



Date; 29th April, 2024

To
The Department of Corporate Services
BSE Limited
25th Floor, PhirozeJeejeebhoy Towers,
Dalal Street, Fort, Mumbai – 400001

Ref: NARBADA | Scrip Code: 519455 | ISIN: INE540C01021

Sub: Information Memorandum

Dear Sir/Madam

With reference to the above-captioned subject, please find herewith, enclosed the Information Memorandum including the financial statements up to December 31, 2023.. The aforesaid Information Memorandum is also being disseminated on Company's website at

<https://narbadajewellery.com/>

This is for your information and records

Thanking You,
Yours Faithfully

For NARBADA GEMS AND JEWELLERY LIMITED

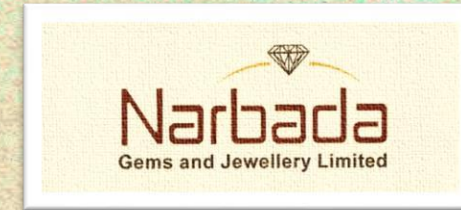
SANJAY KUMAR SANGHI
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(SANJAY KUMAR SANGHI)
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INFORMATION
MEMORANDUM

DECEMBER, 2023

USAGE INFORMATION

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PART I

EXECUTIVE SUMMARY



NARBADA GEMS & JEWELLERY LTD.(NGJL): AN OVERVIEW

STRONG & LASTING FOUNDATION

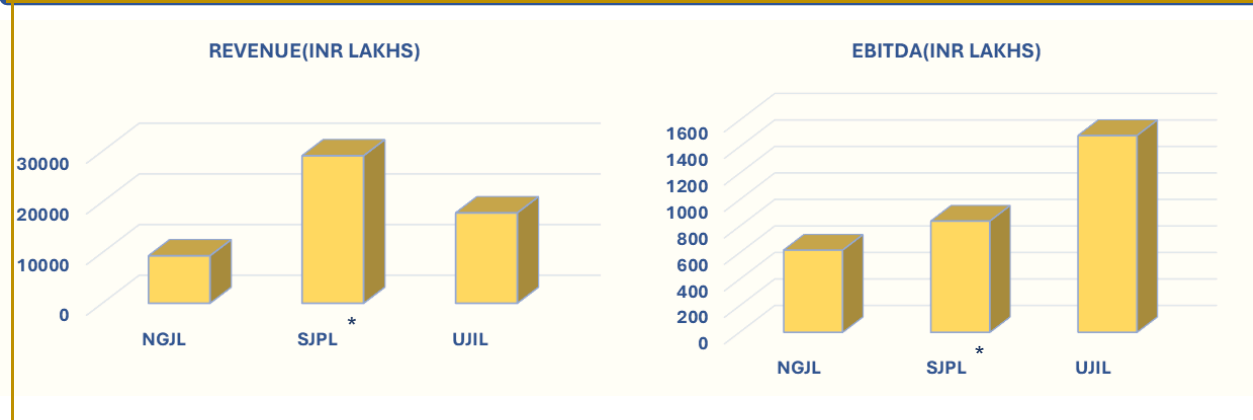
- ❖ NGJL is a part of the Hyderabad based “**Hanumanth Rai Sanghi Group**” (the HRS Group” or “the Group”) that carries forward a 100-year old legacy in the gems & jewellery business.
- ❖ The HRS Group is managed by 4th generation gems & jewellery professionals.
- ❖ The HRS Group was a pioneer in creating a manufacturing base for a jewellery range inspired by the traditional Hyderabad Nizami designs & patterns. The Group set the trend in 1993 when the first ever jewellery manufacturing unit in Hyderabad was set up
- ❖ The flagship of the HRS Group is Sanghi Jewellers Pvt. Ltd. (SJPL). SJPL is the largest manufacturer of precious gem studded jewellery in India..
- ❖ The HRS Group also includes Uday Jewellery Industries Ltd. (UJIL), a listed company with a focus on of gold jewellery studded with Cubic Zirconia & other precious stones.
- ❖ NGJL holds a leading position in the diamond & coloured precious stones studded jewellery market.
- ❖ The HRS Group is one of the most trusted suppliers & product development partners of the marquee brands of India including Tanishq, Kalyan Jewellers, Malabar Gold & Diamonds, Joyalukkas, GRT Jewellers, etc.
- ❖ The core strength of the Group lies in innovative designs, cost effective operations & manufacturing excellence.

The Hanumanth Rai Sanghi Group has established itself firmly as one of the dominant players in the Indian gems & jewellery market that contributes 7% to the GDP of the country. Having cemented its position as the preferred supply partner for almost all leading brands in India, the Group is now poised to grow with a significant momentum & sustained profitability due to both internal & external factors.

BUSINESS & OPERATIONS

- ❖ The Company specializes in the manufacture & trade of the diamond & coloured stones studded jewellery.
- ❖ NGJL has developed a completely integrated production infrastructure in Hyderabad that is equipped with state-of-the-art machinery & technology to manufacture & deliver a wide range of products including rings, earrings, bracelets, bangles, long necklaces, short necklaces, choker sets, etc. with a total installed capacity of close to 40 kg which is set to increase further with the commencement of operations expected by mid-October 2023 from the newly developed facility.
- ❖ NGJL operates primarily in the B2B segment of the jewellery industry & with an export component also present through its customers. The Company has plans to extend its footprint.

FY23 REVENUE & EBITDA: HRS GROUP



* SJPL figures are provisional as of 31.12.2023

GEMS & JEWELLERY MARKET: DYNAMICS & TRENDS

INDIA & THE GLOBAL SCENARIO

- ❖ India is the second largest consumer of gold in the world, the sector being propelled by favourable macro trends including rising disposable income levels with India's growth story unveiling.
- ❖ India's gems & jewellery sector contributes ~29% to the global jewellery consumption.
- ❖ India is the most preferred exporter in the global jewellery market & perceived as a major hub because of its low operational costs & availability of highly skilled human capital.
- ❖ The G&J market had been impacted by the global Covid-19 pandemic however recovery was visible throughout 2022 & in the domestic demand's context-especially in Q3 FY23 followed by a dip in Q4 FY23 owing to increased gold prices & tariff hikes by the government.

MARKET SIZE & GROWTH

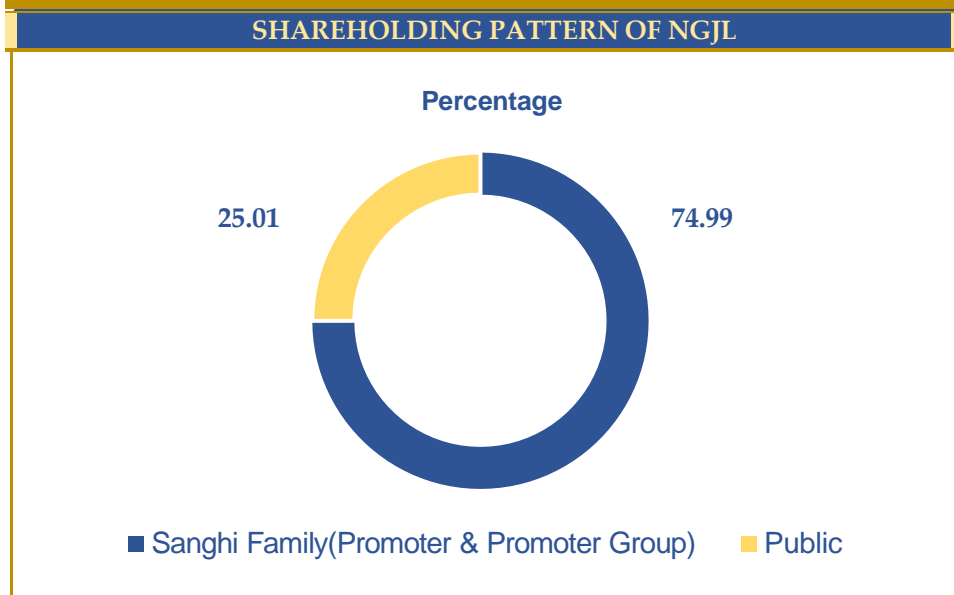
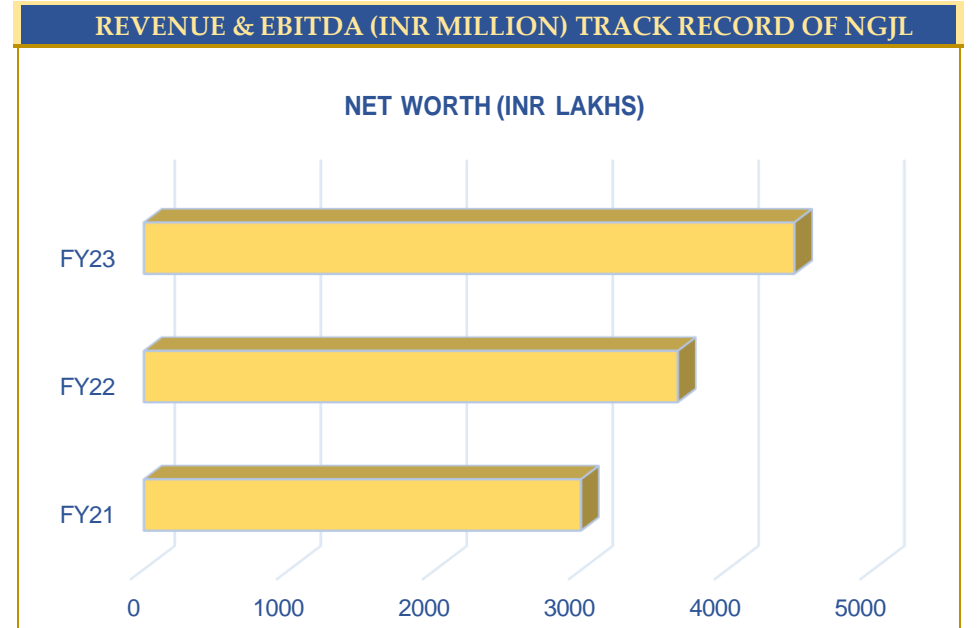
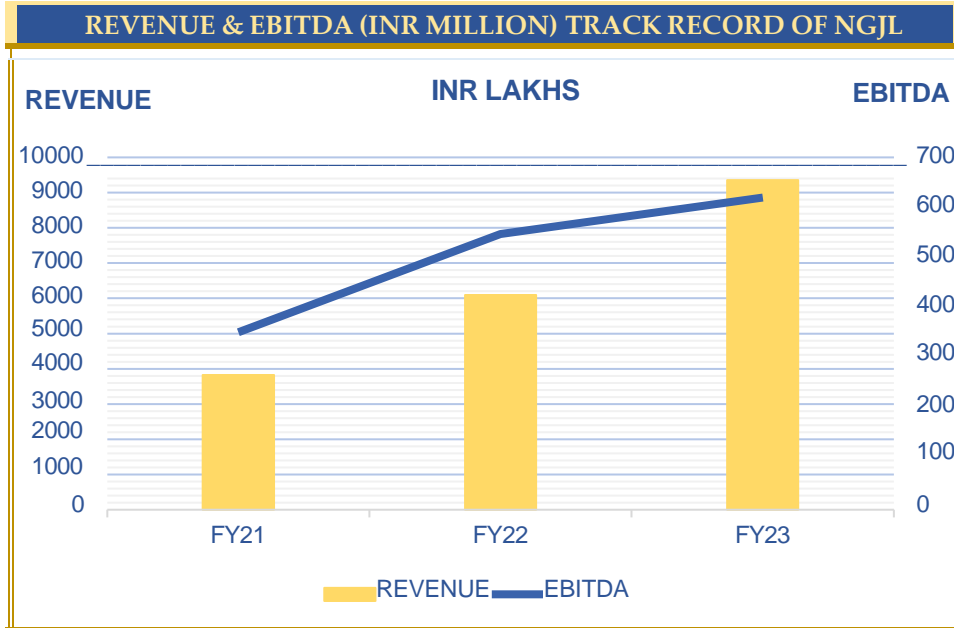
- ❖ India is the 5th largest exporter of Gems & Jewellery (G&J) in the world, accounting for 5.8% of the world's exports, ahead of China (8th position with a 3.4% share).
- ❖ India's G&J exports amounted to USD 37.47 Billion during FY23 & corresponding imports were USD 25.9 Billion.
- ❖ The sector has more than 300,000 gems & jewellery players with employment generation of more than 8 million. Estimated market size for 2023 stands at USD 87.5 Billion with a CAGR of ~5.6%.
- ❖ India's gems & jewellery sector contributes around 14% to India's total merchandise export & 7.5% to the GDP.
- ❖ The Government of India has a target of reaching an export level of USD 80 Billion in the G&J sector between 2019 & 2024 & has been working on creating a favourable policy platform to enable this growth. The opening of India International Bullion Exchange (IIBX) as a part of GIFT city further smoothens the working mechanisms for industry players.
- ❖ Strong ecosystem development has been facilitated by entities like GJEPC, AIGJC & IGPC (IIM-Ahmedabad) in addition to provisions & efforts by the government.



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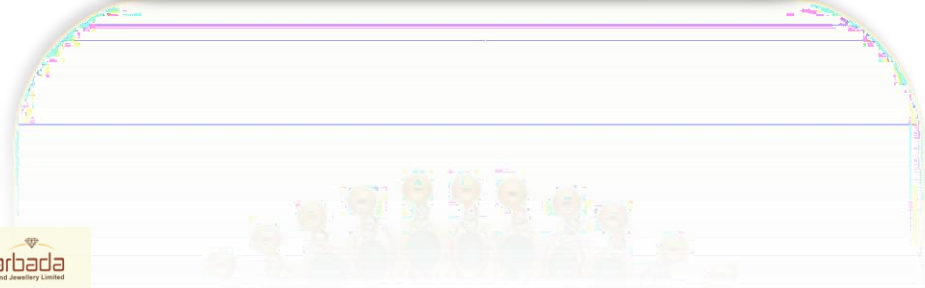
NGJL:FINANCIAL SNAPSHOT





PART II

INVESTMENT HIGHLIGHTS



DISTINCTIVE ELEMENTS OF NGJL DELIVERING SUSTAINED GROWTH

FINANCIAL COHESION

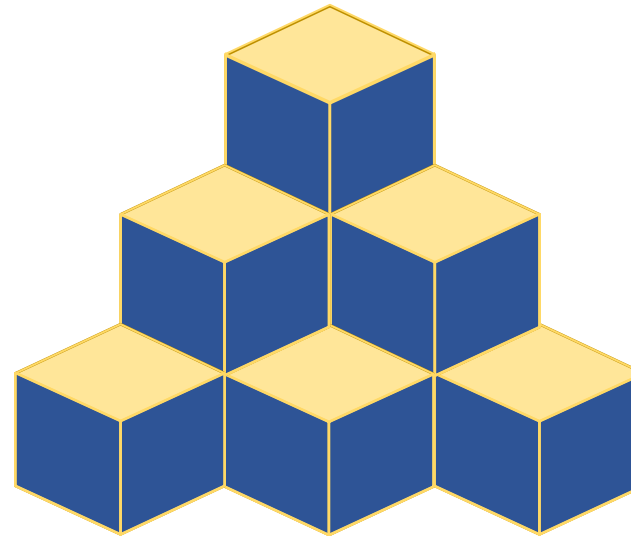
- ❖ Consistently strong growth with topline growing at CAGR of ~35% in the last 3 years accompanied by EBITDA CAGR at ~21%.
- ❖ Above peer-average net margin & ROE percentages showcase the strong finance fundamentals.
- ❖ Intrinsic value of stock higher than current trading price, indicating that there is natural scope of growth in the same & stock is undervalued which makes it an attractive investment option.
- ❖ As of 2022, enhanced credit rating of CRISIL **BB+(Stable)** was achieved.

FUTURE-READY & ADAPTIVE

- ❖ The long journey of the group & where it stands today is a testament to the ability to withstand different kinds of challenges in the long-run & not only survive but thrive in their midst.
- ❖ The promoter family also exhibits visionary thinking from one generation to the next, each in their own context. One of the more notable displays of the same being the decision & efforts taken to build a strong manufacturing presence. An endeavour thought of & executed by the 4th generation with the wisdom, guidance & platform provided by the 3rd generation patriarch, Shri. H.R. Sanghi.
- ❖ This ability has also manifested in the new & younger 5th generation who not only bring fresh perspectives in dealing with evolving challenges but are well-equipped with the knowledge & experience to do so, having been part of the business actively for close to a decade. Some notable examples of their contribution are the Smart Order Management System (SOMS) & implementation of business-specific Enterprise Resource Planning (ERP) system providing a more integrated functionality for decision-making inputs.

CRAFTED CREATIVITY

- ❖ Constant innovation in design facets is another gem in the success framework of the company. Their capabilities across all group companies in their respective segments & chosen niche are second to none.
- ❖ In NGJL specifically, there is a continued impetus to create design that are non-repeatable by the company itself at a later stage.
- ❖ These capabilities when fused with understanding of customers' & end-customers' preferences as well as market trends (global & Indian) deliver enhanced value in the product output.



FAVOURABLE ECONOMIC INDICATORS & ECOSYSTEM

- ❖ The increased focus on exports & targets associated by the Government of India augers well for the industry as a whole. Active policy, infrastructure & working mechanisms' support further enhances ease of doing business.
- ❖ The expected increase in UHNI & HNI by 58.4% & 107% respectively as of 2027 directly aligns with NGJL's growth trajectory. Increased income levels & wealth-creation have always exhibited an increased consumption of jewellery across the world over time.

STRONG PEDIGREE & ENTRENCHED PRESENCE

- ❖ NGJL is part of the HRS Group & promoted by the same family that has built & grown the largest manufacturer of precious gem-studded jewellery in India- Sanghi Jewellers Pvt. Ltd.
- ❖ The Group has strong track record of more than 100 years in the industry which brings with it immense goodwill along deep relationships & partnerships-all built by delivering excellence consistently.
- ❖ There is also a deep understanding of the core aspects of creating products that stand the test of their own scrutiny since commitment to quality is a deep-rooted value system that has been passed down from one generation to the next along with the knowledge in delivering the same.
- ❖ The promoter family's 4th generation currently forms the top management of the company.

OPERATIONAL STRONGHOLD

- ❖ The company has access to superior manufacturing prowess & integrated facilities therein-with the newly developed 10,000 sq. ft. space due to become operational & equipped with state-of-the-art equipment built on advanced German casting technology.
- ❖ Due to the wide & deep experience, NGJL is able to optimize different stages of the production process & associated costs therein.
- ❖ The manufacturing capabilities are backed by strong & efficient procurement channels & mechanisms built & refined over an extended period of time.
- ❖ Treasury management practices such as the integrated Gold Desk of the group work in sync with these processes for operational & financial risk reduction parameters.





PART III

MARKET DYNAMICS



MARKET OVERVIEW

CONTRIBUTION TO GDP

1

- ❖ The Indian gems & jewellery (G&J) sector contributes ~7.5% to the GDP & 14% to India's total merchandise exports(as of Feb.2021)
- ❖ The sector employs more than 8 million people as of 2022.

MARKET SIZE & GROWTH

2

- ❖ The Indian G&J sector is one of the largest in the world, contributing ~29% of the global jewellery consumption. The sector is largely unorganized & has ~300,000 players.
- ❖ The size of the Indian G&J market is 87.5 Billion USD as of 2023. The market is estimated to be growing at a CAGR of 5.6%.
- ❖ Bridal jewellery dominates the gold jewellery landscape, enjoying 50-55% share.South India dominates Indian gold jewellery consumption, accounting for 40%.
- ❖ A 2019 consumer survey, carried out by Hall & Partners, found that 60% of women surveyed owned gold jewellery,followed by 57% with silver jewellery whereas only 26% of women surveyed owned diamond jewellery.
- ❖ Exports form a major part of the G&J market. In 2019 India was the 5th largest exporter of gems & jewellery products, accounting for 5.8% of total world exports of USD 629.06 Billion as well as the largest exporter of diamonds with a 33% global market share as of 2021.
- ❖ India's gems & jewellery exports are expected to reach USD 100 Billion by 2027,up from USD 35 Billion in 2020.The USA, Hong Kong & the UAE are the three major export destinations, the three together accounting for 72.4% of total exports from India between April 2022 & March 2023.

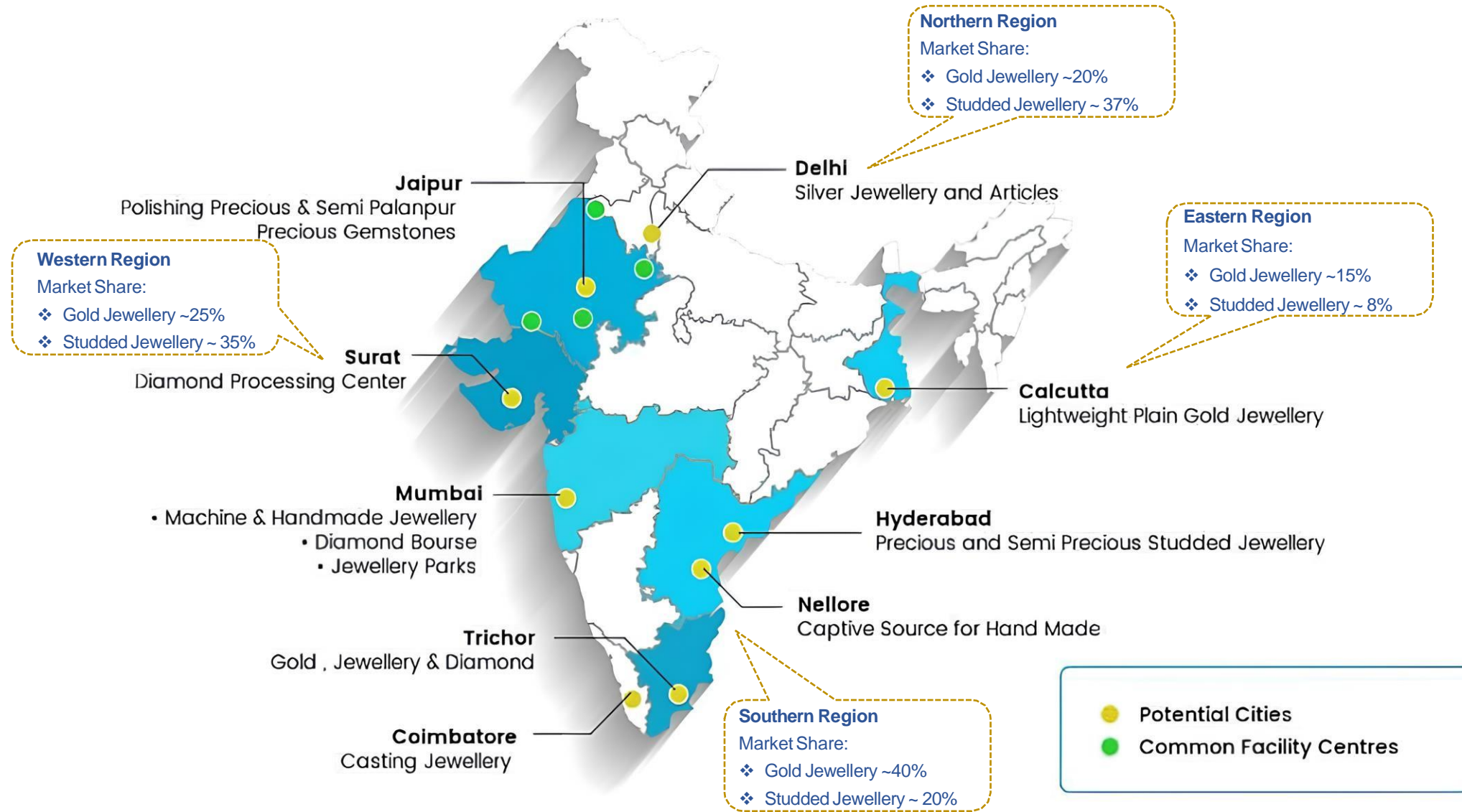
POLICY & OPERATING ENVIRONMENT

3

- ❖ The Govt. of India has implemented several policy reforms such as allowing 100% FDI in this sector, introduction of the Gold Monetization Scheme to back up the Gold Metal Loan programme of banks launched in Nov. 2015, etc.
- ❖ The Government has reduced custom duty on cut & polished diamond & colored gemstones from 7.5% to 5% & NIL.
- ❖ Proposed policy to help increase the gold supply from local refineries to 80% in the next few years from current 40% .



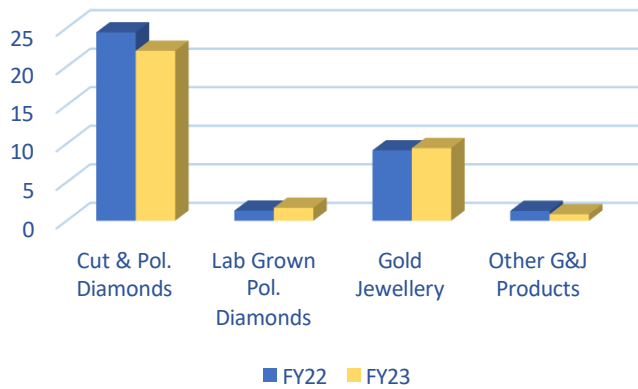
GEMS & JEWELLERY INDUSTRY CLUSTERS



EXPORT & IMPORT SCENARIO

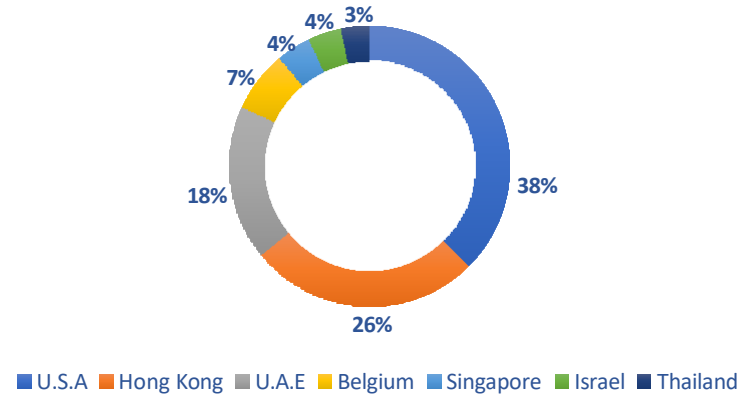
EXPORT OF G&J PRODUCTS (USD BILLION)

IN USD BILLION



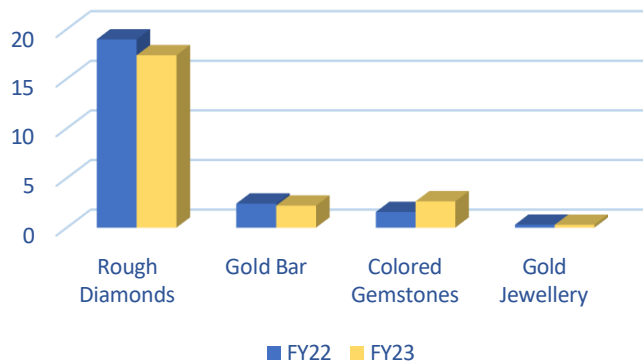
KEY EXPORT DESTINATIONS: FY23

PERCENTAGE OF TOTAL G&J EXPORTS: FY23



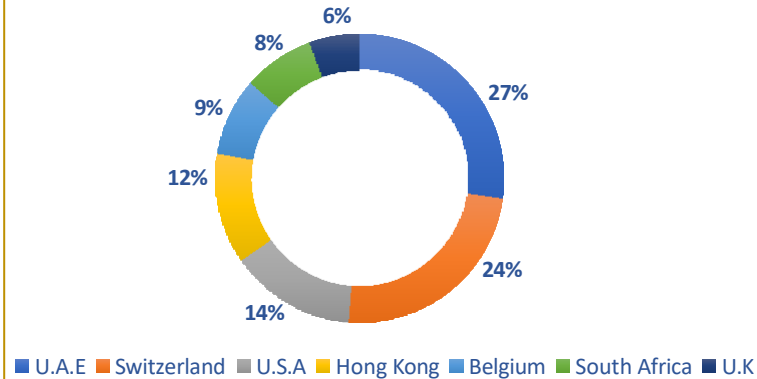
IMPORT OF G&J PRODUCTS (USD BILLION)

IN USD BILLION



KEY IMPORT SOURCES: FY23

PERCENTAGE OF TOTAL G&J IMPORTS: FY23



NOTE: Other G&J Products do not include platinum, silver & imitation jewellery. Gold jewellery includes both plain gold & studded gold jewellery.

- ❖ India is the most preferred country in the global market as a gems & jewellery exporter.
- ❖ The overall export of gems & jewellery products/commodities was USD 37.47 Billion during FY23 whereas imports were worth USD 25.9 Billion during same period.
- ❖ India exported USD 22.04 Billion worth of cut & polished diamonds in FY23 which was the single-largest export contributor with ~59%.
- ❖ India remains the world's second largest gold consumer, only behind China. Domestic consumer gold demand declined by 2% to 751 tonnes in 2022-23 compared to the previous fiscal year. However, Q3 2022-23 saw a 44% rise in gold demand due to various festivals, followed by a 59% decrease in Q4 due to increase in prices as well as duty hikes, limiting the demand to 112.5 tonnes
- ❖ The Government of India has set a target of achieving jewellery exports worth USD 80 Billion by 2024.
- ❖ An active role is played by the Gem & Jewellery Export Promotion Council (GJEPC) in the development & growth of the sector. GJEPC undertakes direct promotional activities & sustained image-building exercises apart from serving as a platform for the G&J sector for a meaningful interface with the government.
- ❖ Similarly, the All India Gem & Jewellery Council (GJC) recognizes & encourages interactions & new ideation within the industry ecosystem. A dedicated India Gold Policy Centre (IGPC) at IIM-Ahmedabad established in 2014 with the support of the World Gold Council (WGC) also brings out regular updates, analysis, research & suggestions for the betterment of the industry ecosystem.

MACRO FACTORS FOR GROWTH IN THE SECTOR

TECHNOLOGICAL/IMPROVEMENT FACTORS

Increased Mechanization

- ❖ Distinctive & high-quality products in the premium segment of jewellery, especially with certain players like NGJL working on specific styles of craftsmanship are increasingly difficult to deliver due to the lack of skilled and/or experienced artisans to hire when expansion of business operations demands the same.
- ❖ In such a scenario, shifting of certain parts of the process to mechanized working format & tech-based improvement/augmentation of other parts can help tackle this issue while maintaining competitive standing & not losing out on enhanced revenue opportunities.

Systems-based View

- ❖ Organized players in the industry have been taking a holistic systems point-of-view in the last 5 years.
- ❖ This includes both retail & manufacturing sides of the sector where operations, technology, data, finance & marketing are now increasingly seen as parts of the system that together can build & take forward a purposive strategy in the mid to long-term.

Process Optimization

- ❖ Efficiency & streamlining have also gained more focus from management layers in companies across the sector & a relook at working methodologies especially in operations, marketing & H.R. to balance financial management has the capacity to bring improvements.

ECONOMIC FACTORS

Growing HNI & UHNI population

- ❖ India's ultra-high-net-worth individuals (UHNI) with net worth over \$30 million will rise by over half (58.4%) in the next 5 years. The number is likely to grow to 19,119 individuals in by 2027. In that year, the billionaire population is also expected to reach 195 from 161 in 2022.
- ❖ The high-net-worth-individual (HNI) population, with asset value of \$1 million & more, which was recorded at 7.9 lakh persons in 2022 will also rise to 16.5 lakh, growing 107% in the five-year period.
- ❖ A considerable amount of this new wealth generation will be apportioned for expenditure on luxury & high-end product categories-including jewellery as a prime contender.

Stable Investment Instrument

- ❖ Jewellery remains the 3rd largest retail category after Food & Grocery & Apparels & Accessories. Jewellery is projected to emerge as the 2nd largest retail spending category by 2025.
- ❖ In conjunction with all the other factors, both the historical data & perception-for gold & jewellery on the whole-makes it one of the most reliable investment options for larger amounts as well.

SOCIAL/CULTURAL FACTORS

Symbolic Significance of Jewellery/Gold

- ❖ Indians have a strong social connect & cultural affinity to gold with an entire ecosystem structured around the metal. It serves the dual purpose of consumption (jewellery) & investment (bars/coins).
- ❖ Strong association of jewellery with weddings & festivals creates a natural demand for expenditure for jewellery in India.
- ❖ India is a market of approximately 10 million marriages annually & this market alone is estimated to generate demand for 300 to 400 tonnes of gold.
- ❖ The age profile of the country will continue to sustain the high growth of weddings in India to support this demand.

Nuclearization

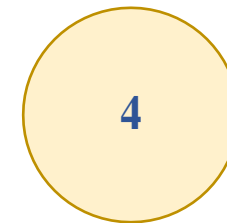
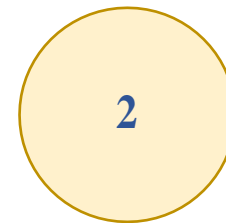
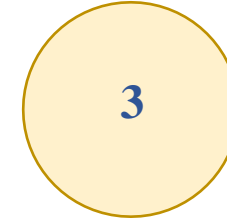
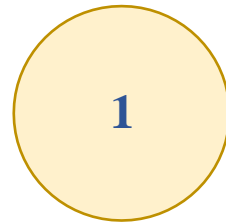
- ❖ In India, growth in the number of households exceeds population growth. This indicates an increase in the rate of nuclearization in India. According to the 2011 census, 74% of urban households have five or less members, compared to 65% in 2001.
- ❖ Smaller households with higher per capita disposable income will result in higher levels of discretionary expenditure on items like jewellery.



POLICY GROWTH DRIVERS IN THE SECTOR-review content,add IIBX,mining amendment

BIS HALLMARKING SCHEME

- ❖ Hallmarking has been made mandatory for gold jewellery & artefacts. The 1 - year period granted to jewellery operations for compliance ended in January 2021.
- ❖ Mandatory hallmarking will lead to a weakening of the position of unorganized players & create more space in the industry for organized players besides creating significant transparency for jewellery buyers.



INTRODUCTION OF GOLD SPOT EXCHANGE

- ❖ The Govt. has announced the establishment of a Gold Spot Exchange that will significantly enhance the efficiency of the gold market in India & will enable transparent & quick price discovery
- ❖ An efficient gold spot exchange would lead to a successful implementation of the gold monetization scheme, development of gold-backed products, empower bullion banking & lead to a greater integration of India with the global gold market

- ❖ *In addition to the stated factors, the addition & opening of India International Bullion Exchange as a part of GIFT city has made procurement processes convenient & advantageous for registered industry players.*
- ❖ *Furthermore, Parliament in the recent Monsoon session- passed the Mines & Minerals (Development & Regulation) Amendment Bill, 2023, (MMDR Amendment) to open up & attract private sector investment in the exploration of critical & deep-seated minerals in the country. Deep-seated minerals includes gold & diamonds in the category amongst others like copper. India is highly import-dependent for a large number of both critical & deep-seated minerals & this development could help ease this issue to a considerable extent in the future.*

THE GOLD MONETIZATION SCHEME (GMS)

- ❖ The Govt. has rolled out several amendments & reforms in the existing GMS framework to encourage increasing volumes of idle gold to be deposited in banks & financial institutions.
- ❖ The proposed amendments include exemption of small depositors (of up to 100 gms) from submitting tax documents, exemption of deposits from GST, capital gains & wealth tax requirements & income tax exemption on interest earned on gold deposits. The Govt. is also considering making it mandatory for at least state-run banks to roll out GMS services.

DEVELOPMENT OF PRODUCTION INFRASTRUCTURE

- ❖ The Govt. has been encouraging the strengthening of support infrastructure for the G&J sector. A 25-acre jewellery park in Navi Mumbai is being developed at a cost of ~USD 2.1 Billion by GJEPC in partnership with Maharashtra Industrial Development Corporation (MIDC).
- ❖ Currently 4 Common Facility Centres (CFC) equipped with state-of-the-art equipment & facilities are operational in Gujarat. As per representation from GJEPC, 6 more are in the pipeline in Hyderabad, Calcutta, Rajkot, Jaipur, Delhi & Coimbatore.



EMERGING TRENDS IN THE SECTOR IN INDIA

RISING DEMAND FOR MEN'S & GENDER-NEUTRAL JEWELLERY

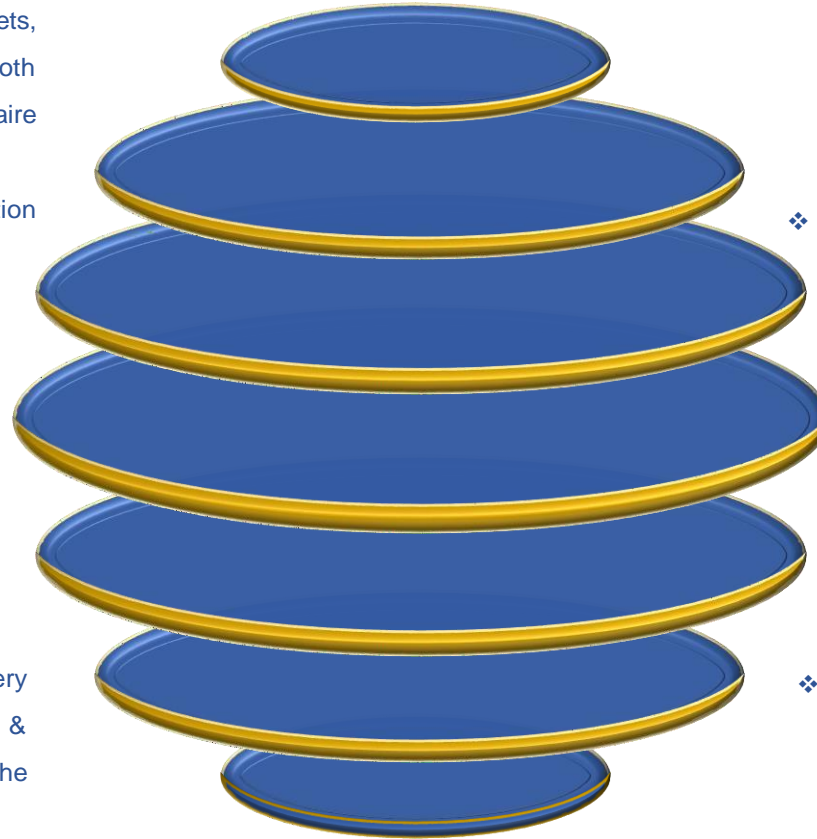
- ❖ Demand for men's jewellery & accessories has been rising. Young & affluent males have been relying on jewellery pieces like rings, bracelets, chains, etc. to for upping their style quotient. The demand for both affordable costume jewellery & expensive fine jewellery such as solitaire diamonds has been demonstrating an upward trend.
- ❖ It is important to note this trend since jewellery making & consumption has always been viewed primarily from the lens of one gender.

PERSONALIZATION & CUSTOMIZATION

- ❖ Another growing trend of jewelry with a personal touch is expected to drive the global jewellery market higher. More & more jewellery consumers are looking for unique customized jewelry with engravings, monograms & more detailed personalization- that reflects their personal style & preferences.

RISING SHARE OF ORGANIZED PLAYERS

- ❖ Between 2007 & 2023 the share of organized retailing in jewellery has increased from 6% to 38% (fastest rate of systematization & rationalization amongst all sectors) & this is expected to continue in the sector especially with the multiple govt. initiatives taken.
- ❖ On the demand side this trend has been strengthened by the increased preference of customers to transact with well-known brands.



GROWING DEMAND FOR UNIQUE JEWELLERY PIECES

- ❖ Consumers are increasingly looking for one-of-a-kind, stylish handcrafted pieces that reflect the creativity & skill of the artist. NGJL's endeavour to follow the concept of "**crafted creativity**" in creation of non-repeatable designs & products is in tune with this trend.

TECHNOLOGICAL ADVANCEMENTS

- ❖ With the increase in smartphone & internet penetration, there is greater awareness about jewellery at the end-customer level; combining this with increased levels of disposable income presents a fruitful opportunity especially for all organized players & their long-term partners in the value chain.
- ❖ The technological adoption at an operational & systemic level by organized players is helping them streamline & scale-up operations.

INDIA'S GROWTH TRAJECTORY

- ❖ Economic growth in India going forward is expected to be more evenly spread across regions & geographies. This will increase the importance of Tier-2 & Tier-3 centres as demand hotspots for jewellery, this provides growth opportunities for the Group via UJIL. On the other hand, the number of HNIs & UHNIs is expected to jump manifold which will benefit NGJL.

WEDDINGS TO BECOME LESS LAVISH

- ❖ Another factor that has made jewellery makers optimistic is the fact that smaller but memorable weddings are being preferred due to the past experience of Covid-19 pandemic as well as increasingly discouraging societal views of material wastage (in the context of sustainability awareness) & displays of wealth. Money saved in wedding expenses is most likely to be channeled to jewellery.





PART IV

PROMOTER PROFILE



THE HANUMANTH RAI SANGHI(HRS) GROUP



Mr. Hanumanth Rai Sanghi promoted Sanghi Jewellers, the flagship of the HRS Group. Mr. Sanghi is a Science Graduate & has been in the gems & jewellery business for over 55 years. The Group benefits substantially from Mr. Sanghi's extensive knowledge in the intricacies of the jewellery business & his vast experience in the field of operations & strategy in the industry.

His expertise & proficiency in the processes & techniques as well as his proactive approach towards the induction of state-of-the-art technology in jewellery manufacturing have proved invaluable for the Group. Mr. Sanghi is a pioneer in the "lost wax" casting technology (also called cire-perdue), a process that is now extensively used by jewellers across the trade to produce the finest quality of ornaments. Mr. Sanghi has been the inspiration behind the innovative spirit of NGJL & the Company's ongoing journey towards perfection.

"Our aim in business is not to get ahead of others but to get ahead of ourselves-to break our own records,we must always change,renew & rejuvenate.If quality is not put into products,the finest sales talk in the world will not act as a substitute."

-Hanumanth Rai Sanghi,Founder of HRS Group

THE HANUMANTH RAI SANGHI GROUP



BRANDS OF HRS GROUP

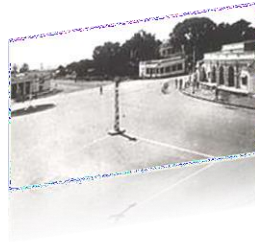


THE GROUP'S JOURNEY



COMMENCED SUPPLYING
JEWELLERY TO THE NIZAM OF
HYDERABAD

1905



FIRST JEWELLERY RETAIL STORE IN
ABIDS ,NEW CITY HYDERABAD

1928



FIRST EVER ORGANIZED
JEWELLERY MANUFACTURING UNIT
IN HYDERABAD

1993



BSE LISTING OF NARBADA GEMS
& JEWELLERY

2010



INAUGURATION OF SANGHI HOUSE, A STATE-OF-
THE-ART INTEGRATED MANUFACTURING UNIT

2020

An Impeccable Legacy of more than 100 years forged with the golden virtues of Dedication, Discipline & Diligence...

1921

FIRST RETAIL STORE IN CHARMINAR,
OLD CITY HYDERABAD



1975

FIRST IN-HOUSE MANUFACTURING
UNIT IN HYDERABAD



2007

RECOGNITION AS A STAR EXPORT
HOUSE BY GOVT. OF INDIA



2015

BSE LISTING OF UDAY
JEWELLERY INDUSTRIES



2023

MEMBERSHIP FOR TWO
GROUP COMPANIES IN
INDIA INTERNATIONAL
BULLION EXCHANGE (IIBX)



HRS GROUP & THE ASAF JAHI TRADITION

- ❖ The fashion ecosystem & the cultural ethos around the jewellery of Hyderabad, centred around its historic Golconda mines is distinct from the aesthetic narratives around the studded & heavy jewellery of the rest of India.
- ❖ The Asaf Jahi tradition of jewellery is built around diamonds & gemstones like rubies, amethysts, emeralds & pearls set in exquisite patterns & designs on metal & stands out as one of the finest cultural legacies in art & craft in the nation.
- ❖ The HRS Group has over the period of more than a century- mastered the science & art of Asaf Jahi jewellery & is currently the dominant player in this “*Gharana*” or school of master artisans that is unique to Hyderabad.

Some of the finest product specimen from the group companies are illustrated herein:



A DIVERSE & MULTI-FACETED BOARD

ENABLING TRANSFORMATION: THE 4TH GENERATION



SANJAY KUMAR SANGHI
MANAGING DIRECTOR

Sanjay is a commerce graduate & Gemologist with close to 35 years of experience in the business of gems & jewellery. Sanjay specializes in the sorting & evaluation of a diverse range of precious & semi-precious gems used in manufacturing of various Gold stone jewellery.



RITESH KUMAR SANGHI
EXECUTIVE DIRECTOR

Ritesh is a commerce Graduate & has been actively involved in the business of gems & jewellery for a period of nearly 30 years. His area of expertise & specialization includes production processes & techniques involved in the manufacturing of gold jewellery while also contributing to strategic aspects.

The current top management team represents the 4th generation of the Promoter Family. Their operational style & strategic outlook draw on the core values & business principles of the HRS Group inherited by the management as well as the extensive experience, expertise & domain knowledge built over the last 100 years. The board brings diverse thought processes & ability to weigh different perspectives thus enhancing the both the journey & destination in the decision-making pathway.

BOARD MEMBERS

MRS. BHAVNA SANGHI	Mrs. Sanghi is an experienced professional in the field of jewellery designing & gemology with a track record of 20+ years. The HRS Group has gainfully leveraged her extensive expertise & deep insight in the jewellery fashion trends in developing & guiding the design & development team.
MR. RAM PRASAD VEMPATI	Mr. Vempati is an Accountancy, Finance & Business Administration Professional with more than 40 years of experience. Mr. Vempati provides invaluable support to the financial governance infrastructure of the Company & is the Chairman of the Audit Committee & serves on the Nomination & Remuneration Committee & Stakeholders Relationship Committee of the Company.
MR. SIDDHARTH GOEL	Mr. Goel has 18+ years of experience in managing complex operational & financial aspects of business through active leadership in metal & steel products' businesses. Mr. Goel serves as a member of the Audit Committee & the Nomination & Remuneration Committee besides holding the chair of the Stakeholders Relationship Committee of the Company. He is an engineer by graduation & also secured his M.B.A from S.P. Jain Global, Mumbai.
MR. SUNIL GARG	Mr. Garg is a finance professional with more than 15 years of experience across diverse functions of the financial & operational aspects of business. Mr. Garg serves on the Audit Committee & Stakeholders Relationship Committee of the Company & chairs the Nomination & Remuneration Committee of the Company.



THE BOARD'S SUPPORT SYSTEM

EMPOWERING THE FUTURE: THE 5TH GENERATION



TEJAS SANGHI
BUSINESS DEVELOPMENT HEAD,
NGJL

Tejas currently serves as the Business Development Head at NGJL. Post completing his graduation in business administration, he went on to enhance his learning with specialized courses in Consumer Behaviour & Strategic Management from the London School of Economics (LSE). Tejas is an accomplished gemologist & has completed a professional course from the prestigious Gemological Institute of America (GIA). Tejas built on his learning with the "Family Managed Business" Programme from S.P. Jain Global, Mumbai. Having been involved with the business for close a decade now, he holistically spearheads NGJL's operations with a special focus on processes, design & product development along with related procurement & supply chain management—all of which are critical points to deliver the high quality & standards set by NGJL & the Group as a whole. Tejas also actively contributes to strategic aspects of UJIL & SJPL.



UDAY SANGHI
BUSINESS DEVELOPMENT HEAD,
UJIL

Uday currently serves as the Business Development Head at UJIL. Post his graduation in business administration, he has gained knowledge from specialized courses in Consumer Behaviour & Strategic Management at the London School of Economics (LSE). Uday has also notably completed his Graduation in Strategic Management from Harvard Business School (HBS). Uday contributes significantly in the field of market analysis with identification of new business verticals & improvements in existing ones, design-level ideation for products (specific to NGJL) & overall digital initiatives management from end-to-end with the commendable Smart Order Management System (SOMS) being his latest contribution—a customized platform that generates value for both internal & external stakeholders.

KEY MANAGEMENT PERSONNEL

CHIEF FINANCIAL OFFICER

The CFO of the Company, Mr. Bajranglal Agarwal, is responsible for all the banking & financial planning exercises of NGJL. He is the primary interface with the Statutory & the Internal Auditors & looks after all compliance related processes. He is also in charge of implementation of new processes, along with risk monitoring & risk mitigation activities & evaluation & execution of new projects.

MERCHANDISING

Mrs. Mydhili Koganti is the Merchandise Head of the Company & has a track record of 20+ years in the gems & jewellery industry in functional areas including analysis of market trends, design development, customer relationship management & business development.

DESIGN

Ms. Shireen Amin Soni is in-charge of Design functionalities for the Company. She has an experience of more than 12 years with a keen sensibility for infusion of market trends with innovative designs via usage of tech-aided tools. She is a postgraduate with an MBA in the Marketing domain from Jaipur National University.

SALES & MARKETING

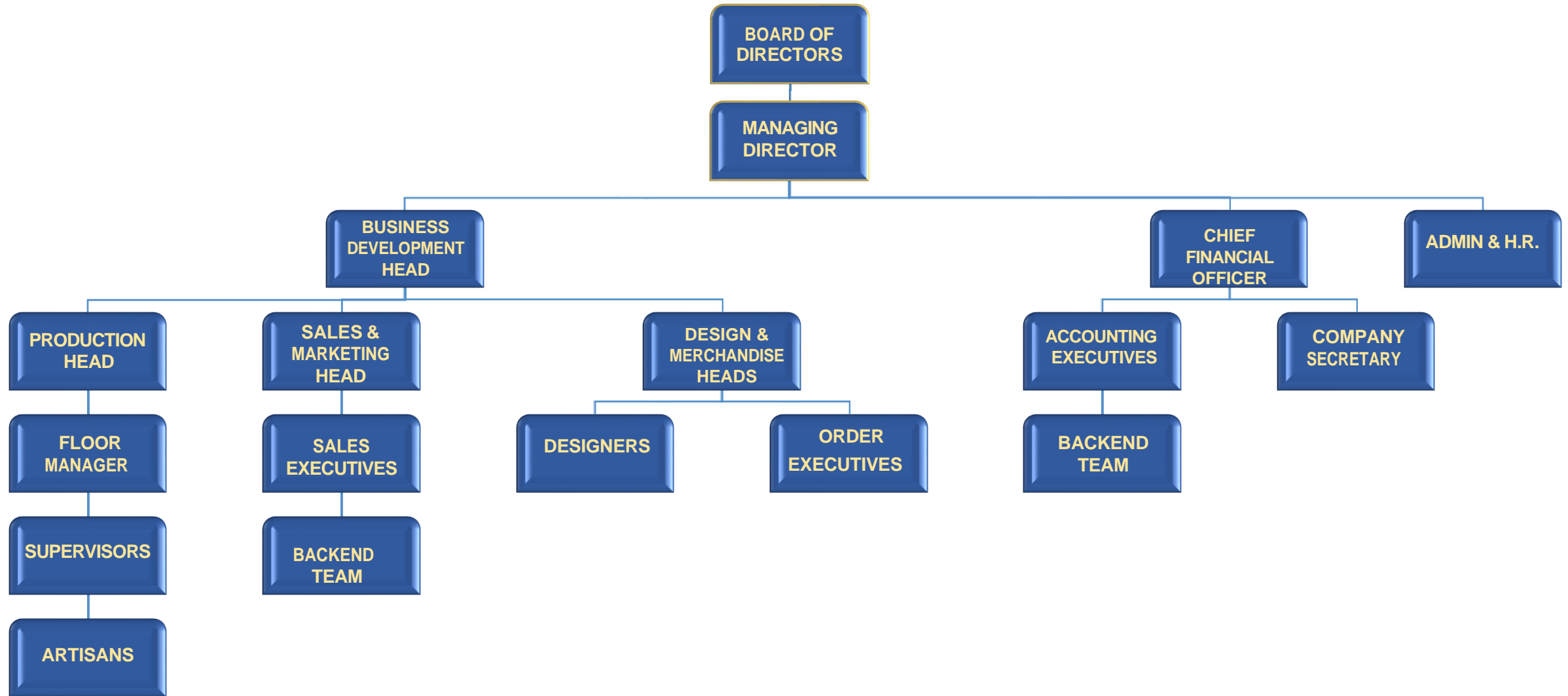
Mr. Vijay Kumar Tundewal is a commerce graduate & the Sales & Marketing in-charge of NGJL with an experience of more than 20 years in the area of B2B & direct marketing functions in the gems & jewellery industry with a particular focus on gathering & analyzing market intelligence in areas of customer tastes & preferences.

PRODUCTION PLANNING & CONTROL

Mr. Ahobilam Srikanth is a commerce graduate & the PPC in-charge of NGJL & brings on board nearly 20 years of experience in the gems & jewellery industry. He has contributed considerably in the rapid mechanization of NGJL's production infrastructure & adoption of globally benchmarked technology & equipment in the production process.

All the above activities work in unison due to the synchronous monitoring, active involvement & collaborative leadership of Tejas Sanghi, driven by self-devised sub-processes & systems for each line of work based on past working experience & industry/global best practices.

ORGANIZATIONAL STRUCTURE





PART V

THE COMPANY'S BUSINESS



BUSINESS BRIEF

- ❖ NGJL is a leading manufacturer & exporter of premium products of the flat diamond & colored gemstones studded jewellery segment. The Company is a dominant player in its chosen niche that has few established & organized players.
- ❖ The product lineup is of significant breadth & width with rings,necklace sets,earrings,pendant sets,bangles,bracelets,maangtika being some of the offerings in the Company's repertoire.
- ❖ The Company's operations are based at a 4,000 sq. foot workshop situated in Hyderabad. A second unit comprising 10,000 sq. feet of space is in the finishing stages & operations are expected to primarily shift to it by mid-October of 2023. The production facilities of the Company are equipped with state-of-the-art machinery & technology.
- ❖ NGJL's production infrastructure includes a large pool of highly skilled artisans & craftsmen who bring in years of experience & specialized expertise in the manufacture of both machine made & handmade jewellery of the highest quality.
- ❖ The Company's in-house design & development team is supported by cutting edge technology including 3D printing, laser engraving, CAD (computer aided design), etc.
- ❖ NGJL supplies finished jewellery to large retailers with whom the HRS Group has longstanding relationships. NGJL's ideation & innovation capabilities have been recognized & appreciated by its customers & industry bodies.
- ❖ NGJL has been supporting its marquee clientele with product conceptualization & product design services based on first-hand market feedback & research.



PRODUCT ILLUSTRATIONS FROM NGJL'S CATALOGUE



PRODUCTION & DESIGN CAPABILITIES

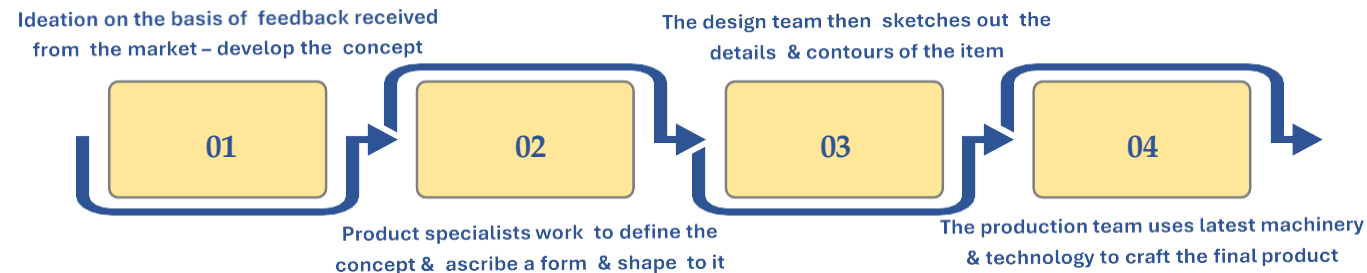
PRODUCTION INFRASTRUCTURE

- ❖ NGJL's production facility in Hyderabad is fully equipped & end-to-end integrated unit over an area of 4,000 sq. feet. A second unit covering an area of 10,000 sq. feet is currently under completion & is expected to be ready by August 2023.
- ❖ Jewellery products are manufactured using two techniques – one is the lost wax casting technique & other is handmade process. NGJL obtains specialized & exclusive casting dies from Sanghi Jewellers Pvt. Ltd.
- ❖ The Casting Department of NGJL's production unit is equipped with state-of-the-art machinery & technology including KWS & Indotherm (German technology) casting machines.
- ❖ NGJL has a pool of highly skilled human capital for the production of handmade jewellery. At present, the production unit of NGJL has 114 employees with a wide range of skills & domain expertise across diverse areas of jewellery production functions.
- ❖ NGJL's product portfolio includes a wide range of items including small earrings, Rings, Pendants, Necklace to bigger products like chokers, long & broad necklaces, Bridal sets etc

DESIGN CAPABILITIES

- ❖ NGJL's product portfolio is modernized & re-prioritized on an ongoing basis.
- ❖ NGJL has a specialized Design Department that is manned by experienced jewellery designers & Graduates from renowned Design Institutes like NIFT, NID, etc., who are supported by CAD/CAM machines & the latest tools & techniques of jewellery design to develop innovative designs across all collections & categories of products.
- ❖ The Designing Team develops innovative jewellery designs based on regular feedback from the Sales Team as well as global & local trends to stay ahead of the fashion curve.
- ❖ In an environment of rapidly shifting fashion trends, the Design Team of NGJL also provides value added inputs to the Company's corporate customers on latest trends & consumer preferences & in turn supporting them in their effort to stay in sync with changes in market, customer & economic dynamics.

PRODUCT DEVELOPMENT PROCESS



REVENUE MODEL

CUSTOMER INTERFACE MECHANISM

- ❖ NGJL is a trusted supplier of jewellery products to a large number of branded retail players in India & abroad.
- ❖ The arrangement with wholesale customers typically forms a one year or two- year contract that mentions the type of products along with input specification, design parameters, etc. & making charge payable.
- ❖ Wholesale customers place orders on the basis of their requirements to the Sales Department of the Company with specifications regarding weight, design details, etc.
- ❖ The Company's production infrastructure is geared to handle a wide range of product specifications in line with customer preference.
- ❖ Customers are also provided with products that may be available from the Company's finished stock/catalogue or from NGJL's proprietary design bank.
- ❖ NGJL's engagement with its customers is an ongoing exercise that involves regular exchange of feedback & market intelligence in order to synchronize design & product specifications with market trends.
- ❖ NGJL's partnership with its clientele provides the latter with a strong, reliable & economically efficient base for a steady supply of the desired quantity & quality of jewellery items required at their retail outlets.

PRODUCT PRICING

- ❖ As per industry standards, the jewellery delivered to the customer is invoiced in two parts – the price of gold at the market price prevalent on the day of invoice plus the making charge (agreed upon beforehand by way of a contract/agreement).
- ❖ On account of NGJL's tight control on the entire production value chain & its scale of operations the Company usually manages to offer highly competitive pricing to its customers while maintaining a good margin for itself.

TOP FIVE CUSTOMERS OF NGJL



WORKING CAPITAL MANAGEMENT & COST STRUCTURE

OPERATING COST COMPONENTS

INPUT COST

- ❖ The key components of input cost are the cost of gold & precious gemstones which are purchased at an attractive price from an established vendor network also due to scale & volume advantages amongst other considerations. Gold is only available from authorized bullion dealers or govt. recognized trading agencies or select banks.
- ❖ Gold purchase by NGJL is carried out as a part of a larger Treasury Management exercise in order to minimize exposure to market volatilities. Gold is also available in the form of Gold Metal Loans (GML) from select banks when required. On account of the strictly procurement discipline as well as a proactive, real-time market participation policy, gold costs of the Company work out to be quite economical overall.

MANUFACTURING COST

- ❖ The state-of-the-art technology & equipment enable the Company to produce jewellery at a fraction of the cost incurred by other players for similar products.
- ❖ The scale of operations & volumes generated also allow the Company to keep manufacturing costs low.

INVENTORY CARRYING COST

- ❖ An effective & efficient Supply Chain Management (SCM) system developed over the years allows the Company to minimize its inventory carrying cost.
- ❖ Besides, active & regular participation in the gold market ensures that the carrying cost of gold inventory is kept at the minimum.

WORKING CAPITAL MANAGEMENT

- ❖ NGJL's operations are working capital intensive & the main components of the current assets of the business are inventory & receivables.
- ❖ Gold is a regulated commodity in India & can only be imported/sold by authorized agencies. Procurement of inputs is done as per requisitions received from the Production Planning Department & orders in hand. NGJL also buys gold from the market from time to time to hedge itself against price fluctuations. The closing stock of gold is valued as per the Weighted Average Cost method in line with the provisions of the Income Tax Act.
- ❖ Inventory holding period is kept under control by the management through a mix of judicious "Just in Time" (JIT) procurement practices & a system of real time online inventory control & MIS built around multiple parameters including an ABC analysis of stock based on profitability & the stock velocity. Usually, a credit period of 45-90 days is extended to customers. Approx. 70% of the Company's revenues are accounted for by three top customers all of whom have an excellent standing & deep retail presence in the domestic & international markets. Hence, quality of receivables has never been an issue. However, the Company also incentivizes early settlement of invoices by offering a cash discount on a selective basis.
- ❖ Overall, the working capital requirements of the Company have till date been met without any undue stress on the cash flow of the business. The Current Ratio of the Company averaged 2.95 for the past three financial years indicating a comfortable position from working capital management perspective. A GML line has been offered by Kotak Mahindra Bank as a sub-limit to the cash credit facilities. This allows the Company to procure gold for a period of up to 180 days at an interest rate of 4% p.a. Another sub-limit offered by the Bank is a PCFC limit that the Company utilizes to finance its export receivables.

PROCUREMENT & PROCESSING VALUE CHAIN OF NGJL

IMPORT OF GOLD & PRECIOUS STONES

- ❖ Gold is imported by nominated banks & agencies including Trading Houses.
- ❖ Precious stones are imported & traded by global miners

PROCUREMENT OF RAW MATERIAL

- ❖ NGJL procures its gold from banks, agencies & recycled gold. Precious stones are bought by from global suppliers & established, reputed vendors with whom the Company enjoys longstanding relationships.

HEDGING STRATEGY & TREASURY OPS

- ❖ NGJL uses a mix of Gold Metal Loans (GML) for inventory replenishment & financial instruments (forwards, futures etc to hedge its gold inventory against price fluctuations.

SUPPLY TO RETAILERS/ OTHER CUSTOMERS

- ❖ NGJL supplies to its retail customers as per contract (usually 1- 2 years in duration & renewable upon expiry). Supply is made as per the catalogue or from finished stock on the basis of the day's gold price.

MARKETING & BUSINESS DEVELOPMENT APPROACH

- ❖ **COMMUNICATION**: It must be noted that due to cumulative advantages & reputation built over the years, a large part of the marketing aspects are a function of the '***pull***' mechanism as opposed to focus on ways to 'push' the brand or products via different channels as is the case with standard marketing approaches. Direct Marketing techniques including personal, one-on-one & team presentations, demonstration of product catalogue, etc. are however employed by the sales & marketing team which help in maintaining & growing the strength of the working relationships & it is also crucial to do so in the context of the working ecosystem of the sector. Industry-specific presence via offline & online events such as trade magazines, award ceremonies, exhibitions & expos (domestic & international) provide ample coverage of the company in the required circles.
- ❖ **CUSTOMER ENGAGEMENT & RETENTION**: NGJL's customer acquisition policy is based on considerations including the credit worthiness of the potential client, their standing in the market & track record with other vendors & the prospects of a long & rewarding relationship with the said party. Once a customer is on-boarded NGJL's marketing & sales team members maintain constant engagement with the said customer to keep a tab on their product requirements & to obtain feedback on design trends in the market based on offtake at their end so as to be in sync with the end-customer's tastes & preferences. Due to this, the company is able to deliver outputs with an understanding that elevates the customer satisfaction to one of '***customer delight***'.
- ❖ **TARGET AUDIENCE SEGMENTATION**: The Company's marketing team focuses on five major target audience sections (relevant customer examples from NGJL for each category are mentioned alongside respective sections):
 - ❖ National Chains – i.e. retail chains with a National retail footprint (Kalyan Jewellers; Malabar Gold & Diamonds; GRT Jewellers)
 - ❖ Local Chains – i.e. retail chains with a strong local or regional presence with brand visibility that enjoy customer loyalty in their area of influence (P. Satyanarayan & Sons Jewellers; Chemmanur Jewellers; Sulthan Diamonds & Gold)
 - ❖ Family Jewellers – i.e. traditional small scale but highly reputed jewellers that cater to a small customer base but with high retention rates (Mangatrai Pearls & Jewellery; Amarsons Pearls & Jewels; Vega Sri Gold & Diamonds; D.P. Jewellers; Mujtaba jewellers)
 - ❖ Distributors – i.e. agencies that supply to other retail chains/customers; &
 - ❖ Exporters (Tilak Exports Imports; Ram Creations; Kalyan Jewellers)
- ❖ The Direct Marketing approach with each of the above segments is fine tuned to suit the particular priorities & preferences of the target audience focused on. For National Chains, a more formal approach is adopted with pre-arranged presentations & product demonstrations while for local or family jewellers, an informal approach is preferred often with physical stock being carried to the potential client to allow them the experiential "*touch & feel*" required to appraise a jewellery product.



A GLIMPSE OF NGJL'S CLIENTELE & THEIR RETAIL PRESENCE



PAN-INDIA & SINGAPORE



MALABAR
GOLD & DIAMONDS

CELEBRATE THE BEAUTY OF LIFE

PAN-INDIA & 10 OTHER COUNTRIES



KALYAN
JEWELLERS

PAN-INDIA



ANDHRA PRADESH & TELANGANA



KARAN KOTHARI
JEWELLERS

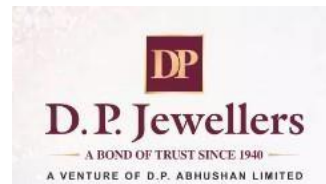
MAHARASHTRA



ANDHRA PRADESH & TELANGANA



ANDHRA PRADESH & TELANGANA



MADHYA PRADESH

shree
Jewellers Eximp Pvt. Ltd.

ANDHRA PRADESH & TELANGANA



ANDHRA PRADESH & TELANGANA



KERALA

SULTHAN
DIAMONDS & GOLD

KARNATAKA





PART VI

FINANCIAL TRACK RECORD



OPERATING HISTORY

PARTICULARS (INR LAKHS)	FY21	FY22	FY23	UP TO 31.12.2023
Income				
Revenue from Operations	3800.47	6062.87	9305.35	7515.01
Other Income	23.36	31.10	51.08	18.82
Total Revenue	3823.83	6093.96	9356.42	7533.83
Expenses				
Cost of Materials Consumed	3930.89	6802.31	9748.50	6487.29
Stock Adjustments	(648.10)	(1506.72)	(1437.23)	(553.40)
Employee Benefit Expenses	104.47	178.84	290.50	303.26
Other Expenses	83.79	71.71	134.31	152.18
Total Operating Expenses	3471.05	5546.14	8736.09	6,389.33
EBITDA	352.78	547.82	620.33	1,144.5
<i>EBITDA Margin</i>	9.22%	9%	6.63%	15.19%
Depreciation & Amortization	15.26	15.96	21.38	23.15
EBIT	337.52	531.86	598.95	1,121.35
Finance Costs	62.03	68.40	129.53	129.66
Profit Before Taxes	275.49	463.46	469.42	991.69
Current Tax	73.43	117.67	116.38	249.67
Deferred Tax	(0.92)	(0.08)	(2.13)	-
Profit After Taxes	202.98	345.87	355.17	752.02
<i>Net Margin</i>	5.31%	5.68%	3.82%	9.84%



BALANCE SHEET

PARTICULARS (INR LAKHS)	FY21	FY22	FY23
Owners' Capital			
Equity Share Capital	1520.71	1770.11	2118.41
Reserves & Surplus	1471.51	1885.96	2336.92
Net Worth	2992.22	3656.07	4455.33
Non-Current Liabilities			
Long Term Borrowings	-	149.11	88.33
Provisions	-	-	11.13
Deferred Tax Liabilities(Net)	0.81	0.74	-
Total Non-Current Liabilities	0.81	149.85	99.46
Current Liabilities			
Short Term Borrowings	1090.81	1135.60	2862.33
Trade Payables	24.93	400.41	758.03
Other Current Liabilities	24.35	33.88	37.74
Current Tax Liabilities(Net)	6.43	36.70	5.70
Total Current Liabilities	1146.52	1606.59	3663.80
TOTAL SOURCES OF CAPITAL	4139.55	5412.51	8218.59
Non-Current Assets			
Fixed Assets	82.64	117.95	126.13
Capital Work-in-Progress	13.95	55.10	224.15
Deferred Tax Assets [Net]	-	-	1.39
Other Financial Assets	40.66	40.66	41.13
Other Non-Current Assets	-	-	4.58
Total Non-Current Assets	137.25	213.71	397.38
Current Assets			
Current Investments	29.46	46.41	57.05
Inventories	2352.83	3859.55	5296.78
Trade Receivables	1507.82	1216.69	2038.69
Cash & Cash Equivalents	90.70	6.08	307.97
Short Term Loans & Advances	-	-	-
Current Tax Assets(Net)	-	-	2.25
Other Current Assets	21.49	70.06	118.48
Total Current Assets	4002.3	5198.79	7821.22
TOTAL APPLICATION OF CAPITAL	4139.55	5412.51	8218.59



KEY RATIOS

PARTICULARS	FY21	FY22	FY23
PROFITABILITY RATIOS			
EBITDA Margin (%)	9.22%	9%	6.63%
Return on Investment(%)	10.19%	25.91%	23.18%
Net Margin (%)	5.38%	5.68%	3.8%
Cashflow Margin (%)	7.25%	7.64%	5.04%
ROCE (%)	7.57%	7.80%	7.92%
LIQUIDITY RATIOS			
Debt Service Coverage Ratio (x)	3.94	5.62	3.47
Current Ratio (x)	3.49	3.24	2.13
Return on Equity(%)	8.125%	10.40%	8.76%
EFFICIENCY RATIOS			
Trade Receivable Turnover (x)	2.73	5.72	4.45
Inventory Turnover (x)	1.62	1.70	1.82
Net Capital Turnover (x)	1.33	1.69	2.24
LEVERAGE RATIOS			
Debt/EBITDA (x)	3.09	2.34	4.75
Debt/Equity Ratio (x)	0.36	0.35	0.66

- ❖ CRISIL had in 2022 upgraded NGJL's long term credit rating to **BB+(Stable)** from a previous rating of BB(Stable) in 2021. The rating upgradation reflects the steady rise in the company's topline, its comfortable financial risk position & its operational & strategic linkages with the HRS Group, one of the most established & dominant players in the gems & jewellery market in India. The provision of rating for 2023 is currently in process.
- ❖ Efficient utilization of capital via efficiency parameters' analysis can be inferred.
- ❖ The trends in leverage status & liquidity position of the Company are at a reasonably satisfactory level.





PART VII

MANAGEMENT DISCUSSION & CRITICAL ANALYSIS



MANAGEMENT INSIGHTS

1

LEADERSHIP IN NICHE

- ❖ NGJL is a strong player in this product segment of high-value jewellery & a trusted supplier to leading brands in the country.
- ❖ Reaching, maintaining & growing further from this position is enabled by utilization of the HRS Group's combined key resources & capabilities.

2

CLIENTELE STRENGTH & MANUFACTURING EXCELLENCE

- ❖ Deep relationships developed based on trust, quality & reliability. Client base of the Company comprises marquee names in the industry. Customer acquisition costs for the have been negligible.
- ❖ Production infrastructure at the newly developed facility is equipped with globally benchmarked machinery & state-of-the-art technology. The company also has a strong & sizeable pool of skilled human capital. Access to proprietary techniques & design portfolio due to Group-level synchronization.

3

GROWTH PROSPECTS

- ❖ Consistently strong growth with revenue increase quantifying to a CAGR of **~35%** in the last 3 years accompanied by EBITDA CAGR at **~21%**.
- ❖ Exports have also gained more momentum with almost 10% of the revenue coming from supply to transnational locations of partners/customers which primarily include UAE & the USA-two of the top destination markets for G&J exports from India.

4

RETURN, LIQUIDITY & LEVERAGE

- ❖ Higher than industry average ROE of 8.76%.
- ❖ ROI has **more than doubled** from 10.19% for FY21 to 23.18% for FY23.
- ❖ Average values of Current Ratio & Debt Service Coverage Ratio over past 3 years indicate a comfortable liquidity position despite working capital-intensive nature of business.
- ❖ Debt to Equity ratio average of last 3 years is 0.45 which indicates a healthy mix of both capital deployment instruments.

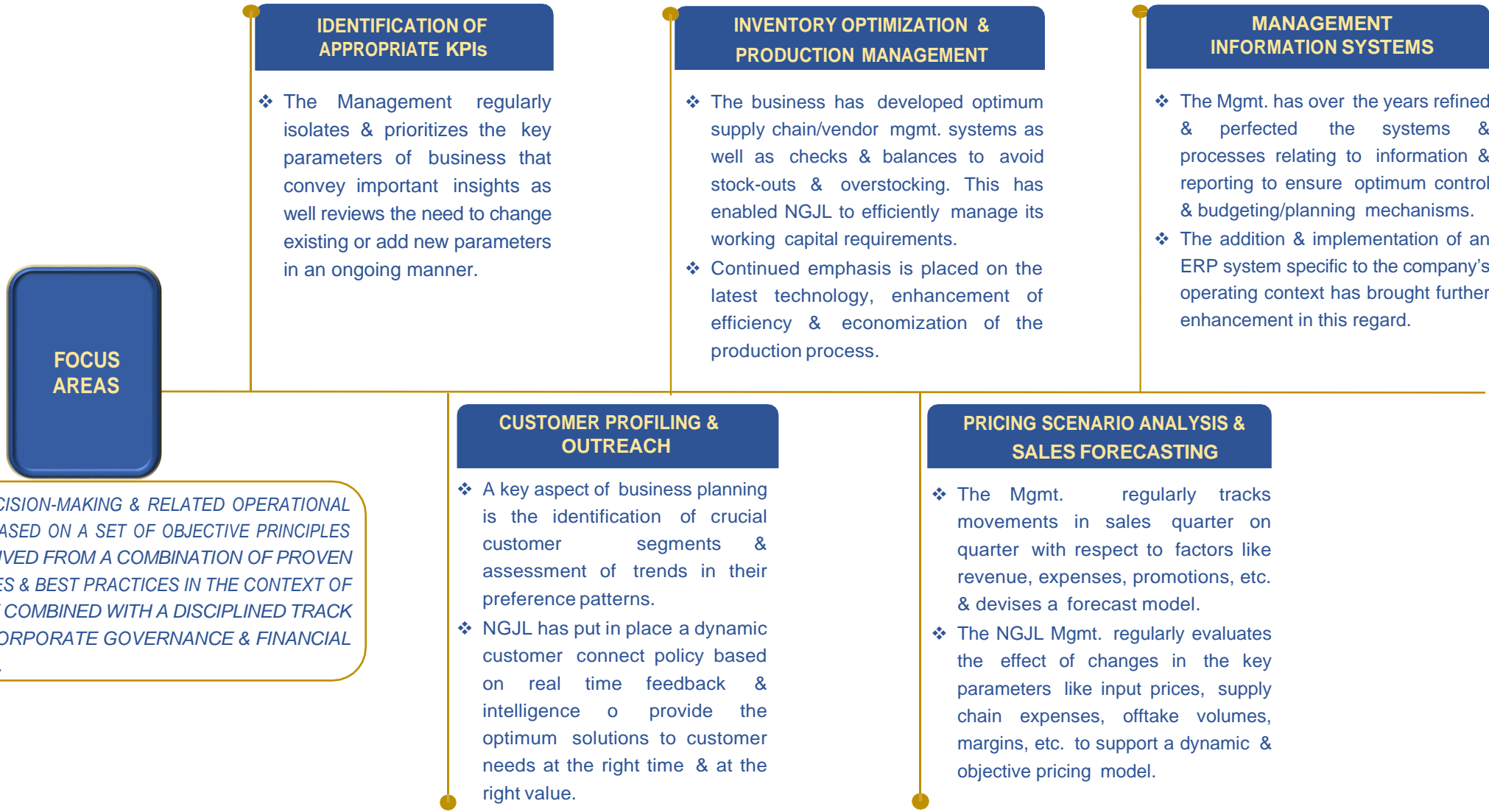
5

FUTURISTIC OPPORTUNITIES

- ❖ **Shop-in-shop** concept planning & implementation.
- ❖ Initial considerations for possibility of contract manufacturing route to be utilized for additional revenue.
- ❖ Further technology & sustainability measures for continuous improvement.
- ❖ Preliminary ideation level for digital platform based on invite-only D2C approach in a limited manner including consideration of integration of AR/VR technology.



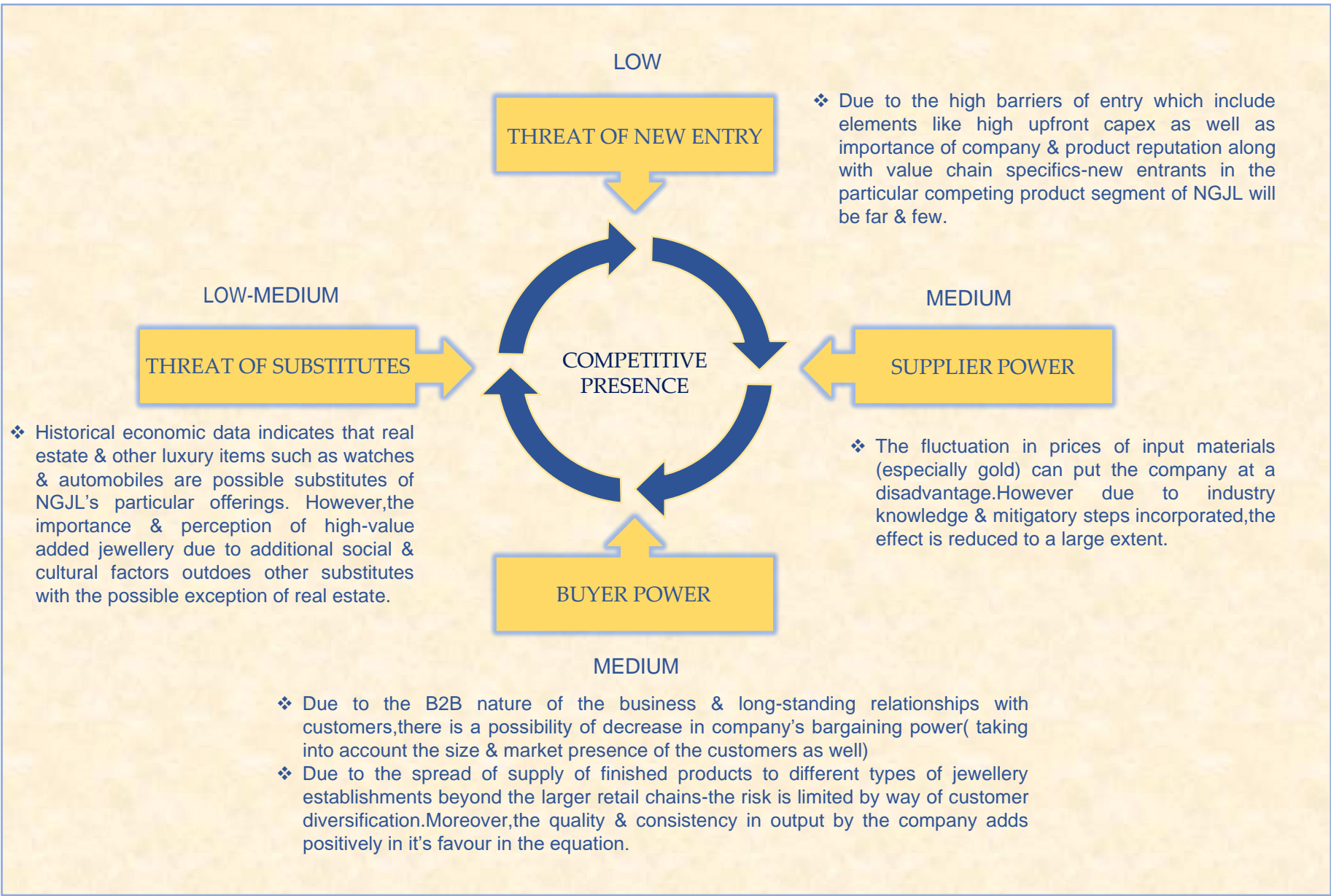
PROGRESSIVE GOVERNANCE FRAMEWORK



STRATEGIC DECISION-MAKING & RELATED OPERATIONAL EXECUTION IS BASED ON A SET OF OBJECTIVE PRINCIPLES THAT ARE DERIVED FROM A COMBINATION OF PROVEN METHODOLOGIES & BEST PRACTICES IN THE CONTEXT OF THE INDUSTRY COMBINED WITH A DISCIPLINED TRACK RECORD OF CORPORATE GOVERNANCE & FINANCIAL MANAGEMENT.



EXTERNAL INTERACTIONS' ANALYSIS



INTENSITY LEVEL	RATING & TOTAL
LOW	1(4)
LOW-MEDIUM	2(8)
MEDIUM	3(12)
MEDIUM-HIGH	4(16)
HIGH	5(20)
COMPANY TOTAL(20)	9/20

Company total puts it in the category of **Medium** overall intensity. Total rating of 9 indicates closer evaluation to **Low-Medium(8)** that further reflects a lower risk profile.



INTERNAL ANALYSIS: RESOURCES & CAPABILITIES

VALUABLE	RARE	INIMITABLE	ORGANIZED
Is the firm able to exploit an opportunity or neutralize an external threat with the resource/capability?	Is it rare for another firm to possess a similar level & particular mix of resources/capabilities?	Is it difficult to imitate, & will there be significant cost disadvantage to a firm trying to obtain, develop, or duplicate the resource/capability?	Is the firm organized, ready, & able to exploit the resource/capability?"
✓	✓	✓	✓
Firm has had an ongoing <i>maxi-mini strategy</i> wherein it maximizes internal strengths to minimize impact of external threats as well as develop new internal capabilities or enhance existing ones to adapt & evolve in accordance with external economic & competitive landscape.	Due to the industry-specific elements & barriers to entry, it is rare for another existing firm to have a similar mix of capabilities (design, production, talent, knowledge & intrinsic understanding of value proposition to customers etc.) as well as for any new entrant in the particular product type & range of the firm.	Imitation of set of capabilities & resources is a highly difficult proposition & even if attempted, will take a long duration of time to reach a similar level. Imitation of product itself with the same quality & mix of materials is also difficult	The firm is sufficiently organized to leverage inherent competitive advantages & exploit it for significant growth prospects built on a strong foundation. However, in terms of materializing these outcomes there is still a lot of scope thereby providing ample opportunity for higher generation of value for interests of all stakeholders in the near future.



EXAMPLES OF RESPONSE TO CHALLENGES FACED

HEAVY DEPENDENCE ON B2B MODEL

- ❖ The HRS Group has a reasonably prominent brand portfolio of its own. However, it has till date consciously avoided capital-intensive methods of B2C initiatives including advertising & investment in brick-and-mortar retail outlets.
- ❖ NGJL's management has plans to utilize the shop-in-shop concept to extend its reach to the end-customer (i.e. the buyer) & step into the B2C segment soon albeit at an exclusive & cautious pace with careful considerations. There are also other considerations at preliminary level for related diversification measures as also tapping into the digital paradigm in the right manner.

WORKING CAPITAL INTENSITY OF OPERATIONS

- ❖ NGJL has managed its working capital requirements with minimal dependence on external sources including banks.
- ❖ As on 31st March, 2023 the Company's DER (Debt-Equity Ratio) was 0.66x. The comfortable gearing demonstrates that the Company has structured its capital efficiently while effectively addressing working capital issues.

GOLD PRICE, FOREIGN CURRENCY & INTERNATIONAL ECONOMIC VOLATILITY

- ❖ The Treasury Operations of NGJL are managed by experienced professionals who keep a real-time vigil on the gold & FX markets to ensure prompt remedial action once any negative signal is visible in the markets. The Company has been availing Gold Metal Loans (GML) from banks from time to time to neutralize the effects of gold price fluctuations. The Company also has an efficient FX management policy in place to hedge itself against foreign currency rate fluctuation risks.
- ❖ International economic factors also can affect the ability & resources to procure raw materials required. In this aspect, NGJL & the Group as a whole benefits from having secured membership for two group companies with the India International Bullion Exchange, as of 31st July 2023.

TECHNOLOGICAL & PROCESS-RELATED IMPROVEMENTS BY COMPETITORS WITH LARGER RESOURCES

- ❖ Production processes & manufacturing facilities are benchmarked against the finest in the world & equipped with the latest, state-of-the-art technology & machinery leading to a dedicated, loyal & supportive clientele for whom the company is an integral partner & hence there is no incentive for them to deal with cumbersome nature of switching mechanism & related costs.
- ❖ Established systems & processes lead to supply chain efficiency through leveraging of technology & scale of operations. The long-standing presence, & legacy of the group as a whole further mitigates threats from incumbents as well as new competitors. In the industry-specific context, it will be difficult to establish a similar level of acceptability amongst jewellery players in India.





PART VIII

PEER BENCHMARKING



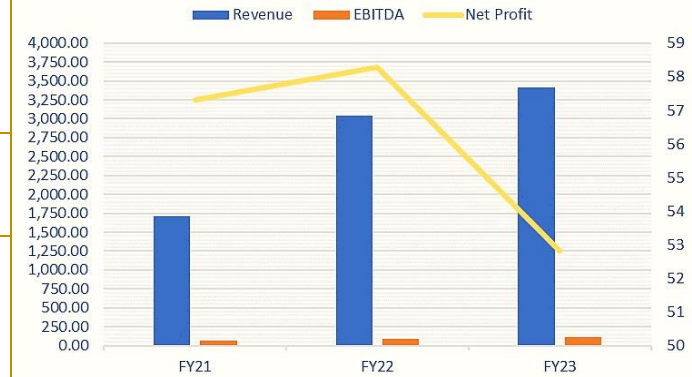
ABOUT ASIAN STAR CO.

THE BUSINESS FORMAT & ITS EVOLUTION

- ❖ Asian Star has its origins in the diamond capital of the country, Surat. Started in 1971 with a focus build around diamond at the core-the company now has spawned into a group spread across three generations of the promoter family & a legacy of 50+ years. It is a vertically integrated business with presence across the value chain-from diamond sourcing to cutting & polishing & onwards to jewellery manufacturing, design & retailing. It now has an ecosystem of an elite group of top international jewellery brands & retail chains.
- ❖ With continuous improvement & dedicated measures to strengthen manufacturing prowess as the core competence over the years, the company expanded to an area of 100,000 sq. ft. for diamond cutting & polishing, There is also a dedicated area of 60,000 sq. ft. spread across Mumbai, Surat & Hosur for diamond jewellery manufacturing along with a capable workforce of 1800+ skilled artisans.
- ❖ Identifying new opportunities, new markets & new alliances, Asian Star has established a strong presence at all levels of the supply chain & in almost all diamond-consuming markets thereby creating a sustainable ecosystem to deliver value to all its stakeholders. Creation of a rigorous protocol for direct diamond sourcing, working with mining companies known for ethical & environmentally responsible origins.
- ❖ The Company has wholly owned subsidiaries in USA, UAE & Hong Kong. It caters to all the major markets of Gems & Jewellery through marketing arms. The Company has sales office at 7 locations & 3 manufacturing facilities.(India).The Company sells its product across 30 countries in the world in addition to India.
- ❖ The business of the group can be broadly categorized into two aspects shown below with a few salient points:
 - a) Cut & Polished Diamonds: Inventory access – browsing & order processing in real-time; Just-in-time supply; Consistently tailored assortments, calibrated sizes & custom-made special cuts as per customers' needs within a bagging & matching programme; Customised service through a global network; Certified diamonds by GIA, IGI, HRD & GSI; Mine-origin programmes – Code of Origin, De Beers Forevermark & Canadamark; ISO 9001:2015 Certified by TUV NORD
 - b) Diamond Studded Jewellery: Quality Assurance systems programmed to customers' specific requirements; Access to extensive design bank & design customization; Marketing support with market updates & global design trends; Dedicated innovation cell for private labels & specials

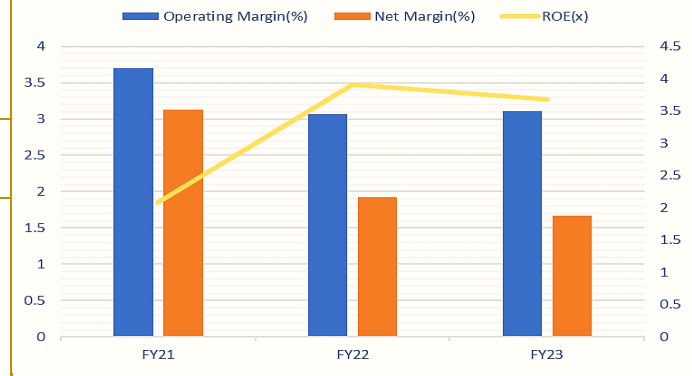
FINANCIAL TRACK RECORD

IN INR CRORES, REVENUE & EBITDA ON LHS



IN INR CRORES, NET PROFIT ON RHS

IN %, OPERATING & NET MARGIN ON LHS



IN RATIO FORM, RETURN ON EQUITY ON RHS

MARKET PERFORMANCE BETWEEN 01-AUG 2022 & 01-AUG 2023

PRICE



VOLUME

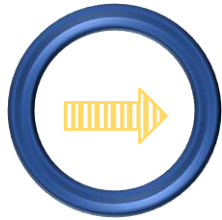


PEER BENCHMARKING

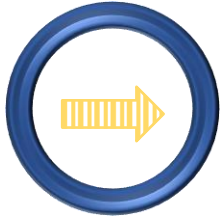
Peer Company	Revenue	EBITDA	PAT	Mkt. Cap	EV	Profit Margins		Return on Equity	EV/EBITDA	PE Ratio	PB Ratio	
	(INR CRORE) FY23			(INR CRORE) FY23	(INR CRORE) FY23	EBITDA Margin (%)	Net Margin (%)	ROE (%)	(x)	(x)	(x)	
Asian Star Co.	3419.08	107.49	57.31	1120.48	1481.21	3.14%	1.67%	6.29%	13.78	19.55	1.23	
PC Jeweller	2507.31	272.7	-339.11	1365.50	4832.24	10.88%	-14.37%	-8.44%	17.72	-4.03	0.34	
Radhika Jeweltech	314.63	42.72	29.69	427.04	367.82	13.60%	9.49%	14.91%	8.61	14.38	2.14	
Sky Gold	1153.8	37.27	18.61	289.98	421.90	3.23%	1.61%	12.66%	11.32	15.73	2.95	
Tribhovandas Bhimji Zaveri(TBZ)	2399.2	120.52	39.67	602.04	848.5	5.02%	1.66%	7.40%	7.04	15.17	1.12	
						Median Values:	5.02%	1.66%	7.40%	11.32	15.17	1.23
						Average Values:	7.17%	0.01%	6.57%	11.7	12.16	1.56
Narbada Gems & Jewellery	93.56	6.20	3.56	116.26	117.8	6.63%	3.82%	8.76%	19	31.97	2.64	



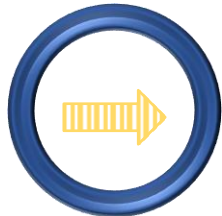
OBSERVATIONS & INFERENCES



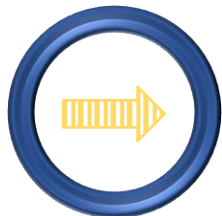
❖ A combination of manufacturing as well as retail-focused & vertically integrated listed peers with a healthy mix of different scales of operations & market capitalization have been chosen for the comparative analysis.



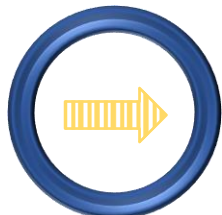
❖ NGJL has notable & significantly higher than average profit margin parameters, being only second to one of the peers i.e. Radhika Jeweltech & ahead of larger players like Asian Star, PC Jewellers & TBZ despite their retail presence & integrated operations (higher gold prices have led to profit margin being lower than NGJL's own standard in the recent past, although the impact was curtailed due to superior & robust operating costs' management practices)



❖ NGJL's business is B2B focused while that of Asian Star is vertically integrated. Despite their larger presence across the value chain of the industry along with their scale of operations-their profitability & return margins are inferior to those of NGJL. This is primarily due to NGJL's operational discipline, working capital management, inventory control & high levels of functional efficiency in the entire production process.



❖ Further, a look into the intrinsic value of the share reveals an actual price of ~66 INR which is higher than the live trading price of 53.42 INR as of 01-August 2023. This is a clear indicator that the stock is **undervalued** & there exists considerable scope for returns & growth at this point (P/E-based evaluation methodology used)



❖ NGJL is on a growth track & given its business trajectory we can expect the Company to achieve greater momentum in terms of scale & volume in the near future, given all the integrated strategic competitive advantages it possesses that provide apt balancing of internal & external elements of the business.



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