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<p>The Manager- Listing</p> <p>The National Stock Exchange of India Limited “Exchange Plaza”, Bandra – Kurla Complex, Bandra (EAST), Mumbai – 400051</p> <p>NSE SYMBOL: SENC0</p>	<p>The Manager – Listing</p> <p>BSE Limited Corporate Relationship Department Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400001</p> <p>BSE SCRIP CODE: 543936</p>
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Dear Sir(s)/ Madam(s),

Sub: Earnings Call Transcripts pertaining to the Unaudited Financial Results for the 3rd Quarter and Nine Months ended 31st December, 2023

Pursuant to Regulations 30 and 46(2)(oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of Analysts/Investors Earning Conference Call organized on 14th February, 2024 post declaration of Unaudited Financial Results (both Standalone & Consolidated) for the 3rd Quarter and Nine Months ended on 31st December, 2023.

The transcript is also available on the website of the Company: <https://sencogoldanddiamonds.com/investor-relations>.

We request you to take the same on records.

Yours sincerely,

For SENC0 GOLD LIMITED

Surendra Gupta

Company Secretary & Compliance Officer
Membership No. A20666

Encl: As above



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“Senco Gold Limited
3QFY24 Results Conference Call”
February 14, 2024



MANAGEMENT: **MR. SUVANKAR SEN - MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER - Senco Gold Limited
MR. SANJAY BANKA - CHIEF FINANCIAL OFFICER -
Senco Gold Limited**

MODERATOR: **Ms. Videesha Seth - Ambit Capital**

Moderator: Ladies and gentlemen, good day and welcome to Senco Gold Limited 3QFY24 Earning Conference Call hosted by Ambit Capital. As a reminder, all participant lines will be in 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 touch-tone phone.

Please note that this conference is being recorded. I now hand the conference to Ms. Videesha Seth from Ambit Capital. Thank you and over to you, ma'am.

Videesha Seth: Thank you Riya. Good afternoon, everyone. I would like to welcome the management team of Senco Gold and thank them for giving us the opportunity to host their third quarter earnings call.

We have with us today Mr. Suvankar Sen, Managing Director and Chief Executive Officer and Mr. Sanjay Banka, Chief Financial Officer. Over to you, sir, for your opening remarks. Thank you.

Suvankar Sen: Thank you everyone. Good afternoon. This is Suvankar Sen speaking along with Mr. Sanjay Banka, our CFO

Before we begin, we would like to wish all of you a very happy Valentine's Day. Today is 14th of February and along with that, today is also the auspicious day of Saraswati Puja ; and may all of us be driven by more knowledge and more love and have a very happy and successful life. Now that we come to the numbers, the performance as a team, Senco Gold and Diamonds. We are extremely happy and excited to inform all of you that if you look at our overall performance, quarter three and YTD nine months have been an impressive performance.

This year has been a milestone year for Senco for the fact that we've got our company listed at BSE and NSE , and it is a big responsibility to ensure that the trust and the performance of our team continues to be at its best. Now coming to the numbers, if we look at our quarter three results, we've done a turnover of INR1,650 odd crores for Q3, FY24 compared to INR1,339 crores in quarter three of FY23, which means that there has been a 23.3% growth in terms of revenue if you compare on a YoY basis..

And if you look at the YTD numbers, nine months FY24, we've done about INR4,104 odd crores compared to INR3,263 odd crores for nine months in FY23, which means that our growth has been in the range of 25.8 to 26% for a nine-month period . Now, what is it that has driven the performance and the top line growth is the fact that quarter three is a quarter of Dhanteras, Durga Puja, festive season, Navratri. We are all aware that we've seen many weddings that have happened in this quarter. We have been speaking of around 35 lakh weddings happening across the country.

Putting everything together, we've seen that there has been a huge response from the consumers in terms of buying and purchases for the festive season. Yes, we've seen that towards the end of quarter three in December, and there has been a slight slowdown with the end of the festive season, which happened around 15 December. But as we moved on to January, we could still see a slight increase in interest amongst consumers in terms of purchases.

If we look at our EBITDA, Mr. Banka will get more into details. But overall, we've seen that on a nine-month basis, we've grown EBITDA levels at 15.2%. In terms of PAT as well, if we compare to the nine months FY23 to nine months FY24, we've moved up from around 132 odd crores to 148 odd crores. So around 12.4% has been the growth in terms of PAT.

The number of stores that we've added for nine months, we've added around 19 stores under the kitty of Senco Gold and Diamonds. Therefore, our number of stores as I speak to you today, stands around 158 stores as on, , 2nd of February 24. In terms of overall, what has been the lever that has helped, us to perform for the entire year so far, we can say that there has been a steady shift from the unorganized to organized.

We could see that the old gold exchange that we have been getting from our consumers has been approximately 33 odd percent. And the best part is that, a large quantity of old gold that is coming from the consumers, which is approximately 75% to 80% of the old gold that we which does not belong to Senco. That means that, consumers have their idle old gold lying with them.

As the purchases that they are doing, they're ensuring that with the hallmarking becoming mandatory, they are converting their old family jewellery that is there and buying new jewellery. In terms of certain exciting new initiatives, we've taken, we have opened two stores as a pilot under the brand name of SENNES, which is the brand that we have launched for lab-grown diamond jewellery and leather accessories. In the city of Calcutta, we've opened two stores in two malls, one store each. And that would be focusing on driving the lab-grown diamond journey. We want to understand how the consumers will behave. We believe that there is an enormous potential in the future.

The overall performance, we've grown by 9% in gold jewellery segment, while we've grown 40% value terms in diamond jewellery segment. If you look at the volume, we've grown by 27% in volume in diamond. So those numbers are doing well.

, What we are seeing is that especially for the smaller ticket size items, consumers are preferring studded jewellery. And that is where our studded ratio has moved up from 11.3%, 11.4% to 11.8%. And that is the reason what we see is that with 14 carat and 18 carat hallmarked purity of gold that is being used for the studded jewellery, it is becoming more and more affordable for the consumer to shift from buying 22 carat plain gold jewellery for the small ticket size to the diamond jewellery. And that is driving the overall sales for the business of solitaires, pointers.

We have seen that there has been no price correction that have taken in the segment of diamonds, which is 30 cents and above. And we as a company have been focusing on ensuring that more consumers can afford to buy solitaires in the natural diamonds category. And accordingly, we are focusing on the same.

So, with that, I would now request Mr. Banka to take you through the details of the numbers. And in terms of collections and designs that we have launched, we have seen that, with the wedding season, we had the Vivaha collection that was launched. During Dhanteras, we had launched Shagun collection, which was in the average ticket size of INR50,000 to INR1 lakh.

A lot of designs were launched under the diamond category as well. And very recently, we have launched the Ram Mandir collection with the inauguration of, the Ayodhya temple. So, we were one of the first few jewellers to launch the collection, in the honour and praise of Lord Ram.

At the same time, in terms of new initiatives, ONDC is a platform that is being created by our government to ensure that we can penetrate deeper into the Tier 2, 3, 4 cities. And we've been one of the first few jewellers to get ourselves enrolled in the platform to reach out to the customers at large. We've opened 19 stores. The number of franchises out of those 19 stores has been four. The company owned company operated stores have been to the tune of 15.

And going forward, we would like to continue with the 18 to 20 stores to be launched year after year. So, the endeavour will be that, yes, we want to open more franchise stores this year, with the gold prices moving up a little bit. The number of franchises has been comparatively lower.

But that is something that we are conscious of, and we'll try to focus on ensuring the number of franchises keeps growing. And with that, I would now request Mr. Banka to take you through the details of the numbers. Yes.

Sanjay Banka:

Thank you very much, sir. While we have given a broad background of numbers, our EBITDA percentage has improved substantially in the current quarter, while it was lower in the Q1 and Q2. We achieved the EBITDA percentage of 11% in the current quarter.

And hence, overall, our nine-month EBITDA improved to 7% as against 7.7% last year. Similarly, our profit after tax for the current quarter, we achieved INR109 crores. Till H1, it was around INR40 crores and with INR109 crores of tax for the current quarter, for the entire year, we have achieved INR148.9 crores as against INR 132 Crores last year. We have achieved a 15.2% growth in EBITDA and 12.4% growth in PAT. Here it is important to state that EBITDA growth is a function of the investment. As we are growing, we must continue to make investments in scaling up our people in investing their training.

The marketing costs we have consistently fine tuned. And particularly in the current year, we have gone to Tier 3 and Tier 4 towns. Like we have gone to Bhagalpur, Aarah, Jaleshwar, Dumka, places, such areas where there is huge potential.

And hence, to realize the full potential, we must continue to invest. And that's why you are looking at a 7% EBITDA margin. Similarly, a major part of this growth has come from SSSG, which is in the range of 17%.

Out of the 26% growth, 17% growth is the SSSG growth. What is more important to understand is that this SSSG growth is much higher in the South, where it is 24%. So, zone by zone, as we said, the secular growth, the zones or areas where the per store sales were lower, there we have achieved a higher growth.

Overall, as we said earlier, we continue to look at a minimum 18% to 20% growth. As we have grown 15 plus 4 stores in the current year, that has led us to invest in the working capital. So, our inventory has also increased from March 23 versus December 23 by around INR350 crores to INR400 crores.

We also have invested in capex for the stores. Overall, we have looked at maintaining the growth momentum, investing in future, and investing in inventory. Incidentally, as we've stated earlier, our blended borrowing costs, which is sum total of gold metal loan, and our working capital borrowing in terms of CC/WCDL is below 6%.

That helps us to maintain the growth momentum. And as we've said earlier, our debt-equity ratio, our debt is primarily only working capital, will be in the range of 1.2x to 1x. With that, we stop our remarks, and we invite you to ask any pertinent questions so that we can delve more in the performance so far.

Moderator: Thank you very much. First question is from the line of Videesha Seth from Ambit Capital. Please go ahead.

Videesha Seth: Yes, thank you. Can you give some sense on the ongoing demand trends for the current quarter? Has the 20%-25% growth momentum continued? And just as a follow-up to this, what is keeping the jewellery sector insulated from the overall consumer slowdown?

We understand that the category is pseudo asset class side of nature, but just wanted to get your take on how long this growth momentum can continue for you and the overall sector. That was my first question.

Suvankar Sen: Quarter 3, usually with the weddings that were in place, was always having a much better performance. But in this quarter 4, we've been running Valentine's Day offer.

There have been weddings that have been happening in this quarter as well. If you really ask us, as we began our journey in the beginning of the year, we had given an estimate of a growth trajectory of around 20-odd percent. Now that we are ending the nine months and we are at about 26%, so obviously our 20% growth over the last year is very much in the radar.

And I think that we will be, overall as we end the year, in a very conservative estimate, because we've always been very conservative in giving you the guidance, should be in the range of 23%-24%. That won't be as the same as quarter 3. And we are all aware that in the month of April, May, the elections are going to come up in the economy.

March is a month where the people are busier in terms of paying their taxes and closing their books of accounts. So, the consumer behaviour is a little bit conservative during quarter 4. A Valentine's Day wedding is one trigger for sales.

Women's Day in the first week of the March is another trigger where there are reasons for buying. And then as we end the March, there are usually offers for, Gudi Padwa in certain regions. But then some amount of year-end offers and sales happen. But then the focus for the organization and for the industry shifts to April, May, which is Akshaya Tritiya. And Akshaya Tritiya is on the 10th of May.

So, build-up of inventory, planning, reaching out to customers, customers wait for the new year to begin. This is how the journey continues. So, this is what would be my answer to your question.

Videesha Sheth: All right. Got it. And second question was on our operations in the northern region. Can you share what kind of improvement that the company has seen in the revenue throughput during this quarter or over the last nine months? Basically, has the gap between the revenue throughput in the north has it narrowed versus east? Just trying to understand how far away are we from attaining optimal store throughput in that region?

Sanjay Banka: If you look at the blended, basically, north is mostly the own e store. There's only one franchise store in Aligarh. If we exclude that franchise store, what we have said is that our overall average sale per store is INR37 crores, which was around INR33 crores last quarter . North has seen an improvement. Now north and east average is same, east is INR27 crores, north is INR28 crores per store per annum.

We have clearly seen an improvement. Even south has also reached INR27 crores. As we have said earlier, in various calls, if a store achieves a minimum turnover of INR15 crores, it can be INR13 crores also, then it achieves a break-even at a store-Opex level. And the moment it touches around INR21 to INR22 crores, it becomes a full 100% break-even and it covers the interest cost. This is what is the situation in north. And north has an enormous potential.

Now we have 22 stores in north, almost 10-11 stores in UP and around 10 stores in Delhi NCR, where we see an enormous potential. And that is also signified by a high stud ratio, which we have seen in north. Overall, we are very positive about the north. And that will continue to be cornerstone of our future growth strategy, east and north, as you see.

Suvankar Sen: And one more thing, if we again dive a little bit deeper, while east is growing at around 16% to 17%, north is growing at around 20% to 22%. So, the rate of growth for north, again, because the base is lower compared to east. And we are there as a newer brand in the north and the potential of growth is that much more.

While in east and in Bengal, there is still scope of growth. It is not that the scope of growth is any way lower, but north, the growth is much higher. So, the focus continues to remain. And the stud ratio in the northern part of the country, as I mentioned before, is almost double of that of the eastern part of the country. So that is also a very strategic focus area for us to focus and ensure that the bottom line continues to remain strong due to the sales in northern part of the country.

Videesha Sheth: Got it. Just one clarification, the 20%, 22% growth rate that you mentioned for north, is it for the current quarter or for nine months?

Suvankar Sen: That is for nine months.

Videesha Sheth: Got it. I will get back in the queue for further questions. Thank you.

Moderator: Next question is from the line of Devanshu Bansal from Emkay Global. Please go ahead.

Devanshu Bansal: Sir, hi. Congratulations on a good Q3 performance as well as many firsts that you have introduced in this quarter in terms of lab-grown diamonds, ONDC as well as the Ram Mandir collection. First questions on lab-grown diamonds. So, Suvankar, prices are continuously

declining for such diamonds. I guess this is more due to commoditization with more and more sort of people entering this space in terms of manufacturing.

So, wanted to check your thought process for entering this category. So, any colour on this?

Suvankar Sen:

No, Devanshu, the point is, it is the price going down which is a factor for the increase in supply. But the demand has not been created to the extent that the supply has been there. One of the reasons for the price going down is that in the last three, four years, I'm aware being a part of the Export Promotion Council, is that there have been large exports of lab-grown diamonds and the US as a market was in high demand for that product.

But over the last six months, there has been a slight slowdown in the US economy, leading to a lot of products that comes back from that country. They give it on sales on return basis and various other options. So, therefore, suddenly there is an excess supply of lab-grown diamonds, where players like us are planning to build up the demand.

We have the customer base. We will reach out to the customer and this commoditization which is happening is an unfortunate phenomenon, because ultimately, there is a demand for studded jewellery. If the lifestyle of the consumer, the way it is changing, people are preferring to wear Western designs more compared to the traditional designs, unless there is a traditional occasion in the family, be it a wedding or a puja or any kind of such auspicious occasion.

But other than that, on a day-to-day basis, it is going to be Western designs that will drive the sales. So, I think it is up to various organizations and brands to focus on designs and that is what we are trying to focus upon, the design aspect of it, the experience, retail experience aspect of it and in that kind of an experience, if we can provide the product to the consumer, I'm sure that the future is bright.

Yes, it will not be a substitute to diamond jewellery, because diamond jewellery is natural, real. It will have its own inherent value to be captured over a period. And lab-grown diamond jewellery will be focusing on the fashion aspect of it. So, we need to play accordingly and cater to the needs of the consumer. But the journey is just beginning.

We have launched two pilot stores. I'm sure others will also follow very soon and then gradually, as the demand gets created, the prices will stabilize.

Devanshu Bansal:

Got it. And Suvankar, is there any difference in customer profile for people who purchase lab-grown diamonds and natural diamonds?

Suvankar Sen:

See, in our last three, four months, we have seen that those buyers who are buying lab-grown are very much those buyers who have been buying natural diamonds also. So, once you fulfil the need of buying a natural diamond in whichever size or form, then as a second level in terms of variety of diamonds or some kind of requirement and desire to have a bigger size at a lower cost. So, those are the way things are moving. And that's where it is.

Devanshu Bansal:

Got it. Second question is on the store opening. We have done very well on company-owned - company operated stores in last 9 months . I guess this would have required incremental capital

of about INR250-odd crores. So, have we seen some increase in debt, or we were able to meet this capital through these analytics?

Suvankar Sen: Mr. Banka will take on the debt figures, but we also need to keep in mind that we had our IPO in the month of July. Therefore, that cash inflow into the organization was fully utilized in terms of the inventory stocking, whether it be our existing stores or the new stores we have opened. And as far as debt is concerned, Mr. Banka, you can speak.

Sanjay Banka: Devanshu, basically, our inventory level has increased versus March by almost, let's say, around INR400 crores. We have raised the IPO funds around INR270 crores. The incremental inventory and incremental capex, net of internal accruals has been funded by borrowing only.

The borrowing, which has reduced during July-August, after that, it has consistently increased.

Devanshu Bansal: Got it. Can you call out the debt figure at December end? What is the debt level?

Sanjay Banka: In December end debt working capital figure should be around INR1,346 crores. So, when we started the year, it was around INR1,177 crores. And as of December, it is around INR1,346 crores. So, around INR140 crores to INR170 crores of incremental borrowing. So, this incremental INR170 crores plus around INR270 crores of IPO funds and then internal accruals. So, there has been capex involved also.

Devanshu Bansal: Got it. Got it, Mr. Banka.

Suvankar Sen: And to add to that, Devanshu, the average cost of debt for us is in the range of 5.5% to 6%. Because most of the debt that we have taken is in the form of gold metal loan. So, that is how the whole thing is.

Devanshu Bansal: Got it, sir. And so, Suvankar, you mentioned that the franchisee store has not improved because of elevated gold prices. But from peers' perspective, we see that they are opening quite an aggressive number of franchisees. So, any bunching up of franchisee stores that we can expect in the coming quarters for Senco?

Suvankar Sen: All I can say is that there are franchisees in the pipeline. Quarter four project work is on. And there might be one or two stores that gets added in quarter four. And a few more stores that gets added in the quarter one of the next financial year. While our full appreciation and for the effort that has been put by the other fellow jewellers in ramping up the franchising business.

But it just shows all of us the opportunity in which we can also feel the potential that the unorganized to organized play happening. I was personally myself visiting a certain tier 2-3-4 cities to just have an exploration of the market. And I could feel that, yes, the unorganized segments there, are going through their own set of challenges. And it is only opening the opportunity for organized players like us to open more stores.

So, this is a good sign. And we will continue to focus on increasing more franchises.

Devanshu Bansal: All right. Last question from my end. It is a bookkeeping question. Last year, Q3, our gross margins were particularly good at 19%-odd versus full year FY23 level of about 16%. So,

wanted to check is Q3 a seasonally strong quarter in terms of gross margin due to high studied? Is this a normal seasonality?

Sanjay Banka: I did say that the gross margin, Q3 is the best margin. So, sometimes the gross margin is also impacted by the price movement. Basically, let us look at a stable gross margin of 14%. What we saw in Q1 and Q2 was a lesser gross margin. And we have been compensated by a full gross margin in the current quarter.

So, for an entire year, if you look at the EBITDA margin, we have now a blended EBITDA margin of 7% for the whole year. So, that is what we are giving the guidance. Primarily, this is due to the stud ratio, higher wedding season sales, and partly movement of the gold price as well.

Devanshu Bansal: Got it, Mr. Banka. Thank you for taking my questions and all the very best to the entire Senco team. Thank you.

Moderator: Thank you. Next question is from the line of Shirish Pardeshi from Centrum Broking. Please go ahead.

Shirish Pardeshi: Hi, Suvankar, Mr. Banka. Good afternoon. Thanks for the opportunity and congratulations. I was more curious, you mentioned that SSSG of 17% and south you had a higher SSSG. So, the background is that when we hear the other competition, they have highlighted incremental competition, which has gone up in quarter three, discounting and even the promotions.

And in that context, you have got a better SSSG. So, I just wanted to have a little more colour. What is it that you did or is it primarily led by the store expansion?

Suvankar Sen: The SSSG part is where we had our stores having more numbers, but the competition is giving the impact in terms of our margins. So, if you look at our EBITDA levels and you will see that it has come down by 30, 40 basis points, which is mainly driven by the offers and discounts that not just us, but overall, the industry is having to give to continue to attract consumers.

And what is happening more is that in the quarter 3 towards the second half of the quarter, there has been a sudden jump in gold prices, but the wedding season was on. So, how do you continue to attract your consumers is that you are trying to make the offer more attractive. So, till Dhanteras, there was a reason for the consumers to buy because of the auspicious season. And post Dhanteras, there is a need, which is marriages, but what is the trigger?

And that is where, with an increase in gold price, one must give attractive offers. And that is the margin impact that you can see for us. So, even in an SSG part, whether it would be South India, now South India, we have our four to five stores, compared to East India, where the number of stores is that much higher. But at a lower base, the opportunity, the old gold exchange offers. So, you are giving a 0% deduction on old gold exchange.

That is what triggering the consumer to come with their jewellery. Now there is no biasness that you must go back to your jeweller to get the best value. You can get it from any of the branded jewellers also. So it's on the play of design, the play of offer and the play of relationship. So that is, I think, at overall level, we are working on.

Sanjay Banka: If we build on the same-store sales growth story and what we have said is that almost 75% to 80% of our total growth is coming from the existing store, which is SSG. Then our average sale per store is still less than INR100 crores. So, we have certain stores which have reached INR100 crores potential.

Till the time each store reaches the INR100 crores potential, which means 155 stores, INR100 crores, INR15,000 crores potential. So, till the time that sort of base is not achieved, we will continue to have a major growth coming from the existing stores. The story will remain intact for next three to four years. That's what we believe.

Shirish Pardeshi: That's helpful, Mr. Banka. Just one follow up here. Do you see a starkly different competition angle in the North versus South during this quarter?

Suvankar Sen: Which quarter are you seeing, quarter 3 ?

Shirish Pardeshi: Quarter 3 when I'm saying, do you see a competition is becoming more hyper in the South than North or it is equal?

Suvankar Sen: The South has always, been a highly competitive market. And as a result, we want to continue to focus on our growth on the eastern and the northern part of the country. And in North, maybe the competition is not as high as South, but the competition surely exists.

And all the organized players are endeavouring and striving to take the share of the market from the unorganized. So that's the journey that everyone is doing. And I guess everyone is looking at the coming 10 years, 15 years rather than just a year or two years. So, everyone is looking long term and wanting to acquire customers.

Sanjay Banka: And moreover, Shirish, if we look at our presence in South, we have only five stores, I think two in Hyderabad and three in Bangalore. So, our presence and exposure in South is not high. That is point one. And South, we know is a quite competitive market.

But since our base is low, we are not yet at competition to the South players. So, we continue to have a difference altogether. And we feel that there is ample opportunity for us to grow. So, even in the YTD basis in South, we have grown by 31%. That is against the national growth of 26%. That's how we look at our core market and our core customers, even in South.

Shirish Pardeshi: Okay, that's helpful. And that's why my second question is that, if things are going right, would you track or would you have any number handy that what is the new buyer contribution into the growth? Or maybe new buyer contribution if you have a number?

Suvankar Sen: . The broad number is that suppose X number of transactions we are having for the year, which is around in the range of 5.5 lakhs to 6 lakhs. And out of that, around 2 lakhs are the new buyers that are added to the kitty. So that comes to around 35%.

Sanjay Banka: It's almost 45%. So, what we said earlier, 45% to 50% are the new buyers.

Suvankar Sen: 40% is the new buyers and 60% are your repeat buyers who are already there existing in your system. This is how we are looking at the overall number, which is a good sign. Because as

much as you are worried and concerned, and we are as well in driving that we need to acquire new customers so that the growth continues to happen in the future. So, this is how it is.

Shirish Pardeshi: Okay. Suvankar, that's helpful. My last question, in our core market during the IPO meet, we had mentioned that we want to increase the ticket size. So, when you compare last year quarter 3 versus this year quarter 3 in the West Bengal market, is there any ticket size growth or the growth has come? And what is the number?

Sanjay Banka: I don't have the exact number comparative. So basically, ticket size last time we had stated around Rs 45,000 units pan India and Rs 65,000 ATV. So, last quarter to this quarter, it has not grown.

But what we saw, there is a major shift versus last year to current year by almost from Rs 35,000 to Rs 45,000, we have moved and that we have indicated in our earnings call presentation also, which is indicative of premiumization, but not in the current quarter. So, the last quarter to this quarter, it has not moved. But earlier year to H1, it has moved.

Suvankar Sen: The ticket size quarter-to-quarter hasn't moved. But because of the gold price increase that has happened in this particular financial year, the average ticket size has grown up by 15% to 17%. from approximately INR45,000, INR50,000, it has moved up to around INR60,000-odd. So, that has been the movement of ticket size growth.

Shirish Pardeshi: Thank you and all the best to you, sir.

Suvankar Sen: Thank you, sir., I would like to share that, because we have our growth analysis in terms of volume as well as in terms of value. So, be it in gold or in diamond. Now, while we can say that we have grown by 26%, but to what we understand is that the value growth has been around 15%, 17%, while the volume growth has been around 9% to 10%. And the volume growth for diamond has been 27% and a value growth of 40%. And a value growth of gold has been around 9% to 10% and a volume growth of 3% to 4%. So, this is where we can see that the overall aspect has worked on.

Sanjay Banka: Just kindly allow me to rephrase it. The gold volume growth has been around 8% to 9%. So, out of total 26% growth, we can look at two, three angles. How much is SSG and how much is existing? We say 17% SSG, 8% to 9% new store. That is one angle.

Secondly, we look at gold and diamond, we say diamond 12%, gold 86%. Third, we look at volume growth and price growth. So, let's say, last year, Y-o-Y when we look at 26%, there has been a 15% price growth, which means there is a 9% volume growth. So, in gold, I repeat, out of 26%, 9% volume growth, 26% overall growth, which means 9% plus 17%. That is one.

And since 26% is a sum of gold and diamond both, so it is not exactly fully mathematically but diamond is around 27% volume growth and 41% value growth. So, both taken together contribute to 26% growth.

Suvankar Sen: My mistake, I said 3% volume growth. What Mr. Banka is saying is the volume growth in gold is around 9%.

- Moderator:** Thank you. Next question is from the line of Pallavi Deshpande from Sameeksha Capital. Please go ahead.
- Pallavi Deshpande:** Yes. Thank you, sir, for taking my question. Just wanted to understand on the expansion for next year FY'25, how many would be franchisee stores and how many would be the own stores? And second would be what would be the sales per store in the South?
- Suvankar Sen:** So, ma'am, in terms of expansion, while we want to open around 18 to 20 stores, our endeavour would be to open 9 to 10 company-owned, company-operated store and 9 to 10 franchisees. In all our future growth, we want to open equal number of franchisee and own store because that will continue to ensure that our return on capital continues to remain robust.
- However, as we saw in this financial year, when there are these sudden jumps in gold prices, , the franchisee partners also take a little bit of time to get adjusted to the price and then plan for the investment. But that is our plan. And when it comes to the average sales for the southern stores INR27 crores to INR30 crores is our average sale. And you are aware, ma'am, that in South, there are so many retailers, and they are doing very close to INR100 crores of sales. So, there is opportunity of growth in the future and that is where we see a higher percentage of growth as well happening from southern India. And that is what our effort will be to striving to grow more. However, we continue to be a niche player in South because East and North will be our focus. South will be where we will have stores. We will build up the store. We will try to maximize it. Competition is high in southern India. But so is the plan around it.
- Sanjay Banka:** Just to add here, when we are giving the average South store, so out of five, three are old and two are new. So, for the old stores, they have achieved maturity. They are breakeven at the opex level and at the inventory level. So, every time we have a new store, it will dilute t the average sale per store. So South stores are breakeven, and they are contributing to the bottom line as well. And that is why when we are seeing the maturity of the existing stores, we have opened two more stores in the South.
- Pallavi Deshpande:** All right. And from the inventory part, how do we see it for the March year-end ? Do we factor in this INR400 crores for the year itself increase?
- Sanjay Banka:** The total inventory against March '23 has already increased by around 300 kg to 400 kg. So, it is gold and diamond both. But what is more important is the inventory turnover.
- Inventory turnover, which we have earlier indicated, there is some revision in the representation which is below 150 days. So, inventory days is below 150 days. And that's why we feel that our inventory turnover is among the best in the industry.
- Pallavi Deshpande:** Right. Just lastly, what would be the capex number then for next year? We can build in, like you said, only half would be the own store.
- Sanjay Banka:** You are looking at a capex for the next year, right?
- Pallavi Deshpande:** Right.

Sanjay Banka: So basically, when we talk about 15 new stores, as we are now looking at the new store format, which is the modern and the classic format. Let's say 10 to 15 new stores the capex will be atleast around INR35 crores to INR40 crores. So that is one of the major capex.

And since we are focused on IT, as you said, that we are a highly tech-driven organization. We have launched [Sencoverse]. Our IT systems, our entire systems are IT. So, we will continue to invest in IT as well. And, some of the stores we can purchase. So, we can say around INR60 crores to INR70 crores can be the capex plan for the next year. INR55 crores to INR65 crores.

Pallavi Deshpande: INR55 crores to INR65 crores.

Sanjay Banka: Rs 55 crores to Rs 65 crores and we have adequate free cash flow for that. So, the future growth, as you say, all our future growth requirement for the capex and for the inventory and for the margins for working capital will be funded from the internal accrual and the borrowing. So, we have consistently maintained that a sustainable level of the debt equity ratio for the next three to four years will be 1.2 to 1.25.

Because our blended borrowing cost is lesser. Since the blended borrowing cost is lesser, so we deliver a ROCE of around 15% and return on equity of around 19% for the existing stores. At blended level, obviously, when you add a new store, it will optically dilute the overall blended ROCE and ROE. But existing stores will continue to deliver, existing portfolio, I mean, that will continue to deliver at least 19% to 20% ROE and 15% to 16% ROCE.

Pallavi Deshpande: Right, sir. Thank you so much, sir.

Moderator: Thank you. Next question is from the line of Videesha Seth from Ambit Capital. Please go ahead.

Videesha Seth: Thanks. So just two more questions from my side. Do you think our current making charges are at par with the industry, or is there more scope to get more competitive to gain market share, especially in newer regions like North?

Suvankar Sen: Videesha, see, the point is, ultimately, for the industry, the making charges is where you are earning your margins. And that is where our gross margins for our company-owned, company-operated stores, with a blended way, maybe gold and diamond put together, is in the range of 16%, 17%, 18%. Now, product-to-product, because we are focusing more on handcrafted jewellery, which is one.

We are confident that, say, we are wanting to develop designs that are selective and something that the consumers can buy. And the balance between achieving growth and achieving profitability. And, with more of our stud ratio going up, we will be able to leverage margins from the studded category and then pass on that benefit of the profit from studded category by becoming more competitive in the gold category.

So, the options are there. But at the same time, you can reduce your making charges. But what happens when you want to give offers and discounts? And that is an expectation of the consumer. So, you must be very sure on what is that optimum price, and when the customer will come and ask for some unique offer or offers across the year, then what discounts you can give. Maybe

1% here and there is an opportunity. And we are keeping a close watch on the market and accordingly optimizing the making charges.

Videesha Seth: Thank you. And the second was on the lab-grown diamond base. What makes you confident that value cannibalization of the current natural studded portfolio won't happen?

I understand that the customer profile or the occasion could be different. But given that Senco has been able to attract consumers with the proposition of low-ticket prices, is there a scope for these sales getting transferred to the LGD offering? That's where I was coming from. And have you worked out on the buyback bit given the moderating prices of lab-grown?

Suvankar Sen: There is a buyback policy for the lab-grown because to make anything a success, and especially the mood and the behaviours of the Indian consumer, they would treat jewellery not only as an adornment but also as an investment. So, to win the trust and giving them the confidence of the consumer, you need to have a buyback for your product that you sell.

So that is very much in place. And when it comes to the opportunity of lab-grown, it all depends on the kind of products that you are producing and what you want to sell to the consumer. So, at the everyday wear, lightweight jewellery, when there is a lot of fashion and a lot of design element associated with it, then your small size diamonds become a major factor to create unique designs.

But when it comes to lab-grown, then what really will add value to the customer is the size of the diamond, where you can see much higher benefits. So, there would be certain design differentiation. Ultimately, the ticket size is very critical.

And while I wouldn't be able to disclose too much on the strategy, but we will make sure and what our thought is that through design, we will differentiate between natural diamonds and lab grown.

Videesha Seth: So just one clarification on the buyback bit. So, the buyback would be at existing prices or the prior prices? Because since the prices have been correcting, if we give the buyback at existing prices, won't Senco be incurring losses?

Suvankar Sen: The buyback will be on the current prices. So, it will be 80% value in the future, if the prices go up, then the customer will benefit out of it. If the prices go down, then it will be loss to the consumer. So, it is not at the price at which you're selling, but at the price at which the customer will be there to exchange or to sell. Did you get it? So that is how we are making it.

Videesha Seth: Okay. Thank you.

Moderator: Thank you. Next question is from the line of Rohit from HRP Capital. Please go ahead.

Rohit: Yes. Thanks for the opportunity. So, what is the revenue mix from COCO and franchise stores for this quarter versus this?

Sanjay Banka: Your voice is not clear, Rohit. Can you kindly speak clearly again?

- Rohit:** Yes. So, what is the revenue mix for COCO and franchise stores during this quarter versus this?
- Sanjay Banka:** 65-35 is the revenue mix for company-owned and franchise stores.
- Rohit:** Okay. And sir, was there any hedging game included at the gross margin or as a penalty?
- Sanjay Banka:** So, what we are saying is that, no, we can't want to answer this question very specifically. We are following the Ind AS accounting, right? In the Ind AS accounting, which is like derivative accounting of the IFRS, the hedging gains and losses are adjusted to the inventory. And since they are adjusted to the inventory, they will be impacting the gross margin. So, if there is a price rise, there will be hedging loss and vice versa, which will be impacted in the gross margin marginally.
- So, net-net, the impact of Ind AS is to nullify the impact of gain and loss. We are fully hedged, which we have maintained regularly. And we are more than 90% hedged for the last quarter. So technically, from a business perspective, we are not a hedge fund. We don't make money from keeping the exposure open. So, to that extent, from corporate government's perspective, we are almost hedged when we say 90% hedged. But yes, Ind AS accounting is a regulatory framework which we must follow.
- Rohit:** Okay, so 90% of the inventory is hedged.
- Sanjay Banka:** Yes, 90% of the inventory is hedged. That we confirm. We confirm again.
- Rohit:** Okay, so on store addition, during the last quarter call .You told that for the remaining financial year, you will have 8 to 10 stores on the base of 150 stores. But in the recent management interview, it was 3 to 4 stores if they added, in 2Q on the base of 150 stores. So, is there a reason for reduction in store addition items?
- Suvankar Sen:** So, the store addition is a factor of company-owned store and franchisee. Because we have only added four franchisee stores, and we could add the rest as a company-owned, company-operated store, and certain franchisees' opening got postponed to the next financial year or the next quarter. So, we are reducing the guidance on the store opening.
- Rohit:** Okay, thank you, sir. That's all I have for now. Bye-bye.
- Moderator:** Thank you. Next question is from the line of Vinod, an Individual Investor. Please go ahead.
- Vinod:** Hi, sir. I have two or three questions on the group. First, you have about 90 stores in West Bengal alone. In a sense, how many more you can open in the next, say, three years?
- Suvankar Sen:** Yes. We've done our analysis, and we believe that we can minimum open 10 to 12 Own stores, if not more, because it is not only the stores that you open in the bigger cities. It is also the stores that you open in the Tier 2, 3, 4 markets. And because of our franchisee model, even in the smaller towns, there have been small markets, and there have been unorganized, small-sized players.

Now with government making hallmarking more mandatory, the supply chain, the sourcing for those jewellers is getting a little more difficult. So, everyone is looking for an opportunity. You know, maybe the existing, any kind of businessman in that town. So, we can minimum add 10 to 12, if not more under franchisee model

Vinod: You're saying 10 to 12 per annum, or cumulative over three years?

Suvankar Sen: No, no, I would say over next two years, 10 to 12 own and 10 to 12 franchisees. Maybe over three years, it could go up to 15 plus also. But let's keep it at 10 to 12, and per annum, it could be 5, 6 minimum.

Vinod: Now looking at the broader East, what will be your market share in the East overall jewellery market today, and what was it three years back?

Suvankar Sen: See, market share is something that, , the numbers are not really, , out in the open. It is all based on estimation. So, number of stores are very much clear and evident. The rest is that when, I guess, all of us must understand that what the other players are selling, if the total market is INR7 lakh crores industry, 15% of that, which is INR1 lakh crores, is your East industry size.

And out of that, if 40% to 50% is your organized segment, that is around INR40 to INR50 thousand crores. And then you need to analyse that how much is the share of our other jewellers, where the data is out in the public or from East.

And then our business from the East is around 70% to 80% of our overall turnover. So, then I guess you will get some idea that we maybe hold around 3% or 5%, you know, maybe 10% of the organized segment and 3% to 4% of the overall market. This is our estimate, but the numbers, again, is all, one must do much more analysis to come to the correct figure.

Vinod: Understand. And with the limitations on data that we have, and I believe you are best placed compared to us, you said 3% to 4% of the overall East market. Any sense, based upon estimates and handicapped as they are, what was that number like, say, three years or five years back against this 4% now?

Suvankar Sen: One thing you must keep in mind is that the industry hasn't grown much over the last four, five years in terms of value, it has grown. But in terms of volume, the imports into the country have been in the range of 600 tons to 700 tons on an average, right?

There is a steady shift that is happening from the unorganized to organized in a big way. Again, these are all estimates. So, if today we are at 3% to 4% of the market, I would say that maybe we've been growing 20% minimum year-on-year over the last four or five years, right?

So that means that we've almost doubled. And so, you could say it was 2%, 2.5%, maybe four, five years back. I'm just giving an answer based on the estimates.

Vinod: Right. But I'm just circling back to the older question on the stores you could open in Bengal, you said five to six per annum. Fair to presume that you already sort of earmarked the places that you want to open the stores, not necessarily the location, but the cities or the micro market you want to be in, and therefore you have greater visibility on the locations?

- Suvankar Sen:** We won't be able to share the details of the location, but we are studying the market deeply. And it is not just Bengal. We are doing it for the markets in eastern part of the country, because strategically, we want to focus on east, which is where our core competencies and north and the future market potential. So, we have a whole list of locations lined up. And based on the opportunities, we will always try to grow there accordingly.
- Vinod:** So, you know, I asked this question just to play a devil's advocate here, that you have a strong presence in east, one could always question that what after east?
- Suvankar Sen:** Bengal is only one state, then you have four, five more states in east. That's so your one to year journey, say two years journey in a particular state, and then you become the market leader and you capture more from the unorganized. Then you are focusing on the five, six other states of eastern India.
- Parallely you are putting your base. We believe in the hub and spoke model. So, we've been there in north. We will then start penetrating into the various states. We have already penetrated with more than 20 stores in north India. So, then the brand gets stronger and stronger, and we will penetrate in the north India.
- And then, you know, maybe that itself is a three, four-year journey. Then is your journey into central and west, you know, and then the last will be in the south, because south is a highly competitive market. This is the journey that we see over the next 5 to 10 years.
- Sanjay Banka:** Sir, if I can build on that, when we talk about east, out of all the stores in East, stores in Bengal are 90, And east is 27, that is 117. So, when we talk about this, we have Bihar, Jharkhand, Odisha, Assam, Tripura, we have store in Tripura and Chhattisgarh also.
- So, there is a huge scope in these states So you must understand the difference. Our competition is not to the players with whom you are thinking. We will be a major player in the movement from unorganized to organized. That is tier three and tier four.
- So, when we go to Bhagalpur, when we go to Ara, when we go to Jaleswar, when we go to Dumka, so this is in our target list. There is the huge list of such cities and towns where there is a potential. And we will look for these locations in future also.
- Vinod:** Right. You know, I stressed on this question because if I look at last three-year data for which you have done, you have a total of 43 stores open out of which 21 alone were in Bengal. So, one worry is if Bengal is going to slow down a little bit in terms of new store opening because you are saturating that, could it therefore impact the overall growth in the company at the level of profits that you would like to grow?
- Sanjay Banka:** These points we have addressed earlier. See, one is the store presence and second is the ASP, ATV, and average sale per store. what you said, there are many stores which have achieved a INR100 crores top line level and our average, overall blended national average is INR37 crores. West Bengal is maybe mid-level.

There is a scope to improve the ASP, ATV, and average sale per store before Bengal opportunity is out. So, we don't see that Bengal opportunity will be out before next 10, 15 years. There are still many cities in Bengal where we must reach.

So, our, constraint is only imagination. That's how we can say. That that is only a constraint. The market is unlimited. We are talking about a 40% only organized market. 60% market is huge opportunity.

And we don't see that anybody is at competition. We all will be catering to our respective customer segments and there will be ample and huge opportunity for everyone to grow and serve the customer in tier 3 and tier 4.

Moderator: Thank you. Ladies and gentlemen, due to time constraint was the last question of the day. I now hand the conference over to management for closing comments.

Suvankar Sen: Thank you very much. it is truly a wonderful experience, I would say, and a pleasure on behalf of Senco Gold and Diamonds to, come across, interact with all of you, update with all the numbers. And once again, we are very happy and excited that we've had a wonderful quarter 3, and we look forward to a robust quarter 4, I might say.

At the same time, we need to be conscious that how the coming year will be, the coming calendar year, the coming financial year. We've had Valentine's Day offer, the wedding season is around in quarter 4, and that is what the drivers are towards the sales and the numbers that we are doing for quarter 4. Then comes the quarter 1 of the next financial year, which is, again, we look forward to in terms of Akshay Tritiya and the new year that happens in various states.

But at the same time, we need to be conscious on the consumer behaviours and how the footfalls at the retail will be. There are elections coming up in the country. So that has its own impacts.

Maybe the demand might get crossed over from quarter 1 to quarter 2. We are aware that the wedding season for the upcoming financial year, there are fewer weddings in the first half of the year, and the weddings will be only in the month of November, December onwards. So, the management of SENCO is accordingly planning to ensure that the multiple locations that is there in the first half of the year, we continue to come up with our new offers, schemes, new products, new collections, new designs to ensure that the customers continue to stay excited and buy from the jewellery industry and for our company as well.

And we look forward to meeting, interacting with all of you after the end of quarter 4 as well. And have a great day and happy Valentine's Day and happy Saraswati Puja once again. Thank you.

Moderator: Thank you. On behalf of Ambit Capital that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.