take the same on record and acknowledge receipt.

Yours sincerely,

For Senco Gold Limited

Surendra Gupta

Company Secretary & Compliance Officer
Membership No. A20666

Enclosed: As above

Senco Gold Limited

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“Senco Gold Limited
Q2 FY2024 Earnings Conference Call”

November 10, 2023



ANALYST: MR. DEVANSHU BANSAL – EMKAY GLOBAL FINANCIAL SERVICES

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



Senco Gold Limited
Earning Call (Q2, FY 24) Transcript November 10, 2023

Moderator: Ladies and gentlemen, good day and welcome to the Q2 & H1 FY24 results conference call of Senco Gold Limited hosted by Emkay Global Financial Services. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of management's briefing. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" 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. Thank you and over to you.

Devanshu Bansal: Hi, Good morning everyone. I would like to welcome the management team of Senco Gold and thank them for giving us this opportunity to host their Q2 earnings call on this auspicious day of Dhanteras. We have with us today Mr. Suvankar Sen, Managing Director and Chief Executive Officer and Mr. Sanjay Banka, Chief Financial Officer. Sir, festive greetings and congratulations on a good execution in Q2. Over to you now for your opening remarks! Thank you.

Suvankar Sen: Good morning everyone. Happy Dhanteras and Happy Diwali in advance to all of you. Thank you for joining. When we begin the Q2 FY24 earnings call, before that I would just like to set the perspective in terms of the global markets and the outlook as we see the trends in the overall market. If we look at the growth of jewellery industry especially gold for the first half of the year and especially the Q2 FY24, we have seen that India jewellery demand overall has increased by 7% as per the data that we see from World Gold Council and if we look at the last five years average CAGR it is 19% above the last five years average trend. So, therefore from the perspective of demand from the consumer, there has been an overall interest and increase in terms of demand from the consumer that is one part of it. The second part of it is that if we look at the diamond jewellery industry per se we have seen in the last 2-3 months there have been a lot of news in terms of the prices of diamonds that have been having a downward pressure; and if we go deeper into the details, it is specially the bigger size diamonds (meaning solitaire, i.e. 30 cents and above) that have been under pressure, the smaller size diamonds have not been under that much of a pressure and this reason being the slowdown that we have seen in the US markets and the western markets, the recession situation that we see in the western world and that has been the reason for the price being downward, but that becomes an opportunity for the Indian jewellery industry. We have seen robust demand from the Indian consumers and whatever the price benefits that we as industry can gather during this time through offers and schemes, we have been able to give a better benefit to the consumer and pass on that benefit to the consumer to a certain extent. So, this is how we are seeing that overall market scenario but if we go deeper into it and if we analyze today being Dhanteras we have seen a



Senco Gold Limited
Earning Call (Q2, FY 24) Transcript November 10, 2023

large amount of footfalls happening at all those stores and just the way we have seen in the first half of the year there have been a decent growth in terms of demand of diamond jewellery which is supported by the 14 carat - 18 carat gold. The carat that is being used for diamond jewellery because the reason being that within the budget the consumer can get their demand fulfilled, the designs are more trendy and western and overall that is going to help in the usage of the consumer and as far as the company is concerned it overall adds to the bottom line as well, so this is a good decent positive situation that we see here and in terms of the growth of diamond jewellery we have again continued to see more than 30% in terms of volumes and close to 50% in terms of value for Q2 FY24 as well.

When it comes to the “rural demand” so last financial year we have seen the company owned company operated stores (COCO) were growing at a much higher level compared to the franchisees which are in the Tier 2/ 3/ 4 cities of the country. But this year H1 ,we have seen that while the company owned company operated stores have grown at 28% odd percent our franchisees have grown at ~15%, so that is a good situation to be in , where we are seeing that while the COCO stores have grown at ~22% for like-to-like (LTL) and with the new additions almost 28%, our franchisees have grown at 11% LTL , so that is a positive sign for the overall market. As far as the geopolitical situation that we see which is impacting the gold prices, we were analyzing that this year the gold price is ~ Rs. 60,000, last year during Dhanteras the prices were about Rs. 50,000 odd so we are seeing almost a 15% - 18% growth in terms of price. So while in this season if we look at the volume growth we do not see much of volume growth happening, it will be maybe in single digits but in terms of value growth together we might get in the range of 18% - 20% in terms of the overall growth. So this is how we are looking at the overall industry.

Now coming to Senco Gold and Diamonds, we have seen that overall we have added nine stores, six stores we had added in Q1 FY24, three stores we have added in Q2 FY24 but also to add to this current data we would like to say that in the month of October , and as we speak to you today , we have added eight more stores, so we have crossed the milestone number of 150 stores for Senco Gold and Diamonds and **currently we stand at 153 stores**. So in the coming months, we would like to add around 8 to 10 more stores and that way we will be adding about 25 to 26 stores for this financial year. In terms of overall revenue growth for Q2 FY24 versus Q2 FY23 we have grown by 26% and if we look at the H1 FY24 versus H1 FY24 we have grown by 28% and if we look at the Q2, PAT overall in terms of growth we have seen almost 30% growth. So yes, the base has been low, we have always seen in the past trends that Q2 has been a comparatively slow quarter, we do not have too many festivities. We have Adhik Maas in that particular season of Q2, and it is a preparation and the build up to the festivities in Q3 that we see with the Durga Puja, with Dhanteras, Diwali and the weddings that are happening ; and one thing to keep in mind is



Senco Gold Limited
Earning Call (Q2, FY 24) Transcript November 10, 2023

that it has been said by CAIT that in the coming one month we have 35 lakhs wedding and that is a very large number and almost a Rs. 4.5 lakh crore is the likely spend that is going to happen and jewellery industry usually gets a share of 10% to 15% in terms of the overall spend. So therefore, even at what we see the consumers buying here we have seen that a lot of wedding jewelries is getting stones that is almost a 40% to 50% of the share of whatever jewellery is getting sold and in terms of the daily wear lightweight jewellery that is getting sold. The people who are saving the money to have some amount of buying during this festival season that is about the remaining 40% to 50%. Interestingly out of that we have seen that the 10% or 15% is the kind of growth we have seen for men's jewellery. So, heavy chains that we see in the movies right now, with our Indian sports people wearing chains and bracelets; and our heroes wearing chains and bracelets, there is that inherent growth in demand of men's jewellery that has seen a substantial growth. So with this I would like Mr. Banka to get into further details of the numbers.

Sanjay Banka:

Thank you Sir. So while Sir has briefed about the growth in the business and the revenue ; broadly we have ensured that there is a proper capital allocation to the various zones as we classify India into various zones. We have grown across all the zones in terms of revenue and volume. In fact, we must say that as far as the east region is concerned, east region continues to grow, so while we are talking about a 23% Y-o-Y growth in H1 FY24 for own stores, so the east stores has grown by 32%, West Bengal has grown by 21% , North has grown by 26%, South has grown by 31% and West has grown by 43%. So the future growth story remains intact primarily because as the base is low. So when we talk about the per store sales while the blended per store sale is Rs. 33 crore per store per annum our own store is Rs. 37 crore, thus there is huge potential still for stores across all the India. Our borrowing costs remains range bound despite 450 basis points increase in the FED rate and similarly despite ~200 basis point increase in the MCLR, there was no substantial impact in our borrowing cost. The impact has been 15 to 16 basis points and the blended ROI is in the range of 6.15%. Post the IPO, our debt equity ratio had improved and it had become below 1 so 0.82x is what was the debt equity ratio, but as we said earlier that the funds which we are raising is for the long term capital and borrowing, so we have invested the entire funds raised out of IPO in the working capital. So, the 17 stores which have come up we have deployed for our inventory. Similarly, for our existing stores also we have increased the inventory level further, since we are focusing on the diamond sale, diamond inventory is also increased. So overall, we are very confident that we will continue to expand at the desired price and the work for favorable region. Thank you.

Suvankar Sen:

Just to add to what Mr. Banka said from other aspects of the business, we have been certified as **great place to work (GPTW)**, so our team is highly motivated and working really hard to achieve all the numbers and from the management doing the necessary



Senco Gold Limited
Earning Call (Q2, FY 24) Transcript November 10, 2023

support for their growth. Also from a technology perspective, in this Q2 FY24 we launched the Senco metaverse. We call it **Sencoverse.com**. It is a pilot project and the version one that has been launched in which through gamification, we would like to showcase our products or jewellery or various campaigns and people can visit and have an experience and with the more evolution we will continue to invest so that we can give customers a much more immersive experience, so that is the kind of technological, futuristic investment our websites continue to get updated with the latest designs and what we see is that customers are looking at the various websites and the product catalogues and then visiting the stores with the demand of buying that kind of jewellery so the Omni-channel strategy and the websites are acting as a tool of marketing to reach out to the customers and inform about the various designs. In terms of the offers in Q2, while it has been a milestone quarter especially a memorable one for Senco Gold and Diamond because we got listed in the month of July 23 and then till August, we had the Independence Day celebration and then we had various anniversaries at the stores to celebrate their one year/ two years/ five years/ 10 years and we kept inviting customers. So, therefore, we kept coming up with new collections under Everlite or under Vivaha for the coming season. So we kept introducing new designs and I think that this Dhanteras along with the attractive schemes and offers that we are giving to our customers, we are getting new designs, new concepts and working hard to give the best of services to our customers and make them happy. Thank you very much.

Moderator: Thank you very much. We will now begin the question and answer session. We will take the first question from the line of Videesha Sheth from Ambit Capital. Please go ahead.

Videesha Sheth: Hi, thank you for the opportunity. So, couple of questions from my side. Number one, given the 28% Y-o-Y growth that we see on the first half and with the shift in festive to the second-half as well as overall category tailwinds and higher store additions, how would you look at what is the earlier guidance of 20% for FY24 as well as growth over the medium term that would be my first question?

Suvankar Sen: We will continue to guide to our investors that our last 3 to 5 years CAGR growth has been in the range of 18% to 20% and going forward though we see a great potential and we will keep working harder, but our growth expectation will be in the range of 18%.

Videesha Sheth: But Sir, just a follow up on that if we already recorded 28% in the first half itself would not the overall growth for FY2024 be on a bit higher side?

Suvankar Sen: See, the thing is that the base for Q3 is much higher compared to what we have seen in the H1. So logically we can always say that yes we will continue to grow in the same rate and internally we might put our best efforts but as far as the guidance is concerned we believe in



Senco Gold Limited
Earning Call (Q2, FY 24) Transcript November 10, 2023

having a more conservative approach and rather perform better. So this is my guidance to you. We will again come back after Q3 and that is the most critical quarter and then again we can review and give you a further guidance.

Sanjay Banka: Just to add on it, during the road shows also we talked about 18% to 20% growth, but if you look at the growth in Q1 FY24 it was 29% and Q2 FY24 it was 26% and for H1 FY24 it was 28%, so internally we will strive to work more, but our guidance continues to be 18% to 20% Y-o-Y growth for the full year.

Videesha Sheth: Sure and to the second question when we look at the implied gross margin for the second-half of FY23 that comes to nearly 19%, which seems a bit on the higher side, so just wanted to clarify, was there any one-off in the second-half and what would be the outlook for FY 24?

Sanjay Banka: This is the quality of revenue and that is the trend for the first few years. So even in 2021-22 and 2022-23 the gross margin and PAT were subdued in H1. This is the structure of the industry. Last year if you remember PAT in H1 FY23 was around Rs 30 crore to be precise, which was the result of the lower gross margin percentage; so major part of the gross margin and the PAT comes in H2. So the H1 gross margin which you are seeing is not any one-off, the possibility of one-off is not there; because as we have said that we have hit gross margin below 14% range, so if at all there is an increase in the gold price leading to any gain on the inventory that will be reduced and mitigated by a loss in the hedging. So since we are having a proper hedging strategy we will neither gain on account of gold price increase nor lose. There will be minor impact due to accounting Rs. 4 or Rs. 5 crore here or there, that is all but there is no substantial one-time impact due to gold price rise or fall in our financials.

Suvankar Sen: Also to add to this, if we look at the consumption behavior, we have the wedding season and also various weddings that have happened in the past so consumers buy jewellery for their anniversaries and also in January & February we have the Valentine's Day, so what we have seen is that the diamond jewellery sales for the H2 kind of is on the higher side compared to H1; and overall the cost remains the same, but the sales and turnover increases in H2 compared to H1 and that is where we have always seen that in H2 the gross margins are comparatively higher compared to H1.

Videesha Sheth: Again, just a follow up to that so given that Senco as a brand is getting more competitive in terms of its sizing, what would be a fair outlook for the second-half of the year, in terms of gross margins?



Senco Gold Limited
Earning Call (Q2, FY 24) Transcript November 10, 2023

Sanjay Banka: See as we said ,we have seen the gross margin of the competitors & peers; and we have also said that the gross margin that will be depending upon the franchisee addition, during the road show also we have said that the full year gross margin will be slightly lesser ~14.5% to 15%, so slightly 80 to 120 basis points lower than last year because last year diamond price increased led to slight higher margin. That is point one. Vis-à-vis competitors, we definitely are working in a competitive market but the smart leadership implies that we look at the competition, you adopt your own strategy and that we have seen that despite the competitive pressure we are on number two in terms of return on equity, so we will continue to develop our own strategy while working in a competitive market by increasing our relationship with the customer, the sort of engagement, the BTL activity, the 80 years legacy , the design & Bengal Karigari strength , which will help us to mitigate any competitive pressure. So net-net for the whole year we are looking at ~14.50 to 15% as full year gross margin, while H2 gross margin has to be around 18% to 19% to give that blended gross margin.

Videesha Sheth: Thank you and just the last question from my side; while on overall store addition size we seem to be ahead of guidance from 18 to 20 stores but when we look at store addition in H1 we have just added one franchise store, so for FY24 can you give a ballpark number as to how many stores will be under the COCO versus franchise model? That is all from my side.

Sanjay Banka: In H1, we have added 3 franchise stores one in Arrah, one in Bhagalpur right and one more. So as we are talking today we have added 4 franchise stores, Arrah, Bhagalpur, Dmuka , it is a part of our **going deep strategy** and now that we have got a substantial presence in Bihar and we already have a substantial franchise presence in Odisha, we are now going deep in Bihar. We have Arrah, Bhagalpur and Dhumka. We have recently opened one store in Shantipur. So we have a good pipeline, 3 to 4 more franchise are likely to close by March'24. So 17 stores we already have as of today, **so we have 153 stores as of today and 8 to 10 more stores are likely to open, we will be ahead of our guidance of 25 to 28.**

Suvankar Sen: Videesha does that answer your question?

Videesha Sheth: Yes, thank you. That is all from my side.

Moderator: Thank you. The next question is from the line of Vishal Gutka from Phillip Capital. Please go ahead.

Vishal Gutka: Hi team Senco, congrats on a good set of numbers. I have three questions basically. First is that during the quarter you have converted one of the franchise store into the company owned store just wanted to know the reason behind it or what is the reason that led to the conversion, second question is on the franchise so most of the franchise for you are based



Senco Gold Limited
Earning Call (Q2, FY 24) Transcript November 10, 2023

out of Tier-2 cities. I believe that the reason is that franchise are able to do good business in smaller cities due to lesser competition and secondly they have good connect, so if you can elaborate more on what is the reason that most of the franchise are based out of smaller cities and third question is that we have seen a decent uptick in studded share but the gross margin more or less have remained flat probably the reason could be fall in the diamond prices that could be one of the problem but on the other hand we also had a decent increase in the gold price because the entire inventory is not hedged for you some is open, just if you can just enlighten us and answer on these three questions?

Suvankar Sen: So the franchisee that got converted into own store is in Jajpur, Odisha and unfortunately what had happened in the month of June and then later on we had two more franchisees, they had suffered burglary, so this Jajpur store had to suffer a loss due to burglary and since they lost a lot of their inventory, but we did not want to lose the market share and the goodwill of the brand. So we decided that that franchise will now be converted into a landlord kind of a situation and we will keep our stock and in the interim, we run the store so that was the reason that Jajpur got converted from a franchise to an own store.

Vishal Gutka: Franchise don't take an insurance cover for this?

Suvankar Sen: They get insurance cover but insurance companies take a lot of time for processing. There are reports, FIR, there are follow-ups, there are surveyors, and it takes a lot of time for the insurance companies to provide the money back. So, like say for example the franchisee had an inventory of say ~Rs. 9 crore, Rs. 2 crore was the amount that the insurance company gave to them right away, but the rest of the negotiation, dealing, serving discussions are continuously on, so while insurance is there, but the situation is never a very easy one to handle and get sorted so this is how it is.

Sanjay Banka: So we are working on that. As per the IRDA regulation, we are working to get some sort of group insurance policies where all the franchises get the same terms and same offer and if possible to get a higher interim claim. These are the innovations which will take time, but we are working on it and it will not only benefit Senco it will benefit the entire jewellery industry as well.

Vishal Gutka: Got it. What was the quantum of burglary, any quantum of inventory that got stolen off or what is the amount because Rs. 2 crore we got from insurance company any amount that you can quantify?

Suvankar Sen: We do not have the exact figures right now but around Rs. 8 to Rs. 9 crore, that is what we can guide for the Jajpur store and what was that question on Tier 2/ 3/ 4 cities? The relationship that they built with the local customer, right?



Senco Gold Limited
Earning Call (Q2, FY 24) Transcript November 10, 2023

Vishal Gutka: My question was why most of the franchise are based out of this smaller city, one reason could be lesser competition so that they do good business, second thing is that they themselves could connect within those areas, so if you can just enlighten or throw more light on this what is the basic reason behind it that most of the franchise are based on smaller cities?

Suvankar Sen: So, in the concept of rural marketing, trust is important. So now while as a brand there is an overall trust that we are building through the processes, through the branding. the local phase connect is very critical and that is where a local partner who behaves like a face of Senco along with the brand supporting him from the back and BTL activity, driving and the local aspect, fulfilling the local sentimental demands. So that is why getting a good franchise fee for the Tier 2/ 3/ 4 cities is a great opportunity and the best of strategies that one can follow. So, this is how it is and the span of control also like say for a small Tier 3/ 4 cities you have to get quality employers and managers to drive the store. So when there is a sense of entrepreneurship from the franchisee, his contribution becomes critical along with the manpower that we are having at in those Tier 3/ 4 cities, so this is how we look at the overall strategy.

Vishal Gutka: One more question from my side that whether franchise operations are viable in metro cities as well given the gross margin profile that we have?

Suvankar Sen: Currently we have to be very strategic in the thought process that the investment for the franchise in a metro city has to be much higher so that is first point to note , and secondly mentally the franchise needs to believe and be there for the long run, so it is not going to be a 1 year or 2 year story, he has to see that in 3 to 5 years he will get his returns and the break evens and all of that will happen being a franchise so that is where the bigger metro city franchise story should be the second priority; focusing on Tier 2/ 3/ 4 is the first priority. To answer your question on the gross margin, with the diamond jewellery sales going up, so there are 2/3 areas where the gross margin impacts happen one is that what is the share of own store versus franchise then we are seeing growth in the diamond sales and the growth in the gold sales is comparatively lower. We are about 80% to 85% hedged, so therefore if there is an increase in the gold prices but 80%-85% of it is already covered so you are only left with 10%-15% of the inventory to enjoy any benefit but that also is a very marginal thing and hedging accounting is a different concept to the hedging aspect. So there is a little bit Hedge accounting impact involved and does not directly flow into the account. So there are so many aspects of it and lastly that Q2 FY24 has been a special Q2 with the IPO coming in with the overall excitement; and we are building up positively for a great Q3; so therefore we did not much cut down on the expenses and what we have seen but we



Senco Gold Limited
Earning Call (Q2, FY 24) Transcript November 10, 2023

are confident that our Q3 will be much better and we will be able to recover whatever we have invested in Q2 and what we will invest in Q3.

Vishal Gutka: Got it. Thank you so much for answering the question patiently and wishing the team Happy Diwali and all the best for the season ahead.

Moderator: Thank you. The next question is from the line of Nitin Gosar from BOI Mutual Fund. Please go ahead.

Nitin Gosar: Hi, good morning. Sir couple of questions, one wanted to understand the buying pattern of our target audience how sensitive it is to the price points that we try and cater to?

Sanjay Banka: Hi Nitin good morning. as we said at the start of the call, while the prices have been high in Q1 FY24 and as well in Q2 FY24, it only fell temporarily in the month of June and September. Despite high prices, the interest has now come and we see globally in India the demand is overall higher by 7% and 19% higher than 5-year average as per World Gold Council Report. In the last nine months period, India has already sold 363 tonnes and full year target is 500 tonnes. So we see a continued demand and that is getting reflected in our sales that it has grown to 29% in Q1 FY24 and 26% in Q2 FY24, which gives an average of 28% in H1 FY24. So when the price increase then the customer get the temporarily slow down and on price stabilization, they come back into buying mode. The central banks are continuing to buy gold and the gold production is not increasing substantially, so we are hopeful that the gold price will continue to move northward and the consumer demand will not come down. So at least the organized sector as we have seen the result declared by other companies all are going by minimum 20% so that is same range we are confident for the future growth. Added to this, when we are talking about diamond studded and the future growth strategy which currently blended is around 11.4% and we are looking at a 15% stud ratio target in next three to four years. we said that our studded which is higher in our own store has increased to 13.9%. We also informed that in north market it is 19%. So the diamond growth also gives this idea of shifting pattern and as we are entering into the new market that will further add to our topline and the quality of the gross margin and EBITDA.

Nitin Gosar: Got it and how should we check your organization, should we track the volume growth as an ideal factor or should we track the value growth as an ideal factor just to understand the underlying demand factor from the consumer, just the backdrop is that you are catering to a certain price point which can be at times sensitive if the gold price shoots up?

Sanjay Banka: If you look at the other large player this question is classical question. It is not a necessity product that you have to consume so much. So even when we do the budgeting, or our annual planning or the long range planning, we look at a revenue growth. Now that revenue



Senco Gold Limited
Earning Call (Q2, FY 24) Transcript November 10, 2023

growth can come either by volume variance or price variance. For example, this 28% growth which we are talking about a part of it around the 13% to 14% has come on account of price increase and balance on account of volume, volume in gold and diamond both. So in future also let us say the price increases to Rs. 70,000 range or Rs. 75,000 range, it will not reduce the sales, it may impact the volume in short term. So let us look at the revenue growth in price. Volume is just an indicator to understand how the customer pattern is improving.

Suvankar Sen:

Also one more thing to add here, we have one measurement KPI we say it 'VAVO' (value and volume). So we are measuring both of it. and historically also we have seen that when gold prices jumped from say Rs. 3,000 to Rs. 5,000 we saw a hit in volumes, but in terms of value we continue to grow and then again when gold prices came down say from Rs. 5,500 to Rs. 4,800 we saw a jump in volume and the value also continued to grow at a higher rate, so this is how you need to judge both ; and another aspect of it is that with the increase of sales of diamond jewellery, cartage sold and value sold that we are analyzing but the gold that we are using in diamond jewellery is usually 14 carat and 18 carat gold, so there if we convert a normalize each and every purity into 24 carat then obviously with 14 and 18 carat and we normalize it into 24 carat kind of a volume, then you will see a lower volume growth in 24 carat, so you need to kind of have all the measurements in place and then analyze it.

Nitin Gosar:

Got it and Sir one last question with regard to diamond studded jewellery since there has been some price disruption in diamond prices what is the environment looking like? whether the consumers are walking in are seeking for more discount on diamond studded jewelries or what is the awareness level when it comes to price disruption?

Suvankar Sen:

Honestly speaking not all consumers are aware of the situation that we have seen in the diamond market and we are utilizing this as an opportunity to educate our customers if you really look at it then it is the bigger size diamonds that have got impacted. So 30 cents, 50 cents, 1 karat, these are the kind of sizes that have got impacted with the disruption. The smaller size diamond which is like say 1 cent, 2 cent kind of diamond, there the price impact has not been much. So with the Valentine's Day coming in, with the wedding season coming in rather this becomes an opportunity to sell more solitaire and mini solitaire rings and studs and pendants to the consumer. Consumers are positive and that is why we are seeing a good growth in diamond jewellery so this would be my kind of guidance to you.

Nitin Gosar:

Got it. Thank you Sir.



Senco Gold Limited
Earning Call (Q2, FY 24) Transcript November 10, 2023

Moderator: Thank you. The next question is from the line of Harit Kapoor from Investec. Please go ahead.

Harit Kapoor: I have couple of questions first of all you mentioned about men's jewellery growth, Sir if you throw more light on it?

Suvankar Sen: Was he asking on demand for men's jewellery? So, yes what I can guide you all is that during Dhanteras and during this season especially, we have seen that not just the ladies that are coming to the store along with their husbands or family and buying for themselves but I think there is a subtle change happening in terms of the mindset of men and maybe 15 years to 20 years before only in certain cultures buying gold chains and adorning yourself as a man was there but not in all cultures, but with the sports becoming more popular with the movies showing men wearing a lot of jewellery, men have become more bolder and more fashionable and there has been a substantial increase in demand of almost 15% to 20% in terms of the men's jewellery chains and bracelets during this time, which is a trend that we need to analyze more and move forward.

Harit Kapoor: That really answers my question. That is very helpful. Thank you Suvankar.

Moderator: Thank you. We will move on to the next question, which is from the line of Devanshu Bansal from Emkay Global. Please go ahead.

Devanshu Bansal: Hi thanks for the opportunity. Sir you have indicated 15 to 16 more stores in the second-half just wanted to check how many of them will be company owned and how many of them will be franchise owned and whether this addition will entirely be through internal accruals?

Sanjay Banka: Hi, Devanshu so as we have said we have added 9 stores in H1 FY24 one and subsequently 8 more stores have been added, so 17 stores have been added overall, this includes 4 franchise stores, Arrah, Bhagalpur, Dhumka, and Shantipur as of today, so the outlook for the future as we have said is around 5 to 6 own stores and 3 to 4 franchises stores are likely to be done by March'24. So as part of our going deep strategy our focus for franchise is particularly in Bihar, so the majority of the stores are likely to come in Bihar so that we have got a sizable and a strong presence in the emerging industrial area, the mining belt, the industrial belt of Bihar, so that is going to be our focus till March'24.

Devanshu Bansal: Yes Sir, thanks for this. Also you indicated that west and south are seeing relatively much stronger growth so does our outlook on expansion in these regions also improve or we will still restrict majority of expansion to north and east?



Senco Gold Limited
Earning Call (Q2, FY 24) Transcript November 10, 2023

Suvankar Sen: We will continue to have our focus on expanding in north and east. See south and west we are all aware that the market potential is huge, but we would want our stores to perform better and better, and more and more; and build further goodwill and traction. We will be opening selectively in south like we are adding one store in Bengaluru or we are adding one more store in Pune but the greater focus is to continue deeper to penetration into eastern India and strategically open stores in northern India so that strategy does not change at all. Like for example, just to add to the point like we have been adding 8 stores in the coming season out of which only 2 to 3 will be in south and west and 5 will be in east and north so we will not want to lose the leadership position in eastern part of the country and the strategic focus in north.

Devanshu Bansal: I just wanted to specifically ask you about your traction in the Delhi NCR region, what kind of investments in terms of team, etc., that you have done in that region and if you could throw some light on that?

Sanjay Banka: We include Delhi NCR in the north, we have a total of 20 stores, 10 in Delhi NCR and 10 in UP. We are seeing a good improvement in the average sales per store in the north the total growth we have achieved is 26% and out of that 25% is the like-to-like growth that is first point. The stud ratio has also increased to 19% no major change between Q1 FY24 and Q2 FY24, so on a pan India basis blended mix including the franchise store is around 12% and in Delhi it is 20% in north it is 19% . So north continues to be major focus area for us in our growth journey. The sales per square feet in north is also improving.

Devanshu Bansal: Thank you Mr. Banka. Thaks for the detailed responses. That's it from my end.

Moderator: Thank you. The next question is from the line of Nikunj Gala from Sundaram AMC. Please go ahead.

Nikunj Gala: Good morning everyone. Thanks for the opportunity. I have just one question Sir. Like what would be our hedge ratio in this quarter in the H1 FY24?

Sanjay Banka: Hedge ratio we have consistently maintained over 80% and that is stated and reflected in various calls from time to time as we mentioned as a strategy. As you are aware a higher hedge ratio in case of rising prices will give negative impact, so while there will be gain in case of inventory and realization that will be negated by higher aggressive but still we are still keeping it over 80%.

Nikunj Gala: So it is similar to the last year number, right? Not much of a change.



Senco Gold Limited
Earning Call (Q2, FY 24) Transcript November 10, 2023

- Sanjay Banka:** Similar to last year number, yes. In fact if you ask me average ~84% to 85% for the entire H1 FY24. Depending on timing sometimes it touched 92% also.
- Nikunj Gala:** Yes, we remember in FY23 for the full year we were at 90%, right?
- Sanjay Banka:** Yes, correct.
- Nikunj Gala:** So we just come down to 80% now?
- Sanjay Banka:** So 80% was only on September end but average I said is 84%. c I will just want to clarify once again that our hedging percentage is a mix of the gold metal loan unfixed and balance we do heading at MCX and NSE by Sell future, sell call option, buy put option.
- Nikunj Gala:** Sure Sir and with the incremental inventory we would be building in, considering our expansion plan that incremental inventory would be containing the same ratio right Sir?
- Sanjay Banka:** So we do hedging for the entire level so inventory which was Rs. 2050 crore so we do the hedging on the entire inventory level.
- Nikunj Gala:** Thank you. Thanks a lot Sir and all the best.
- Moderator:** Thank you. The next question is from the line of Mohit Madhiwalla from Envision Capital. Please go ahead.
- Mohit Madhiwalla:** Hello good morning. Thanks for taking my question. So just two kind of broad questions, number one is from the topline growth that we have seen, could you please shed some light on how much of this growth has come from new customers versus existing customers or maybe even a rough figure of new customer contribution would be helpful and secondly can you also please shed some light on the movement and which transaction value that you have seen from maybe H1 FY 23 to H1 FY24? That is it from my side. Thank you.
- Suvankar Sen:** So the average transaction value (ATV) overall for H1 FY24 is ~Rs.66,000 compared to the average transaction value of the previous year, which has been in the range of Rs. 54,000 to Rs. 55,000 so this has been the increase.
- Sanjay Banka:** Your question was how much of the sale comes from the repeat customer and the existing customer. So we like to add 2 factors, the repeat customer sale, the loyalty customers, existing customer, we have been talking about 20 lakh customer base. The repeat customer sale is around 64% which was around 60% in September, balance 36% is new customer, so this clearly shows that our loyal customer value the brand image of the company for 80



Senco Gold Limited
Earning Call (Q2, FY 24) Transcript November 10, 2023

years; further as the company has got listed, we are getting lot of traction in the market which was not our customer base so consistently our loyalty customer base is increasing and repeat customer base is increasing which means that the marketing spend which we are doing that marketing spend is for retaining the existing customers and bring in new customers and new customer is 36%. Now if you look the same number from a different factor of like-to-like growth. So the growth which we have talked about the retail growth is ~23%, from the existing store it is 19% which means that 16 stores with existing customer continue to grow and this number continues to be high. This number in own store in West Bengal is 22%, east is 20%, north is 25%. So there continues to be a good growth story trajectory improving brand equity. We are very happy to inform you that while we are consistently 2nd most trusted jewellery brand in a recent survey by TRA. We have been ranked **2nd most desired jewellery brand again at No.2**, while the overall rank is around 169 out of 1000 but among our peers, we are number two as the most regarded brand. This clearly shows the customer is liking towards our brand.

Mohit Madhiwalla: Superb and just one more question. Could you also please shed some light on the studded share in the north versus what the studded share in the east is currently?

Sanjay Banka: Studded share in the north in our own store is 19% and in east it is 11.8%, in south 12.5%, in central 14%. So north continues to be a very important for us and when we talk about the top players stud ratio of 25% to 27%, so let us say we talked about in our quarterly upgrade, in Chandigarh store we have touched 24%, we have potential to touch 24% in the entire north is quite high. Let us say we got have two stores in Gurgaon. We have stores in Dwaraka we have started stores so we are starting to increase our set ratio across north to 25%.

Mohit Madhiwalla: Got it and is there any sort of change in the store expansion guidance for the next 3 years and the split between how many COCO stores you will open any guidance you can share?

Sanjay Banka: Guidance remains the same that 20 to 25 stores, so let us say 15 to 18 home stores and 8 to 10 franchise stores. So we have already achieved 17 stores in YTD and we are talking about 10 more stores, so 20 to 25 stores every year in next 3 years we clearly see can be achieved and a number of 250 stores in next four to five years is clearly achievable ; and for that we will have adequate free cash flow ad. The free cash flow at the existing debt equity ratio of one is to one (1:1.2) will help us to achieve the rollout of the existing stores and in addition we will be constantly increasing the inventory level and the existing stores also.

Mohit Madhiwalla: Got it. That is it on my side. Thank you so much.



Senco Gold Limited
Earning Call (Q2, FY 24) Transcript November 10, 2023

Moderator: Thank you. We will take the next question from the line of Aejas Lakhani from Unifi Capital. Please go ahead.

Aejas Lakhani: Hi team festive greetings to you and everybody in Senco, so on a very interesting comment on the men's jewellery that you made, it was interesting to know. Sanjay Ji a couple of questions could you call out at a blended level, what was the studded share, you went geography wise, but could you call out it a blended level what was it?

Sanjay Banka: Blended Stud Ratio level for the own store it is 13.9% whereas for the franchise it is 7.8%? So as you said the franchise are in Tier 2 and Tier 3. They work with a lower inventory level of Rs. 8 to 10 crore so franchise we are trying to improve to the 10% level. So own store is 13.9%, blended is 11.9%, so blended has increased by 100 basis points over last year, but in terms of the volume and value growth of diamond we said 34% and 50% respectively that was Q1 FY24 and we are seeing a similar range at the H1 FY24 level.

Aejas Lakhani: Got it and last quarter studded was 11% which is now you said 11.9%, is that correct?

Sanjay Banka: 11.1% is what I have said last quarter and this quarter we are saying 11.9%.

Aejas Lakhani: Got it and Sir could you just speak about what the inventory hedging losses that were reflected in the gross margin is that one of the reasons why the gross margin is relatively lower and could you just speak a little bit about how we should be thinking about the hedging losses and profits reflecting in the gross margin?

Sanjay Banka: See, as we have said Aejas ji, this is very complex subject. Hedging is expected to mitigate the loss or gain both so with a concept of fair value hedge and the cash flow hedge. Most of our transactions are fair value hedge because we do not indulge in any negative side, so to the extent of the loss on account of inventory there will be gain on hedging but that is on the book side and then there is concept of realized gain and unrealized gain. So while there will be loss on the inventory immediately, but as for hedging is concerned you cannot square off your open position, so there will always be unrealized gain on hedging which do not flow into financials. So it is only the realized gain which flows into financial and when that is applied to inventory on a weighted average cost basis, so there will not be one-to-one exact impact. So having said all these things, in every quarter there will be 4 to 5 crore rub-off impact of inventory heading. So you can take it to that extent with the gross margin adjusted for H1.

Aejas Lakhani: Got it so Sir you are saying that it could be Rs. 4 to 5 crore higher or lower depending on how your hedge situation has played out, right?



Senco Gold Limited
Earning Call (Q2, FY 24) Transcript November 10, 2023

Sanjay Banka: Yes, so what we are saying with hedging we are always maintaining above 80% on every single day and average was around 86% in Q2, so while long term outlook on the gold continues to be bullish. Despite that we will maintain minimum 80% and as we said earlier when the price rises and we do hedging, we have to deploy funds towards margin as well. So we will continue to have a very calibrated approach towards this maintaining hedging at minimum 80% hedging.

Aejas Lakhani: So you mentioned that the sale per store at a blended level was about Rs. 33 crore and for your company owned stores it was Rs. 37 crore could you call out the number for the franchisees?

Sanjay Banka: Yes, so franchise average is around Rs. 26 crore, since we are having one of the franchise store in north that is why it is appearing low so Rs. 37 crore average so now with 37 average is also misleading because West Bengal is Rs. 55 crore, East is Rs. 30 crore and so on.

Aejas Lakhani: Because the sale per franchise in a way we are recording the revenues, it is reflected in the gross margin so was there a higher sale or contribution from franchisees this quarter versus COCO?

Sanjay Banka: Yes this is a very positive story. So last year, the franchise growth was 2% only and which we have said very clearly and this year we are very happy to say as you said that the growth has been across all channels and across all geographies. The franchise growth for the current year, Y-o-Y growth is 15%, so a higher share of the franchise sale obviously dilutes the gross margin.

Aejas Lakhani: Got it. So you said franchise contribution has been 15%, which has been higher than what the last few years have been, correct?

Sanjay Banka: Franchise growth is 15% YoY, the contribution will be similar around 35% in the total revenue but as we said Q1 and Q2 or H1 gross margin will be raised down, they will be muted because the real impact of the gross margin will come in Q3 and H2 only.

Aejas Lakhani: Yes, I got that.

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

Suvankar Sen: Thank you everyone. It has been a great conversation with Dhanteras around the corner the team is fully working, we are tracking the sales, there are footfalls that are coming to the



Senco Gold Limited
Earning Call (Q2, FY 24) Transcript November 10, 2023

store, customers have booked in advance and they would all want to take the delivery on this auspicious date. The Dhanteras timing starts from 12:35 pm today and continues till around 1:00 in the afternoon tomorrow. So this is for your information because I hope and I pray that you all buy some amount of gold, silver, diamond for this Dhanteras. It is an auspicious time and closing in the remarks there is one thought that while we can see so much geopolitical uncertainties across the world which might have a kind of bullish impact on the gold price and the silver price but if we look at our country and look at the consumer behavior, I think by the blessing of god our country is protected. The consumers might get a little impacted with the price and therefore as discussed that the volumes might not grow to the extent but people have the love for gold and jewellery and they will continue to buy. The wedding season is around the corner I believe that people are coming buying high ticket products for the wedding as well. So the sentiments continue to be positive. The full planning and preparation is being done and we are hopeful that the Q3 which is the whole month, we are already in the middle of Q3 and the numbers are looking positive. There are stores in the pipeline, new products and designs and collections are all getting launched and we are getting a good response. So with full positivity and optimism, we will continue to perform and grow the business. Thank you very much.

Moderator:

Thank you very much Sir. Thank you members of the management. Ladies and gentlemen on behalf of Emkay Global Financial Services that concludes this conference. We thank you for joining us. You may now disconnect your lines. Happy Dhanteras to one and all.

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