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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(s)/ Madam(s),

Sub: Earnings Call Transcript pertaining to the Unaudited Financial Results of Q2 & H1 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 November, 2024 post declaration of Unaudited Financial Results (both Standalone & Consolidated) for the quarter and half year ended 30th September, 2024.

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

This is for your information and records.

Yours sincerely,

For SENCO GOLD LIMITED

Mukund Chandak Digitally signed by Mukund Chandak Date: 2024.11.21 16:27:47 +05'30'

Mukund Chandak
Company Secretary and Compliance Officer
Membership No. A20051

Encl: As above

"Senco Gold Limited

Q2 and H1 FY25 Results Conference Call"

November 14, 2024

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

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

Moderator: Ladies and gentlemen, welcome to the Q2 and H1 FY25 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 today's presentation. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

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

Devanshu Bansal: Hi, good morning, everyone. I would like to welcome the management team of Senco and thank them for this opportunity. We have with us today Suvankar Sen, Managing Director and Chief Executive Officer and Sanjay Banka, Chief Financial Officer. I shall now hand over the call to the management for the opening remarks. Over to you, sir.

Suvankar Sen: Yes, good morning, everyone. Good to talk and meet all of you over the call. We are here today to talk about the Q2 performance of FY24-25 and also the overall H1 FY25 performance for Senco Gold Limited. Before I get into the numbers, I would just like to bring your attention on the way the Q2, which is July-August-September has been. So towards the end of July, we have seen an incident which was the Budget and it was the good initiative of the government to reduce the custom duty on gold price by 9%- 10%and that fall in gold price led to a very positive result on the overall sale for the industry as well as for us at the company.

So, that was one of the triggering points for the month of July. If you look at August, I will say, it was a mini-Dhanteras. Usually, Q2 is a quarter which is comparatively slower and lower than the rest of the quarters in the year, but this time we have seen that Q2 numbers, in terms of top line has been a higher number compared to Q1 itself. So, Q1 was a quarter for Akshaya Tritiya and New Year's in many states.

But maybe it was the election, the heat wave for which, despite of the growth a lot of the sales passed on to Q2 and especially with the duty cut happening and the prices coming down. And then, as we ended August and we moved into September, we saw that it was a full focus on the preparation for Diwali, Dhanteras and Navratri season. And on the other hand, we saw that the gold prices were moving towards all-time high in the month of September.

So, while the planning for the festive season was in its entirety, but these price volatilities that happened during this particular quarter did act as a little bit of hindrances for which we had to go ahead and take more gold loans, arrange additional funds and arrange stocks for the festive season. But all in all, coming to the numbers if we look at it, we have registered a 27% retail growth in Q2 and if you want to break it up, you will see that the value growth overall in gold was about 30% and in diamond it was about 9%.

And in terms of volume, when gold prices rise, we see value growth but a decline in volume. However, in this case, we've experienced a 7% growth in gold volumes, while diamond volumes have declined by 3%.Now, the behaviour of consumers that we saw was that when gold was in an upward trend, people who needed to make a purchase preferred buying gold over diamonds, especially since diamond prices were also under pressure..

So that is where we could see that there was an inherent demand from consumers to buy gold, maybe for their wedding, maybe for their self-investment, but that was the scenario. And if we look at the overall H1 of this particular year compared to the previous year, we have seen a 17% growth overall and here if we look at it the volume growth for H1 overall for gold was only 1%. In diamond, we have seen a volume degrowth of 8% and of value growth in gold for H1 compared to last year was 22% and of value growth in diamond of 3%, such is one scenario that we need to take care of.

The second part is that here, while Mr. Banka will take you more through the numbers, what I would like to just guide you all is that whatever numbers in terms of EBITDA and PAT that we see you must consider the duty cut that was impacted and we had discussed on it before as well is approximately INR27 crore to INR30 crore of that duty impact has also been taken into account in the quarter 2 results. So that is something we must keep in mind, it was a onetime impact which we will be taking over the quarter 2, quarter 3 or quarter 4 maybe. Other than that whatever growth, whatever numbers we see, keep taking that into account as well.

Now, when we speak of diamond and the initiatives that we have taken in terms of launching new collections, we have launched the wedding collection, we have been in the middle of Independence Day, the festive sales and various kinds of such initiatives were taken to make sure that our diamond sales go up. So, in terms of ATV, ASP we will see that we have grown by about 12%. So that was led by the increase in gold prices and led by the fact that consumers budget was up in for this particular season.

And in terms of number of invoices also we have seen that there has been a 12% growth in terms of number of invoices. One thing that kept this industry growing against the other sectors is the old gold exchange. And we have seen that there has been a ~34% increase in terms of the use of old gold by the consumers. When the gold prices go up, consumers feel that the old gold lying in their houses are something that must be utilized.

And I think through our policies of ensuring that the customer do not lose out anything, when they will bring their old gold, not only from Senco, but from other jewellers or family jewellers that they have bought as well. And I think that is giving a lot of encouragement to the consumers to come and buy and exchange their old gold.

And out of the old gold that was exchanged, we must say that 62% of the old gold that we received continues to be a non-Senco old gold. So, this is a signal that a lot of shifts from the unorganized to organized continues to happen in the current scenario. If we look at the way forward, Dhanteras month is something that we all faced in the month of October.

There was Navratri and Dhanteras, and I'm very happy to share that this October, we achieved the best-ever sales in Senco's history. We surpassed INR 1,000 crore in sales for the month, with Navratri, Diwali, and Dhanteras all falling within the same period.

And we are very positive towards the wedding season is about to start. We have already seen in the post Dhanteras also with the geopolitical situation and the way the US markets are behaving, the gold prices are on a downward trend, which I would feel that will only encourage consumers to come and buy for the upcoming wedding season more. So, yes, while at one end in terms of the estimates and the thought processes on what kind of growth we are looking for the year, we are looking at around approximately an 18% growth year-on-year.

The gold prices have been on an upward trend but let us assume an 18% growth year-on-year in terms of top line. In terms of bottom line our endeavour from the very beginning was to grow about 15% to 18%, but we just need to keep in mind that this one-time loss for the duty of INR 50 crore to INR 60 crore is there. We are taking all kinds of initiatives, how we can control cost and how we can increase the sales of diamond, but if you look at the Q2 FY25, the diamond growth has not been that much, still we continue to bring out new design, collections and marketing campaign.

We have done a lot from September itself launching our Aparupa collection, men's jewellery. We are happy to inform all of you that now, along with the fact that we have Vidya Balan and Kiara Advani as our national brand ambassadors. We wanted to focus on men's jewellery in a big way for which we have brought in Kartik Aaryan as the brand ambassador for men's jewellery, targeting the younger crowd and the younger generation.

It is a new segment. It has been last 3 years to 4 years we wanted to always focus on men's jewellery as a category which is about 15% of the overall sales and I think that we need to look at the future, look at the new generation consumer. And with the movies that are coming out and the movies that are getting successful, I think it will have a positive impact as we keep continue to grow all over the country.

And in terms of store openings, one must agree that we have opened one Senco company owned company-operated store, and we have opened about four Sennes stores, focusing on the lab-grown diamond jewellery and leather accessories in H1. This particular coming quarter, we will be launching our perfumes range under the Sennes brand also. And franchises, we have opened two franchises in H1FY25. There are more in the pipeline, but while the new franchisees getting added were lower this particular quarter.

What we must share with you that in terms of the Q2 growth that we have seen, franchisee growth with the existing franchisees that is there has played a very big role in the overall growth of the business. So be it in terms of diamond sales growth we talk about, in terms of gold jewellery sales growth we talk about, the primary sales to franchisee and the secondary scale that we saw the franchisees getting from their markets, which is usually the Tier 2, Tier 3, Tier 4 towns and cities has been the one which has actually driven the Q2 growth for Senco Gold Limited.

So now I will request Mr. Banka to take you through the numbers and further we are there then to take queries.

Sanjay Banka: Yes, sir. Thank you very much, sir. A very detailed background has been given and it is the result of these excellent initiatives that the business has taken that they have transformed into good numbers. So, as you have said that the retail business in the quarter had grew by 27% and 19% in H1. So let me give the consolidated results first. So, for H1, including that of Q1, the top line grew by 18.5% from INR 2,452 crore last year to INR 2,904 crore comparing Y-o-Y H1. The EBITDA, Y-o-Y grew from INR 106.7 crore last year in H1 to INR 160.7 crore this year almost a 50% improvement.

Similarly, the PAT which in H1 last year was INR 39.6 crore has grown to INR 63.4 crore, a 60% improvement. And this is despite the fact that we have taken impact of around INR 29.83 crore on account of custom duty. So, our total impact is likely to be around INR 58 crore to INR 60 crore. So now that INR 29.83 crore has come in quarter 2, balance amount impact will come in quarter 3 that is H2. So, this is on account of Y-o-Y consolidated.

If we look at standalone number for quarter 2, they have also improved very significantly from INR 1,156 crore in Q2 last year to INR 1,474 crore in Q2 this year indicating a 30% improvement. And similarly, PAT which was last year a small sum of INR 12.0 crore in Q2 has improved to INR 16.8 crore, a 40% improvement. So overall, the finances are reflective of the various initiatives which we have taken.

Now, if we talk about the balance sheet which we have shared, the balance sheet is also becoming stronger. And as the business has grown, so particularly the balance sheet of the company for September and March, they are prepared ahead of the festive season. So, the 30th September balance sheet is prepared ahead of the requirement for festive season, that is Dhanteras.

So, our balance sheet primarily has seen movement of borrowing. So, the borrowing has increased by INR 238 crore, but a major part of this increase is on account of gold price rise as well. So, versus last quarter and this quarter, the gold price last quarter rose at INR 7,158. And this quarter rose at INR 7,486 almost a 4% to 5% increase. So that leads to increase in the gold metal loan mark to market pricing and leads to improved increase in the borrowing.

Secondly, there is also increase in trade payable. So, this is on account of the festive readiness. And these two increases and movement in the balance sheet has primarily been on account of inventory, which has increased by almost INR 301 crore. So that's on account of PL and Balance Sheet.

And as you said about the hedging, we have said that our hedging policy talks about a minimum of 50% hedging, while we have said that we will keep hedging around 80% plus. So as far as this quarter is concerned, our hedging was almost 85% as we ended the quarter. So, with that, I think we can open the floor for question and answer, and we can address your queries. Thank you very much for joining this call.

Moderator: Thank you very much, sir. We will now begin with the question-and-answer session. The first question is from the line of Raj Sarraf from Finvestors. Please go ahead.

Raj Sarraf: Sir as you can see a healthy growth in top line, but EBITDA and PAT took a hit. As you mentioned in the opening remark that the duty cut impacted EBITDA by INR 29.83 crore in this quarter. So you also mentioned that the balance INR 30 crore will be in Q3.So we can expect in Q4 a better EBITDA and PAT

Sanjay Banka: So your understanding is correct. So as this impact is based upon the inventory turn. So let us say that 2500 kg or 2800 kg of gold that could not have got sold in the Q3 itself. So ideally, the impact should come within Q3 itself that is what we can say. There may be very small carryover in Q4, but overall impact will come in this year itself. So in March 25, the impact will definitely come.

Raj Sarraf: So the total impact, the leftover impact is INR 30 crore, sir, in this year?

Sanjay Banka: Yes, maximum.

Raj Sarraf: And sir, as you said, we already have a mark of INR 1000 crore sales in October, which is 60% of the last year Q3, sir. Now having very good season, wedding season ahead. Are we not being very conservative in guiding for 18% for the entire year, sir? Are we not seeing any growth in Q4, if we are saying 18%?

Suvankar Sen: No, October has been a very positive month. After Diwali, Dhanteras usually we have 7 days to 10 days of lull, but now the wedding season is in full force. So, I think from our perspective, while in our minds, we want to be as positive and aggressive, but as we come closer to the year we would rather have a conservative approach and then try to perform better than what we are estimating.

So yes, INR 1,000 crore has been a great month. But last year if again to add to that, let me give you another picture. And it is for everyone that last year Dhanteras was on 10th or 11th November. So, if we look at the overall scenario, YTD, then we will see that our growth is around 15% to 18%. So, I think it's fair and to take an 18% approach and then keep working towards trying to achieve more.

Moderator: Mr. Sarraf, I would request you to kindly rejoin the queue for follow up questions, please. There are others waiting. Thank you. The next question is from the line of Videesha Sheth from Ambit Capital. Please go ahead.

Videesha Sheth: Hi, thank you for the opportunity. Just wanted to clarify that given we've around INR 10 billion odd sales in the month of October, would it be fair to say that we would have seen a 20% SSG when we compare this year's festive versus last year's festive?

Sanjay Banka: See, Videesha, the SSG number what we have said is usually around 60% to 70% of total growth. So even Q2, when we are talking about around 20% growth, in H1 SSG is around 12% to 13%. So similar trend will prevail in H2 and in quarter 3 or quarter 4.

Suvankar Sen: So just what Mr. Banka said is Q2 SSG is 20%, H1 SSG is 12%. So, for the month of October, the SSG will be in the range of 12% to 15%for Q3, it will be in that particular range.

Videesha Sheth: Got it. And the second question was on gross margins. How should we look at the GM movement as the studded component has not materially changed and plus last quarter, you'd highlighted that there may be some reversal of the impact on GM in the following three quarters?

Sanjay Banka: See, Videesha, gross margin what we have indicated will be between 15% to 16%. So, in this quarter in console, you will see in H1, I'm saying H1 gross margin, it is always better to look at the cumulative trend instead of one quarter. So, if you look at H1 gross margin, that is around 14.7% as against 12.2%. Now, if you look at quarter-to-quarter, obviously quarter-to-quarter has come down. So if you look at Q1 versus Q2 movement is significant, but we've always indicated that since our industry is quite dynamic, and due to extreme volatility in the gold prices, despite a high hedging of 95%, the IndAS does not lead to a very symmetric result.

It's always better to look at YTD, where our gross margin is 14.7%. This is net of the custom duty impact. So, if my console revenue is INR 2904 crore and if my custom duty impact is INR29 crores. So, 14.7% is effectively 15.7% gross margin, that is in line with the expectation we have given. And this is despite the fact that the diamond sale across the industry is on a muted side, while we have slightly improved our stud ratio.

So, we have to look at the number in the larger perspective, where we are very confident of what we have promised we are achieving. And we will continue to do more while at the public forum, we'll be giving a slightly conservative estimate. But internally, we are all charged up given the excellent Dhanteras growth and we'll continue to do more than what we promised.

Videesha Sheth: Got it. And just the last question to Suvankar, from an industry perspective, how do you see the studded segment shaping up? And would the consumption be led by the daily wear category or more of the high segment or wedding wear category?

Suvankar Sen: So, what I am observing is that the studded share category is currently driven by the daily wear category. The high segment as a segment in the Q1 and Q2 were buying. It was the smaller ticket size items that were not getting sold as much as the higher value products, which is mostly with two objectives or two reasons. One is the free buying happening and the second was that people who had the disposable income were the ones who were buying more while the general consumers for everyday wear and middle upper middle class of smaller ticket size were buying less.

But going forward, what we saw the change post or during Dhanteras was that there were a lot many more customers buying daily wear and small items. So, if we want the studded share to grow and the strategy to move it forward, we have to focus more on daily wear items. The high value items will remain as it is and is being happening. And those customers are also trying to say that I might as well buy gold it is an investment, but because prices of gold have gone up, 22 carat gold is more expensive. So, people will prefer 14 carat.

Government of India is thinking of bringing nine carats hallmarking also. So that will make the prices more if that hallmarking is allowed. So I hope I am being able to make clear. To summarize that the high value segment is what is happening more. The daily wear segment is what will drive the growth in the future.

Videesha Sheth: Got it. Right. Thank you. I will join back in the queue.

Moderator: Thank you. We'll take the next question from the line of Yash from Stallion Asset. Please go ahead.

Yash: Hi, thank you for the opportunity. So you said that October 24 you've got INR 1,000 crore of sales. So congratulations for that, but obviously, this will have some impact of the price of the gold as well. So what has been the comparable volume growth, if you could tell me for the month of October versus last year?

Suvankar Sen: Yes, I will tell you that the volume growth would be in the lower single digit. So just let me check and get back to you, but yes the value of gold compared to last year October is almost up by 24% to 25%. And let us keep in mind that internationally it is up much higher. It is the duty cut of almost 8% to 9% that is leading to the gold price.

So around INR 5,800 to INR 6,000 was the last year value per gram and this year it is approximately INR 7,200. So, it's almost been a 20% to 22% value increase. So that is where it is. So, it will be around 3% to 4% volume growth.

Yash: Okay. Got it. And just from a growth aspiration perspective, are we satisfied with like a 7% growth in Q2 or do we think that given a brand definition, especially in the East, we can go volume that is 10% or along those sort of, at least, a low double digit kind of range?

Suvankar Sen: Can you come again. I couldn't get you.

Yash: No, I'm saying that do we target to grow by low double digit in terms of volumes? What is your sense looking at? How is the consumer demand facing? I'm just slightly longer-term perspective 3 years to 4 years, I'm saying or do you think that on a sustainable basis, we'll be able to go at volumes by high single digits?

Sanjay Banka: Yes, if I take this question. See in this industry volume growth will lead to asymmetry in understanding because the consumer does not consume by volume. It is not a consumable product. Let's say petroleum product I have to use 20 liters every week for my vehicle come what may. And if I consume less, that means I have stopped my consumption. So, this has to be seen in terms of revenue growth only.

Volume growth discussion, to my humble understanding is an academic discussion. So, the 20% growth what we are saying is what we are confident. Now, if the price remains stable at this range, let's say price increases only by 5% then the volume growth will be 15% (5% plus 15%), but if the price increases by 25% then you can safely assume that the volume degrowth of 5% will happen. Now, this volume degrowth will happen at existing stores. We give a target to stores, not in terms of volume, but in terms of value that's my view. Our MD can say something.

Suvankar Sen: So, I think from your side, you are trying to create a model. And in that particular model, there are two parts to the model. One is how much will you increase the price year-on-year and how much will you increase the volume year-on-year. So, adding to what Mr. Banka said, that if you take an estimate of 8% to 10% increase in price year-on-year you must take around 8% to 10%

increase in volume year-on-year. If the prices go up, then the volumes will come down. If the prices go down, then the volumes should come up.

So, that's how you need to take on the whole scenario point number one. Point number two, new store, matured store and growing store. So, we kind of take an aspect, again on a value term, that some stores are growing at 15%, 18%, 20%, some stores are growing at 10% to 12%, some stores will grow at 7% to 8%. So, that is how we do our modelling. So, on an average, I think that 10% to 12% overall average increase on same store sales growth basis and 6% to 7% for the new stores that we keep adding to the portfolio is what will drive the business. So, I think I have answer your question as much as I could.

Sanjay Banka: And so, if I build on this. Suppose my top line is increasing by INR 1,000 crore. So, as I say, 70% of this growth will come from existing store. So, let's say INR 5,000 crore versus INR 6,000 crore is 20% growth. Now, out of INR 1,000 crores, 70% will come from existing store. That is around 12% to 14%. Balance 30% that is INR 300 crores will come from new store, i.e. 5% to 6%. So, this INR 1,000 crore, if you keep this theory clear of INR 5,000 crore and INR 6,000 crore, INR 700 crore and INR 300 crore, then it will be very clear. Now, this INR 300 crore will come from new stores of own and franchisee because to the franchisee, we make an upfront one-time sale, but that much sale will come from a store over 5 months to 6 months.

Yash: Got it. Very clear. Thank you.

Moderator: Thank you. We'll take the next question from the line of Deepak Lalwani from Unifi Capital. Please go ahead.

Deepak Lalwani: Hi, sir. Thank you for the opportunity. So, my first question is on the gross margins. So, historically, our company will maintain the gross margin of 15% to 16%, but the breakup of this was that the first half was on the lower side and the second half was on the higher side of gross margin.

So, can you explain why this variation has been there? And today, when we have done a higher gross margin in the first half. So, can you also explain why, what has happened in this first half, this time? Is there a material change in the business model? Have you reduced discounts or is there any change of terms with our franchisees? Can you just give a background of these two aspects?

Suvankar Sen: So, what happens is that in the second half of the year, we usually see the festive and wedding season. So, keeping your fixed costs the same, we usually have higher value, higher business, higher volumes. Out of 5 years, I would say 3 years behave in this way. And that is where we always say that, yes, the gross margins go up during the second half of the year. Along with that, with the wedding season, then Valentine's Day, all the wedding season is not only about people getting married, but also people who have already got married and want to give something to their wife.

So, therefore, the probability of diamond jewellery selling happening here is higher. So, these all add on to a higher gross margin on the second half of the year. What has happened in this particular H1 is if you note that Q1, our gross margins went up. Q2, our gross margin has taken a hit because of the duty cut, but in general, this particular H1, our gross margin is in the range of approximately 15%. And I think that in H2 with the price volatility, our gross margin will be in that same range. Overall, in the year, we take a gross margin of 16% to 17%.

So, therefore, I think there will be more of a normalized gross margin for this particular year. Certain quarters give us maybe a higher number. Certain quarters would take away the numbers from you. That is number one. Number two, yes, very rightly pointed out from a franchisee perspective, but that is not going to create much of an impact is where we did our internal rationalization of giving them the margins, either in gold price or making charges. But all in all, our franchisees continue to enjoy a margin that they were enjoying before.

So, I think it is more to do with the business. And Q2, keeping the fixed cost same the business really went up. And that is where we have seen the benefit, but yes if you see a lower downward pressure, it is because of the loss that we have booked.

Now, if you add on to the particular duty cut loss, then you will see that the picture would look much better. That is number one, but at the same time, let us keep in mind that because the duty cut happened, the sales went up. So, these are the multiple moving parts with which we are working. So, I hope I could answer your queries, Banka ji if you want to add something.

Sanjay Banka: Deepak, I will add slightly on this. So, as you say that the gross margin changes because the situation in every quarter is not same. The price volatility is not same. Now, due to this price volatility and situation in the quantity and the exact moment of price rise, so on which date in the previous quarter in Q2 the price changed. So, while this question keeps coming to us, but the process, last year, the growth rate for Quarter 1 was 12.3%, and for Quarter 2 it was 11.7%. However, this year, we achieved a growth rate of 17% in Quarter 1.

And we explained that this is not comparable because then the rub off effect, let me call it the rub off effect of a higher gross margin will come in second quarter. So, now last year we had 11.7% in Q2. So, if you compare on Q2 to Q2 it is 11.9%, but that would be more of an academic explanation which I can convince usually, but then if you look at the custom duty impact, now on a sale of INR 1500 crore approximately we have taken a hit of INR 30 crore. 2% has been impacted on account of custom duty only. So, what you are saying is 12%, it is 14%. So, we suggest that look at the whole year or at least a moving average three to four quarters and you will definitely get 15% to 16%.

Deepak Lalwani: Sure, sir. That is quite helpful. So, one should assume a normalized 15% to 16% margin for the full year and the second half could also be on that side. Well taken, sir. And sir we have as a company taken an enabling resolution for a QIP of about INR 500 crores. So, can you explain the rationale behind that and what are the systems in terms of the usage of the money?

Suvankar Sen: It actually came to our attention in August, when the duty cut on gold prices led to a significant price drop. We immediately noticed a strong surge in demand at the consumer level.So, in the month of August, when we saw the good demand happening and we were all getting extremely frustrated because if we had more stocks and more inventory we could have sold more. So, that kind of triggered in our mind that what is stopping us from growing more is the availability of capital.

At one end, we are talking to the banks and trying to arrange for capital and funds, but the banks will take their own time and there is a limit, the debt equity ratio has to be maintained. All those things are one part. And again while we started seeing the good demand in the month of September, just after that we saw the gold prices continue to move up at all time high and again you want to plan, you want to have a certainty, but these movements and most of our gold that we take, ability to take gold on a timely manner, so that we could fulfil the demand, it is just getting hampered.

So, we thought that no, the IPO has happened, it's been 1 year, and we were initially planning for a much higher amount during the IPO, but later on due to the market condition, we had to agree on a much lower amount and plan accordingly. So, now that market has stabilized, and I think that the opportunity of growth continues to remain. So, we have decided that let us raise a round of QIB for the future growth of the company. And Banka ji, you want to add on something?

Sanjay Banka: Deepak if you look at the gold prices, so when we went on road show in the month of April 23, gold prices were around INR 5,972. And currently we are at INR 7,486 or INR 7,800. The gold price has increased almost by 25%. So, if you look at balance sheet of March 23, my inventory was INR 1,877 crore. If we exclude other inventory, let us say, diamond platinum out of INR 1,877 crore, my gold alone was INR 1,407 crore. Since the gold price has increased by 25%, that INR 1,407 crore has also reduced by 25% due to the GML.

So, INR 1,407 crore multiplied by 25%, it will come to again to INR 350 crore to INR 400 crore. So, INR 350 crore to INR 400 crore is the minimum fund which I require to maintain the same level of gold which was there in April 23. Now, between April 23 and today, we have added at least 18 plus 7 i.e. 25 stores. And now out of that, at least, 12 to 13 are own store. Now, 12 own stores multiplied by INR 20 crores is INR 240 crore. So, INR 400 crore plus INR 240 crore becomes INR 640 crore.

And for next expansion growth, what we discuss in road show for that also we require a fund. Moreover, due to increase in the gold prices, the hedging margin has increased. So, this QIP is purely in order to maintain the business at the same level and that is why we are raising this fund primarily for the working capital.

Deepak Lalwani: Understood. And sir, any change towards store addition guidance given that we have less capital today? The 18 to 20 stores are possible. Any understanding from you?

Suvankar Sen: No, the store addition target continues to remain the same. Gold prices moving up by 20% to 30% would in effect mean that 20% to 30% more capital is needed to open the same number of stores, or you reduce the number of stores by 20% to 30%. So, there are stores in the pipeline, there are six stores to seven stores, company-owed-company operated stores in the pipeline, there are four to five franchisees in the pipeline.

I think this price fall is only going to enable the franchisees also to arrange for capital easier, faster and for us also to grow easier and faster. So, I think that 18 to 20, maybe at the end of the year, we will end up doing 15 or 14, but in our mind, we have to manifest 18 to 20 minimum that we want to grow with.

Deepak Lalwani: Understood. Sir, last question I had on our hedging practice, you mentioned that 85% is the hedging percentage. So, is it on sales or is it on the inventory? And secondly, what is the mix between gold metal loan and MCX contract?

Suvankar Sen: So, it is on inventory.

Sanjay Banka: So, Deepak, one is that last year it was almost 90%, average in quarter 1, 90%, quarter 2, 87%, quarter 3, 92%, quarter 4, 90%. This year quarter 1 was 95% and as the prices rose it reduced to 85%. It is on the inventory. Once again, inventory means that total inventory less diamond. So, whatever the total inventory that you see in the balance sheet around INR 2,800 crore and out of INR 2,862 crore, you can reduce INR 400 crore of diamond and other gold platinum. So, INR 2,200 crore to INR 2,300 crore of gold is hedged.

Now, out of that, whatever the GML amount, so let us say the GML amount is almost unfixed. Balance will do at MCX by future sale. This is the practice which the entire industry follows and we have got a panel of expert advisors who have been working with us, a total team which closely monitors the gold price movement and to de-risk the balance sheet and the risk of investors because for us the interest of the investors and shareholders, that is of paramount importance because we are not running a hedge fund, we are running a business and hence we have to de-risk the metal volatility to our investors fully.

Moderator: Mr. Lalwani, I would request you to kindly rejoin the queue for follow-up questions. We have the next question from the line of Mr. Dhiraj Mistry from Antique Stock Broking. Please go ahead.

Dhiraj Mistry: Yes, hi, good morning and congrats on very good set of numbers. So, my question is a bit broader, how do you see the competition when we saw that there was a gold price surge during first quarter and there was a good amount of competitive intensity was increased by the unorganized players. Now that the gold price is still rising, the demand has been good mainly because of the festival period and wedding season, but once that phase out, how do we see that the competitive intensity to remain with gold prices continues to move up?

Suvankar Sen: So, I think that the competitive pressure will remain because the hunger to grow is in all organizations and they are using various strategies and various methods to grow. You have rightly pointed out that when gold prices move up in a very short period of time, then to ensure that the consumer's footfall keeps coming to the store, people take certain more aggressive actions and bring down the prices, give discounts and so that consumers are coming to the stores.

And when suddenly you will realize that when gold prices suddenly come down, like it happened in duty cut, then people take a hit that intensity reduces to that extent that automatically consumers are coming and they want to protect their books, but again when it goes up, that intensity will again go up. So, for the next 1 year to 2 years minimum, the intensity will remain. That is number one.

But at a much broader perspective, we at the industry level is also of the opinion that this is not sustainable. We all have to create our unique propositions. We have to work on the designs, or we have to work on the service. And that should remain the crux of the business as we continue to grow. So, there has to be a sustainable level of growth, and the rest will be based on the individual performances. So, maybe for 1 year this thing will continue to remain and after 1 year, 2 years, it will normalize. That is what we feel because industry overall is already talking about how to manage the situation.

Dhiraj Mistry: Got it. And just follow up on that, can you throw some light between the demand amongst the region when I compare North versus East? And within the East also, how do we see the demand between urban market and rural market? You can throw some light on that as well, please?

Suvankar Sen: So, see for us, we have to say that our strength is Eastern part of the country. That is where the company originates from and that holds to around 80% of the overall sales from the Eastern part. North part covers about anything between 10% to 13% of the overall sales and the remaining is done by the South and West. If we look at Q2 particularly and most of the franchises that we have is from the Eastern part of the country. The growth from the Tier 2, Tier 3, Tier 4 towns and the semi-urban or semi-rural markets have been actually the one which has driven the sales for Q2.

So, I think the agricultural sector did very well and that is what the result was in terms of the availability of liquidity and also the inclination to buy more gold and all of it during Q2. So, Dhanteras, Diwali, we also saw an equal demand from the smaller towns as much as also from the bigger cities, but yes because the prices were high I think that many the smaller ticket sizes were selling more in the bigger cities at one end and a very high value products, for weddings were selling at the bigger cities at the other end.

But when it came to the smaller towns, it has been an average ticket size, to give you an example between say INR 70,000 to INR 1 lakh was what the smaller towns might be asking for. And in the bigger cities, we have seen one demand coming at around INR 30,000 to INR 50,000 and the other demand coming at around INR 2 lakh to INR 3 lakh. So, this data will only give you a picture that the bigger cities, there is one group of people for daily wear and one group of people is the one for wedding or high value purchase and the bulk middle is the smaller towns. So, this is the way that we are seeing the demand.

Dhiraj Mistry: That very well clarifies everything. Just one request, I failed to find PPT on exchange or on your website. A lot of data has been available in that PPT. Can you share that as well, going down the line, please?

Sanjay Banka: We will update it in next two to three days' time. Kindly give us some time. We will update it maximum by tomorrow.

Dhiraj Mistry: Sure. Thank you very much. That's it.

Moderator: Thank you very much, sir. We'll take the next question from Shirish Pardeshi from Centrum Broking. Please go ahead.

Shirish Pardeshi: Good morning, Suvankar and Banka ji. So, Bankaji, when you look at the standalone business, you said the growth is about 30%, but when I see the other expenses which has grown 39%. So, this INR 98 crore expenses, can you share what is there? And related question on this is that this one-time, whatever loss we are booking, is it a part of other expenses or we have adjusted in some other line item?

Sanjay Banka: See, onetime loss is on account of inventory. See, it is a cost of goods sold. The goods which I purchased at 100 plus 15, I'm selling at 100 plus 6. So, if the impact is coming in the gross margin, that's what we say that what you are seeing the gross margin at 11.9%, it is effectively plus 2% more. So, as it was INR 1,500 crore approximately there is an INR 30 crore of gross margin impact also. That is on the gross margin, which other expenses you are referring to?

Suvankar Sen: So, he's asking that the other expenses have gone up. So, what is mostly your component?

Sanjay Banka: See, other expenses, Shirish ji, I will tell you we have been saying that we have been working on a very agile framework. And we have said that Calcutta is our strategic location advantage. Now, having said that, as our desire to grow we talk internally about minimum USD 1 billion and USD 2 billion over the next 5 years.

We have to build up our system, people process, technology, training and the entire infrastructure. We are also investing highly on the customer experience. We are investing heavily in technology for CRM. We have metaverse. So, this is not expenditure. This is investments toward the future. Although as an accountant, it is coming in financial as other expense, but this is all investment for future.

Shirish Pardeshi: Okay, just one quick follow up on this. So, we have a substantial number of franchisee. So, under this custom duty reduction, have you covered the franchise inventory also?

Suvankar Sen: No. So, when we are hedging, sir, the franchisees inventory is on their books. So, that is not hedged by us. So, that's the plus and minus that the franchisee has to take on their books. So, we are only hedging the inventory that is lying in our books which is either the inventory lying at the stores or inventory lying at various warehouses or head office.

Sanjay Banka: So, franchisees have their own hedging policy. The good thing is that franchisees have made money on account of rising gold price. So, if the gold price has risen by 25% to 28%, they have made money. So, similarly, they have taken a one-time hit, but they are very clear that long term the gold price will continue to grow while we have been encouraging the franchisee also to do the hedging. It is their own business decisions, and they are happy with their business model. And we did not interfere with the franchisee in their business model also.

Moderator: Mr. Pardeshi I would request you to kindly rejoin the queue for follow-up questions. Thank you. We will take the next question from the line of Vikrant Kashyap from Asian Market Securities. Please go ahead.

Vikrant Kashyap: Good morning, Mr. Suvankar ji and Sanjayji. I must congratulate you on your performance YTD. My question pertains to Sennes portfolio. So, in the opening remarks, you mentioned that you have added four Sennes stores. So, does this mean that you have taken the total account for it? And what is your strategy going ahead for the LGD portfolio?

Suvankar Sen: So, first, the strategy for the LGD would be that we wanted to create Sennes as a brand which will fulfil the aspiration of the upper middle class, bringing in products which are of say international design, international quality, but at prices which will be something easy on the pocket. That is number one. Number two is that just bringing out a normal lab-grown diamond jewellery would only not add much value to the jewellery and that is where Sennes would come out as a lifestyle and a design kind of branding.

And so, jewellery design, bag design adding to that the lifestyle aspect of perfume. So, this is where overall the Sennes brand is a modern, new-age brand that can open stores in malls and cater to the aspirational young generation India is where we wanted Sennes to stand because the moment you think of Senco, you think of tradition, you think of trust, you think of the jewellery, the legacy, but you don't think of some kind of modernity in spite of the fact that, we are coming out with brand ambassadors, young generation, all of that.

So, this new brand has to have a new look. So, this is where Sennes wants to be positioned themselves as. And in terms of the new stores that got added for Sennes, we have stores in Calcutta that we got added and there were two, three stores in the previous quarter that we had in Delhi and Chandigarh and upcoming stores of three more stores of Sennes will be added.

Now Sennes bags are available in many of our Senco stores as a shop-in-shop itself and exclusive stores of Sennes, EBOs as we call it, is now that are being created. So, I think total six is there. So, we have six stores in totality. So, if I may, if I've said four, maybe it is my mistake, it is four.

Sanjay Banka: Mani Square, Forum Mall, City Centre, Airport. Lajpat Nagar and Chandigarh Elante Mall

Suvankar Sen: So, total we have six stores of Sennes and 2 to 3 more in the pipeline. So, by the end of the year, we will have 8 to 10. I think that is what we are looking at.

Vikrant Kashyap: Okay, great. And this is just followed up on the LGD. So, we are looking at affordable price points for lab-grown diamond or we will add some bigger pieces also which of the portfolios we are targeting?

Suvankar Sen: So, mostly bigger pieces, 30 cents, 40 cents, 50 cents and above not the smaller size diamond. The smaller size diamond could be an additional feature to the big size diamond because as we all know that the value difference and the value proposition of lab-grown is in the bigger size diamond and not on the smaller size diamond. So, that is where how we will want to position that.

Sanjay Banka: See, basically, Vikrant, this is for the aspiration of the middle class where they want to own a solitaire of, let us say, 1 carat of, let us say, 4 lakh or 5 lakh and which takes them 10 years. So, a solitaire of 1 carat of a lab-grown diamond can be afforded in INR 40,000 to INR 50,000 also and the margins in the lab-grown diamond are slightly superior to the natural diamond.

So, it is better that to keep this market also on and not to lose sight of this market and depending upon what the dynamics of growth in this market particularly and second the small size diamond what we said, our stud ratio of 11% to 12%, which we say, majority of them are below 7 cents to 8 cents range.

Now, in 7 cents to 8 cent range, a lab-grown diamond will not make economic sense, where the price differential will not be very low, and then the realization price. So, we are looking at as sir rightly said more than at least 30 cents to 40 cents as a solitaire product.

Moderator: Thank you. Mr. Kashyap, I would request you to kindly rejoin the queue for follow-up questions, please. The next question is from the line of Devanshu Bansal from Emkay Global Financial Services. Please go ahead.

Devanshu Bansal: Yes, sir. Hi. Congratulations on a good festive in October. Suvankar some of the retailers in other categories like apparel are indicating challenges due to protests in Kolkata. So, I just wanted to check, how should we see your Q2 numbers? Had this incident not taken place, would our growth been even better versus what we have reported?

Suvankar Sen: No, I do not think that the event that has happened in Kolkata had much of an effect on the jewellery category, because jewellery is more planned and people who have to buy will be buying for whatever their occasions are. It is not so much impulsive as the other apparel or other categories would be. So, yes, before the Durga Puja there was some amount of sobriety and little bit of sentiments were low and that picked up much late, closer to the Puja date. And that is why the other brands faced what they had to face, but for us the main season for us is the Dhanteras. It starts during Navratri and it builds up to the Dhanteras.

So, I do not think that had much of an impact. And on the other hand actually while the situation was grim, we participated in various sponsoring, various pujas and whatever be it across the country, various cities and we wanted to be a part of the culture and as a brand belonging from this particular part of the country, we thought that we should support the Durga Pujas all across the country and across the world. So, we did what we had to do. So, I think that we were not so much impacted by it.

Devanshu Bansal: Understood. Last one thing I wanted to understand, one of your comments. So, H1 we have delivered about 20% growth and YTD, if I heard it correctly said it is 15% to 18%. So, if you could just confirm this number?

Suvankar Sen: YTD is 15% and H1 is 17%.

Sanjay Banka: See console revenue if we take the number, Devanshu, it has increased from INR 2452 crore to INR 2904 crore. It is 18.5% console revenue.

Devanshu Bansal: Console revenue is 18.5% versus 18% growth in H1 is what you are saying?

Suvankar Sen: 17% growth in H1 and console is 18.5% and YTD is approximately 15% as of date because the last year Dhanteras was in 10th of November and we are speaking on today, 14th of November. So, this is just an update.

Sanjay Banka: I will just add here Devanshu. See, when the festival ends, so as we said that Dhanteras has been excellent for us and Dhanteras sale, this month we did almost INR 1,000 crore. So, obviously, post Dhanteras 5 days to 10 days will be slow. So, what sir has quoted as 15% is the post Dhanteras effect. So, now that we are talking about some 40 lakh wedding, and a major part of wedding has been shifted to Q3. So, the 15% as of today which sir has said, will again become 18% to 20%.

Devanshu Bansal: So, in this period, there is a larger period that we are including which is leading to some slowdown and things should eventually pick is the right understanding?

Sanjay Banka: It did not slowdown. Let us not call it slowdown. People have bought in huge amount. So, it is just a short cooling off. It usually happens after every festival. So, Akshaya Tritiya post Akshaya Tritiya two weeks will be slow, but at the end quarter, it will be like this. So, at the end of Q3, you will again see 18% to 20%. I am not saying more than 20. So, I am saying 18% to 20% at the end of Q3 for 9 months.

Devanshu Bansal: Understood, sir. Thanks for answering my question.

Moderator: Thank you. We will take the next question from the line of Gaurav Gandhi from Glorytail Capital Management. Please go ahead.

Gaurav Gandhi: Thanks for the opportunity. Sir, this is the time in the market where everyone is bullish on the jewellery, fashion jewellery or the business you are starting under Sennes brand. Every company is adding stores and increasing square bits. As an investor, we always have a concern regarding unit economics or per store economics. Growth is good, but it should come effectively with sustainable profits.

So, while growing the new business under the Sennes brand or the existing business, how much do you focus on the unit economics or per store kind of metrics? Your thoughts on this?

Suvankar Sen: Yes. Our focus on unit economics continues to remain. I will tell you how. It is because when we are planning our expansion, we want to continue to expand and penetrate deeper and deeper into the East India market. So, in our growth expansion plans almost 65% to 70% of the new stores that we add is in East, which is our strength.

Around 15% to 20% would be North and the rest would be West and South because the balance between economies of scale and leveraging on the brand goodwill so that your profitability remains high has to continue and that is where, even while Sennes as a brand is created with a long-term vision, but we are focusing on expanding in the Eastern market where our strength lies and we will build up the brand, the unit economics.

But again, at the same time, when you launch something new, while Senco is a 85-year-old legacy brand and whatever profit, growth, goodwill, everything that we are benefiting out is of the effort put over so many years. When you launch a new brand, a new product, obviously, you will have to invest a little bit with full optimism that over the next 2 years to 3 years, this will become a profitable brand. So, initially it is at an investment stage. That's why we are not going all out and expanding rapidly, I would say in a very aggressive way. We are going step by step, 4 stores, 5 stores, 6 stores, 10 stores.

And as we open, we are looking at the consumer behaviour, we are analysing the data, what is the product consumers are asking for. We are rationalizing the marketing expenditure, investing a little bit out of the Senco branding and marketing budget into the Sennes marketing and branding budget, building the website. So, yes, that balance is important. So, 80% is profit, 20% is future growth. I would say that's a good way to look at the overall future strategy.

Moderator: Thank you very much, sir. 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: Thank you. Okay. So, thank you, everyone for the time that you all have spent with us to understand about our company. The coming wedding season with the data that speaks of more than 40 lakh weddings in the month of November, December, January, February up to March, will act as a full trigger. And along with the wedding season, any kind of buying and purchases that is linked to weddings, I think will all act as a great boost to the industry and not only to us, to everyone. We are also very hopeful that the price fall in gold that we have seen over the last 15 days will also act as a boost to the industry.

Many consumers who have been waiting in the sidelines to buy jewellery, if the prices become reasonable, will again want to utilize this opportunity and buy the jewellery. Once again, we are taking our initiatives of expanding of promoting amongst our customer base and also the new customers that we're reaching out to, so that they can come and buy. The new collection, the new campaigns will be starting for the wedding season in November, December.

January, February, again, will be a focus on diamond jewellery with the Valentine's Day and the love season as we call it. And also, just to say that we at Senco along with the growth, along with the profitability, we are trying to encourage in terms of the various best practices. In this particular quarter, we had been awarded from MCX as one of the best hedgers in the jewellery industry. In the month of August, we were very fortunate to be a part of the Morgan Stanley Capital Index for the small caps.

So that has been, I would say, a great trust that the investors have posed on us, and we want to live up to their expectation. We have also won an award from Network18 called the Green Ribbon Champions for Excellence because through our business, along with that the way we are promoting old gold exchange, gifting of trees to the consumer and taking certain initiatives for protecting karigars and women empowerment. So, we also were a part of an event called the Shree Shakti.

And it was very important that while we went through the season of Shakti with Durga Puja, Kali Puja that we always, consumers, women consumers are 85% of our customer base and whatever initiatives we can to support women is something that we at Senco believe in. So, we will continue to focus on other aspects along with our business and the lab-grown diamond jewellery will be strategic in nature. We will keep judging how the consumers are reacting.

There is a demand, there is a market, but it also will need a kind of awareness and push from our side, and we will take a calibrated approach towards the lab-grown diamond and the new products. And as far as diamond jewellery is concerned, we are confident that in terms of pricing, in terms of design that we are creating, we will be amongst the best in the industry. And it is up to us that how much we can penetrate and reach the customers so that this stud ratio that we are currently in can improve. Our endeavour is to take this stud ratio towards 15%.

Currently last year it was 11%. We were aiming that this year we will be closer to 12% to 12.5% due to the market condition. We are stuck at about 10%, but we still have 4 months to 5 month time. And I think we'll put all our effort to increase the stud ratio with the designing as well as the pricing. And as far as competition is there, we must say that the industry overall is doing good. We are trying to support each other, sharing our challenges, our problems and trying to work together towards it.

So, yes, I think consumers are benefiting from the expansion of the industry. It looks that amongst the various sectors, our sector continues to remain attractive because of the returns that the consumers are getting. It is not only adornment, but it is also an investment, but it is not only that amongst these organized players that we are kind of competing against. The unorganized to organized shift continues to happen with the branding effort, with the design effort, with the expansion. And we should all enjoy the benefit of the shift that we see in the industry.

So, thank you once again for your time and look forward. And today is Children's Day. So, while I would say that there is a child in all of us and that enthusiasm and energy is needed so that we can continue to grow in the future. So Happy Children's Day to all of you.

Moderator: Thank you, members of the management.

Sanjay Banka: Thank you, everybody for joining the call. We really are grateful to all our investors for showing faith and trust in Senco growth story. Thank you.

Moderator: Thank you, sir. On behalf of Emkay Global Financial Services, which concludes this conference. We thank you for joining us and you may now disconnect your lines. Thank you.
