



“PC Jeweller Limited Q4 FY18 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the PC Jeweller Limited Q4 FY18 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sanjeev Bhatia - CFO, PC Jeweller Limited. Thank you and over to you, Mr. Sanjeev Bhatia.

Sanjeev Bhatia: Good evening, ladies and gentlemen. A very warm welcome to the earning calls of PC Jeweller for the Q4 FY18 as well as full fiscal 2017-2018. Along with me on this call, I have my MD, Mr. Balram Garg. The results for the Q4 and the complete FY are already available with you. We have also put a management presentation on our website which provides a detailed analysis of both our P&L as well as balance sheet figures. I would not go in details of the figures already available with you and leave that to Q&A. I am sure that you have all gone through our presentation. We have tried to increase the disclosure and provide additional data points to our investors. However, we are very happy to report a Y-o-Y growth of almost 27% in our domestic sales and almost 32% growth in PAT. The company has improved its profitability in spite of doubling its ad spends during the year.

At the same time, I would like to present the management clarifications on some of the issues raised in last two months. The first is gifting of shares by one of the promoters Mr. Padam Chand Gupta. PCJ is the first-generation business which has been set by the combined effects of Mr. P. C. Gupta and his younger brother Mr. Balram Garg. These two brothers have the full management control of the company and any gifting by Mr. Gupta has not changed his position. This gifting has been made by Shri. Gupta in his personal capacity and within his family itself. This is a personal decision which has not affected either the management control or the future growth prospects of the company and the company is not affected or concerned by the end use of the gifted shares. The promoters have till date never sold or pledged or touch their shareholding in anyway and this gifting was the first-ever transaction they have done with the shareholding. Thus they did not have any anticipation of the market reaction to this step. They however, convey their regret to the investors on this entire episode.

The promoter's involvement in this business and the commitment to the same is also reflected in the fact of providing their personal guarantees and collateral to the bankers for the working capital loans given to the company.

Second point, cash on the balance sheet. As disclosed in the financials, PCJ has almost Rs. 1,500 crores of cash lying on its balance sheet. The company is using this cash on the balance sheet in the form of fixed deposits. The company is using this cash to support its working capital requirement and will also be drawing down the required amount of the buyback from the same. We also clarify that as the number of franchisee stores goes up, the requirement of internal working capital will continue to decline as franchisee investments also come in. The company is also reducing its liabilities from banks from this cash.

Number three, finance cost. The finance cost component included CC interest, MGL interest as well as SBLC commission and bank charges. During the past two years, the company has paid coupon on the CCDs and which is also included in this figure. The percentage of finance cost to the overall sales has reduced to 3.06% from 3.86% over the last two years. Going forward, these ratios expected to decline further as the company is utilizing more and more of its cash for reducing its liabilities/debts from banks.

Number four, export business. There has not been any change in the companies export models since beginning. This business continues to move on its own steam and has contributed 25% of the topline and 15% of the PAT in the FY17-2018. Also the overall weightage of export business has already come down this year and going forward we expect this weightage to decline further in the current fiscal as well. Regards our export business we would also like to further clarify that the company exports only gold jewellery. All its sales of studded jewellery are in domestic market only. The company does not export or import loose diamonds. It imports gold from international banks against SBLCs, manufactures jewelries and exports the same. The company does not use LOUs or LOCs or any such similar trade documents. The export business is a B2B business and thus has receivables. But we wish to advice that till date there has not been any bill return unpaid. At the same time company is working on various initiatives to reduce its receivable levels during the year and they should start getting reflected in our results a few months down the line.

During the current year the company will continue to work on strengthening its brand, its designs, systems and processes. We will continue to emphasis on growth through franchisee model only. The company has finalized around 15 new franchisees and we expect to keep on opening stores regularly in this vertical.

I now leave the house open for Q&A.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Jai Doshi from Kotak Securities. Please go ahead.

Rohit Chordia: Very quick question, on your franchisees if you could help us with what is the typical size of our franchisee? How many franchisees stores did you open in the fourth quarter? And what is the typical initial stocking level at a franchisee?

Balram Garg: So, the franchisee model is actually, we have only one model that every investment is by the franchisee only. And right now, total we have around 94 stores, out of 94 stores 12 stores are franchisee. Last year we had 92 stores out of 92, 10 stores were franchisee. And this April we have already open 2 franchise stores and going forward we have 7 stores on pipeline in next 3 to 4 months and another 2 months, 8 more stores. So, we have finalized 15 new stores which are only franchisee stores. Going forward, our 90% stores will be franchisee only. So, this is the franchisee model and typically in the franchisee, the store size is around between 2,000 to 3,000 square feet and the inventory level of the franchisee depends on the city from around Rs.8 crores to 13 crores.

Rohit Chordia: And how many franchisees did you open in the fourth quarter?

Balram Garg: So, fourth quarter, we were supposed to open 3 stores, but that 2 stores we have opened in April. Because in franchisee model what is happening is that first we do complete due diligence. In our own store when we sign the agreement, it takes only 2 months. But in franchisee model it takes 4 to 5 months because we have the set vendors in our own store, but they have their own vendors, thus they take more time. Then our every franchisee is bank compliant and every franchisee is funded by the banks. We have a tie up with SBI bank and our every franchisee is bank compliant. So, the bank takes some more time. So, that is why instead of 2 months, franchisee store takes 4 months to open.

Rohit Chordia: So, you open only one net in the fourth quarter?

Balram Garg: Fourth quarter we opened 1 store. In April we opened 2 stores and, 7 stores are in the pipeline which we are opening in next 3 to 4 months.

Rohit Chordia: On the export business side, your fourth quarter revenues came in at 300, understood that there is a lot of pressure in the Gulf especially after the VAT issue. What is the normalized Annual run rate you would like to maintain here?

Balram Garg: Yes, actually if you remember in the start of the year we have already given the guidance for the export, that export business will be stable. There is no increment in the export business, because that time UAE had already imposed the 5% import duty. Till Q4FY18, our export business was stable. But in this fourth quarter before in January they have imposed the 5% VAT also. So, that is why there is a decline in the export business. So, now they have removed the VAT. So, now this year also we are expecting the export business to be either stable or see some decline.

Rohit Chordia: In order to reduce your receivables as you said you are working on a lot of measures, so your outlook for exports business is stable to modest decline only.?

- Balram Garg:** Actually, because the reason is behind that because already Gulf has imposed 5% import duty. Yes, they have removed the VAT that is why we cannot expect that decline of 30%-40%, if they will not remove this VAT maybe we are expecting 30%-40% decline. But now we are expecting some decline in the export business in the coming year.
- Rohit Chordia:** How do you reduce receivables if exports is flattish?
- Balram Garg:** So, definitely we are working hard, and we have set a target till September to reduce the debtors by 30% and we have already started that.
- Moderator:** Thank you. The next question is from the line of Hitesh Kumar from Aksa Capital. Please go ahead.
- Hitesh Kumar:** My question is on with regards to your revenue growth this quarter. So historically if I look at Q4, typically accounts for 27% to 30% of your business and of your Annual turnover and that also coincides with the wedding purchases. However, if I look at this particular quarter, despite gold prices being higher both on a quarter-on-quarter and Y-o-Y basis, your revenue growth has not been to that extent, when we have opened about 10 to 15 stores in this particular year. So, quite possible that you have seen a volume decline despite adding stores, so if you just throw some light on this aspect?
- Balram Garg:** Actually, , the gold prices suddenly increased inthe fourth quarter Also If you look at the last three quarters, the growth is more than 30% or 20% in the domestic business. So, we were expecting some decline in the fourth quarter because there was a lot of business earlier. . There is actually a 20% decline over industry wise in the 4th quarter because the gold price suddenly went up. But we did around 12% growth and if you compare to the organized sector peers and we are in the line of that only and in the first quarter of this year after Akshaya Tritiya the demand has come back and because this is definitely quarter-to-quarter, demand can fluctuate, but if you look at the whole year and we have said so many time earlier also that quarter-to-quarter demand can fluctuate. But there is a clear sign that business is shifting from unorganized to organize. So, we are expecting a good growth in this year also, and if you look at the fourth quarter the business has got to normal, last year the growth was more than 40% base was little bit high also. But we are very satisfied this 12% growth in the domestic compared to the other players.
- Hitesh Kumar:** No but then, I mean if the business is moving from unorganized to organized you should have been some beneficiary of it despite, as you said industry has de-grown but then there are your competitors have shown reported growth and this is much above the price growth. So, at least if not for the volume growth your price growth should have offset the volume decline that you may be suggesting which happened in your case?

- Balram Garg:** No, there is no volume decline because the price, if you look at diamond jewellery is also there more than 30% and if you look at the growth of price difference it is around, I think maybe 5% compared to the last year.
- Hitesh Kumar:** My second question is , if you could just share what is the current debt and give the breakup of debt between your bank borrowings and your gold loan borrowings? What would be the split there?
- Balram Garg:** If you look at our presentation, we have given a detail presentation on that what is our bank borrowing, the liability of leased gold, the cash available in the balance sheet in the form of the FDR and how we are going to use this cash in this year, for buyback.
- Hitesh Kumar:** Sorry, this is not, I could not see the presentation on the website and ...
- Balram Garg:** So, let me explain the gold on lease is around Rs.3,384 crores and the debt is around Rs.1,000 crores. So and we have a cash of around more than Rs.1,500 crores.
- Hitesh Kumar:** Of this 1,500 crores how much is encumbered against the gold loan?
- Balram Garg:** We have to give only 10% margin to avail the gold loan lease.
- Hitesh Kumar:** So, how much is that amount, please tell the amount which is encumbered?
- Balram Garg:** Around Rs.300 crores.
- Hitesh Kumar:** So, if I look at your balance sheet, the bank balance other than above is that the encumbered bank balance?
- Balram Garg:** No, there are two balances. One is the long term FDR one is the short-term FDR.
- Hitesh Kumar:** So, you are telling that the not the entire fixed deposit is encumbered against gold loan only part of it is encumbered?
- Balram Garg:** Yes, only 10% is requirement of this.
- Moderator:** Thank you. The next question is from the line of Senthil Kamaraj from New Berry Capital. Please go ahead.
- Senthil Kamaraj:** My first question is what is your average interest
- Sanjeev Bhatia:** You want average interest cost a percentage of sales ? Because the interest cost is different on banks loans as well as MGL. So, combined our interest cost is about 3.08%.

- Balram Garg:** This is 3.08% to the sales.
- Senthil Kamaraj:** percent of outstanding borrowings?
- Balram Garg:** Our outstanding borrowing for the gold loan lease is around Rs.3,300 crores and the working capital is around Rs.1,000 crores. So, if you include gold loan rate plus LC commission everything including is around 5.5% and the working capital is around 11% to 12%.
- Senthil Kamaraj:** And my second question is what is the number of transition stores you are planning to open for FY19 like you have given the number of stores for the next 4 months. So, for the first quarter, so what is the plan for the next entire year?
- Balram Garg:** So, total number of stores we want to open the coming year is around 30.
- Senthil Kamaraj:** So, 90% of this will be the franchisee stores?
- Balram Garg:** Yes, 90% will be the franchisee store.
- Moderator:** Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.
- Pritesh Chheda:** Sir, I have 2-3 questions. First of all, I was just trying to look at who are your bankers in the last year's Annual Report but you have not mentioned just wanted to know who are your bankers? Second, why should you have structure wherein you have cash of about Rs.1,500 crores and long-term debt of about Rs.1,000 crores or working capital debt of Rs.1,000 crores if you could highlight that? And my third question is how much of your balance sheet is in export business?
- Balram Garg:** Earlier we were not having the cash in the balance sheet but now because we are generating cash and now if you look at the complete presentation, we have given the plan that this much cash we have and we are reducing the liability, and how much we will reduce the liability this year.. We have given the complete plan in the presentation. Rs.400 crores we will do the buyback and balance we will reduce the liability from the bank.
- Pritesh Chheda:** So, out of Rs.1,500 crores cash you will use Rs.1,100 crores to repay your bank liability?
- Balram Garg:** Yes, already we have started reducing debt and in April month we have reduced debt.
- Pritesh Chheda:** Who are your bankers?

- Balram Garg:** There are so many bankers, SBI, Union Bank so many bankers, so I do not know whether because this upto auditors whether this requirement is there or not, but we will definitely leave this to the auditors.
- Pritesh Chheda:** What portion of your balance sheet is an export business?
- Balram Garg:** Sir, if you look at our clause 41 then the segment wise asset liability figures are available in the clause 41, the complete details are given.
- Pritesh Chheda:** You said you had 15% of your profits in terms of profits from export business what percentage
- Balram Garg:** It is less than 25%.
- Pritesh Chheda:** And my last question is do you have any or do you want to consider splitting the 2 business or demerging the 2 businesses?
- Balram Garg:** So because since we have already announced the buyback ,now we are not discussing about any splitting of business or any such thing. till the buybacks.
- Moderator:** Thank you. The next question is from the line of Devang Patel from Crest Wealth. Please go ahead.
- Devang Patel:** If I look at the difference between the standalone and consolidated numbers there is a loss that the subsidiaries and associates are contributing and that has gone up this year. So, can you explain that?
- Balram Garg:** So the loss has increased this year because we have one luxury product brand AJWA and we are in the process of developing that brand so we are spending on to develop that brand. So that is the only loss in that company.
- Devang Patel:** And for the full year FY19, what kind of growth are you expecting in revenue? You said growth has started to come back in Q1.
- Balram Garg:** Definitely, right now the business is good, and we are not giving any guidance. Definitely after the result of first quarter we will give the guidance for the full year.
- Devang Patel:** And even on the quarterly basis if I look at the other income that has come down in the last quarter? Is there any mark-to-market or any other items.
- Balram Garg:** Actually, if you look at the result of our this quarter result to compare to the last quarter, last year 4th quarter, there is a Rs.40 crores M2M profit was there in last quarter and this year, in this quarter there is a Rs. 5 crores-6 crores of a loss of M2M. So, there is difference of 45

crores. Then if you look at the marketing budget it is almost 2.5 times if you compare to the last year 4th quarter. In spite of that there is a growth in the domestic profit is around 10%.

Devang Patel: Sir, I mean finally the shares which have been gifted to family members can you confirm if any of the shares have been sold or these still remain within the family?

Balram Garg: In this I want to clarify that since IPO, neither any promoter has pledged any shares, sold any shares, transfer any shares. So this share is gifted to the one of the promoter, my brother to the daughter in law and because that person is not in the business, so it will not be appropriate for us to discuss any action by the individual.

Devang Patel: In notes you mentioned some Rs.400 crores of receivables have been subsequently post the balance sheet date has been recovered. Can you also comment why there was some dividend collection ...?

Balram Garg: Yes, actually in January the UAE government had declared the 5% VAT, so suddenly the sales have come down there. So, there is a little bit delay in that payments, but these payments have come in the April month and it was also certified that in the clause 41. Thus, because of some delay the bunch of payment came in the March end and that subsequently we received in the April. Now, after the removal of VAT, the business is normal. And from that amount we have already reduced further bank liability.

Moderator: Thank you. The next question is from the line of Akash Singh from Alpha Alternative. Please go ahead.

Akash Singh: Sir, I have 2 questions like one is on the franchisee model that you have like as you mentioned earlier all the investment is by the franchisee. So, what are the implication on the margin sharing or the profit sharing with franchisee?

Balram Garg: So, actually you can see the profit sharing because there is no expense involved because our company there is a gross margin then we are spending on 4%-5% is the expense then the interest also. So, in our franchisee model, so there is no cost involved. So, definitely we are sharing almost 50% with the franchisee.

Akash Singh: And second question is like what is the inventory terms of the company in terms of selling gold jewellery and studded jewellery?

Balram Garg: So, actually we have the complete turn. The complete turn is around 1.6 because we have mainly our own store and only we have franchise model just started last year only. So, as the franchise model grows our inventory turns will also grow.

Akash Singh: And like what is the difference between the inventory turn in terms of own stores and franchise stores?

Balram Garg: In franchisee stores, the inventory is on the books of franchisee and in own store, the inventory is on our books. So as we increase the franchise store, we will book the sales to the franchisee but there is no inventory on the books of company, so our turn will be higher.

Moderator: The next question is from the line of Manish Poddar from Renaissance. Please go ahead.

Manish Poddar: I just had one question. On this entire owner share, gift and stuff like that, so why did the promoters actually not think of increasing their stake by our market purchase and let us say if the value was there in the company why did not this option was explored?

Balram Garg: So, actually we can do only one thing either we will purchase the shares or buyback. Both the things we cannot do simultaneously. So that is not allowed, so that is why company has decided to buy back the shares because we think that this is very undervalued.

Manish Poddar: No, I get your point, I am just trying to understand that since you gifted the shares you would earlier issued CCPS also. Why not increase the share when the share prices back to where it was there let us 18 or 24 months back?

Balram Garg: What I want to say that this was also discussed, and the promoters was very much willing to buyback. But there is one issue that if the share prices moving in such high level and if the promoter keeps on buying when the share prices are fallen then it can create an adverse situation,

Sanjeev Bhatia: What is your question? You want to ask that why the promoter is not buying?

Manish Poddar: Yes, I just wanted to understand, let us say, if there is so much value in the entire business when the promoter is approving for share buyback because its majority approval up there. Why is the promoter not participating in the initial part through market purchase by itself?

Balram Garg: Actually, first of all in buyback we are not participating. Yes, these are options and we can also buy but simultaneously it is not allowed. Because if we buy a share then we announced buyback there is some legal compliance is there. We cannot do two buybacks.

Moderator: Thank you. The next question is from the line of Subrata Sarkar from Mount Infra Finance. Please go ahead.

Subrata Sarkar: Sir, where can I get you this presentation because I am not finding it in your website or BSE filing. So, can you help me?

- Balram Garg:** Yes, I think they will takes more time but NSE is available.
- Subrata Sarkar:** So, NSE have already uploaded it. But it is not in your ...
- Balram Garg:** We have uploaded in BSE also at around 3 o'clock NSE also but BSE takes some more time to before its start showing.
- Subrata Sarkar:** In your website also it is not uploaded as of now, sir?
- Balram Garg:** But we did upload it, I think, but will check.
- Subrata Sarkar:** Second thing just to understand sir, from a broad perspective like almost till this time you are working on your own store base model and like we have been very successful on that. So, why we have decided to shift and change our model to a franchise based. So, on a broader perspective if you can help me to understand on that, sir.
- Balram Garg:** So, actually there are 2 things. One is that if you look at the company is focusing on how to increase the ROE, how to reduce the working capital requirement. From beginning I could open the franchise store model which is always better. But we were building the brand and we are not like other brands. We had just started our company in 2005, then we did our IPO in 2012, we were building our brands. Once we build the brand then definitely franchisee model is always better because you do not require any capital, you do not require any working capital. So, franchisee model is always better and now we have built our brand and we are getting very good response from the franchise also. So, now it is always better and the customer will not know whether this is franchisee or own stores. Everything is same, only difference is in our store we are investing and franchisee store only franchisee investing. So, franchisee model is always better to open more and more store, yes if I want to open own store only then every year we require whatever profit of the company then reinvesting in the own store only. So, now we are generating cash and that is why we are focusing on franchisee model only.
- Subrata Sarkar:** Second, you have explained but still let me, since I do not have the presentation as of now. Sir, now out of this your entire like Rs.1,500 crores of cash like you have decided to go with the buyback for Rs.400 crores and rest Rs. 1,100 crores entirely you will use to pay back the loan? Number one, is it correct? And second sir, what is the time period?
- Balram Garg:** Yes, this is correct, and we have given a detail thing how much cash we have, and we have how much we will keep for the supplies I am reading this, we have cash of Rs.1,291 crores and subsequent realization of our export received is Rs.416 crores less reserve for buyback Rs.424 crores amount required for margin money to lease gold is Rs.300 crores. So, balance amount is around Rs.11,78 crores. So approximate this amount, we are already started reducing our

liability and we are reducing liability. It will help us to reduce our interest cost also for this year.

Subrata Sarkar: what will be the time period be taken by the company to repay loan of around Rs.1,100 crores.

Balram Garg: So, I think we have already started and I think in the next 2-3 months this will be over.

Subrata Sarkar: So, within next 3 month we can achieve that, sir?

Balram Garg: Yes, because FDR have some days. We are breaking the FDRs and paying also. So, next 2 to 3 months it will be over.

Subrata Sarkar: Just another question on the buyback side, sir. Any progress on the legal aspect of the buyback side like when we, what is the progress and by what time can we expect like this buyback.

Balram Garg: So definitely, our merchant bankers are doing the work and soon we are going for the shareholders approval. So, that is on the timeline, I think we are going for the shareholder approval in maybe one week or 10 days' time . Once the shareholder approval received, then I think whatever time is taken that time is taken, we are on right track.

Moderator: Thank you. The next question is from the line of Anu Aggarwal from NDA Securities. Please go ahead.

Anu Aggarwal: And sir my question is regarding, so much volatility in the PC Jeweller's stock. Sir, there are so many bulk trades taking place and I think the stock has been hammered intentionally by big traders. So, are you doing anything like are you planning to take any action regarding such big traders?

Balram Garg: So, we cannot take any action, it is up to regulator if they find anything wrong. So, I think they will take an action because the company cannot take any action. Company is doing only the business and on regular basis opening stores and company is focusing on business only. So, now for the share price everything, it is up to the regulator to monitor.

Anu Aggarwal: But sir, I think whenever there is any issue you give clarification despite that there is so much negative propaganda going on the business channels regarding PC Jeweller.

Balram Garg: Whatever we heard in last 2-3 months, we have already disclosed in detail. Whatever company can do, company is doing. Whatever, like one question came that if debt is Rs.1,000 crores then why the interest cost is high. We have clarified this issue so many times, that we have the leased gold on the balance sheet and the balance amount is the leased gold interest. And this we have already clarified so many times. Now, again we are clarifying. So, everything is clear only we cannot go to the rumors and if you look at our presentation, I think this is the maximum disclosure we are doing. So, what company can do company is doing.

- Anu Aggarwal:** And one more question, sir. There is surge of around Rs.400 crores in this short-term borrowings in Q4. So, sir this is pertaining to what, sir?
- Balram Garg:** No, if you look at the March figures the borrowing keeps fluctuating time-to-time according to the season. So, it is not that the additional limits are sanctioned. So, there is no additional thing, the whole year figure is between Rs.700 crores to Rs.1,100 crores always. So, if a particular debt suppose my debtor payments came in March only. Then you will see that this amount is 650 crores and we are already adjusting in the April-May that amount and borrowing have come down already. And we have started due to reducing debt further also.
- Anu Aggarwal:** And sir, you have communicated that you are going to take approval for buyback in one week or 10 days because now there are rumors on social media platform that this buyback will not happen. Because sir, I wanted to be assure that you are going to take approval in next one week or 10 days sir, is it, can I assure that to my client.
- Balram Garg:** Definitely we are going for the shareholder approval shortly.
- Anu Aggarwal:** Because sir, because I know that I have just come to know that PCJ is among 100 luxury brands like gold chain brand in all over the world. Because if your company is doing so well that there should be no such hammering in the stock price, sir.
- Balram Garg:** You are right. But company is doing their work and company is focusing on business and definitely we have increased the disclosure also and we are opening regular basis we are opening stores.
- Anu Aggarwal:** And sir, sorry I can assure you on your part that promoters are genuine. They do not need to be worried, company is growing. So, you sit tight and have faith in the management company, your rates will be back, we can do Rs. 400-Rs. 500 in near future also like, I can assure my clients, no?
- Balram Garg:** Yes.
- Anu Aggarwal:** Because that is the main question, because everyone wants to be, like, tension-free about PCJ.
- Moderator:** Thank you. The next question is from the line of Rajesh Gajra from Cogencis. Please go ahead.
- Rajesh Gajra:** Just wanted to understand you mentioned in your franchisee model, you will get banks to finance your franchisees. Can you throw some more light on this and whether you will be providing any bank guarantees to the banks to who will be lending to your franchisee?

- Balram Garg:** No, there is no guarantee provided to the company. Whatever limit is there is between bank and franchisee. So, there is no guarantee provided by the company. So, everything is done individually by the bank, anything, everything and whatever guarantee is there, franchisee provides the guarantee, not company.
- Rajesh Gajra:** But you are getting, you mentioned one bank name also. So, you are getting that bank's guarantee to one particular bank?
- Balram Garg:** We have a tie-up with the particular bank and the tie-up is, if our franchisee applies for any loan to the bank then they will appraise that everything. If they are satisfied then they will sanction the limit for it.
- Moderator:** Thank you. The next question is from the line of Sandeep Lakha from Newbury Capital. Please go ahead.
- Sandeep Lakha:** Just following upon the shares which you are gifted. I just had a follow up on that, that the gifts were made in tranches, I means gift was made after every 4 days, so what was the rationale for that?
- Balram Garg:** One thing I want to tell you that, as far as you talk about the disclosure, if you gift whether the 15 lakhs shares - 20 lakhs shares or 50 lakhs share or 1 crores, the disclosure is same. There is no other disclosure required
- Sandeep Lakha:** My question is not that, sir. My question is that why was the gift not made in one go? And why was it spread across 4 days, every 4 days or something?
- Balram Garg:** That I cannot comment because I do not know about this. But if you look at the disclosure perspective whether you are giving gift of one-time or 4 times the disclosure is same. So, there is nothing to hide in that because sometimes if you see that the disclosure for the higher for the 1 crores share or 80 lakh share is something different that is not there.
- Sandeep Lakha:** If shares are sold in the market and if it was more than 0.5% then it would have been reported to the exchange, right sir?
- Balram Garg:** When you sold not gifted, when you sold only. If it is gifted for 0.5%, 1% or 2% it is not reflected anywhere.
- Moderator:** Thank you. The next question is from the line of Vikas T from Vision Ahead. Please go ahead.
- Vikas T:** Yes, I wanted to ask one question. If after the completion of the buyback if the share prices are compelling, will the promoter buy it from the market?

- Balram Garg:** That I cannot comment right now.
- Vikas T:** As you said you were exploring both the options, buyback and ...
- Balram Garg:** For future, we cannot comment for the future, what we are going to do in future.
- Moderator:** Thank you. The next question is from the line of **Sharvil Lodiya from Brassotech**. Please go ahead.
- Sharvil Lodiya:** My first question is regarding the share buyback decision which the board took recently of buying about Rs.424 crores worth of shares which was, I think an impulsive decision because the stock was getting hammered based on one or the other rumor circulating in the market and not in the best interest of the company, I am highly critical about that decision. Because the thing is that what I want from your comments about it. If you look at the balance sheet last year as of March 2017 you are debt was around Rs.690 crores which short up to around Rs.1,050 crores as on March 2018 and it is not the case like PC Jeweller as a highly surplus cash and there is no other avenue for growth which PC Jeweller can so what I wanted was rather than taking an impulsive decision of share buyback just because the market was hammering the stock based on the rumors the company should have invested those amount been the growth of the business because there is an humongous opportunity ahead for the PC Jeweller and the capital would be more efficiently utilized for the growth and the better number will reflect in the future you would have invested the same capital for the growth. But now you are doing that using that capital just for buyback and which will not yield any growth for the company. So, would management reconsider their decision of the buyback?
- Balram Garg:** So, this buyback decision, I think very right because look at our presentation we have disclosed the complete cash because every year we plan whatever cash in the balance sheet earlier we were opening stores that is why we require more cash. Now, we are not opening stores. And we have given the complete breakup, how much cash we have, how much debt we have, what amount require for the buyback and balance amount we have already reducing because we do not want to keep the cash in the balance sheet. So, now we are reducing the liability. And balance amount, we are doing the buyback because we do not require any capital because we are opening 90% stores through our franchisee. So, we do not require any capital, so we are rewarding the investors.
- Sharvil Lodiya:** So, you are saying you do not require for further growth any more cash than you currently have ...
- Balram Garg:** Yes, that is why because we have changed our model. We are now opening more franchisee because we have set our franchisee model and franchisee model we do not require any working capital. So, that is why company will keep growing and do not require any cash. So, that is why we decided this.

Sharvil Lodiya: So, going ahead all of your new stores would be franchisee stores and you are not be opening any own stores

:Balram Garg: Yes, more than 90% we are opening 30 store this year. More than 90% in the franchisee model. And we have already finalized 15 stores franchisee.

Sharvil Lodiya: Can you give me a bifurcation of what is the profit margin for every sale in your company-owned store and the same for the franchisee owned store. How much do you get when a sale is made in the franchisee and the same sale is made in your company-owned also? What is the profit percentage?

Balram Garg: So, profit percentage, if you look at the PBT level, so there is no difference. Yes, in the gross margins there is difference because we have to share with them but there is no cost involved. Because whatever gross margins we have there is a cost involved of about 4%-5% for running the company and then there is interest cost also involved. So, in franchisee model these costs are not involved. So, we can easily grow in the franchisee model without impacting the margins

Sharvil Lodiya: And my second question is regarding, I am concerned about risk of market share loss against your listed peers in the cities where PC Jeweller already has an existing store. For example, I can explain you with an example of my own city in Rajkot, Gujarat. There is a PC Jeweller store, since more than 6 years I guess. And Tanishq was also there and recently Kalyan Jewellers came, opened a humongous mega showroom of multi-story showroom. Now, what happened was the PC Jeweller visibility even though it is in the core area, whatever maybe the reason but it is not getting the same traction after the coming of Kalyan. Kalyan came opened a big store getting almost 50% of the market of our city. Now the Tanishq, what Tanishq did is, Tanishq also had a small store. After the Kalyan came within 18 months to 20 months Tanishq learned the lesson that this market has a potential and they need to do something with the store. Something is wrong with their store. They completely build their new store from the ground-up made it big multistory and now Tanishq is also is also getting the traction. But we are seeing no action from the PC Jewelers, it is still not getting traction, it is still not highly visible and it is still old store and seems like a side store compact of the Kalyan and Tanishq. So my point is, if the management looking after their existing stores whether they are doing good or not? If they are not doing good compared to the peers in the market. Then our management are at the ground level in contact with employees?

Balram Garg: Yes, this is a very good question and company is already taking the right step of old store also. Recently, in last 4-5 months we have shifted some of our old store to the new locations also. And I cannot comment on the particular one store because I do not have the number. But definitely company is reviewing the old stores also. When we find okay whether company wants to change the location or something, company does that and in last 4-5 months company has changed 3-4 existing location to other locations. And recently I give you example in NCR

Ghaziabad we have small store there. But when we found good sale there, we have shifted to the multistory store there in April month only.

Sharvil Lodiya: So, the management is in contact with the ground team and aware about performance of the store?

Balram Garg: Yes, and when you are giving the report for Rajkot we will enquire that also definitely.

Moderator: Thank you. The next question is from the line of Gaurav Jogani from ICICI Securities. Please go ahead.

Gaurav Jogani: Sir wanted to know what is the statutory share for Q4? Like you have given the statutory share for the FY18, what it is for the Q4?

Balram Garg: Q4 is around 31%.

Gaurav Jogani: And sir, like a participant asked earlier, so just can you help us what would be the volume growth for gold, I mean in terms of volume growth what will be our growth in this particular quarter?

Balram Garg: So, as a whole year the volume growth and the value growth is same because the price was same. Only the fourth quarter the price was suddenly up. So, 5% I think, I do not have the numbers but approximately the volume growth is around 5% and value growth is around 12%.

Moderator: Thank you very much. Due to time constraints we would like to conclude this call. I now hand the conference over to Mr. Sanjeev Bhatia. Thank you and over to you.

Sanjeev Bhatia: I really thank everyone for sparing their valuable time and joining us on this call. I hope that we have been able to clarify a lot questions and the queries which were in the mind of our investors. I am really grateful, who all of you for joining this and have a good weekend. Thank you.

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