



by P. N. Gadgil & Sons

06<sup>th</sup> March, 2023

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

BSE Scrip Code – 543709

Ref: Intimation letter of the Earnings call dated 01<sup>st</sup> March, 2023

**Sub: Transcript of the Earnings Call with identified Investors and/ or Analysts held on 02<sup>nd</sup> March, 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 Thursday, 02<sup>nd</sup> March, 2023 at 4.00 PM (IST).

The transcript along with the audio recording is uploaded on the Company's website [www.gargibypng.com](http://www.gargibypng.com)

Kindly take the above information on your record.

Thanking you,

For **PNGS GARGI FASHION JEWELLERY LIMITED**

(FORMERLY KNOWN AS PNGS GARGI FASHION JEWELLERY PRIVATE LIMITED)

(FORMERLY KNOWN AS P. N. GADGIL & SONS GARGI COSTUME JEWELLERY PRIVATE LIMITED)

(FORMERLY KNOWN AS RESONANT CONSULTING PRIVATE LIMITED)

Bhargavi Aphale

**Company Secretary & Compliance Officer**

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))

Registered Office : S. No. 37/1 & 37/2, Near Lokmat News Paper, Wadgaon Khurd, Pune 411041

www.gargibypng.com www.gargi.shop Email-Id: info@gargibypng.com

India +91 020 2991 1980 / 81 / 82 Fax 020 2991 1982



**“PNGS Gargi Fashion Jewellery Limited  
Earnings Call”  
March 02, 2023**



**MANAGEMENT: MR. AMIT MODAK – NON-EXECUTIVE DIRECTOR  
MS. BHARGAVI APHALE – COMPANY SECRETARY -  
PNGS GARGI FASHION JEWELLERY LIMITED**

**MODERATOR: MR. SANDEEP RAINA – NUVAMA WEALTH  
MANAGEMENT**

**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, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sandeep Raina from Nuvama Wealth Management. Thank you and over to you, sir

**Sandeep Raina:** Thank you, hello and welcome to the Gargi Fashion's Conference call, hosted by Nuvama Wealth Research. It's a pleasure to host you, sir and thank you for coming on the call and speaking to our clients. So, just to give a perspective, we have Mr. Modak on the call who is handling the entire operations of the company. He is currently holding the position of Non-Executive Director of the company. So how the call will go is, Mr. Modak will start with a brief on the company and then the floor will be open for questions and answers. So over to you sir.

**Amit Modak:** Before starting the call I would like to give the disclaimer in the overall meeting of the PNGS Gargi Fashion Jewellery. Please note that during the call if any question remains unanswered we will get back to you over email. We wish you to start by qualifying that during the call we may make some forward looking statements. The company does not provide any specific revenue earning guidance. Anything which is said during this 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 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 actual result to vary materially from what we are discussing on this call. An audio link and transcript of this call will be shortly available in the investor section of our website, [www.gargibypng.com](http://www.gargibypng.com). With this we are now ready to begin with the opening comments on the performance of the company for the quarter nine months ended December 31st, 2022 and post that we will be available for question and answer session along with our comments regarding the industry as a whole.

Thank you everyone for joining this call. First of all, I will describe what is P. N. Gadgil because our brand itself says, Gargi by P. N. Gadgil & Sons. So many people must be having in their mind what is P. N. Gadgil & Sons. So P. N. Gadgil & Sons is a public limited company having last year's top line of around INR 5,500 crores. And current year also going on the same line.

It has started it's working in 2017 as a limited company, earlier it was a partnership firm. Mr Govind Gadgil and Renu Gadgil are the promoters of P. N. Gadgil & Sons and same are the promoters for PNGS Gargi Fashion Jewellery Limited. So that is the relation between P. N. Gadgil & Sons Limited and PNGS Gargi Fashion Jewellery Limited. Both promoters are same.

But there is no cross holding or cross transaction within these companies. Entire management, entire setup is separate. Rainaji said that I look after day to day management of the company.

Yes, I navigate the company's working. I am not actually and physically participating in the company's working. Company has got total setup for its own working. They have got CFO, CS and their Accounts team, their Procurement team, Procurement Head, Distribution and Logistics Head, everything is there in place and they have got their Independent Management, independent Office at independent place.

As far as PNGS Gargi Fashion Jewellery Limited, we have all gone through the prospectus or offer document in the month of November which was filed and which is there on the public domain. Financials till the end of September 2022 that is the first six months, those are included in those offer documents. And there are all details available there. I think this is about the 9 months working that is the 31st December 22 which are published on 7th of January of the public domain to the public after approval by the Board Of Directors. Apologies, it is not January, it is February.

As far as the 31st December 22 is concerned, it was around INR 21.5 crores with the profit after tax amounting to INR 3.3 crores. It comes to around 15% post tax margin. Now this is a fashion jewellery company, it has got a higher margin as compared to the plain gold jewellery. It's basically wardrobe jewellery as compared to the valuable or precious jewellery. The number of number of items or articles....

**Moderator:**

I'm sorry to interrupt you Mr. Modak, but we are unable to hear you clearly sir, your voice is breaking.

**Amit Modak:**

So it's a fashion jewellery company where lower cost jewellery /item is available as compared to the real gold jewellery. Nowadays people are buying this costume jewellery or fashion jewellery as a wardrobe item along with their fashion wear or the dress wear. They are buying fashion jewellery for suiting their attire on day-to-day basis.

We find this market or this segment as very attractive and very promising because of one reason. The most important reason is the working women class. As working women class will grow, number of women started working in the corporates will grow, the demand for this fashion jewellery will go up simultaneously as they are more attentive about their attire, while attending the offices. This is office wear jewellery. We procure all these jewellery from various areas. We mainly fabricate these jewellery as per our choice, as per our design.

We have kept in house designers and 3 lab designers who are providing us design bank and according to that design bank we get it fabricated on the contract manufacturing basis. It is ordered for 500 or 1,000 pieces at a time, get it sold within 5 to 7 weeks' time and again new pieces come in the showcase. So it's a changing design at every time. It is not like traditional jewellery that same designs are getting repeated in the showcase or in the customer's front for the sale.

Millennial that is of age less than 20-25 is the main targeted class for this fashion jewellery. Fashion jewellery costs around INR 500 to INR 2,000 ticket price. Even a child or small children who are going to college or school, they are getting their pocket money to the extent of INR

2,000 per month. Out of that they can spend INR 500-INR 700 for shopping to give their friends on their birthdays or any other occasion. So, they also can come and shop.

So, that is the ticket size. One statistic shows that under 14 age there is a population of 25% in India. One person has gone in the detail of that less than 14 age population and he found that 11 to 14 class is almost 15% to 20% out of that. That means almost 80% of that 25%. So that class is going to come into marketing mix another 3 to 4 years for shopping that low cost fashion jewellery that is ranging from INR 500 to INR 2,000 and that class will definitely push this market to an unimaginable level.

Right now fashion jewellery is there, earlier also fashion jewellery was there but now we want to introduce fashion jewellery with the brand attached to it and back to the brand which is a listed company in the stock market which will have definitely good corporate governance, answerability towards the customer, because we will be the responsible entity in the market, not like the roadside partner shop where you don't get any quality assurance, where you don't get any response if anything goes faulty in the item within 2-3 days of the purchase.

Here it's the brand. And our promoters are P. N. Gadgil & Sons's promoters, and P. N. Gadgil & Sons is more than 190 years legacy. So we will definitely create quality, service and variety which will suit to that 190 year old legacy. We have got one advantage that since Gargi is projected as Gargi by P. N. Gadgil & Sons, people have got that confidence about the brand because P. N. Gadgil & Sons brand is carrying huge reliability in the market regarding quality, regarding service, regarding purity and regarding the long lasting life of any article which is purchased by them in the showroom.

And moreover people are happy that roadside showrooms or roadside shops are not giving them that attentive service or that respectful service that P. N. Gadgil & Sons customers get service in the P. N. Gadgil & Sons shop where they are buying lakhs worth jewellery at a time and so they are getting most respectful attendance or treatment and the same treatment they are getting for the shopping the Gargi jewellery where the ticket price even though it is 500 or 2,000 they are getting equal quality of service and attendance. That is going to be the USP.

Very shortly as we have mentioned in our prospectus or the public domain documents also that it will grow with the new varieties introduced in future. In future also we are thinking to introduce varieties which will be suitable for the class, for the affordable purchases like up to INR 50,000, real gold with diamond. We are likely to introduce 14 carat gold diamond along with the diamond studded. I cannot comment on this much because dates and all these things are not confirmed and fixed up, but it will be shortly.

And there are many more things in the bucket which will get introduced for the betterment and growth of the business. Right now we have started finding out the suitable franchisees for increasing our footprint in the market. And many people have plotted the enquiries. But we are choosing, because the location we are going to pass for the franchisees and franchisees will not select location and start business there, unless it is passed by us.

All these franchisees will be mainly on the FOCO basis that is “Franchisee Operated and Company Owned”. So, stock will get rotated continuously and very frequently with good intervals and same varieties, same qualities, same rotations will be maintained just like those are maintained in present 30 locations. I will hand over to the moderator for starting question and answer.

**Moderator:** The first question is from the line of Chandrashekhar Karpoor from Gulbarga Institute of Medical Sciences.

**Chandrashekhar Karpoor:** I am privileged shareholder of your company and I am very much excited about this fashion jewellery space. So, I'm very thankful for listing this company on SME platform. As an investor of your company, I would like to ask, you are targeting for about 100 crores sales in the next 5 years. So that was what the management commentary was there one month back. So how you are going to achieve this 100 crores sales in the next 5 years, what expansion plans you are going to make? And how much inventory you have at present in your this one and how you are going to increase it further.

**Amit Modak:** Yes. Chandrashekharji, you are most welcome for this conference and I am happy knowing that you are our Company's shareholder. We have said that 100 crores estimation not in last month or anything, it was prior to the IPO which we made. It is on public domain, I am not denying that it is not a last month comment, it is prior to the IPO. Anyways, the growth is always going to be there.

Even though I am not likely to make any futuristic statement, but this is a natural statement that there will be growth in the business and that's why top line will grow as compared to the current top line. And if growth is not as per the growth in the economy, if the economy is growing by say 9% to 10% every year and if my business is not growing with that speed or it is less than that speed, that means I am not matching with the market.

And generally, when economy grows by 8% to 10%, this FMCG sector or the fast moving any fashion jewellery kind of sector, always grow double the speed what overall economy grows. Because economy takes care of the heavy industries and infrastructure industry also while calculating their growth. So that growth of 15% to 20% every year, it itself will march towards that 100 crores target even at the present level and present setup.

And as I said, we are trying to exploit the possibility of the setting up the franchises and it is a more possible thing which is not a difficult thing. We are not finding it very much difficult to set up the franchises or anything. So with that franchise footprint and more area getting covered for the sale, and as I said that more and more people are likely to enter in this sector because working woman number is increasing, so there will be increase in the customer base also. And there is only one brand right now in the market which is got some fashion jewellery under branded name and also listed. Yes Chandrashekharji, if you have got any further thing you may add.

**Chandrashekhar Karpoor:** Yes. Like your expansion plans through franchise is it going to penetrate all the states you are planning for in different states? Now presently you have only in Maharashtra, majorly in

Maharashtra and of course in Gulbarga where I am staying there is one this outlet here and very much fascinated about your jewellery and all I visited your shop also unlike but are you like planning for any other states like apart from these three states are you like penetrating into other states which state you are going to penetrate so can you elaborate on that?

**Amit Modak:**

Yes we are going to enter the multi brand shops also like Shoppers Stop. And so with those things we can enter into any state. One thing. Secondly, presently we are in a restricted state because of the operational side. And FOCO model gives us relief in the operational side and gives us more control of inventory and all these things. So operational side is getting eased out. Then many more states, many more areas will get automatically and easily included in our portfolio.

**Chandrashekhar Karpoor:** Okay sir, because the profits will come only through your sales and your targeting for 100 crores sales. Definitely margin is good in this business. So and I hope you will come out with more and more designs, inventories which is very much accepted by the community at large. And I wish you all the best and I hope you will also make your global presence also in future.

Not only in India but abroad also. Because I have seen some few other companies like Vaibhav Global which also operates in same space, in fashion jewellery space. And most of their sales they are coming from US and UK. So hopefully once you expand here in India, Pan India. So hopefully I think you will also penetrate into other countries also. So I wish you all the best.

**Amit Modak:**

Thanks for your wishes and I hope that we will also expand globally with your wishes.

**Moderator:**

Thank you. The next question is from the line of Vivek Sahani, an individual investor.

**Vivek Sahani:**

Hi Mr. Modak, thanks for the very elaborate illustrations which you have given on the business model. I have 2-3 points which I would like a clarification on. One you said...

**Amit Modak:**

Slightly loud, I am not getting your voice clearly.

**Vivek Sahani:**

So what I am saying is that you have very well explained your business model, but I would like clarification on few points relating to your business model, wherein you said that Gargi Fashion has separate management, separate team and everything.

So my first point is, is there any overlapping besides your present showroom which you are using for your own sales which are operated by P. N. Gadgil & Sons, is there any overlapping in terms of team which is involved in the actual operation? By operations I mean, team which is involved in the designing and manufacturing of the jewellery. Is there any overlapping there or they are all together separate teams which are working for P. N. Gadgil and which are working for Gargi?

**Amit Modak:**

Yes, there are two different teams. First of all, the jewellery manufactured by 'Karagir', who are manufacturing basically the real gold jewellery or real diamond jewellery are different from the Karagirs who are manufacturing fashion jewellery. There are two different set of working people, different set of vendors. Each other are not getting overlap. Only thing, as I said, in the short term span whenever we will go with that 14 carat gold diamond jewellery, that time few

vendors may be common but that will not overlap with the P. N. Gadgil & Sons working along with the PNGS Gargi Fashion Jewellery working.

**Vivek Sahani:** What is your present employee strength?

**Amit Modak:** As far as PNGS Gargi Fashion Jewellery is concerned, it is 32 people.

**Vivek Sahani:** And you get this jewellery manufactured on contract basis, right?

**Amit Modak:** See, there is a process that it is generally fabricated or assembled jewellery out of the many accessories available in the market. Jewellery items are not available in the market, but accessories are available in the market. Like there is a leaf, a flower or a star or a pendant of a figure, all these accessories are available in the market.

And whatever available in the market with good quality, good finishing, we procure it and hand it over to our designer. Then designers assemble those things, hand it over back to us and then we go back to all these vendors who are procuring those accessories and selling in the market to ask them to produce that design or that item and deliver it in 500, 700, 1,000 numbers to us. So it becomes a contract manufacturing indirectly and getting availability of those accessories and everything will be the responsibility of that vendor to whom we are entrusting that work. So it's like a contract manufacturing, but basically it's out of the available accessories which are there in the market, domestically as well as overseas.

**Vivek Sahani:** Another point, since you are at present using the showrooms of P. N. Gadgil & Sons, where you are selling your products as well, and at present you don't have any separate showroom for yourself. So is there any cross charge for the cost between these entities for the rent or for sharing common facilities or something like that?

**Amit Modak:** Yes, there is a facility charge which we are paying to P. N. Gadgil & Sons Limited every month for all 29 locations, which is around INR 3 lakh a month. Plus we are paying them 10% commission on the sale which happens in their showroom. Other than that, there is a 30th showroom at one museum, which is called Zapurza, a very popular museum here in Pune. And their souvenir store and our store are both identified as P. N. Gadgil & Sons Limited. And there also we are paying commission and space charge to Zapurza as well as P. N. Gadgil & Sons.

**Vivek Sahani:** So you are saying that INR 3 lakh per month for all 29 showrooms plus 10% of sales as a commission to them?

**Amit Modak:** Yes.

**Vivek Sahani:** Is there anything which you are going to pay or presently paying for the brand which you are using? Like, because you are saying Gargi by P. N. Gadgil & Sons. So are you going to...

**Amit Modak:** No, it's the promoter's goodness that both places, promoters are same. In one place there is a public participation also. But they are kind enough, they are not charging any brand fees or anything.

**Vivek Sahani:** Any plan to charge in future? Any plan to charge?



**Amit Modak:** It depends on the growth of the company. Once company should grow, investors should get visible returns and then they might think for this kind of sharing.

**Vivek Sahani:** My last point, what margins do you see in this business? Because though, I understand at present it is very premature to determine, because operating leverage will also come into picture and all those things will come. But what is your expectation in terms of EBITDA and PAT margins which may come from this sort of a business?

**Amit Modak:** Right now, those are the 30 locations which we are operating, they are very cost effective. But when we will go for FOCO kind of model, there will be higher charges we need to pay by way of commission or by way of the incentive for the sale to the franchises. That time in percentage term, margin may come down. Right now, if you see that December, it is around 15% PAT margin. This payoff will start at a higher level. That margin in percentage term may come down, but in absolute rupee wise, earnings will keep on going.

**Vivek Sahani:** What sort of margin do you expect? Like not 15%, then maybe 12%, 13%, 10% or what?

**Amit Modak:** It will be somewhere in the PAT margin, it will be somewhere in the range of 6% to 9%. But still absolute rupee will substantially grow.

**Vivek Sahani:** No, no, surely because it is a high growth business for you and you are just starting up so high growth will be high. My last point, what sort of competition do you see here from other players in the branded space, though the market is unorganized also for this fashion and costume jewellery, but what sort of competition from the branded players you see?

**Amit Modak:** In branded jewellery field, whenever we compare our product with other branded jewellery players in fashion jewellery segment, either it may be online players or offline players, I cannot take any specific name, but whenever we compare the pricing, we are very price competitive as compared to others.

**Vivek Sahani:** So your USP is price point?

**Amit Modak:** Price point is also there and continuously reshuffling of the variety. I don't think the speed or the consistency or the number of times we rotate the variety or change the variety is matched with the market. It is beyond the market.

**Moderator:** The next question is from the line of Piyush Mehta from Caprize Investment.

**Piyush Mehta:** Good evening Mr. Modak. So thank you for the brief overview of how we are looking to expand our business. I think first I will ask a very basic question is that considering the goodwill that P. N. Gadgil enjoys and the kind of cash flow that we would have generated over decades and we would be a cash rich company as a parent, what was the key reason to go public on Gargi side, considering as a parent we could have easily funded the business and grown it without becoming public. So what was the key thought process behind doing this?

**Amit Modak:** Again, you may think it is forward looking or you may think it is back looking. I don't know because I am not a very much highly studied person of the LODR and all these things. So I will

reply you. Basically going public was a thought just to have a voice in the market, more blast in the market. We offered that our initial equity was just 7 PE, as against if you go to many financial sites, they are saying that this sector has got almost 75 to 95 PE. And so we offered it at a very competitive rate and it got reflected in subsequent market movement also that it was at a very competitive rate and so it got the lead.

It is going to be a very growing business. At initial it was only very interested in entering market rather than creating value and encashing that value afterward. Promoters are not very fond of making money out of this brand and all these things. They are more concerned about the customer satisfaction and customer service. So they are thinking about the investors also. They said that investors should get rewarded sufficiently and reasonably. Not our valuation or all these things. Valuation, I am not interested. People should get at reasonable price investment and they should get appreciation. That was the main reason to go at early stage in the market or early stage in the IPO.

Secondly, as you said, yes, parent company is a cash rich company but in past also or in present also and future also, we never use each other's resources. We become self-sufficient and work on self-sufficiency basis only. As on date also, we are not using single paisa of P. N. Gadgil & Sons Limited, neither the stock which is kept in their shops for selling. We have not taken any deposit from them like in FOCO Model generally we take deposit from the franchisee.

So we are not depending on their liquidity or their financial strongness or anything. We want to become self-sufficient and with God's grace as on date, whatever I am working today, I have got almost near to zero debt. Not only even public issue, money which I have raised is very particularly used for the business and as on date there is no franchisee has come up. So no additional inventory or anything is required right now as on date.

It will be required in next two-three months time. Entire money is lying in the safe, in the fixed deposit with the bank and that is earning the interest for the time being, but it will get increasing in the future. By that time franchises will come up in the market and that time we will require additional working capital then we will use that.

**Piyush Mehta:**

The second question is considering this, the segment that Gargi is present is highly unorganized and so when we compete with that kind of market apart, so price would, it would be also price sensitive market that we are competing with? So how?

**Amit Modak:**

It is a buyer sensitive market I will say. I mean whenever I talk to people why we are in this market, there are people on the road corner, roadside shops are there available. I say, it is in every sector. If we go for the burger and if we go for the vada pav, there is a price difference of INR 15 to INR 250. Hunger is same and capacity to fulfill that hunger is also same in both the things. But we prefer INR 250 many times over and above INR 15. Time is the difference.

When I want to use that option is a difference. If you are walking from say, railway station or public transport systems stop to your office and while going you may prefer vada pav, but while going with family you will go for burger. So that is a price sensitiveness.

Same way, women are using fashion jewellery as symbolic. When she goes to her office wearing some fashion jewellery and if she has got some status working or a reasonable size corporate and somebody asks her from where you are choosing your fashion jewellery looking very nice. If she says that is a roadside shop at Sion or say, Malad and all these things or instead of that if she says, yes, it is a Gargi Fashion Jewellery item then her colleague will definitely ask where that Gargi Fashion Jewellery is available? For roadside, she will not ask, but for that specific thing she will ask. And it will become status for that person who is wearing it and telling others, yes, that item is from the Gargi Fashion Jewellery.

- Piyush Mehta:** So how long has been the brand per se, active within P. N. Gadgil?
- Amit Modak:** No I don't get your question.
- Piyush Mehta:** This Gargi brand is ours, for how many years are we selling it?
- Amit Modak:** No, this got registered in November '21 and first sale happened on 5th December '21 and thereafter it is on the public domain, but with God grace, touchwood it has got good popularity within a shorter span of time.
- Piyush Mehta:** So what will be our present ASP, average selling price of the number of units that we sell?
- Amit Modak:** Average selling price?
- Piyush Mehta:** Average selling price? Suppose we have sold 500 units in a month.
- Amit Modak:** So what is the ticket size of each bill? Average ticket size of the bill?
- Piyush Mehta:** Not really ticket, bill. On one bill you might have bought three jewellery and on one you might have bought just one, but overall when I say, we over a month I say that I have sold say 100 necklaces or 100 jewellery items and I sold it for say a INR 1 lakh then this is what the average selling price per unit is.
- Amit Modak:** So average unit selling price is around INR 1,500 and if you go with the average billing size, every customer is coming, he may be buying one item, two items, five items whatever it may be. So average billing size is around INR 2,200 to INR 2,500.
- Piyush Mehta:** Since we started over the last 12-15 months how has this moved? Means this average selling price or average billing price, how have you seen it move?
- Amit Modak:** Earlier in the initial size, it was INR 1,200 to INR 1,300. Now it has moved to INR 2,500, INR 2,200 per ticket, means per billing.
- Piyush Mehta:** What is the management thought process in terms of increasing the average billing or average selling price per unit? How are we doing? And you had said that we have a lot of varieties, we frequently change our designs and get new inventories into the stores. So how frequent is that?
- Amit Modak:** It is almost five to seven weeks new variety is coming in the showcase. Generally, it is a cycle that every three to four months that ladies really come to the shop for shopping in the fashion

jewellery which is matching to the latest purchase of the dress wear. So that time she should not have same variety as she has seen in the past.

And ticket size will go up, but we are not very much interested in increasing the ticket size of each item or the each bill. We are interested in more number of people getting connected, because this is a fashion jewellery market, where just selling 20 gram gold ornament is a different value and 10 gram gold ornament is a different value. Here that fashion jewellery is getting sold on the item. It is a piece price, it is not a weight price or the precious metal like per gram price or anything.

**Piyush Mehta:**

And so over the past one year what have been the key, like Valentine's day, that would be a period which would lock in a pretty high demand. So over a 12 month period, apart from say, Diwali, Valentine's day and other such events, what are the other high selling days or weeks or?

**Amit Modak:**

Last year during Valentine, whatever we have sold, this year's Valentine it was almost 40% higher. And since December results are there in the public domain, I can give you a precise figure regarding the one December scheme which we run as an Anniversary Sale during 1, December to 10, December. That time the sale figure for that period was almost INR 2.5 crores. And number of persons walked in during that period was around 10,000 to 11,000 billing was there as compared to previous period, same period, because that time we were working. It was a very small INR 22 lakh sale was there during that period. And hardly less than 2,000 billing was there. So there is more-and-more acceptance by number of people.

**Moderator:**

The next question is from the line of Palash Kawale from Nuvama Wealth.

**Palash Kawale:**

So sir, any updates on selling our products through retail chains, national retail chains? I think there were some talks going on. So any update on that?

**Amit Modak:**

No, earlier we were thinking B2B plus franchise model, but now we have changed the thought process that instead of giving B2B, where there is a chance of that stale jewellery continuing in the showcase and which may hamper to the brand, we are thinking that only FOFO is not operatable or not going to be operatable. Only FOCO model will be operatable. Where franchisee will have the exhibition side, opex side, operational side and inventory management and variety side, we will manage everything. So that is the idea regarding the B2B or FOFO kind of model which we have right now set aside.

**Palash Kawale:**

Sir, my next question is what was the online sales like breakup?

**Amit Modak:**

Online sales breakup, as far as December is concerned, it is around 11% to 12% of the top line.

**Palash Kawale:**

And how will it grow according to you in coming years?

**Amit Modak:**

It will grow, but I think over the period it should keep on growing. Just business is growing. It should to grow at least at 10% to 12% per year. And we have got no cash burn model.

**Palash Kawale:**

And how are the margins there?

**Amit Modak:** Margins are a little bit higher as compared to counter sales. Because cost is a little bit higher there, because of logistic, insurance, everything is included in the cost. Many times it is free shipping and all these things. So basic prices are a little bit higher. As compared to other online shops, our costs are competitive.

**Moderator:** Ladies and gentlemen, to ask a question, you may press star and one.

**Sandeep Raina:** Till the time we have a few questions, till the time we get a few more questions, let me ask a few questions. Sir, can you just tell us when we get into this new model, which is your company operated and franchisee owned. How will the cost structure look like that time? And will the cost structure and margin profile change that time? How will it look? Can you please help us in understanding that?

**Amit Modak:** Yes, just like I replied to your earlier question also, when I will go for FOCO, the entire operational cost and operational activity will be taken care by the franchisee. I will be only investing in the inventory. That too, for that I am having some deposit from the franchisee. So not 100% cost I am bearing for that. And some higher margins are required to pay them for fulfilling their operational costs. It will hamper our PAT margin in percentage term, but not in rupee term. In rupee term, absolutely it will be higher, but in percentage term it will be a little bit lower.

**Sandeep Raina:** I think there are questions. Operator, can you just start with the questions, please?

**Moderator:** The next question is from the line of Nikhil Chandak from JM Family Office.

**Nikhil Chandak:** Yes, I had two questions. One is if you can throw some light on the competitive intensity. This is a largely unorganized space in fashion jewellery. There must be multiple players also. You have players like Melorra, some of the other players. So what do you think of the competitive intensity?

Second one is any plans to also do the gold jewellery business in this entity? Or will that continue to be held and operated independent of this entity? And the third one is if you could give some sense on the regional sales? Like, which part of the country are we primarily getting our sales right now? And what is the plan to take this pan-India?

**Amit Modak:** Your first question regarding the gold jewellery, plain gold jewellery, we are not thinking to include in this business. That is a company and we are taking care...

**Moderator:** I am sorry to interrupt. Mr. Modak, we are unable to hear you, sir.

**Amit Modak:** So regarding his first question about plain gold jewellery, we are not going to enter in plain gold jewellery. It is the business of P. N. Gadgil & Sons Limited, the company which is promoted by the same promoters, who are the promoters of our company.

But as I said earlier, we may enter with the 14-carat gold diamond studded jewellery very shortly. I cannot precisely tell you the timeline and all these things. It is not definitely fixed up right now. And local jewellery and their product and their competition, I am not taking into account. Just

like I had answered that Vada Pav and Burger, otherwise Vada Pav market is so big, McDonald's should not enter India. That is not the case.

Thirdly, the same area of competition, that is the corporate entities who are competing in that, Melorra was the name taken, but they are also in the plain gold jewellery and little bit in the diamond studded jewellery. They are not in fashion jewellery right now. There are fashion jewellery players in the market. Other than Melorra, I cannot take name on my own, so I am not taking the name. But their price point as compared to our prices, so our prices are competitive. And that's why we are competitive in the market. Once we enter in the market largely in various places, we will definitely get good response.

As far as areas of the operations are concerned, yes, we will operate in many areas. We have just started. We have completed our 30 shops, which are of P. N. Gadgil & Sons. And we have set up shops there and started creating top line out of that.

Now we are concentrating on FOCO model that is a Franchisee Operated and Company Owned. In Company Owned, as I said, there will be some deposit taken for the inventory, so that entire investment will not be on my side, only inventory churning that will be on my side and that cost of inventory churning may be to some extent on my side.

And margins, yes, when it will be FOCO, there will be little bit drop in the margin on the percentage basis, but in absolute term there will be additional rupees earned out of the same set up of organization. And we, ourselves have decided to concentrate more on the backend, more on the logistic, more on the delivery, more on the creating variety and regular change of the variety and design.

**Nikhil Chandak:** Which states are you planning to get into the COCO model?

**Amit Modak:** FOCO, Franchisee Operated And Company Owned.

**Nikhil Chandak:** Which states are you planning to?

**Amit Modak:** Right now, it will be in Karnataka, Gujarat and Maharashtra, where P. N. Gadgil name is known, but same time there are inquiries from Delhi, Noida and Madhya Pradesh.

**Nikhil Chandak:** And one more question is, what was the logic of taking this company to the public markets and not the parent company, which is your more famous brand and the regular gold jewellery business. What was the logic of IPO in this company and not the parent company? Because, I presume that would be of a much larger scale right now, requiring more capital at this stage.

**Amit Modak:** As an investor, you and me will ask definitely this question. I am also a good investor in the market. But when we entered in the market in 2018-'19 with the IPO prospectus, which was vetted by the SEBI in a record time of 50 days, any jewellery prospectus brought here, that was also record team. Because you people must be knowing that many prospectuses are getting filed and getting withdrawn.

But that time, unfortunately, there were many issues. I will again not name, but you also know many corporate listed entities issues come up. Many banks started getting duping due to the jewellery and diamond sector. And that impact was there on the minds of the investors and that's why they were not in the mood to give proper valuation to our earlier company. That time, that company's net worth was INR 100 crores. Today, its net worth was INR 550 crores on alone own stand basis.

So there is a trend in that company, but that time it was not accepted by the market and they were not in the mood to give even a reasonable valuation to that company. That's why promoters think that we will defer that. And in that segment, we are not in the mood to give franchisees. Because there is more risk regarding the purity and all other factors are concerned. So we are not in the mood to give franchisees there. So we need to develop on the Company's Owned Company Operated type of model. And there are limitations for the manpower and all these things in that old company, that earlier company that is P. N. Gadgil & Sons.

So exponential growth was the concern for the investor and that's why they were not in the mood to give a good valuation, proper valuation to the company. That's why that time that issue was deferred. This time it was made, because here we can have exponential growth. We can give good response to the investor's expectation and we can reward them reasonably. So we have gone for the IPO of this company.

**Moderator:** Does that answer your question, Mr. Chandak?

**Nikhil Chandak:** Yes. Thank you so much.

**Moderator:** Thank you.

**Sandeep Raina:** So till again, there are a few more questions. A follow-up question, like many people have asked, see there's nobody in this space with this kind of might and the backend. So I know there are company like, Sia or there are so many retail shops like Globus or Shoppers Stop, they also have small, small people having displaying their own jewellery, small jewellery, INR 300 to INR 250, INR 500, but there is nobody with the might like you because you have a backend, which is very strong, because you are a jewellery company with INR 5,000 crores of revenues there. And I'm sure that design team will be much, much capable than those people.

So it's a very good space to enter into this. But my question is very simple. How will we differentiate ourselves with those kind of brand? What will be my USP to differentiate in this very-very crowded space? So if I just, I was looking at the numbers, the numbers are like I think it's closer to \$1.5 billion, \$1.6 billion dollars, which is like INR 15,000 crores, INR 16,000 crores or kind of, but 90%, 95% unorganized. How will I differentiate myself? So basically, what will be my USP to create a brand and a known brand out of this entire thing?

So I know this question is a journey, but still, if you can help us in understanding that.

**Amit Modak:** I hope we should reach to that level, but it is also a time taking thing that whatever brands you have mentioned, they are very long standing brands in the market. I don't remember right now, one brand is there in Australia, New Zealand and some parts of Europe. They are also in the

fashion jewellery market. I compared price tag which are available with that brand on their online shop. And they are also only in online shop. They are not on the offline market.

That way I find that their price tag are 5x to 6x multiple of my price tag. So on the price front, yes, we are definitely having more competitiveness as far as pricing is concerned, as far as markup is concerned. When you ask about the multi-brand shops, where there are brands in those shops just like our brand, but they are very choosy. As far as I know, while keeping the brands in their multi-brand shop, when you say Shopper Shop, we found that they are very choosy while allowing any brand to come under their fold or in their showroom as a SIS model kind of branding.

So for us, it is becoming easy to enter into this multi-brand shop, because they are accepting us even though we are new because we have got a background of P. N. Gadgil & Sons, and our brand is endorsed as Gargi by P. N. Gadgil & Sons. And as far as exponential growth is concerned, it will happen. But it's time taking. We can't comment openly in the percentage term or in the number term. But I can assure the investor that they will not have any regrets by investing in the company.

**Sandeep Raina:**

And one more thing, sir, on the designing, I think designing would be one of the biggest strength that we have and I think in my new products that will be showcased. One, your distribution will be there, because you are adding distribution other than your 30 shops. What are we doing in a different way in the designing this thing? Because it's a fast fashion product. The way we talk about textile, the fast fashion product, I think similarly it's a fast fashion product in the jewellery designing. Where people can use, maybe use for months and then change it quickly.

And at the same time, it's onus on you to keep on adding new design faster, which is not the case in jewellery, the expensive jewellery, because it's an asset. So how are you coping with that?

**Amit Modak:**

In this segment, I explained to you that within five to seven weeks' time, we change our entire showcase. So if some ladies are visiting after two months to my shop, we will look for the entire new range of design in the showcase or on the counter. And as I said, there are a lot of freelance and in-house designers out there, they are keeping on designing and we are creating a bank of design. We are not keeping only five, six designs ready and sending it to market and getting it made and showcasing in the showroom.

It is always 50-60 designs there in the bank. And out of that, five, six good designs for that season or that period or that atmosphere that we introduce by procuring it from the contract manufacturer. Once it's sold out, we will not remake the same design. We will have altogether different designs. It's not like we sell the same item and then remake it. Once it's sold, we will have a new item in the showcase.

**Sandeep Raina:**

Interesting. I think there are a few more questions in the queue. Moderator, can you please be there?

**Moderator:**

Yes, sure. Thank you very much. The next question is from the line of Nikhil Chandak from JM Family Office.



**Nikhil Chandak:**

Yes, a couple of questions more. One is, on a medium-term basis, what should be the sustainable EBITDA margins one should expect from this business over the next two to three years? The second one is, I was just seeing that you raised approximately INR 8 crores from the IPO. Frankly, I'm still confused, why do you want to IPO this small company when you have such a behemoth within the promoter family of the gold jewellery business, INR 7 crores, INR 8 crores is a small amount from that business perspective. You could have easily funded the fashion jewellery business. [inaudible], IPO date on the regular bourse and so on so fourth, [inaudible] at such an early stage for a small amount of...

**Moderator:**

Sorry to interrupt Mr. Chandak, your voice was breaking, can you please repeat your question?

**Nikhil Chandak:**

What was the logic of IPO-ing such a small business of INR 7 crores fresh issue, there was anyway a large established jewellery business which could have supported the growth profile of this business. That is one.

Second is the, sustainable EBITDA margins of the business going forward. And the third would be, are there any inter-company transactions between the listed entity and the privately owned entity? For example, do you share designers? And if yes, how do you have the inter-party pricing done between the two companies? Do you share retail space, for example? Then how do you account for that retail space? So these were a few more questions.

**Amit Modak:**

For retail space, P. N. Gadgil & Sons Limited is charging fixed facility charges every month to PNGS Gargi Fashion Jewellery Limited. For sale, if getting affected in their shop, we are paying commission to them on the sale effected. So there is no freebies for each other. It is not like that P. N. Gadgil & Sons is incurring some expenses on our behalf and maintaining our margins. Our margins are there after payment of with due respect, all expenses and all costs to the other.

Regarding IPO, there is always a status or one symbolic status to each company. When it is not possible for me to expand exponentially on COCO basis, Company-Owned, Company-Operated model, I need to go with the FOCO basis, that is a Franchisee-Operated and Company-Owned model. Then I need to have some status in the market. Because I am a listed company, that status comes to me. I will never run away from Mid-night. There will be long-term sustainability to this business because it is listed. So, listing, forming a company, all these are costly affairs and time-taking affairs. So, no one will do it for a year or two years' time. It will be always a long-term thing.

So, if you want to go for FOCO, those who are interested in buying franchisee, they should have confidence that what status the company has. No doubt that P. N. Gadgil has got status, but if I want to go to Pan India, I need to have a listed company or a known entity or a big house behind me, which is on the national scenario. So, one thing is there, good brand is there, somebody is behind me who has got good status, but it is limited to the regional area that is Maharashtra. So, for going Pan India, that is not sufficient. So, for that purpose, I got it listed.

At an early stage, I got listed. I know it very well that it is at an early stage. But the owner also said that if the valuation is created and I change my mind that I don't want to do IPO or I don't want to go to the public, then my progress will also stop. It is better than this. At that time, even

at an attractive price, I should go to the public. I should expand exponentially high and that way I can grow as far as the company is concerned, as far as profitability is concerned.

**Nikhil Chandak:** And if you could throw some light on the expected growth rates and EBITDA margins going forward?

**Amit Modak:** Reasonable EBITDA margin, I think it should be 20% somewhere. If you are bearing interest, if you have got your own funds and you want to be competitive, then reasonable EBITDA margins are 15% to 16% for long-term survival. But when we go for FOCO, then EBITDA may fall but absolute rupee-wise, earnings will go on increasing.

And that always happens when the own operated always has got a better margin as compared to FOCO operated that is a franchisee operated. And growth rate, as I explained earlier, growth rate will be always matching to the country's growth and consumer market growth. Generally, if the country is growing by 6% to 8%, FMCG or fashion jewellery or this kind of fashion product market grows by double the overall economy, because overall economy includes heavy industries and infrastructure also while calculating the growth. So I think reasonably, in India, this fast-moving market or the fashion market should grow at least 15% to 20% a year.

**Nikhil Chandak:** Just on the margin, even if you are saying 15% sustainable EBITDA margin, I would assume this is more than a gold jewellery retailing margin.

**Amit Modak:** Definitely. Here, margins are better. And I have told you two margins. If you have borrowed the money, that EBITDA should be around 20%. If you have got own funds and want to compete on the price point, then it can be up to 15% to 16%. I have not said 15% to 16% blindly. It is with borrowing, without borrowing.

**Moderator:** The next question is from the line of Vivek Kumar from Shiv Sagar Investment.

**Vivek Kumar:** I just want to understand you are saying 6% to 9% margin, PAT margin I think, for our business, if you go for FOCO. So I just want to understand, what are the margins the unorganized sector is making from the point of manufacturing to retailing? Because I understand some may be making 30%, 40%, 50%, 100% margins are there. If you buy from Delhi, Chandni Chowk area, sell it in Jharkhand, they are just like selling at double to the retailers. So the margins are...

**Amit Modak:** Sir, I will disturb you with your question. I cannot get compared with the street side shops or unorganized shops. Because I know very well, but I cannot keep on talking on the public domain. Because that is their style of business. I am in the organized sector. So I have got some certain costs, which are more or less than their cost. So my margin is going to be around 20%-25% on the gross basis, not like 30%-40% like the unorganized sector.

In the organized sector, gross margin and net margin are same. Because that single person is working at his family shop. He is the only owner, he is the only servant, he is the only financier. Everything is himself. He is the only landlord.

**Vivek Kumar:** Because, we are operating at such small base, I think assuming 100% CAGR would be fairly enough for us also. Like, we are growing at 20%, I think the potential is much more. Like 50%,

60%, 70%, if we were unorganized and making a quality product, I think we could grow much faster.

**Amit Modak:** There is a difference between mass and class, sir. Bank deposits are growing by 35%, equity investment is growing by 15%. If Bank deposits are mass, equity investment is a class. So we are in class. Certain people who only know the importance of the brand, importance of the quality, importance of the finishing, they only get attracted to the branded jewellery. And we are thinking about them.

**Vivek Kumar:** So that means the education to the retailer is very important with our business. Because the same person is buying a necklace at INR 10,000, artificial jewellery, and the same thing we are giving. But why is he buying that product? We have to get into retailing visibility?

**Amit Modak:** Can I answer?

**Vivek Kumar:** Yes.

**Amit Modak:** There is always a thinking about the status. As I explained in earlier my answer, that if some woman is going to the office, while wearing the fashion jewellery, and if somebody asks her that from where you have bought it, and if she is of a good status in her office, and if that company is of a good status, can she say that it was somewhere that I saw in the shop...

**Vivek Kumar:** I got the point, but someone is buying in Chandni Chowk, suppose he is buying at INR 10,000 a necklace, and we are offering also at INR 10,000, much better quality, then why that woman is buying INR 10,000 in Chandni Chowk? That is my point. Because...

**Amit Modak:** She will definitely not buy.

**Vivek Kumar:** I think that is happening in the market. I don't know, but...

**Amit Modak:** No. That is not happening in the market. On the other hand, when a customer comes to us, they always say, I have gone to a certain fashion street, there also I saw the same thing. It is available at INR 300, you are saying INR 1,000. But it is okay, it is a quality, your brand is there, so I will buy it from you, here. She will look at INR 1,000 in my shop, and she will go to the fashion street.

**Vivek Kumar:** Will we touch the distributors who are there in the big market, like Delhi, Bombay, or like any of the big distributors in Chandni Chowk area?

**Amit Modak:** No, distributors, only FOCO. Depending on the distributor kills the brand.

**Moderator:** Thank you. Ladies and gentlemen, this was the last question for today. I would now like to hand the conference over to Mr. Amit Modak for closing comments.

**Amit Modak:** I will hand it over to our Company Secretary for closing comments. And before that, I am thankful to everyone who has joined the conference and gave us a chance to interact with them. It was a first interaction after the listing. We will keep it ongoing at least once in a year, every year, here and after. Thank you. Our CS is taking over.



**Bhargavi Aphale:**

Thank you everyone for joining the call. I hope all your questions are answered. If any questions have remained unanswered, you can get back to us on email. And we will be happy to answer. Thank you once again.

**Moderator:**

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