



by P. N. Gadgil & Sons

11th September, 2023

To,
The Corporate Relation Department,
BSE Limited
1st Floor, PJ Towers,
Dalal Street,
Mumbai 400 001

Ref: BSE Scrip Code – 543709 Symbol – GARGI

Ref: Intimation letter of the Earnings call dated 31st August, 2023

Sub: Transcript of the Earnings Call with Investors and/ or Analysts held on 06th September, 2023

Dear Sir/Madam,

Pursuant to the provisions of Regulation 30 read with Para A of Part A of Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulation 2015, please find enclosed herewith the Transcript of Earnings Call held on Wednesday, 06th September, 2023 at 4.30 PM (IST).

The transcript along with the audio recording is uploaded on the Company's website <https://www.gargibypng.com/investor-analyst-call/>

Request you to take this on your record.

Yours sincerely,
For **PNGS Gargi Fashion Jewellery Limited**

Bhargavi Kulkarni
Company Secretary & Compliance Officer
ICSI M. No. A63292

PNGS GARGI FASHION JEWELLERY LIMITED (w.e.f. 02/11/2022)

CIN: - U36100PN2009PLC133691 (Formerly known as PNGS Gargi Fashion Jewellery Private Limited (from 21/09/2022 to 01/11/2022), P. N. Gadgil & Sons Gargi Costume Jewellery Private Limited (from 22/09/2021 to 20/09/2022) & Resonant Consulting Private Limited (till 21/09/2021))

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“PNGS Gargi Fashion Jewellery Limited

Conference Call”

September 06, 2023



**MANAGEMENT: MR. AMIT MODAK – DIRECTOR – PNGS GARGI FASHION JEWELLERY LIMITED
MR. VISHWAS HONRAO – CHIEF FINANCIAL OFFICER – PNGS GARGI FASHION JEWELLERY LIMITED
Ms. BHARGAVI KULKARNI – COMPANY SECRETARY – PNGS GARGI FASHION JEWELLERY LIMITED**

Moderator:

Ladies and gentlemen, good day and welcome to the PNGS Gargi Fashion Jewellery Limited conference call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing star and then zero on your touch tone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Bhargavi Kulkarni, Company Secretary. Over to you, ma'am.

Bhargavi Kulkarni:

Thank you, Dorwin. Good afternoon, everyone. This is Bhargavi, Company Secretary and Compliance Officer of PNGS Gargi Fashion Jewellery Limited. A very warm welcome to all of you to the Earnings Conference Call. For discussion, we have here with us today, Mr. Amit Modak, our director and Mr. Vishwas Honrao, our Chief Financial Officer. Welcome everybody.

We wish to start by qualifying that during the call we may make some forward-looking statements. PNGS Gargi does not provide any specific revenue-earning guidance. Anything that is said during the call which may reflect our outlook for the future or which may be construed as a forward-looking statement must be reviewed in conjunction with the risks that the company faces. These statements are considering the business environment we see as of today and therefore there could be risks and uncertainties that could cause the actual results to vary materially from what we are discussing on this call today. An audio link and transcript of this call will be shortly available on the investor section of our website www.gargibypng.com. With this, we are now ready to begin with the opening statements and the performance of the company. And post that, we will be available for the question and answer session. I now request Amit Modak sir to take over. Over to you Sir.

Amit Modak:

Welcome everyone and happy Janmashtami. We are at the second conference call meeting with the investor. It is a discussion about the earnings of March 23 and June 23 along with the forward progress of the company or what we are likely to do in future and what is the market condition as on date regarding our investment. I hope that people or the investors are getting all the information transparently. We have issued our shares on the SME platform where half yearly results are expected to be published, but we are publishing it on quarterly basis and keeping ourselves more transparent and more compliant which is in the interest of the investor.

As far as company is concerned it is progressing as per its schedule. In last conference call of the investor call, as we said that in FY24, we will complete at least 10 additional outlets. In AGM also, there were people who were asking about the additional outlets and number of outlets to be opened during the year. During AGM also we have mentioned very precisely that we are not in a hurry to create only numbers, we are in the interest of the investor, we want effective and profit-making locations to be created. In current financial year, we have already completed six locations with Shoppers Stop as I said.

One third-party franchise which is at Vashi, two P N Gadgil and Sons franchises, brand shops - exclusive brand shops, one at Ferguson College Road at Pune and another at Lakshmi Road at Pune. In next three days we are starting a few more with the Shoppers Stop and that way we are completing our commitment of the 10 outlets or the location of SIS FY24 and there are

much more to come in current year because just five months are completed of the current year. And there are still seven months to go.

As far as performance is concerned, you have seen the quarterly performance, which is published and displayed on the Stock Exchange website. And top line is in line with its normal growth. We have completed almost INR 6.5 crores top line in FY 24 Q1 with the bottom line of almost INR 1.27 crores or INR 127 lakhs. Earning is INR 1.32 and that earning is low as compared to earlier period. Earlier period there were number of shares were less. Now it is a fully discounted and weighted average is given to the entire equity for the current year because during the current year that entire equity is there.

Fashion jewellery is a fast upcoming industry. You must be looking to the market. There are people or there are brands which are coming every day in the market. Either it may be a new brand or the existing brand having more and more locations, making available at various locations. We are that way competitive as far as pricing is concerned. If you compare with us in the pricing, you will find that we are competitive in pricing. We have got full range regarding the pricing, but in our range, it's copper as well as brass, as well as 92.5 silver. So we have got full range.

And we mentioned in the Annual General Meeting that we will start 14 carat diamond. That will start at appropriate time and it will be communicated to everyone at a one go through the public announcement on the stock exchange platform. Our margins, if you see, June 23 Q1, those are maintained as far as margin percentage is concerned. And we are likely to maintain those margins. But when we will go with the third-party franchising, our margin may take a little bit hit.

And as our volumes will grow that will also hit some margin percentage wise but in absolute term, in rupee term, margins will be increasing and as a management we always give the value to the additional rupee which is coming in. As I always said that we are not the cash-burning people, so we are not having any major marketing campaign. The marketing campaign is mainly run by the main franchisee, which is P N Gadgil and Sons Limited along with their normal marketing and that is giving us advantage as far as cost is concerned and we are getting that cost advantage because we are spending less as compared to our franchisees for getting business. It is crucial for them to have good market presence and keep creating good market presence for ourselves.

We have introduced various new designs also in last Q1 and current first two months of the Q2. And we are in continuous process to introduce new designs every time. We are expecting good outlook for the company as the number of locations are growing. Definitely, it will increase the top line and if top line is increasing even though in percentage term bottom line may not be increasing but in rupee term bottom line will increase, there will be higher profit as far as top line growth is concerned, it will be matching to the bottom line also, not in percentage term, in rupee term.

Since it's only 60 minute meeting, first thing 12 minutes we have already consumed. Now I am keeping making it open platform, I am making it open for the question answer because

question answer will give us more visionary forward looking, I will not say forward looking, but regarding the industry, whatever you people are having questions in your mind, I would like to reply to you. I have got some problem of the health due to cough and all these things. So my voice may be low, my voice may be breaking, but kindly bear with me. Thank you.

Moderator: Thank you very much. The first question is from the line of Swapnil Kabra, an individual investor. Please go ahead.

Swapnil Kabra: Sir, my first question is about EBITDA margin. So sir, the shop-in-shop, the original stores of PNGS, the EBITDA margin of those stores and the EBITDA margin of the franchisee model, and now the shopper's shop, which we are doing now, in all these three segments, can you provide margin breakup for these three segments?

Amit Modak: We cannot disclose individual margin breakup because there are certain business terms and conditions also with every party little bit different. In major level those are not different but little bit different and confidentiality is always kept and NDAs is signed between us and them. Your EBITDA one question, I will take in other form also that till date we were not borrowing. Now when we will start the diamond segment, there will be borrowing. So there will be the interest cost in future. Right now there is no interest cost.

On other hand, there is other income of the interest which is the funds which are idly kept in bank which are going to be utilized so that other income will stop and interest costs will start. So there will be a little bit of impact on the post interest and depreciation profit margin, but it will get absorbed with the increasing top line. So class-wise I cannot give you the segregation as far as EBITDA margin is concerned.

Swapnil Kabra: Okay. Sir, my second question is related to e-commerce sales. I was seeing on Instagram that you are doing a good job. Sir, can you tell me if you are making a strategy to increase the sale? And what will be the component of online sale in the top line?

Amit Modak: 8%-10% is the online component in overall topline. We see the Raksha Bandhan has just completed, that festival gives a huge push to that online sale. Because Rakhi is the product which is getting sold mainly online. It is Pan India from Kashmir to Kanyakumari. I am proud to say we are catering Kashmir to Kanyakumari even though we are located in Pune or having the regional brand kind of stamp on us. This Rakhi gets delivered from Kashmir to Kanyakumari and in numbers also it is also good as far as number of pieces are concerned.

And we generally keep three days in advance sold out board to make it sure that if order is coming it gets delivered before Raksha Bandhan. That is not that we are short procuring or anything. It is a strategic decision to make it possible to deliver it on exactly on or before Raksha Bandhan day. So three days prior, we make it sold out.

Swapnil Kabra: Sir, and also are you focusing on that 100 crores number of top lines that you gave?

Amit Modak: I will be happy even for the larger number.

Swapnil Kabra: Thank you so much, sir. I will join the queue again for more questions.

- Amit Modak:** As diamonds will start, that top line achievement will be within sight and it may be before time.
- Moderator:** Thank you. We have the next question from the line of Kushal Kasliwal from Investing Hut. Please go ahead.
- Kushal Kasliwal:** Hello sir, thank you for the opportunity. Sir, I think my question would be almost on the same line. I think we recently...
- Amit Modak:** Sound is humming. Anyone else is also accompanying you? Yes, get his phone. Ask him to keep it on mute.
- Kushal Kasliwal:** Yes, better now, sir?
- Amit Modak:** Yes.
- Kushal Kasliwal:** Yes, sir. Sorry. So what I was trying to ask is, we have, you know, laid out a plan for us for 24, 25 hundred crores of top line. So I wanted to, you know, understand this in more detail. Will this top line majorly come from store expansion or will this come from new product like you're saying 14 carat real gold or diamond jewellery. So I am assuming this will mainly come from the new product but just wanted your clarification on the same.
- Amit Modak:** No, I don't get your that top line figure. That top line figure you mentioned, please repeat.
- Kushal Kasliwal:** Yes, the top line I think you have shared it on your LinkedIn handle. I think that is 100 crores in the next 2 years. 24-25.
- Amit Modak:** 24-25.
- Kushal Kasliwal:** Yes.
- Amit Modak:** FY '25.
- Kushal Kasliwal:** Yes, sir.
- Management:** It was a general interview that time. We were not in the public domain. It was a general interview, that time I mentioned that we can achieve 100 crores top line by '25. With looking to the market condition, with looking into the expansion, more and more number of locations and all these things. That product addition will keep on going.
- Right now I am doing some diamond, next year I may do something for another lifestyle product or anything to add to the company's portfolio. So it is an ongoing process and during the course of business it keeps on happening natural condition. If everyone wants to grow their business, so growing the business everyone has to find new product line or create new location for point of sale, so that the sale will increase.

So all these things will contribute not only product line, not only the number of locations getting added, it is collectively. Yes as I said I will be happy to see one of larger number which I have projected in my earlier interview.

Kushal Kasliwal:

No, great sir, great. That's very nice to hear. Sir, again, I think one, I had one two more questions. So regarding our new store expansion, what kind of unit economics do we look at when we launch a new brand store or Gargi or a P N Gadgil or someone else is buying or putting up money or capex on that franchisee store. What kind of economics are we expecting from that year? Are we expecting like INR1 crore or INR1.5 crores of sale in one year? Or can you give me some numbers around that?

Management:

Generally, these brand stores are costing, including inventories, to the tune of INR 50 lakh round about. And in that, that interior is there, then deposit of the premises is there, first six months expenses are there because we think that in first six months we will not earn even a rupee. Still we want to keep it open. So that six month cost is also we are treating it as a capex.

Plus the inventory deposit which they need to give us for getting inventory from us because our main all models are FOCO models where franchises are operating and everything is provided by the company. Opex side is with the franchisee and back end side is with the franchisor. So for them it's a INR 50 lakh investment out of that, that deposit itself is valuing around INR 15 lakh to INR 20 lakh for getting that inventory in their place, which is not actually a pain for them.

It's refundable. Whenever they will return the inventory, it is refundable. And whenever they get it replaced, they need to pay that additional deposit. After that diamond, their deposit size may go up because that diamond 14 carat gold and diamond jewellery will cost more and they may need to invest more. But as far as their BEP now, these things are concerned, if they do it normal way and in a good gesture, with good footfalls, good means I am talking about reasonable footfall. It's around 18 months to 24 months to achieve the BEP.

Our Vashi store is showing that level of progress in first month to current month. That is in last 4 months they have progressed very well and we are looking that as our pathfinder store because other stores are P N Gadgil & Son's franchisees so there we are not worried about getting the BEP and all these things. BEP comes on a zero day itself.

Kushal Kasliwal:

Okay, so you know just another question here. You would have an agreement with the P N Gadgil and Company right? Because they, although they are our parent, but this contract will be an independent arm's length transaction right?

Management:

Yes.

Management:

But we are not carrying out any rent agreement with them. We are paying them facility charges for providing facilities like space, counter, salesman, light, then hospitality, services and all these things. We are paying them separately per month certain fixed amount other than the commission which is paid to them.

Kushal Kasliwal:

Okay, and this commission will be different for, if I may ask?

Management:

There are two, three models are there. One is a Shoppers Stop model where we send pre-discounted cost billing to them and they sell and send us the gross amount of sales, whatever they sell. Then second is a brand store, which are developed by the P N Gadgil Son's Limited. For that kind of store, they are charging different kind of commission. Or we are paying them different kind of commission or the percentage of commission.

And where it is SIS within the P N Gadgil & Son's, there are two types of payment. One is a fixed facility charges and another is a commission. But in SIS where P N Gadgil's & Sons is there, we are not taking any deposit for the inventory. So inventory is free of cost provided to them. But wherever it is a brand store, they are paying up the inventory deposit also just like a third party franchisee.

Kushal Kasliwal:

Okay, understood, just for comparison I mean, there are certain other stores, if you know, companies like Caratlane also they do INR2 crores, INR2.5 crores of deposit plus inventory deposit plus capex that will be the kind of capex requirements when we introduce you know 14 carat and these new products in the franchisees? So our new franchisees may be 1 year, 2 years down the lane will have this kind of capex requirement from the franchisee partners?

Management:

Franchisee partner, I don't get your question exactly and when you say about the CaratLane, CaratLane has got a larger size of business and larger size of the inventory. They have got mainly 14 carat or 18 carat gold inventory along with the studded. We have got a product mix. We have got copper, brass, 92.5 silver and now 14 carat studded with the natural diamond.

So that combination is different from CaratLane. So that capex will also differ. Their capex is higher because they are having 100%, almost 100% 14, 18 carat gold and studded with the diamond. So their capex is definitely going to be higher as compared to us.

Moderator:

Thank you. The next question is from the line of Divya Daga from Vijit Global Securities Private Limited. Please go ahead.

Divya Daga:

Hello Sir. My first question is, do you have any targets related to store expansion either in FOCO model or own model or what will be the capex for the same?

Management:

See, first of all, we are not going at any point of time in opex. We will have all the time FOCO model or the SIS where we will build to the, that entity and that entity will sell the goods on the gross basis and pay us the net basis remittance which is billed to them. So that way that capex will be very limited for us and secondly wherever we are providing inventory other than SIS of P N Gadgil & Sons, we are asking them to deposit certain amount for the inventory.

So, for inventory also we are hardly investing 25% of that shop requirement. 75% is taken as a deposit from that franchisee. So that capex will not be there. And if you will say about the number of shops in future, I repeatedly say I am not in a hurry to create a number, I am in a hurry to create a profitable number and a profitable location.

So we are not in hurry to create a number, I have 200-300 shops, 100 shops, I am not in a hurry to complete even 50 shops, even though I have completed 40. I will not say that I will complete another 10 in the next 3 months. I want a stable business, the P N Gadgil & Sons,

which is giving us a brand acknowledgment, they have got USP whenever they start a new location that location has not been shut down from 1832 till date.

So we need to keep that in mind, that whenever new location we want to start, any given day if it's not feasible for the franchisee to run, then I will have to take ownership of it. I will have to adopt it, I will have to run it. So, I am setting it up in such a way that there would be no need to adopt, it should be run by that franchisee for the lifetime and that board should remain there for the lifetime of the Gargi without having support from the Gargi as far as opex side is concerned.

Divya Daga: Okay, that's great sir. My next question is, can you provide a timeline for Pure Gold Diamond Studded Jewellery when you will be able to introduce that thing?

Management: Tagline? Timeline? Timeline, it will be in current financial year and as we are also in business, you people are also in the market you also know that at proper time, proper hitting always pays so we will take care of that. That product will get hit in the market at a proper time and it will yield better for the company.

Divya Daga: Okay and also can you provide the bifurcation of online sales from company's website and from any other e-commerce platform?

Management: No, on other platform we do not have our direct presence. On Flipkart and Amazon, there is presence but it is through P N Gadgil & Sons Limited it is not our direct presence. We are doing only through our own website as of date. We are not doing it through any other platform.

Moderator: Thank you. The next question is from the line of Darshit Vora from Robo capital. Please go ahead.

Darshit Vora: I just wanted a broad layout on say for example some new plans that you have ongoing in the medium-term say 3 to 5 years, some new products or any other plans?

Management: When it's a fashion jewellery, we have introduced everything which is there in the fashion jewellery. We have not introduced only 92.5 silver and now we will think for the copper and brass or the gifting items and all these things. Everything is a composite introduced at the start itself.

So new product line as we are discussing right now also or in past also, it will be a 14 carat gold studded with the natural diamond. We will never go with the lab-grown diamond because we believe in the natural diamonds. In our parent company also they don't entertain to the lab-grown diamond.

So it will be a purely natural diamond and with the 14 carat gold with having buy-back policy, exchange policy, everything matching with the market or better than the market. So broadly the top line will increase due to higher number of locations, higher number of point of sale higher number of franchisees or the SIS.

And along with that 14 carat gold studded diamond jewellery, which is going to be launched at appropriate time in the current financial year.

Moderator:

Thank you. The next question is from the line of Rajesh Singla from VTG Capital. Please go ahead.

Rajesh Singla:

I have a couple of questions one is basically on your design strategy so how do you select design, so do you do any market research in this particular segment? Because I believe the designs would be quite different from region to region as you expand beyond your key market? So is there any clear design strategy like any market research you do?

And the second would be do you have any export strategy as well where you are looking to grow beyond the domestic market?

Management:

First of all we want to be a domestic. We believe in our 150 crores population which is 20% of the world population. And in India itself that fashion jewellery market is just 2%-3% organized still 97% is unorganized. So when it reaches to the 10% of the organized it is a 300% growth for the organized sector.

So we are mainly concentrating on the domestic market, mainly Indian market, other than south because south has got different taste even in the fashion jewellery also and they are not having main liking of the fashion jewellery they are having main liking of the plain gold jewellery.

So we are concentrating mainly on the north and central part of the India, Gujarat, Madhya Pradesh, Maharashtra, that kind of area. Secondly as we've said that export is out of question and we are not planning for anything. Mainly expansion and mainly top line growth will come from the domestic market where there is a huge potential. Regarding selection of the design, designs are selected with keeping in mind that each group of 15 to 25 is going to come and shop in the jewellery, that is a fashion jewellery shop.

Because it's a working woman, basically it's a wardrobe jewellery, so whenever she will buy a new dress, material or new dress, she will buy matching fashion jewellery. So if she is buying after every say two months or three months one dress or dress material, she will be buying every two months or three months one additional jewellery matching with that costume. So that is a targeted customer and their liking is always kept in mind and updated in the design.

We have got freelance people who are helping us in finding out the good design, latest designs from the market. And many times, we have seen that people are making research through our showroom by visiting our showroom that what is going on as a latest design. So that is proud thing for us, proud thing for our company and you all people who are investing in the company.

Rajesh Singla:

Great, maybe a couple of follow-up questions as well. So one is, can you please share some insight, like what is fuelling demand for this particular market segment? So what are the key driver or key catalyst for the demand growth, which is happening in this particular segment?

And second would be in terms of the designs, when you said so are you looking to on board like some celebrity kind of designers in the future?

Management:

Celebrity designers costs are very high. If you go with some kind of big labels, brand and all these things which we are looking in the market. Their top lines are very tiny top lines are there and margins are very high because their royalty and their designing and selection cost itself is a 5x to 6x the basic cost of that material. So it's a mass market. I don't want to create any specific class as my customer. I want to create a mass as my customer.

If you go and look to the market survey, they are saying right now it's a INR7,000 crores to INR10,000 crores market and which is likely to reach to INR30,000 crores by 2030. That is another seven years' time. They are expecting 3x growth in this market. So growth will come to me also because I am in the market, I am very well in the market, very well accepted in the market. And I am looking growth through this growing market, these statistics and these statistics will definitely work because number of working women are growing, increasing.

Age group 18 to 23 girls who are coming out from the colleges are joining some or other corporate place for the working or some other that what you say, back offices of the services, BOP services kind of corporate. And they will have some ticket size of their salaries, ticket size of INR25,000 to INR50,000. And so they will spend reasonably good on their fashion and design and keeping them updated in the society. And they will like to showcase their product which they are wearing. Those are like a branded product instead of a roadside shop product. So the growth will come to the branded fashion jewellery, definitely from all these kinds of reasons.

Rajesh Singla:

Do you think that a delay in a marriageable age, the normal marriageable age probably has got delayed by six years, seven years earlier, like women used to get married around 21 years, now it's like shifting to 26 years, 27 years, so that should have expanded the market segment?

Management:

No, that is expanding the market segment because once they get married they will have plain gold jewellery as well as fashion jewellery. Even though they will get married, after marriage also when they keep on working, they need that fashion jewellery for wearing in the office. They cannot go with the plain gold jewellery in the office. In office -- for going to office, they need that fashion jewellery. So even up to the age of around 40, they will require that fashion jewellery regularly.

Rajesh Singla:

Right, Okay. So maybe last question from my side if I can pitch in. So as you know, there are premium watch segment also is doing well in India, driven by significant growth in high -- HNI market segment. So do you have any plans to introduce like premium watch segment like I think Ethos probably has with them?

Management:

I don't get your question sir. Please.

Rajesh Singla:

So you are basically catering to the women market segment. So do you have any plans to cater to like premium watch segment for the men in the future?

- Management:** Men's jewellery will be there and HNI -- tapping to the HNI segment, it is regularly happening through the social media.
- Rajesh Singla:** Okay, so my question was any plans to introduce the premium watch segment like wristwatch, premium wristwatch segment in the future?
- Management:** No, not at all. Because watch is outdated. No one is using watch. I have not used watch for last 50 years. Mobile is everything. It is a laptop, it is a TV, it is a clock, it is a calculator, it is for memorizing, it's alarm. Everything is there in a single mobile smartphone. So watch is a outdated thing.
- Rajesh Singla:** Okay, thank you sir.
- Management:** It is only in ornamental way people might be wearing the watch, but it is like an ornament.
- Rajesh Singla:** Yes, thank you sir.
- Moderator:** Thank you. The next question is from the line of Rahul Kumar Paliwal from Shefa Family Office. Please go ahead.
- Rahul Paliwal:** Yes. Thank you for the opportunity, sir. So my first question is about gold. Is it into our balance sheet or we loan it from the banks which other jewellers do like Titan and the standard practice?
- Management:** As a standard practice when it will turn into higher quantity we will definitely take it on the GML basis that is a gold loan, gold metal loan. But right now when we are starting that gold content in total inventory, value wise it will be very low. Means amount wise it will be hardly 15% or 20% of our total inventory size. So right now we are not thinking that way. We are keeping it an open thing. But we will keep it on hedging on the MCX as far as our outstanding quantity is there in the stock.
- Rahul Paliwal:** Makes sense, sir. My second question is about this fashion jewellery being high churning and inventory management. So what gives you that confidence to manage the same apart from the brand recognition specifically into Maharashtra and the nearby area?
- Management:** It's a high churning. We are keeping, as far as our inventory controls are concerned, we are always keeping on the daily basis right from 30 days onward. We keep on watching what is moving, what is not moving and all these things. As far as people are concerned, they are getting latest designs in our various communication and through that communication they are finding that every time something new is coming to their eyeballs and they are happy with all these things. So they are coming repeatedly to the showroom for looking for these new designs and buying these new designs. I think this is the reply to your question. If your question is on the different line, please repeat your question. I will again reply to your question.
- Rahul Paliwal:** No, so broadly I got your point. My question was like how once you get the scale, the inventory management in a fashion jewellery becomes challenged. Like for example, in

fashion jewellery, saris are still they are not able to scale because the inventory is the concern. So how are you going to manage it?

Management:

In Annual General Meeting, this question was asked by one or two investors regarding the backend expansion. We explained there, once again I am reiterating here, that we will expand our backend for keeping good control on the inventory, location-wise control on the inventory because it must be lying at the various locations. So it should not go out of sight, out of mind, that kind of thing should not happen so we are keeping that in mind.

We have already started creating ERP upgradation for that kind of thing keep it on tracking from eight days onward, once it moves to the showroom, eight days onward, it will start tracking, that it has been eight days, nine days, 10 days that kind of thing, up to 180 days that kind of sorting continues will be there. Then if high moving items are there and becoming short at some other places then those will get replaced through that ERP solution only. And that is in progress. Right now we are capable of doing with the available resources. But as you said, yes, definitely with growing the inventory size and number and top line, we will require that and we are in line with that. We are already in the expansion of our ERP system.

Rahul Paliwal:

Make sense. My last question is about do we need capital to grow and that's when I am asking the question, I'm talking about mid to long-term and if do we need it will it be through internal accrual or we will be looking to again diluting equity or because in that case of higher growth, we might need a capital again.

Management:

Right now, for next at least one and a half year to two years, I don't find any requirement of the funds from outside because there will be a plough-back of the profit, then there is support from the promoters and there is already whatever we are going to launch as far as the diamond segment is concerned. We already have got around INR12 crores fixed deposit lying in bank. Promoters have extended INR 10 crores CC limit to us through their security of their own fixed deposit. So it's a INR 22 crores and INR8 crores already sanctioned limit is there from ICICI Bank, which is not utilized. So it's almost INR30 crores are there.

And as I said, number of locations are increasing, our franchises are increasing, they are giving deposits for the inventory. So for giving inventory to these locations, we will not require any funds.

Rahul Paliwal:

Sure, sir. Sure. I will be back in a queue. Thanks.

Moderator:

Thank you. The next question is from the line of Swapnil Kabra, an individual investor. Please go ahead.

Swapnil Kabra:

Hi sir. My question was with respect to the inventory loss. Do we have any percentage of inventory which is not getting sold?

Management:

Unsold inventory? That is a problem we face.

Swapnil Kabra:

No sir, I wanted to ask that the inventory that is not sold, as I know in the last conference call you said that you sell it on discount in December, right?

Management: Yes, there will be annual sale as a Foundation Day Sale. And last year it was 40% off and in that I think 15 days sale or 7 days sale, we clocked almost INR 3.5 crores sale. This year also we are planning that December end of year sale or end of stock sale. But right now in advance I cannot comment what percentage will be there and how many days and what will be the exact date for that. But we look to the inventory that it will not get stuck and many times in the recent, in last month, we have tried to contact all the suppliers and ask them that your so and so items are lying with us, can you offer us exchange by some 5%, 10% discounting and many of them were ready to exchange it so it is not getting stuck.

Swapnil Kabra: Okay. Thank you so much, sir. Thank you.

Moderator: Thank you. The next question is from the line of Kushal Kasliwal from Investing Hut. Please go ahead.

Kushal Kasliwal: Sir, I think my question is again on the same lines, working capital and inventory write-off. To manage working capital, are we using some kind of data analytics or in-house data team? Or is it all done right now on brick-and-mortar? Are we using any data science to manage our working inventory?

Management: Inventory is regularly controlled by the back-end people. There are people who are controlling the inventory and those people are from our parent companies payroll, earlier they used to work in P N Gadgil & Sons Limited. So they have got very good experience how to control and how to manage the inventory, how to segregate moving, non-moving kind of inventory and all these things. So right now there is no problem for that and we are managing it well within our limits.

As far as working capital is concerned, right now, we are not facing any sort of funds, because our company has surplus right now. But once we will shift to the diamond, to add that diamond, we will start. It is a blessing from our promoter, that they (P N Gadgil & Sons Limited) are 10,000 crore strong and they've got all the expertise and all the solutions which they are passing on to us for using, and we are using it.

Kushal Kasliwal: Sir, just a follow-up question on that. There is a lot of help from, the parent company which we receive. So, what I was saying is as an investor in a separate listed company and obviously P N Gadgil is a separate company, as an investor in your company, I would like to see our company without a significant support from the parent. Ideally what is happening right now is, we are giving maybe lower commission on the franchise store which we have with the parent company or we are giving a lower rent to them. It is actually some value is being derived from the parent company directly to this company as of now.

So when do we expect, when can we expect this company to be independently standing company in a brand in the market which can attract franchises because a gold business or a jewellery business franchise, you will directly compete with the likes of the bigger companies like Kalyan or maybe Senco. So when do you expect your company, especially the Gargi company, to have an independent standing of its own in the market even without P N Gadgil?

Management:

Wherever we are not paying them commission matching with the others, they are also not investing anything in the inventory. So, as far as the concessions are concerned, yes, definitely concessions might be there, but those are not at a very large size. And technology and expertise giving, it's a part of because it's their child, baby child only. So giving it by parent, we cannot calculate it in rupees.

Over a period of time, baby will also become intelligent and that baby will be independently managing its business. And we are seeing that, what we were doing in November '21 and what we are doing right now in September '23, we are becoming more and more independent as far as Gargi Fashion Jewellery is concerned. We are keeping less dependence on P N Gadgil & Sons Limited. And it will go on increasing, that dependence will be lower as compared to what was there in November '21. Then cost subvention is not there at all.

The knowledge subvention, yes, it is there. But since as I said, it's a baby and father or baby and parent, that kind of relation is there, so it is not valued in rupee term and not charged to the Gargi Fashion Jewellery. And as far as support is concerned, parents have given a commitment that their support will be forever, for the lifetime. Because they have created a baby or given a birth to baby for the long term survival.

Kushal Kasliwal:

Understood. Thank you, sir. Thank you.

Moderator:

Thank you. The next question is from the line of Darshit Vora from Robocapital. Please go ahead.

Darshit Vora:

Yes, hello. So in the last call, you had mentioned that PAT margins would be, will come to a range of 6%- 9% once the FOCO model gains momentum. So I just wanted to ask that, is that target still intact and also what would be a basic timeline when the FOCO model would be said to be in complete momentum?

Management:

For becoming a fully momentum FOCO model, my FOCO franchises should loudly deliver it to the market that these franchises are paying them good, as far as returns are concerned. So once my Vashi or that independent brand store of P N Gadgil & Sons become BEP equivalent or the start making profit on their capital invested, that FOCO model will get momentum. And I am confident that, in FY '25, that momentum will be higher as compared to current momentum.

And as I said that time 6%- 9% PAT, scaling down it to the 6%- 9%, it is not only because of that FOCO model, it is also because of the diamond segment, which I am introducing. Because their ticket size, top line contribution will be higher, but margin will not be matching to the fashion jewellery. That margin will be matching to the plain gold studded jewellery which is getting sold by CaratLane and other jewellery shops.

Somebody asked regarding the Senco competition with the Senco and all these things, I am not competing with them, they are mainly in plain gold and studded jewellery and large size diamond ornaments. I am at a lower ticket size diamond ornament, which is ranging between INR15,000 to INR50,000, So it is mainly as a fashion jewellery, I am going to sell with having

resale value. That kind of theme will be there. You can keep on changing, you can keep on updating your ornament without losing the value just like a fashion jewellery.

Even at INR 15,000, if you buy 14 carat gold and diamond studded jewellery, it will fetch you minimum 90% cashback or 100% exchange in future days. So, it's a theme, which I am going to sell along with the fashion jewellery. That addition to top line will be there but margin in that segment, that 14 carat gold along with the diamond will be lower, not it will be matching with the 92.5 or copper and brass jewellery.

Darshit Vora: Right. Okay. Thank you.

Management: But again I am keeping it confirmed that in rupee term, we will see the jump in rupee term even though not in percentage margin and in parent company also, we believe in the additional rupee earning rather than additional percentage of earning because top line is there, it is important, percentage is also important, but more important is the absolute rupee which we earn, that is more important for us.

Darshit Vora: Right. Okay.

Moderator: Thank you.

Management: Yes, anyone?

Moderator: We have no further questions. I would now like to hand the conference over to Mr. Amit Modak for closing comments. Over to you, sir.

Amit Modak: There are no questions, no?

Moderator: No further questions, sir.

Amit Modak: So, I'm very much happy to know that you all investors...

Moderator: Yes, one, somebody has added, sir, Rajesh Singla. Yes, we have the next question from the line of Rajesh Singla from VTG Capital. Please go ahead.

Rajesh Singla: So maybe just if you can give some breakup of the hundred. So when you talk about INR100 crores top line, can you tell us the mix of that top line? How much would be the 14 carat gold and diamond jewellery and how much would be the fashion jewellery, which has higher margin? So that the blending margin could be like maybe more than 9% or something like that. So if you can share the break-up of that INR 100 crores sales, any insight would be helpful?

Management: It is very on gross basis; I can tell you. Because precise basis telling also is not ethical. But I can say, more than 50% it will be a fashion jewellery and near to 40% to 50% it will be a studded diamond jewellery.

Rajesh Singla: And how much PAT margins do we have on the fashion jewellery?

- Management:** PAT margin right now, we are having around 12% - 13%. Those will go down if that sale will come from the FOCO type of franchises because there we need to give away some additional commission as compared to our SIS with the P N Gadgil & Sons or Shoppers Stop kind of activity. They need to operate and spend for entire opex site. So little bit higher margins are required to be paid and that may impact the PAT margins. But again I am saying absolute rupee will definitely go on increasing year after year and that much I can give you guarantee.
- Rajesh Singla:** Definitely. Best of luck for the future. Thank you very much.
- Moderator:** Thank you.
- Management:** One line question, one line answer will be there because time is running out.
- Moderator:** The next question is from the line of Kushal Kasliwal from Investing Hut. Please go ahead.
- Management:** Kushalji, one line question, one line answer because time is running out.
- Kushal Kasliwal:** Got it, sir,. So just one liner on, when a franchisee reaches their break-even point, what is the level of annual sales we expect from this franchises?
- Management:** Around about INR 1 crore.
- Kushal Kasliwal:** Around INR1 crore. And I am assuming, we would be sharing 20%- 30% to the franchise, right?
- Management:** Yes, something or more than that.
- Kushal Kasliwal:** Something or more than that. Okay, sir, thank you.
- Moderator:** Thank you. The next question is from the line of Rahul Kumar Paliwal from Shefa Family Office. Please go ahead.
- Rahul Paliwal:** Yes, so my question is about another category, where we can tap the potential, which is nothing but the collection items, which ideally our parent also do. They launch certain kind of collection items on different occasions and then they try to massage the data which exists there, customer base and that gets sold immediately.
- That's the brand, PNG have. So, do you plan that category to take it very seriously? Like you had this exhibition recently about in Pune about Shrimant Shivaji's collection articles and all those things. So are you planning this kind of thing? Because this is a good area, where you can tap the potential of your brand and the trust which you come up with.
- Management:** Which collection you mentioned?
- Rahul Paliwal:** I am talking about the collection articles. For example, it could be anything like something to be get collected, some silver article or some statue of those Indian heroes or whatever. I mean you can plan something?

Management: No. Already we are selling that under gifting items, statues and all these things are getting sold. Not only that certain copper, pure copper articles are getting sold in the shops and statues are getting regularly sold in the shops of the Goddess and Maharaja. Spiritual sale is always there.

Rahul Paliwal: Okay. Thank you, sir.

Moderator: Thank you.

Management: So for concluding line, I will say, I am very much thankful to all investors, showing confidence in the company, getting reflected in the market. I am not concerned with the market on day-to-day basis. I am tracking the business more rather than the market, but still I have seen the price of share before coming to the meeting and I am happy that you people are giving good response and showing good confidence in the company. I will request you to keep that confidence continuing in the company. You will get always the better outcome from your confidence. Thank you.

Moderator: Thank you. On behalf of PNGS Gargi Fashion Jewellery Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.