



by P. N. Gadgil & Sons

08th May, 2024

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

■ Ref: BSE Scrip Code – 543709 Ref: Symbol – GARGI

Sub: Transcript of the Earnings Call with Investors and/ or Analysts held on 03rd May, 2024

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 Friday, 03rd May, 2024.

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

Kindly take this on your records please.

Thanking you,

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: - L36100PN2009PLC133691 (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))

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“PNGS Gargi Fashion Jewellery Limited
Earnings Conference Call”
May 03, 2024



**MANAGEMENT: MR. AMIT MODAK – NON-EXECUTIVE DIRECTOR –
PNGS GARGI FASHION JEWELLERY LIMITED
MR. VISHWAS HONRAO – CHIEF FINANCIAL OFFICER
– PNGS GARGI FASHION JEWELLERY LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the earnings conference call of PNGS Gargi Fashion Jewellery Limited. 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 this conference, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vishwas Honrao, Chief Financial Officer, for his opening remarks, after which Mr. Amit Modak will share a brief about the company. Thank you and over to you, Mr. Honrao.

Vishwas Honrao: Thank you, Dorwin. Good afternoon, everyone. 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.

We wish to start by clarifying 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 risk state that the company faces. These statements are considering the business environment we see as of today, and therefore there could be risks on certain things that could cause the actual results to vary materially from what we are discussing on this call today.

I now request Mr. Amit Modak, sir, to take over to you, sir.

Amit Modak: Hello, everyone. Welcome to the conference call. This is our third conference call which we are having interaction with you people since our IPO, which was there in December 2022. I first of all, thank you all for showing the confidence in the company and remaining with us as a family member because we treat all people as a family member.

PNGS Gargi Fashion Jewellery Limited, I think, is the only fashion jewellery company right now on the board, which is a listed one, and working since last three years with showing bottom line on the positive note all the time. Just now, one week back, we have got our annual results published, which are there on the public domain, which are showing if you compare with March '23 to March '24, it is almost 100% top line growth. And profit after tax, there also it is near to 90% growth.

In earlier call also, I have mentioned somewhere that as our volumes will keep on growing, our margins may come down to certain extent because for increasing volume, we may need to adjust the prices of our goods, which are getting sold or branded. Or many times, it may be for attracting the people. And secondly, for the growth of business, we might be developing certain markets, either through franchisees or through SIS stores, where we may need to give higher margins to them for making their activity, that they should have break-even.

So, for creating break-even activity, we need to give them higher margins. But still, with all these things, we have maintained the margins around 15% PAT, and that is what we had

discussed in our earlier talk, that margin will get maintained not less than 15% at the bottom line after tax.

In last year, there is an increase in the gold prices. We started in October, 14 karat gold diamond studded ornaments as a new category, which has pushed the sale, which can increase our margins also in an absolute term rather than in a percentage term. So, it has happened. And likewise, in absolute term, in repeat term, our margins have gone up from INR4.68 crores to INR8.45 crores for FY '23 to FY '24.

Last year, we have just operated 6 months or less than 6 months, that is 20 days less than the 6 months in the diamond segment. This year, it will be a full year, this segment will be there. If we compare results with Q3 of FY '24 with Q4 of FY '24, we will have regrets that sale has gone down. But always keep in mind, Q3 is always a festival period. In every year, Q3 will have Dasara, Diwali, Ghatasthapana, Navratri, then Kartik Purnima, then Christmas and all kind of festivals are there. And that's why fashion jewellery or any kind of jewellery will definitely have higher sale in Q3.

You can check it with any of the jewellery companies, their Q3 is always the highest in the sale figure. If we want really to compare whether we are doing well or not, whether we are progressing properly or not, we need to compare H2 of previous year with H2 of current year. And if we compare that with the Gargi's current results, which were published on the 24th of April, you will see from INR17 crores Q2, just a minute, March 23 Q2 was INR16.78 crores, vis-à-vis current year Q2, it is a INR33.16 crores. If you see, the growth is almost double.

And if we want to say that INR33 crores for 6 months, that is a run rate of almost INR5.25 crores per month. Earlier period, if you take INR16.78 crores, that run rate was just the three and some INR3-odd lakhs, INR3.10crores, INR3.20crores. So run rate also has gone up almost by double. Total turnover also has gone double. If you compare PAT for same Q2 of FY '23 with Q2 of FY '24, that is also near to double from INR2.55 crores to INR5.50 crores.

So on the gross level, I am telling you that kindly compare Q2 of last year with Q2 of current year instead of recent quarter to recent quarter, that is a Q3 of FY '23, sorry FY '24 with Q4 of FY '24. As a SME segment listed company, we are supposed to publish results only twice in a year, that is a half yearly result. But as a prudent practice and keeping investor updated from time to time, we are making effort to give you results after every quarter.

And that too with all the adjustments like provisioning, prepaid and liability for the provision, everything is getting considered while extracting the result. It is not on the gross basis, it is on a very precise basis we are extracting the results. Current year, we have started in April, but there is a limitation since January '24 itself due to the gold rate. And gold rates are higher, that's why ticket price has gone up even though it is a 14 carat. Proportionately, rate for the gold for 14 carat also has gone up. And so the diamond jewellery sale has got lightly dented for that period.

If we go with the last year, silver jewellery sale or the other fashion jewellery sale was around INR28.73 crores and pieces sold during that period was around 2,17,000. Second was a non-silver jewellery item which consists of the gifting items. There we have sold almost 63,000

pieces and turnover was INR9.60 crores. In silver jewellery, single ticket size, average ticket size was INR1,300. In gifting item, average ticket size was INR1,500.

Third category, that is the diamond jewellery which we recently started. Turnover was clocked at INR12.14 crores. Pieces sold were 4,600 and average ticket size was 26,000. As I told you earlier, in earlier con-call also, that we will go with the 15-50. That is a 15,000 to 50,000 kind of ticket size ornaments in 14 carat gold diamond studded. If you see the average ticket size, it is serving that purpose only. Only with the increasing gold prices, that ticket size may go up this year. But we are trying to make it more attractive and more affordable.

Current year, we are adding few locations. Last year end, we have completed the things with almost 50 locations including SIS. SIS mainly with Shoppers Stop, SIS with the PNGS. P.N. Gadgil & Sons was running 30 SIS. Then Shoppers Stop was running almost 20 SIS and 5 were the stand-alone brand stores. The total count was 55. In my earlier conference or Investor Connect, I said that I will complete 40 in FY '24. But luckily and with God's support and your support, the count has gone up to 55.

Current year, also roughly SIS will increase by another 15 locations. And stand-alone shops, which are called as a brand shop or the franchisee shop, those will be completed at least 7 shops in this year. So, total stand-alone shops, current year 5 plus next year 7 will become 12. 30 to 31 will be PNGS shops and 15 additional SIS shops. So, current year, 22 minimum addition will be there for the 55 and the number will be lucky number 77. 0077 is a good number. So, we will also try to complete that 77 number for the current financial year ending.

Surprisingly, earlier we were thinking that Shoppers Stop will not give us very good revenue or something. It will be just for the display purpose or the advertisement purpose. But in last year, we completed almost near to INR70 lakh sale from those SIS of the Shoppers Stop, which is a reasonably placed and our expectations were not to that extent and those are exceeded to our estimation. This year, we have reached to the north-east area, that is Shillong and we are expanding in the 7 sister area. Very shortly with shopper's stop, we are launching in New Delhi.

There were some sitting problem for the New Delhi launch. Earlier we were expecting New Delhi launch will be at earlier stage but we were insisting for some good locations out of their total location and now we have concluded it and very shortly we will come out. In FY '24, we have entered in Chennai, then Hyderabad, Bangalore, stand-alone store at Latur, stand-alone store at Andheri for shopper's stop.

We have added Nasik as a stand-alone showroom, that is a brand store. It is run by the franchisee. Sector 17, Vashi, it is run by franchisee. Then Lakshmi Road and FC Road in Pune, those are run by the PN Gadgil & Sons Limited as a stand-alone franchisee, where no other PN Gadgil & Sons items are getting sold, only Gargi fashion jewellery is kept and all that things are contributing to us for the awareness about our brand with the mark and mainly that shopper's stop is also giving us good awareness with the people regarding our brand. Brand recall activities, we are starting this year and we are going to check the recall.

We have created some models through which we are going to check. We are giving some additional concessions or say the incentivization to the stand-alone franchisees which are running the brand stores and through which they will make more and more propaganda for the brand and their sale will also go up substantially. Current year in the first month April, we have clocked sale of around some INR3.5 to INR3.75 crores. Earlier period if you see, last year first six months run rate was just INR3 crores. So this time that run rate has gone up by almost to the level of 20% to 25%. So same way it may get escalated for the year and far better than what just escalation will tell you, beyond that also it will be there.

I personally think that this is a fashion jewellery company and it will catch the attention of the many customers. If you see that 2,85,000 pieces are sold in last year, that is a sizable number and as that number goes on increasing, it will be mainly reflecting expanded business through additional spaces as well as recall of the existing customers. In case of diamond, recall will be definitely there because there are good buyback policies, there are good exchange policies. So automatically that callback will come.

Current year we have changed one structure and that is from the SIS with the P.N. Gadgil Sons, we have made their franchisee as a Fofa franchisee. Franchisee owned, franchisee operated. And for completing that exercise on 1st April, we have sold the entire stock to them which were lying in their SIS location. And so right now only I am telling you while examining Q1 results of the current year of PNGS Gargi Fashion Jewellery Limited, don't get carried with the higher numbers of the sale. That is mainly because of the entire inventory is built in their name for selling at their location.

And in Q1 results, I will definitely give you separately figures of the actual sale which happened in their location as an ultimate sale to the customer out of the stock purchased by us. Plus it is sold at the Shoppers stop SIS and standalone brand stores which are run either by the P.N. Gadgil Sons or by the Gargi or by the franchisee. So I am giving you a hint that even though it looks very attractive figure of the sale at the end of the Q1, don't get carried with that. This kind of disclosure very rarely people might be giving. Otherwise, I would like to see that you are biased about the figure but I don't want to have any wrong presentation about the sale at the Q1 end. Right now, there are many people who want to ask questions and their precise question, I would like to answer their precise question. So I am handing over for the question and answer.

Moderator: Thank you very much. The first question is from the line of Swapnil Kabra from SK Enterprises. Please go ahead.

Swapnil Kabra: Hi, sir. Sir, can you tell me the revenue for sale of diamond in the quarter four?

Vishwas Honrao: Diamond sale in Q4?

Swapnil Kabra: Yes, sir.

Vishwas Honrao: Q4 Diamond sale was almost 6.75.

Swapnil Kabra: Okay. Sir, what was the sale of diamond in Q3?

- Amit Modak:** Diamond sale in Q3 was 12.14 in total. If deducted from 6.78, it will be 5.35.
- Swapnil Kabra:** Okay, sir. Sir, the sale of diamond has increased due to the decrease in the current margin?
- Amit Modak:** In diamond sale, whatever gold component is there, I cannot have abnormal margins. Because gold prices are universal everywhere, standardized anywhere. Their margins are only on the diamond items and making charge. And if you go with that INR12.14 crores rupees total sale, I think almost INR2.5 crores will be the gold content. Where there are margins like 0.1% or 0.25%.
- Swapnil Kabra:** Okay, Right, sir. Sir, our plan for next year is to open 7 franchisee stores. Will PNGS be the main owner or are we thinking of giving franchisees to other owners?
- Amit Modak:** See, our brand is a young brand. And we are not in the mood to burn the cash. Like I will tell you that you take a franchise, I will spend your entire 2 years, then you have to put up my board. After 2 years you have to start spending. That kind of cash burning we are not doing. PNGS, that is P.N. Gadgil and Sons Limited they have got their own very good image in the market. They can start those franchises and make it viable with some or other combinations.
- And they have got good holding capacity. They are also not in a hurry to make profit from the day one. They are not very much keen about the BEPs and all these things on the hectic style. So, generally, and while speaking to with those promoters, which are the same promoters for the PNGS and PNGS Gargi Fashion Jewellery. They always say that we are ready to have as many franchisees as you want to expand. Just see, if no one is interested, don't press to the third party. You just offer it to us and we will execute it.
- Swapnil Kabra:** Okay. Sir, how is the current response coming from all over India? Are you getting enquiries from franchisees?
- Vishwas Honrao:** We are getting enquiries from franchisees but we are little bit choosy. Because my logic is that once I put my Board, it should not get down. Many casual people are coming and enquiring about the franchisee, and they are asking that what will remain and what will not remain. And after six months, eight months, 10 months, 12 months, if they decide to quit, ~~So,~~ it will be a forceful adoption for me. And that time it will be difficult.
- And so, we are giving them that if you choose the location, let us see. We will decide whether this location is suitable or not. And then we will allow you to work on that location. Not just, I have a store, I want to put it, this is the place. You say, take the deposit, give the stock, I will start selling. That kind of activity we don't want.
- Swapnil Kabra:** Right. Sir, I will give a suggestion. As you have said that the result of Q1, the actual sale number will increase. Sir, I guess we should upload an investor presentation. So that everyone of us will clearly be aware that how much is being sold. If you do an investor presentation, it will be a better idea. Just a suggestion.
- Amit Modak:** Okay. After Q1, we will do a specific meeting. They will explain what is the sale composition and how it has come to that level. And how that in place of SIS, FOFO models are doing sale of

the company. Because this change is not an intentional change or it was not pre-planned something. It has come to our knowledge that there is a huge GST set-off. That is GST input tax is remaining as a carried over. Because they were charging us commission. And on that commission, it was 18% GST. And our end product is getting sold at 3% GST. So there was a huge carryover of the service tax. Which means the goods and service tax in GST. And that is not refundable. It is only adjustable. So over a period, there used to be more pile-up in the future. And our working capital was getting locked due to that. So for that part, that solution came out. Let's restart the FOFO model. And that will solve this problem.

Swapnil Kabra:

Correct. Sir, next year's target of INR100 crores, we will explore all this and...

Amit Modak:

No, no. You are saying... Just a minute. I will correct you. You are saying INR100 crores. I am not saying INR100 crores. I said in last two meetings also, this meeting also, I am telling you. That whatever time I had said somewhere that I will have FY '25 with INR100 crores. That time, I was not listed. I was not monitored by any statutory authorities. That time, it was just a interview after starting or launching the brand. And that's why it was said. I will try to achieve. But it is not my commitment or anything. But you can go ahead with your question remove that INR100 crores and continue with the question.

Moderator:

We will proceed with the next question, which is from the line of Rahul Kumar Paliwal from Shefa Family Office. Please go ahead.

Rahul Paliwal:

Congrats for the good set of numbers, sir. Specifically considering larger PE-backed players are bleeding in bottom line. While Gargi is profitable since inception. Still, though we are a small player store comparison and all. So, how do you see a conservatively projection of your quality growth for next 3 years to 5 years and I want to club another two questions which are related to this is any rough idea about the market size and growth rate in next 3 years to 5 years for the segment of fashion jewellery? And do you see any kind of headwind crocking in the sector considering the macros and micro and if there is a tailwind in the sector can Gargi outpace that tailwind? So, that's about growth and projections?

Amit Modak:

See, there are many competitors for me they are operating in the market. I cannot take names of anyone as a prudent practice, but you all people when tracking the Gargi, you must be tracking all other players also. There also you must be seeing what is the top line and what is the red bottom line for those companies. And how cash burn is going on, but I am not interested in cash burn. I want to create a quality product and quality brand and that brand and product should speak in the market rather than my advertisement just marketing burn.

So, if you see and if you look to the statistics which is available on the public domain that fashion jewellery industry is going with the 30% to 40% Y-o-Y. And if you see what has happened with the Gargi from FY1 to FY2 and FY2 to FY3 our growth has definitely outperformed the market growth expectation or the growth matrix.

So, from 30% which is expected for fashion jewellery industry we have performed 100%. I will not say that every time it will be 100% because being 1 to 2 it is 100%, but by doing 2 to 3 and

half by adding 1 and half additional, previous year only added 1, still 100%. Next year I am adding 1 and half, but it is not 100%.

So, on percentage term, I am not that way going to comment anything, but yes higher turnover will be there. Higher growth will be there and that growth will be outperforming the market growth, outperforming the expectation of the market growth in the jewellery that is the fashion jewellery sector.

Fashion jewellery as a whole, people are saying that this industry will reach to INR30,000 crores by FY30. Right now it is somewhere INR10,000 to INR12,000 crores. I am talking about the overall, not only organized, it is overall. Right now in an organized sector, fashion jewellery is just 3 to 5%. And by 2030, when that 30,000 is coming in organized sector itself it will be more than 25%. So, for organized sector right now if it is 3% of the 10,000 which is almost INR300 to INR500 crores it will reach to somewhere 25% of 30,000 means INR7,000 crores.

So, for fashion jewellery in organized sector will go up very fast and very good CAGR for the organized sector. Profitability, it will keep on maintaining as new addition of the location will be there, more volumes will be there, more attraction to our diamond segment will be there.

Because in diamond segment even though that gold is not yielding any profitability, only diamond and making charge is yielding the profitability, on absolute term basis additional rupees will definitely keep on adding in the future profit and that will be pleasing you as far as EPS is concerned. It may not be the margin, margin may decline from 15% to 13%, but my bottom line absolute value will definitely grow and that will be attractive.

Rahul Paliwal:

Thanks for sharing the interesting data point. My another question is about the structure of the board. Any reason, Amitji, you and Aditya both are non-executive director, I mean, why not having a full-time CEO or MD, ED position?

Amit Modak:

Yes, in last AGM it was sometime in June 23, this question was asked by the AGM people, people sitting in the hall and we have said that by end of this FY25 we will have full-fledged backend management like a full-time CEO or Executive Director. He may not be a CEO, but Executive Director with the overall control of the company. Right now, as it is indirectly we are pleasing to the company and shareholder by not charging anything for our expertise and transferring our free expertise, but definitely as company will keep on growing, our efforts will have some limitations.

And we are in the process of appointing Independent Executive Director or the CEO or the COO whatever it may be. Right now, there is only a Manager, CFO and Secretary in a KMP, but you will find additional KMPs will be there and they will take the charge of the company.

Rahul Paliwal:

So, will it be a professional from the market or from the PNG team itself?

Amit Modak:

Both options are open because I need to find a person who is ready to move from PNGS to Gargi Fashion Jewellery because salary structures and all these things are different, incentives are different. So, a person is interested to go from PNGS to Gargi, we need to sacrifice and I don't find that is possible. So, we are likely to hire it from the market.

- Rahul Paliwal:** Got it. I will get back in the Q&A for the further questions. Thank you.
- Moderator:** Thank you. The next question is from the line of Rajesh from DPC Capital. Please go ahead.
- Rajesh:** Hi this is Rajesh from DPC Capital. So, good afternoon, sir. So, congratulations on a very good set of numbers. So, I have a few questions. So, I will ask one by one each of them. So, can you please share the sales break-up between PNGS, SIS, Shoppers Stop SIS and exclusive Stores like how much was the sale between these three formats in FY24?
- Amit Modak:** FY24. It was 90% from PNGS SIS.
- Rajesh:** 90% from PNGS SIS. Okay.
- Amit Modak:** And remaining is from the stand-alone brand shop and SIS of the Shoppers Stop.
- Rajesh:** So, SIS of Shoppers Stop like how much can we say like 5%, 4% would be that number?
- Amit Modak:** Last year we have locked 70 lakh that is less than 2%.
- Rajesh:** And we have the similar margins across the formats?
- Amit Modak:** We are locking almost 4% sale online.
- Rajesh:** 4% online as well. That's great. And what was the same-store sales growth in FY24?
- Amit Modak:** Same-store sales growth that kind of thing we have not considered, but it is not less than 20% anywhere. We have not calculated highest and lowest, but average it is not less than 20%.
- Rajesh:** And we believe this will continue like the same-store sales growth, the organic sales growth will continue?
- Amit Modak:** Yes. The lowest is coming from the rural area. The shops in rural area they have lower sales growth, but the shops in Pune like Aundh, Chichwad, Satara Road Shop, they have given even 70%-80% Y-o-Y growth. But as I said that Y-o-Y growth in percentage will not get maintained. Amount-wise, it will definitely go maintained.
- Rajesh:** Okay. The second question would be like I understand the legacy that we are carrying that we should not close our store, the board should not come down and that's why we are a bit cautious in terms of the expansion.
- But still, increasing your exclusive stores from 5 to 12 this year, it's still quite a good impressive growth, I would say, would be. But still, despite all the facts like we are still having very limited presence as of now.
- And I believe in India, you can definitely find at least 15 to 20 good country locations, good city locations where probably the risk of closing down is very limited. So, what stops us from an aggressive, even more aggressive expansion in 2025 or beyond now that we are having a complete launch pad ready with us.

So, we know how the formats are working and what kind of response we are getting from customers. And even factoring in the legacy what we are carrying I think we should be able to find at least 20 city locations where the risk would be very less. So, any thoughts on that?

Amit Modak:

See, we are prominent in Maharashtra and we have got already 23 cities covered in Maharashtra as far as cities are concerned. In Maharashtra prominent cities are like Pune, Nashik, Solapur, Mumbai, then Dombivli and Badlapur, that's suburb hub of the Mumbai. Then Amravati at the top, Solapur is there then Gulbarga in Karnataka, then Baroda in Gujarat.

So, all these areas are tapped. Mumbai is already there, Prabhadevi. We are tapping, but as I said, we are conservative. As you rightly said, there are 20 good cities in India where we may go and we may survive without pulling down our board. That kind of situation will not happen. But if we want to go to Bangalore, Bangalore city is like that I cannot go with the single store.

For creating presence in Bangalore city with the congestion of the traffic and all these things, I need to have 5 to 7 stores. And that is not a commercially viable proposition. So, I will go to Hyderabad, because in Hyderabad there is a concentration of the market area, where good luxury market is there. There itself I can put the store and survive the purpose, my purpose will get survived. Or in Chennai also. But for selecting location, instead of that, I am thinking in such area that SIS Shoppers Stop is servicing me well. Because there is a very low cost of operation for me.

Whatever sale is coming against that, there is no operational cost to me except my employee cost because everything is provided by Shoppers Stop. And awareness about the brand is getting created from the Shoppers Stop location because targeted actual customer, who wants to see that only, comes to that shop. And he gets the knowledge that yes, so and so is brand.

Once it gets established there, I will come down in same city for setting up separate standalone store. Because by that time my brand will have awareness with the many people. And I will require spend less on the marketing for creating the brand awareness. So with that strategy we are going up. Right now, as I said very shortly, we are opening stores at Delhi Shoppers Stop. At least 3 to 4 stores will be there.

And that will create awareness in the Delhi area. Delhi area standalone store setting is a very high cost proposition. But once my brand will get awareness in a year or one and half year, I can have standalone store in Delhi also.

Rajesh:

Right. But in Shoppers Stop we cannot introduce the diamond product right because of the security?

Amit Modak:

No, we are talking with them and they are finding out the solution, because they are also interested. Earlier, they were selling some brands there. But those brands are closed down now. So, they are thinking that we are the best option for them. And they are thinking for it. But I am not saying that it is a very aggressive thing or anything. Because there is a limitation of the security and custodial thing. But yes, definitely at least 2 or 3 places out of 25 places, they are going to start our diamond segment also.

Rajesh:

Okay. Great. Thank you, sir. I will come back in the queue.

Moderator:

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

Kiran Paranjpe:

Hello, Mr. Modak. This is Kiran Paranjpe. I am an individual investor based in Pune. So, my question is more long term from the vision point of view. I would like to understand, now you listed this child brand I would say of PNG & Sons on SME exchange, right? So, I would like to understand next 5, 10, 15 years, where do you see this company going? In the sense, do you see it to go into the main board?

And then next question actually becomes what happens to the parent brand? And the question is emanating from the fact that the sister concern or the sister branch of earlier the PNG Gadgil Jewellers have now filed a draft. So, do you see that as a possibility in that case, the two would be independent listed companies? I know I am thinking too much ahead of time, but just curious about the reason of listing the child brand and not the parent company.

Amit Modak:

So, we filed parent company DRHP in FY'18-'19. That time our DRHP was approved and we were open in the market. But that time all of a sudden many entities failed in the market in the jewellery sector. Everyone knows the name, I will not pronounce the name. If you remember June 18 to December 18 period. And that got something set off for our proposition of the IPO.

Because many investors were reluctant to support the jewellery sector that time. They were all seeing with the doubts to the jewellery sector. So, we prudently decided not to go ahead with the IPO that time. Subsequently after 7 years from 2018, almost six years now, we are self-sufficient so we don't require public money for that our parent company. That's why it is deferred to go public with the parent company.

Then why for this child company as you are saying that child company. It's a vision of the 190-year-old brand people. That fashion jewellery has got a very bright future in the coming days. Even 190 years ago when they visualized that gold jewellery will be the good business. And they have made a success after 190 years. We are looking that they are still in the market with the good name. Their brand is a very prominent brand.

Same way now their vision is that along with the gold jewellery, fashion jewellery will become popular. It is not the offsetting the main gold jewellery. Because whenever someone goes to the shop to buy a necklace worth INR2 lakhs, he does not differ by looking at the necklace of fashion jewellery. He buys a necklace worth INR2 lakhs. If he wants from above, he buys a necklace worth INR2,000-INR5,000. So, that kind of thought process is there.

And for that purpose only we introduced this brand in 2021 earlier, go with the public in '22. And we handed over this company to the general investor at a throwaway price, at INR30 issue price. And right now you are looking what appreciation people are getting. We could have waited for 2-3 years, 4 years, created a valuation. And then gone for the IPO or OFS of the promoter and all these things. But as a promoter, they have a thought process that my investor should get participation right from day 1 and at that price. That is an attractive price.

And that was the reason why we gone with this IPO at an earlier stage. And it is a full thought that fashion jewellery will have very good and promising market in the coming days. And as I said, 30% Y-o-Y growth is there. You also can make an excel sheet and find out where company will be there after 10 years. I cannot pronounce absolute number here.

Kiran Paranjpe: I understand. My question was only pertaining to, do you see -- let's say, 30-40 years down the line, do you see fashion jewellery on a standalone basis as solid and as a strong brand as your gold jewellery is right now? Is that the reason why you made it a separate company? That's my question.

Amit Modak: Just out of curiosity, what age group we are?

Kiran Paranjpe: Sorry, age group. I am 58.

Amit Modak: 58. So if you remember 20 years back, there was not a ready-made garments market. Everyone was buying cloth, getting it stitched as per his measurements from tailor and wearing the cloth. Now, there are very few cloth markets and many ready-made garment markets. Everyone is knowing that I need 40 number shirt, I need certain number of trousers. Earlier, they were not knowing any measurements or anything. We were going to tailor with the cloth and getting it stitched.

We were not asking tailor, what is my size if I go for the ready-made garment? So, the way things are changing, the same way this fashion jewellery market will also change. Right now, I always call it as a wardrobe market. If a lady buys a new dress, she buys a matching fashion jewellery item with it. If she throws away her dress after 2 years, she throws away the matching fashion jewellery item with it. If she buys a new dress, she buys a matching item with it. It's a wardrobe. A dress with a matching item.

Secondly, when a lady goes to work in a corporate, the brand is very important. If she is wearing some copper jewellery or silver jewellery ornament, and a colleague asks her where she got it from, she cannot say that she got it from a store on the corner. She has to pronounce some brand. She will proudly say, yes, it's Gargi.

So that status is a very important point in coming days. We are eating burger, but we like to eat burger with a brand, rather than eating burger in the restaurant of an Udipi restaurant. Same way, this fashion jewellery will get known with the brand, and will get known with the quality, and will get known how long that brand is there in the market.

Kiran Paranjpe: Yes, that's fine. So your ultimate aim is to list on the main exchange, if I'm correct, right?

Amit Modak: It will get automatically listed after 3 years, because we are compliant. Corporate governance is there. Our network criteria will also get completed by that time, because now it has gone up to INR50 crores. Our shareholder number is already there. We have achieved that right now.

Kiran Paranjpe: Okay. That's all my question. All the best.

Moderator: Thank you. The next question is from the line of Prashant, an individual investor. Please go ahead.

Prashant: Yes. Hi, I'm Prashant. I'm also from Pune. I would like to appreciate the great performance this company has shown. My question is, right now you have said that this is a part of accessory, and we can see a lot of accessory companies listed, and I can see the trend where big corporate houses coming in with a big expansion plan and trying to eat up the market as fast as possible.

So, although I appreciate your strategy of being conservative, but don't you think if there is a corporate house which will come in with a big expansion plan, once they see the potential in the market, maybe the market that you have created, it could hamper our growth?

Amit Modak: No, I don't feel like that because we also have got a very good recall of the customer recall, and we have got definitely some expertise in this sector. Even though corporates will come, they will come with the statistics and professional analysis.

They will not have a hardcore mindset statistics and mindset analysis about the choices, designs, and liking. So, there are very few corporates which have succeeded in this kind of business. There are few, but very few. Not like the traditional jewellers. And this is a jewellery business. Even though it's a fashion, it's a jewellery. And along with that, there is a diamond. with the real gold and real diamond, natural diamond. So, there are designs and liking. And selling skills are there with the our-sized players.

I will say our-sized players, rather than saying small-sized players, which are not there with the large-sized corporates who are selling their products in the fashion jewellery segment. There is no knowledge about the product to the many salesmen, and they are not in a position to deliver the proper information to the customer. That is what we are looking in the market.

We are having a survey about the market. And I am not thinking but competition coming in as a threat, Competition is there everywhere in the market, not only in the fashion jewellery or the brand market. And I also have many options open to penetrate the market, introducing new products along with my existing products. Because it's a fashion jewellery, even though the jewellery world is there, after a few days, that world may get replaced with the lifestyle. And so, I also can compete with the market very easily.

Prashant: Yes. Thanks. Fair enough. The second question is, I can see there is a big increase in the inventory this quarter. So, are we going to have such increase going forward? Or will it be in alignment with the growth of the company sales?

Amit Modak: First of all, there is an increase in inventory, YOY if you say. It is because of that diamond segment is added. And in diamond segment, diamond and gold both are precious and high value items. In my second investor con-call, I had already explained this scenario that in coming days, my inventory level may go up. But you all will appreciate, even though inventory has gone up or my sale spread is moving at upward side, there is no, as on date, there is no loans taken or any borrowing is there. It is getting service from the internal accrual. That means whatever profit I am making, those are absolute profits, not book profits.

- Prashant:** Yes. That is really admirable that you are doing it without any debt. Thank you. That's all I have to ask. And best of luck for your future.
- Amit Modak:** Thank you.
- Moderator:** Thank you. The next question is from the line of Rahul Kumar Paliwal from Shefa Family Office. Please go ahead.
- Rahul Kumar Paliwal:** So, I think we should have a very unique philosophy of getting estate. So PE, VC and Shark Tank can be very detailed. Investor is, that's a very unique empowering strategies and adding highest possible value to the retail investor.
- Rarely if you do it. You talked about this inventory sale lump sum to FOFO model. So, how does, how did it become a win-win strategy for both of you?
- Amit Modak:** As I said, there was a limitation regarding one GST provision that service tax charged to me, which is my input tax, can be adjusted only against the output. But I can't claim the refund of the excess. And it has got accumulated to the level of 1.5 crores as on 31st March 24. And it will keep on adding if I keep the model same. For avoiding that accumulation and getting locked with the working capital, I opted for this model. And this is not going to change any profitability of neither of the PNG, Gadgil is that main promoter's main company or PNGS Gargi is not losing anything by changing the model.
- Rahul Kumar Paliwal:** Okay, got a fair idea. So, couple of more questions.
- Amit Modak:** Now, henceforth we will not pay any fixed charge to them as a facility charges.
- Rahul Kumar Paliwal:** I see. Got it. And they have shown the interest or you approached them?
- Amit Modak:** No, we have convinced them that this is a loss, which we are incurring due to non-availability of the set-off and non-availability of the refund possibility in the present situation. They said it's okay if we are not losing anything, we are okay with this one.
- Rahul Kumar Paliwal:** Superb. Great. My next question is like what are the key challenges, risk noted since starting of the operations? Considering like one is in category of non-diamond category, having ticket size of few hundred to few thousand and second category is diamond category and can both be scaled with the operating leverage?
- Amit Modak:** No, I don't get your question. Please repeat.
- Rahul Kumar Paliwal:** So, I am asking about, we have two categories. One is non-diamond, which is brass items, mixed alloy items, which is having a ticket size of few hundreds to few thousand bucks. And then we have a diamond category, where it is clubbed with gold stuff? That's category of 20,000 to let's say 60,000, 80,000?
- Amit Modak:** Yes.

Rahul Kumar Paliwal: So again, can both these categories be scaled with the operating leverage? So, in terms of like selling out, I think there will be 2,000, 3,000 items across geography, maybe once you move out of Maharashtra or you already moved in terms of SIS stores. So, can we scale up any risk you noted, the challenges you noted in both the categories?

Amit Modak: No, not right now, because silver jewellery is more and more becoming popular with the cost effectiveness and with the real gold and natural diamond, such ticket size is not available right now in the market and our qualities are well accepted by the people. Same qualities with different brands are getting at a higher price to the people and theirs' buyback and exchange policies are a little bit different from our policies.

Our policies are better, so that higher ticket size also there will not be problem. And as our additional location will come up with the franchisee or SIS, that silver jewellery or non-silver jewellery will have definitely higher sales automatically coming in. And right now, it's just, I will pursue with you people request to that we have just completed two and half years.

It's a very small journey we have completed. There is much much more to go. In next three to five years, you may get surprised that what it was at the zero day, what size of company was there and at the end of the fifth year or tenth year, what size of company it has become.

So, right now, I am not thinking of any threat or any competition or that kind of thing. I am still in a growth mode. Growth is still going on. Once growth is done, I will take a pause and say that growth can be very slow from now on because I have grown up sufficiently. I have used my full capacity. With God's grace, there will not be any condition that I will say that I have grown up fully. The growth will continue forever.

Rahul Kumar Paliwal: Got it. My last question is about are we confident about diamond category and non-diamond like Ticket item 2000 to few thousands as a growth lever for next three to five years or we may shift to even maintain seasonality or handling seasonality to pure gold and silver articles like silver can be used to sell collection items, home decoratives, men's jewellery, utensils and more. Did you see anything apart from the two categories which you identified? Any discussion on the board at the moment?

Amit Modak: No, in jewellery we will have silver jewellery and diamond only. Then gifting items we are adding. As you said, home decor items may get added. And as I said, over a period, jewellery may become a lifestyle in the name. Instead of fashion jewellery, it will be a lifestyle. Gargi lifestyle. And then pandora will get opened for the many items.

Rahul Kumar Paliwal: Okay. Any plan for outside Maharashtra, for PNG owned stores or Gargi owned stores?

Amit Modak: This year we are planning to start at Hyderabad as an outstate and one more in Gujarat. And Bangalore, as I said, there is a limitation that one store will not survive the purpose. So I need to have proper survey in Bangalore. And I will think 2-3 stores in Bangalore in the next 2 years then.

Rahul Kumar Paliwal: Okay. Any reason behind going into Hyderabad which is famous for this fashion jewellery? And even North East people are very adaptive to fashion jewellery.

- Amit Modak:** North is adaptive to fashion jewelry but in North we will see at the most franchisee or SIS- ~~It is preferable.~~ on preferable basis.
- Rahul Kumar Paliwal:** I am asking about 7 sisters states. Like North East. They are very adaptive people in terms of fashion jewellery.
- Amit Modak:** Which state, Himachal? North East states we have already started. So the seven sister area we have already started tapping but along with the shoppers shop. Not as a stand alone store. Because language and all many other problems are there.
- Rahul Kumar Paliwal:** Got it. All the best.
- Amit Modak:** So last 1-2 minutes are remaining. Any rapid question I will answer. Thank you.
- Moderator:** Thank you. Next question is from the line of Rajesh from DPC Capital. Please go ahead.
- Rajesh:** Hello sir. Thank you for taking my question again. So a couple of questions. One question is you mentioned that 90% of sales is coming from PNGS SIS. And as the PNGS SIS are not growing they are remaining 30 in numbers. And if you calculate on the last year numbers the revenue per PNGS SIS is coming at around INR1.5 crores on annual basis. So what kind of growth should we expect from the PNGS SIS from an organic basis. Should we expect around 60%-70% growth from those PNGS SIS stores?
- Amit Modak:** Few stores will show definitely 60%-70%. But few stores will get restricted to 20%-25% which are in tier 2-tier 3 cities. And overall it will be around 30% growth in all the SIS of PNGS. All SIS PNGS.
- Rajesh:** Around 30% growth we can expect from the PNGS SIS.
- Amit Modak:** I have always believed whatever is said it is all conservative statement.
- Rajesh:** So far we have launched 14 carat gold and diamond products. What kind of other products are in pipeline? You mentioned that Gargi lifestyle can be a future for PNGS Gargi where we can introduce more products and can have JV as well...
- Amit Modak:** Right now there is no concrete decision about that. It's a very initial discussion. No concrete discussion is there. Whenever there will be concrete discussion and some outcome will be there I will definitely come to you people first to tell you the news or tell you the details.
- Moderator:** Thank you. Next question is from the line of Swapnil Kabra from SK Enterprise. Please go ahead.
- Swapnil Kabra:** Sir, my questions were already answered.
- Moderator:** Thank you. Next question is from the line of Shail Apte from Airtham. Please go ahead.
- Shail Apte:** Congratulations on good set of numbers, firstly. Regarding the inventory growth, since gold and diamond has been added now and we see close to INR30 crores in inventory for a INR50 crores

in revenue, would these kind of numbers, the expected future when gold and diamond contribution increases or is this something that has happened because the revenues are not being realized for the inventory that has been accumulated?

Amit Modak: See, inventory always get valued at purchase price or the market price whichever is lower. So there is no question of realizing profit out of inventory. That is the first thing. Secondly, inventory increases mainly because of the gold and diamond items which are added in the inventory and those are used in last 6 months only. If you see INR12 crores sale of the diamond jewellery in last 6 months with INR15 crores inventory. That means giving almost 1.8 times stock turn.

In diamond jewellery stock turn 1.25 is a very good stock turn. And if I'm getting 1.8 stock turn, it is definitely a good stock turn. And that inventory has gone up just because of this single reason that is an addition of the segment that is a gold and diamond, diamond studded gold jewellery.

Shail Apte: Okay, so we should be expecting this level of inventory going forward. As the segment expands?

Amit Modak: If same number of locations will remain, the inventory will remain same.

Shail Apte: Okay. So percentage...

Amit Modak: If I will add the location, I need to add the inventory also.

Shail Apte: Correct. So in D terms, should we expect 200 days plus of inventory, inventory days?

Amit Modak: I guess it will be somewhere between 150 to 200 days.

Shail Apte: 150 to 200. Okay. And one more thing I wanted to ask was previously to online sales was 10% of revenue -- gone down to 4% of revenue. Do we have any plans to focus on online sales too?

Amit Modak: Mainly online sale in diamond is not happening. It is happening only in silver jewellery and non silver jewellery. And that's why that percentage has gone down.

Shail Apte: Okay, so we still are on track in terms of online sales when it comes to the fashion silver and silver jewellery segment of business?

Amit Modak: In fashion jewellery it is almost 8%.

Shail Apte: Okay.

Amit Modak: And with zero cash burning.

Shail Apte: Correct. One last question, considering that our stores will have more stores that are non-PNG SIS, what is the expected revenue contribution from the non-PNG SIS stores in this financial year?

Amit Modak: Those non-PNG SIS stores are mainly from the Shoppers Stop.

- Shail Apte:** Correct.
- Amit Modak:** And Shoppers Stop is mainly for creating awareness about the brand. That is my perception. But still that Shoppers Stop store has given me almost INR70 lakh sale last year. And that all the shopper stop 20 stores are not come up or were on for whole of the year. This year all these 20 will be there whole of the year plus addition will be there. And I hope that good sale will be there from the SIS of the Shoppers Stop.
- Shail Apte:** Okay. So but could we say that maybe just putting numbers out there. Could we say that close to 20% or 30% of our revenues will be derived from non-PNG SIS stores?
- Amit Modak:** We have kept target and we are working towards target to the level of 25%. 75% will be from PNGS.
- Shail Apte:** Okay. Understood.
- Amit Modak:** It will be going on increasing but it will not happen all of sudden.
- Moderator:** Ladies and gentlemen, that was the last question for the day. I would now like to hand the conference over to Mr. Amit Modak for closing comments.
- Amit Modak:** Yes. Thank you everyone. Whoever has left with the not getting chance to ask the question, they may send the question to cs@gargibypng.com. You can place your question. I will definitely I will be happy to answer your questions which are remaining unanswered. Thank you for joining. Thank you everyone.
- Moderator:** Thank you. On behalf of PNGS Gargi Fashions Jewellery Limited that concludes this conference. Thank you all for joining us and you may now disconnect your lines.