

PC Jeweller Limited

Q2FY16 Conference Call Transcript

Moderator:

Ladies and gentlemen, good day and welcome to the PC Jeweller Limited Q2 FY 2016 earnings conference call hosted by Emkay Global Financial Services Limited. As a reminder all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Prashant Kutty. Thank you and over to you Sir!

Prashant Kutty:

Good afternoon everybody. Thank you for joining us today. We would like to welcome the management of PC Jeweller Limited and thank them for giving us the opportunity to host this call. We have with us Mr. Sanjeev Bhatia, CFO, Mr. Rajaram Sugla, President of Accounts & Finance and Mr. Nitin Jain looks after our online subsidiary that is website operations. Thank you and over to you Sir for your comments!

Management:

Thank you. Good afternoon ladies and gentlemen many thanks for saving more time and joining us on this call. I have with me my colleague Mr. Rajaram Sugla, who is a President of Accounts and Taxation and Mr. Nitin Jain who looks after our online subsidiary that is WearYourShine.com.

I am sure that you have all gone through financial results and our detailed presentation, which has been uploaded on exchanges as well as on our website, so I am not going to repeat the data points but we can take them along as we continue question and answer session.

I wish to begin by commenting on the overall jewellery industry as such. There have been concerns lately that this industry is losing the steam and the demand is slowing down. If this had been the position, the gold imports in our country would not have been growing. So where is the gold going? Obviously some of this would be investment demand, but then investment demand is a very small component of overall gold demand and frankly I am pretty confident that gold is moving the chart. The question where is all this gold going to and my firm belief is in jewellery and with the prices getting corrected, the jewellery demand is further increasing.

There is no doubt that India loves jewellery and as the Indian population grows along with the rise in the disposable income, the demand for jewellery is only increasing in the country. However, this is not to say that Indians will buy anything and everything and the companies have to be very alert and responsive to these trends. Every company will have to innovate and work hard to gain market shares and the competition in this field is very, very tough. Jewellery frankly is not a utility item with specific parameters, but more of a work of art, hence they should not only fit in the consumer's budget, but also appeal to art, this then shows the importance of having a good designing team, robust manufacturing facilities and also convincing sales team in the showroom, so overall ambience of the showrooms also become very important, any companies, which manages to fit in all these pieces is sure to crack the puzzle.

Now coming to our company, I advised that our strategy of moving to Tier1 and Tier2 location is paying a good dividend. Now the populous in these areas also very brand conscious and is willing to abandon its traditional jewelers for assurance of quality, purity and wider range in design.

Analyst:

Mr. Prashant Kutty

Emkay Global Financial Services Limited

Management:

Mr. Balram Garg - MD & CEO

PC Jeweller Limited

Mr. Sanjeev Bhatia - CFO

PC Jeweller Limited

Mr. Nitin Jain

Online Subsidiary "WearYourShine.com"

PC Jeweller Limited

Mr. Rajaram Sugla,

President of Accounts & Finance

PC Jeweller Limited

Going forward, we plan to continue opening additional stores under our existing large format model. During the current year have already opened five and should open around five to seven more by March end. We have also opened our first franchise store on October 26 at Gwalior.

We are very excited about this new model and are working to open around three more by end March. This model can be highly ROE accretive for us. We are also working on the small store model. The concept of small store is to tap that segment of population in cities, which does not go too high street for its wedding shopping, but sticks to its local market.

We initially propose to start this model in New Delhi to gauge the reaction to the same. Our first store is slated to open in early Q4. Our online business has completed a year. It is picking up well. We are slowly converting it into a curreted jewellery marketplace and getting a number of independent designers as well as jewellery companies on board.

Overall, we are very bullish about the future prospects of jewellery industry in general and our company in particular. India is a huge country with a huge potential and we are confident that PCJ has the position and is capable to reap benefits of the same. I now leave the forum open for any question.

Moderator:

Thank you. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Sahil Lodhia an Individual Investor. Please go ahead.

Question and Answer Session

Sahil Lodhia:

Good afternoon Sir. Congratulation for good set of numbers and actually my question is regarding inventory level of the company and in one of the presentation I read that the inventory level that we need in one showroom is around Rs.20 Crores right?

Management:

This is a very, very standard set because inventory level would differ from location to location and from store to store even if we take the example of Delhi where we have eight stores, so the inventory level of Karol Bagh and south extension cannot be compared with the inventory levels of Pitam Pura or Paschim Vihar.

Sahil Lodhia:

Sir, will it be safe to assume that inventory level is around Rs.25 Crores, had a number that you can give?

Management:

This would again vary, Jaipur Store would have more than Rs.60 Crores, so inventory and plus one interesting point is that you to give almost 20% to 25% of inventory at the backend also.

Sahil Lodhia:

25% okay.

Management:

Whatever inventory favors we give almost 20% to 25% is at the backend.

Sahil Lodhia:

And okay and every store?

Management:

I mean overall yes, but which caters to every store.

Sahil Lodhia:

Does not backend inventory stock is shared among few stores or is that a single for every store, I mean individually you have backend?

Management:

That is in bulk for every store. So basically I am sure you will appreciate in this industry inventory is the real crucial point. You do not keep inventory in the stores the customer will just walk out, so for this business it is basically inventory.

Sahil Lodhia:

Okay and how much is the inventory turnover for our export business separately?

Management:

Export business is again twice in year, two times.

Sahil Lodhia:

Two times, okay and at current inventory level, will it be safe to assume that we are currently having, I am taking the figure of financial year 2014-2015, from those figures will it be safe to assume that we have currently Rs.2300 Crores of inventory for our retail business in domestic?

Management:

No, the retail business inventory would be higher because in exports we have more of receivables and less of inventory. Exports in an order base business. It will be jewellery and then exported immediately.

Sahil Lodhia:

Sir, can you give a figure in some units, per square feet how much inventory do we require, an average figure for doing better calculation?

Management:

I really do not think that this type of exercise will work in business model like us. Again as I said, in Karol Bagh per square feet inventory, see it is not only the inventory, but also at what price points you are keeping that thing, so it may be the same chain or same range would be much higher, but in the smaller location it will start keeping such extensive inventory, so then the...

Sahil Lodhia:

One last question from my side. Are we looking to open new stores in the small format or in large format, like how will be our inventory in future in this year, in this financial year?

Management:

The inventory requirement, basically what happens that our inventory is almost 220 days of cycles including backend, so this is a rough some of figure, but at that figure it is impossible state anything at this point of time.

Sahil Lodhia:

Thank you very much.

Moderator:

Thank you. The next question is from the line of Prashant Kutty. Please go ahead.

Prashant Kutty:

Obviously we had a relatively lower base running into, so if you look into next two quarters with a fairly high base as far as the revenue is concerned, so if you could just help us understand

what to take in the upcoming two quarters and also in the festive season demand and if you have any early trends of October as well?

Management:

So basically what we have seen in the part first half is almost 40% and next half is 60% of our annual sales, so I am confident that the same trend should remain in the current year also.

Prashant Kutty:

Any early trends as far as October is concerned, I mean at least, how will be the Dussehra sales be and until, until, let us say till November how has been the trends in terms of growth?

Management:

November has just started and today is Dhanteras day so maximum push is expected on today itself, then it will be a lull for I think for a week or so then the wedding demand starts, so it keeps on moving like that, but October has also been good, no doubt about it, if we look at October yes, we have seen good footfall and good sales.

Prashant Kutty:

Just one on the manufacturing cost, if you look at the other expenses, the other expenses seem to have jump quite significantly, it is almost about 55% of any read through over here?

Management:

So other expenses also include the forex gains or loses, it is because the auditors restate our debtors, creditors as well as whatever gold loans are open, so they restate the entire, this thing as per the exchange rate prevailing on that day, it is more of a notional entry, but it does get reflected in our other expenses. More than this the other expenses components, keeps on varying quite widely from quarter to quarter. It is basically for the single quarter.

Prashant Kutty:

And how much is the quantum be?

Management:

You are talking about this quarter?

Prashant Kutty:

Yes.

Management:

It is about Rs.12 Crores.

Prashant Kutty:

Thank you again Sir. I will go back to question queue.

Moderator:

Thank you. The next question is from the line of Gautam Bahal from Negen Capital. Please go ahead.

Gautam Bahal:

Good afternoon, can you quickly comment on your margin trends year over year the EBITDA margin is down fairly large even a PBT basis is down about 150 basis points, can you just comment on how the trend is at the moment and how do you see yourself ending the year on a EBITDA level?

Management:

Actually if you look at our EBITDA of margins on a standalone basis they are not so bad, but yes, if you compare them on year to year, they have come down, but actually the last half year was bit of an exceptional because the gold was in a very short supply and very scarce and the premium on the gold was very, very high, so since we are getting gold from the bank at 10% premium, so bank used to keep 5 and 5 we used to share, so that was one shot of affair, which the position not there nowadays after the removal of the restrictions and, but this is the major factor and in exports also what had happened in the last quarter, the rupee depreciated very suddenly, so that had jacked up our floor margin also substantially. So unfortunately yes, if you compare some quarter to quarter this does come up, but I am sure going forward this type of anomalies will not be there, in domestic actually steady state margins are somewhere between 6% to 7% and in exports between 7.5% to 8%.

Gautam Bahal:

I just asked this question because over the last three-year, your EBITDA margin when declining steadily every year little by little where do you see it sort of stabilizing on a steady state basis for the whole company?

Management:

EBITDA level we see perhaps vary because if you open few major stores in the last quarter or something, big store then those store take up inventory, but the sales and return on those stores start coming only at a later stage, but going forward if you ask me the steady state on the overall company level, EBITDA level between 12.5% to 13%, we should be able to, get to that figure.

Gautam Bahal:

Okay and then I have one more question, a bit of follow up from earlier question on inventory, if FY 2015 you had, in March 2015, in the annual report you had a big jump in your finished goods inventory and now when you have expanding store you need to obviously have a lot of inventory before you open new stores, however just you have been opening stores for the past three, four years, but your inventory has a percentages of sales has also steadily gone up over the last few year, can you give us some comfort that this is under control and you are looking quite closely?

Management:

You are very right, but my answer is distinct because if you open one or two big stores in the last quarter then they restored the entire picture. From our perspective, I feel rather than looking at the inventory as such, if you look at the holding cost or the finance cost that is a more meaningful way of, because the inventory would be a single point figure, but the sales would be a slow figure, so I think from a companies view point one looks at the finance cost.

Gautam Bahal:

I will get back in queue. Thank you.

Moderator:

Thank you. The next question is from the line of Pritesh Cheddha from Emkay Global. Please go ahead.

Pritesh Cheddha:

Sir I just looking at your balance sheet, I just want to check, do you deploy gold on lease in the balance sheet?

Management:

That is shown in the under current liabilities.

Pritesh Cheddha:

What extent is your inventory finance through gold on lease?

Management:

The diamond inventory would not be finance through gold on lease, but all the export receivables, because for export also we purchase gold on lease basis and then we export, but our export inventory does not follow apart, so export receivables and almost 50% or 60%, balance is diamond inventory, so receivable and almost 60% to the inventory amount would be financed by the lease.

Pritesh Cheddha:

60%, so diamond is not financed and 60% of your export receivables are financed?

Management:

No 100% of export receivable, so whatever receivables we have shown you can take them because domestic receivables are negligible and of inventory figure, I think 3784, almost 60% of that. So that plus receivables are would be financed.

Pritesh Cheddha:

What does rate does this comes because when I am just plain vanilla calculating interest cost divided by the borrowing figure then it works out?

Management:

No because this the borrowing future would not match because the interest rate also include interest rate paid on gold loan, borrowing cost is different and whatever interest we pay on the gold loans, so that is the separate figure, so that is also included in the interest, total finance cost, so you would not be able to match it only with the debt.

Pritesh Cheddha:

My second question is some years back in the organized base, there used to be very few players and now you have regional players who have become larger and on the national skill are looking at the overall Indian market alongside US one of the players, so in that context how do you see this whole landscape and with so many large chains coming in is it a case where let us say the overall growth get distributed amongst so many players and hence it is difficult for the players to grow or you sense it otherwise or there is any niche some players like you can create vis-à-vis others so this whole space should be looked at now because five, seven years back there used to be very few players?

Management:

Share of the organized sector is growing and going at in next seven to ten year, we feel the, now the unorganized is 80%, then the organized should be 80% and this market should be in the hand of 15 to 20 players.

Pritesh Cheddha:

What would be your strategy or your key area on niche, anything that we have, defines our business model of?

Management:

So we are basically wedding jewelers, so we continue to focus on that, but at the same time we are trying to tap the other consumer segments also like we are doing through our online portal which we are now trying to tap working women and the youngsters, so you read our, see if you want to grow as a topline and when you cannot be a niche player, if you need more so he targets only the very, very top end, when he is a niche player and he has a certain segment of market, but he cannot grow beyond a certain level by remaining confined to that segment only, if you want to grow and increase your market shares then we have to be in a position to cater to all types of market segments and all income levels as well, that is what our franchisee model, small store, online, large format, presence across geographies and presence across income segment that is our strategy which we have started doing so.

Pritesh Cheddha:

Thank you Sir and all the best.

Moderator:

Thank you. The next question is from the line of Avi Mehta from IIFL. Please go ahead.

Avi Mehta:

I wanted to just understand from your bid on two things and the sales growth, one do you said that the festive season initial part has been good did that miss that comment, I just wanted to know, if you could kind of clarify how is it in the initial part of the festive season while Dhanteras is today, but just want to get a sense, have you seen any pickup or how is that kind of going, second if you could share some more details on the franchisee route that you have Sir, how have you, if you could share any details on the likely and how the gold has been worked, how are you going around that Sir and thirdly Sir on the pan card bit, would you be able to share is there any update, have you heard anything? These are the three questions Sir.

Management:

Starting from the reverse order, so number one on pan card there is no further update till now, so the position remains above Rs.5 lakhs we are taking pan card, which is adjusting notification, there is nothing beyond that.

Avi Mehta:

What is the expectation of the industry now Sir? Would you will share anything on that sort or now it is too premature?

Management:

Frankly no, as such we are not trading anything about this topic.

Avi Mehta:

Okay, so is it closed sir, that we have fair assessment or now it is too easier, higher, I mean it is too difficult to sound it out either ways?

Management:

Frankly, I mean I am not in a position to take, what I can say, but as such nothing, I mean this is totally out of sight, out of mind. That is what I can say.

Avi Mehta:

Sir on the franchising and on the demand side?

Management:

Franchisee we are just started, so franchisee what we have find in the first is owner himself is sitting and this franchisee is an established jeweler already, so he had good contacts, he had shop in a very good location in the main (inaudible) 24.24 market, so our experience till date with this specific person has been very, very good, but now going forward when we go to a new sector because every sector, every new location, every new person would have a separate experience, so once we opened, we are planning to plan during this fiscal about three more, so then we will see how this entire thing is coming up.

Avi Mehta:

How does it work, how does the basic mechanism work Sir or do you sell it out completely?

Management:

We sell it and regarding the festive season basically from the Navratri started from I think 15th, 14th October onwards, so it is good.

Avi Mehta:

Sir is there a pickup that you are saying in a month per se or how should I read it because people are concerned, there are some news articles says that the festive is bad and all that, so I just wanted to get your sense on the ground?

Management:

That is why I started my speech with this specific only that as such if you look at India the demand is there. It means that we should be in a position as to how to tap that demand and convert that into sales, so even though the competition is there and what we say, but demand is there, we should be in a position to tap that demand.

Avi Mehta:

So basically the stronger leader should emerge out on this?

Management:

Yes, surely.

Avi Mehta:

That is all from my side.

Management:

Well, I think that also goes on to say, I think in the previous this thing, there are jewellery chains who are expanding so it is not that, if they are expanding senselessly or they are expanding at a loss. If they are regional chains, etc., they are willing to go beyond their traditional area and stick their neck out. This means they are confident.

Avi Mehta:

Is it that you are seeing making charge, increasingly people moving up, is there any trend or it is too early to see it either ways, the small players earlier these two would earn on gold, now they no longer can and hence making charges per se across the board or moving up, is there any trend like that?

Management:

There is a little making charges, etc., on gold, we can gain by design, consumer will either be at resistant point if you start on charging something out beyond a gold coin this thing on which he/she realizes does not have that much of comfort, so this is a retail business then one has to continuously engage with the customer and the demand is there and making charge something very, very different, so that would again vary from item to item, piece to piece.

Avi Mehta:

I get the answer. Thank you very much for this.

Moderator:

Thank you. The next question is from the line of Anand Shah from Kotak Securities. Please go ahead.

Anand Shah:

Thanks for taking my question. My first question is on the exports business one is due that you have obviously grown by about 28%, 30% and your guidance I remember has been more flattish revenue, so second half should be expect a big decline, how should we take it?

Management:

If you look at the half-year to half year, so last year, last half year about 730 something, we are at now 900.

Anand Shah:

938 so that is almost 28% jump?

Management:

But going ahead we are really not expecting any major jumping. We are expecting a flattish year.

Anand Shah:

So that would equity of big decline because your runrate earlier was about Rs.500 Crores plus, which as this quarter has been about Rs.370 odd Crores, so should one take a run rate of 500?

Management:

Last year we had about Rs.1800 Crores, so we are almost 50% of that, I mean next half should be almost the same. The decline as I told you it will be more or less the same.

Anand Shah:

No, I know, absolute, an annual terms it would be same, but that would that would equate to a decline YOY in second half, because your half stronger that?

Management:

Yes.

Anand Shah:

Full year guidance you are saying is an absolute terms export revenues will be broadly flattish?

Management:

Broadly flattish, yes.

Anand Shah:

And in this just an export business, other income has gone up a lot, I mean YOY, any particular reason has gone up from Rs.2 Crores to Rs.9 Crores, you have given this exports?

Management:

Yes. So again the question of, this again consist sort of forex gains or losses only.

Anand Shah:

But this, a separately that you give, I assume that forex part is included in your gross margin that is why you give the separate scheme, right, because the forex part in your separate domestic and export P&L is also included in gross margin and so should not this other income should be something else right, I mean forex part is already reflecting in gross margin that is why your gross margin have dipped significantly YOY right, 14% to 7%?

Management:

Yes, sure. Gross margins are dip because of...

Anand Shah:

Last year had a very high forex, so the forex gain is captured in gross margin, so this other income jump of Rs.2.5 to Rs.9 odd Crores that is for what?

Management:

We have to check it.

Anand Shah:

No issues and then...

Management:

Other income, interest income, we will check and get back to you.

Anand Shah:

No issues and this domestic I missed one or two questions, one is are you giving any SSG number as to the growth, how much will be contributed by these?

Management:

In one presentation we have written in the minutes.

Anand Shah:

That you have written one-third, two-third that kind of number, 10% you are saying is through SSG or something is that?

Management:

Yes.

Anand Shah:

Okay out of this 10% growth is through SSG 20.

Management:

Yes.

Anand Shah:

Lastly I have Sir generally observed that while you have been guiding a store expansion of 15, 20, last year also you delivered about 10 odd store expansion?

Management:

See, given our current cash accruals and financial thing, we really cannot grow for more than 10 to 12 stores.

Anand Shah:

This year also you have broadly to end up with the similar 10 to 12 numbers and this number that you shared that you are looking to open six more stores in the second half that includes the additional three franchise stores as well.

Management:

No, franchisee would be separate.

Anand Shah:

So it will be $6+3 = 9$ total in the second half.

Management:

No franchisee separate, so 6 plus 12, again we will be somewhere around 11, 12.

Anand Shah:

No sir, 54 you have already done, which is, you closed the quarter with 54....

Management:

We have opened four in first quarter, one in October, so five we have opened and then we are working on six more.

Anand Shah:

Okay six more stores and franchise you have opened one, you will open three more?

Management:

Yes.

Anand Shah:

Perfect Sir. Thank you.

Moderator:

Thank you. The next question is from the line of Anand Mour from ICICI Securities. Please go ahead.

Anand Mour:

Good afternoon Sir. For this quarter, you just mentioned the same store sales growth was 10%, while the stores contributed 20% of the growth, I mean my question was as we get into H2 the festive season, the wedding seasons starts, can we look at the SSG moving up from here?

Management:

Not really, I am not very, we will be very happy if it moves up further, but I think also 10% is also a very good figure and if you are able to retain this figure by the year end as well, it should be a good achievement.

Anand Mour:

But you think there is any risk to that number?

Management:

In retail and this is not a linear sort of business, which anything can happen at any point of time, so, that is what I am saying we will be very happy that we are able to retain. As on date we cannot foresee any risk or something, but just keeping a conservative viewpoint, I think it is more better, so 10% going for the complete year should be a very good achievement.

Anand Mour:

Sir but at the same time with about more than 20% of the, in terms of the store space if I were look at more than 20% is what the space addition is there for the full year, so does it mean that we are looking at in excess of 30% revenue growth in the second half for the domestic business?

Management:

If the gold price is move adversely what we have been maintaining that if the current position remains overall we should be able to get a growth of about 25%, but if gold prices move adversely, gold prices go up then the future growth is expected to slow down, but even in the worse case scenario we really do not accept anything less than 20% year to year on a blended basis including both new as well as old stores.

Anand Mour:

Sir second question was any impact of the diamond price correction globally on our numbers, has it impacted our margins till now or can we expect any kind of impact on margins as you move ahead?

Management:

Basically we do not sell loose diamond, so whatever, but at the same time we are introducing relatively low cost light weight jewellery also where we are taking the benefit of the low cost of diamonds and passing on the lower cost to the consumer, but even in this thing our margins would remain more or less in the same band between 30% and 35%. It can come down slightly depending on we are selling low quality to 27%, 28%, but as such there is no immediate impact on the lowering global prices of diamonds products, but because it helps us to pass on this thing to the consumer, but our margins within the, if you cut off the percentage margin that remains the same.

Anand Mour:

Sir last question with regards to flex year, can you share what is the contribution to a diamond sale from flex year studded sales basically?

Management:

Frankly we have not yet started maintaining separate sales ledger for flex year, the invoices which are being thrown out by the stores, they do not differentiate. I do not think so we can.

Anand Mour:

Final question Sir with regards to new collection Abhigyan Shakuntalam, which we have launched, is it, I mean what is the price range and which is launches it more targeting towards the mid range or is it?

Management:

Mid range that is when I was saying that we are able to pass on the lower cost to Abhigyan Shakuntalam, it is very light weight and it is more towards younger and it is mid range, it is not heavy this thing, so in jewellery like us we are getting benefit of lower global prices because our, and product also, price much more competitively.

Anand Mour:

Yes, it appears to be a good collection and in fact I read in your presentation you have written you are seeing good initial response, so I just wanted to get a sense do we have, I mean as you move ahead are we looking at similar kind of focus on this particular range that where we have focused on flex year?

Management:

Yes sure, you are very right and this is proving to be one sort of range, which spans over offline stores as well as online because this is available on our online also and it appears to both segment.

Anand Mour:

Sir does it mean that as we move ahead with successful ranges flex year now Abhigyan Shakuntalam we are looking a diamond contribution increasing significantly as we move ahead?

Management:

See I will not use the term significantly because in India gold still remains the same and if you move slightly into interiors the population is yet to mature itself to that mature to move on wholehearted to this type of jewellery. The trend for this type of jewellery is you see more in metros and say for example tier, state capital, but if you go down to I think like Bhagalpur, or Bali or wherever I am not sure very sure what would be the actual response of the consumers to this type of jewellery, so it could not be fair to say that this type of jewellery would increase our diamond sale significantly, but it will surely help especially in bigger locations where consumers already have a wide variety of choice, this is a very refreshing chain from conventional, but in small locations, gold would still need a predominant choice.

Anand Mour:

That is it from my side. Thank you. All the best and happy Diwali.

Moderator:

Thank you. The next question is from the line of Prashant Kutty. Please go ahead.

Prashant Kutty:

Sir just one thing if you could probably give us the smaller stores are concerned, you have highlighted about that in the presentation as well as to what is your plan on that side, the smaller

towns, if you just probably throw some light on that Sir as to how was that progressing and what are we looking at as far as that the, I mean we entering into smaller towns are concerned?

Management:

No, you mean, smaller stores or smaller towns?

Prashant Kutty:

The smaller stores.

Management:

So smaller stores would be in the locations where we already have our large format store, but if I take the example of Bombay, there will be certain category people who would not be coming to this Bandra Linking Road, etc., for doing their purchasing. They would be Malad or Girar or Borivali, they still we will have people going for their, even their wedding jewellery purchase to the local markets only. So similarly in Delhi we want to start this model, it will be a low cost model because the store size, when you say small store, it really means store size and why do we mean the store sized, because overall expenses have to be lower, because what we expect that in these stores, the average what we say budget, people will walk in with a budge of Rs.1.5 to Rs.2 Lakhs and they would be predominantly gold jewellery purchases, so the cost has to be very low in order to make this store viable, but the potential for these stores is huge because if Delhi has a population of more than Rs.2 Crores, so there almost 25, 30 markets, which will cater to I would say more than 50% or 60% of Delhi population. So these customer set is really not coming to Karol Bagh or GK or south extension for doing this wedding shopping, so the main idea is to how to target this consumer set basically at the bottom of the pyramid.

Prashant Kutty:

Sir lastly on the advertising expenditure, any, what is the ad expenditure for the quarter?

Management:

Quarter gone by?

Prashant Kutty:

Yes.

Management:

We have given percentage as 0.43 on a total revenue, but if you want absolute amount it is 11, this is for half year ended, we do not have exactly for the quarter, but have this half yearly handed, which is 21 plus 11, mainly Rs.33 Crores.

Prashant Kutty:

Thank you very much Sir.

Moderator:

Thank you. As there are no further questions I would now like to hand over the floor over to Mr. Prashant Kutty for closing comments.

Prashant Kutty:

On behalf of Emkay I once again like to thank you all for joining the call today and Sir you have any final comments.

Management:

I thank all, everybody for sharing time for joining us. I realize it is a very busy day for everyone and next calls are also due to start, we remain open for any questions later on and please feel free to contact us anytime for any further query or any doubts or clarifications. Thank you.

Prashant Kutty:

Thank you so much.

Moderator:

Ladies and gentleman, on behalf of Emkay Global Financial Services Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.

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- Note:
- 1.This document has been edited to improve readability.
 2. Blanks in this transcript represent inaudible or incomprehensible words.

Emkay Rating Distribution

BUY	Expected total return (%) (Stock price appreciation and dividend yield) of over 25% within the next 12-18 months.
ACCUMULATE	Expected total return (%) (Stock price appreciation and dividend yield) of over 10% within the next 12-18 months.
HOLD	Expected total return (%) (Stock price appreciation and dividend yield) of upto 10% within the next 12-18 months.
REDUCE	Expected total return (%) (Stock price depreciation) of upto (-) 10% within the next 12-18 months.
SELL	The stock is believed to underperform the broad market indices or its related universe within the next 12-18 months.

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