



“PC Jeweller Limited Q1-FY14 Earnings Conference Call”

August 7, 2013



MANAGEMENT: Mr. BALRAM GARG – MD
Mr. SANJIV BHATIA – PRESIDENT, FINANCE

Moderator

Ladies and gentleman good day and welcome to the Q1 FY14 earnings conference call of PC Jewellers. We have today with us from the management Mr. Balram Garg – Managing Director and Mr. Sanjiv Bhatia CFO of PC Jewellers. As a reminder for the duration of the conference all participant lines are in listen only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call please signal an operator by pressing '*' and then '0' on your touch tone phone. Please note that this conference is being recorded. I would now like to hand over the conference over to Mr. Balram Garg, thank you and over to you sir.

Balram Garg

Good evening everybody and welcome to this conference call. We are pleased to declare the result of 1st quarter for the financial year 2014, 1st quarter of FY2014. You are all aware that the last quarter was a very unique one where in the gold prices corrected so sharply after increasing continuously for almost 2 decades. This sharp correction resulted in a heavy surge in consumer demand. There is a lot of speculation going on whether this is surge by preponement of demand normally taken place in the later month or was extra demand due to falling prices. We are of the opinion that the additional phase in Q1 represented extra demand and we do not expect any decline in consumer demand in the coming months.

The public results are in front of you all. The company had registered a top-line of Rs. 1379 crores if we compare this figure with a sales figure of Q4 of FY2013. We find that there is an overall sales growth of 21%, domestic sales have increased by 33% and export sales have declined by 22%.

After adjusting of the sales achieved by the new outlet opened during the 1st quarter the company has achieved a value growth of 25% in the same store sales. Similarly the volume growth in Q1 vis-à-vis Q4 has been to the tune of 28%. The company has been able to improve its profit in the absolute numbers even though there is a small decline in the percentage term. This is because of decline in the percentage of diamond jeweler in the overall sales in the particular quarter. The percentage of diamond jewelry sales have declined from 32.15 in Q4 FY13 to 25.72 in Q1 FY14. Even though the sales have increased in absolute terms from Rs. 284 crores to Rs. 303 crores. The company however continues to retain its focus on diamond jewelry sales as before and is confident that the coming quarter would see a greater percent of diamond jewelry in the overall sales.

The PAT of the export division of the company was Rs. 20.11 crores in Q4 FY13 which has increased to Rs. 20.64 crores in Q1 FY14. Similarly the PAT of domestic division had increased from Rs. 62.41 crores in Q4 FY13 to Rs. 69.31 crores in Q1 FY14. The PAT for Q1 FY14 stands adjusted by 8.16 crores as the company had provision of straight lining of league rent, escalation as per AS 19.

As stated above we are confident that jewelry industry would continue to witness a strong consumer demand and accordingly we remain committed to our expansion and plans. We have till date finalized 11 sites I will have eleven sides for new stores are in the process of finalizing 5

more sides. Hence we are fully confident that we would be able to meet our target of opening 14 new stores in the 3rd and the 4th quarter of this fiscal.

You are all aware of the new gold import norms unveiled by the RBI on 22nd of July. These norms state that all nominated bank/ agencies will have to ensure that at least 1/5th of every lot of import of gold is exclusively made available for the purpose of exports. And only then they would be able to provide the balance growth for domestic operations. These norms indicate our existing business model as RBI has now linked import of gold with export commitments. RBI has also tried to curb the investment demand of gold which is basically per stage of coins and bars. PCJ on of the few jewelry companies of country which has robust domestic operation as well as established export business. Also PCJ as always presented itself as a jewelry company not as gold company. Hence it has never focused on selling coins over bars. PCJ as always focused on wedding jewelry segment and coins constituted of hardly 2% of its total domestic sales. The wedding jewelry business is stable and sustainable business unlike coins and bar business which keeps on fluctuating with the consumer perception of future gold prices. I am also happy to announce that the company board has today approved the under noted dividend policy company for the current fiscal. That company shall pay dividend twice a year: once by way of interim dividend for the half year ended September 30th and the secondly by way of finance dividend for the year ended 31st March. The boards maintain a dividend pay out ratio as near as possible to 15%. Therefore the board intends to distribute to the share- holders almost 15% of net profit by way of dividend. This policy shall be subjected to review by board every year.

We are now opening the session for any question and answer please.

Moderator Thank you very much sir. We will now begin the question and answer session. First is question from the line of Riken Gopani from Infina Finance. Please go ahead.

Riken Gopani Firstly I would like to understand that the diamond share as gone down to 26% as compared to 32 sequentially but still you have nice improvement in the gross margins sequentially of more than 200 basis points. So if you could help me understand this particular phenomenon?

Balram Garg The gross margins have been nearly stable; the gross margins which were 15.85 in the previous quarters stand reduced to actually small negligible manner to 15.05%. So there is a difference in the calculation by which the figures by which we calculate our GP and which are represented by the published figure, if you would have noticed there is an element of other expenses underneath topline.

Riken Gopani The top-line has other operating income which is actually nothing-

Balram Garg No sorry, under expenses there is a column of other expenses. So the other expenses contain some amount of FOREX differences which you have also explained earlier. This FOREX differences is a difference of the exchange rate on the day on which we procure the gold and on the exchange rate prevailing on the balance sheet date. So we take it as a part of our purchase

cost and use it to calculate our GP but the accounting norms say that you represent this figure not in your COGS but as separate. So ultimately our bottom line if you take EBITDA, PBT or PAT it does not make a difference there, only the figure of GP gets affected by this.

Sanjiv Bhatia

Right way to look at the GP is you have to take that figure in the course of good sold. So earlier our gross margin was around 15.85% and now the gross margin is 15%. So it is coming down because of diamond jewelry sales.

Riken Gopani

So that is the 85 basis points reduction in the margin because of that. Secondly I would like understand the impact of this rental which we have said for the quarter? What is that impact and how would it play out?

Balram Garg

Actually this is a one-time impact for which we going for 9 year lease and the rents are escalated after every 3 years. So auditors in order to take account for this future escalation, try to account for this thing now. This is as per accounting standard 19 of institute of chartered accountant and this is a one time this thing and when once our rent go up to that level then this would start coming back to us, may be after 3 or 4 years but this is basically a non- operating, this is known as straight lining of lease rental.

Riken Gopani

Can you quantify the amount which is one time in the quarter for the rental amount?

Sanjiv Bhatia

Yes, it is Rs. 8 crores around.

Balram Garg

Around Rs. 8 crores.

Riken Gopani

Would this be recurring for the balance part of the year?

Sanjiv Bhatia

No.

Balram Garg

No, nothing. This is one-time.

Riken Gopani

That is mainly on the P&L side and if you could highlight for the full year what kind of volume growth do you envisage in the domestic business both on gold as well as on diamond. You know some broad guidance that you would like to suggest for PC Jewellers for the.....

Sanjiv Bhatia

Generally we do not do the guidance but we can say that the jewelry demand is good. So we are expecting good diamond jewelry sales as well as good jewelry sales. So jewelry demand there is no impact on the jewelry demand and there is impact on the investment demand. There are 2 type of demand: one is jewelry and one is investment. So there is an impact on the investment one but jewelry demand is good.

Riken Gopani

On the export side?

- Balram Garg** Exports sides is our business is stable and whatever I think order we are getting, we are executing and I think export sides also the demand is good and now the company will see whether we want to grow in the export market or not depending on the RBI policy but right now we are in a very comfortable position and as per new RBI policy we are able to sustain the domestic business as well as export business.
- Riken Gopani** Now that the policy is in place has the bank started following the practice and how is the on ground situation if you could highlight how things are panning out?
- Balram Garg** Actually for us there is no problem. But for other players we do not know. For PCJ we are getting gold.
- Riken Gopani** So the bank is not having any issues in giving it?
- Balram Garg** Because we are taking export as well as domestic.
- Riken Gopani** Just one last thing: For this stores that we have opened into newer locations if you could highlight which all newer geographies have we entered into and how has been the response?
- Balram Garg** Yes, response is good. We opened 6 stores: one in Ahmedabad, Baroda one in Delhi and in Jabalpur, Ganganagar, Ishar all stores sales are good because always last quarter sales wise was fantastic so we will see the next quarter but definitely sales they are doing a good sales and in another in 2 quarters we are opening in 3rd quarter and 4th quarter we are opening 14 stores and 11 sites we are already finalized so work is going on in some sites.
- Riken Gopani** Your roll-outs are not seeing any impact because of the RBI regulations, your roll out would be in line with-
- Balram Garg** An RBI regulation is only for the supply side. But consumer demand is there so if consumer demand is there so sales are there but supply side there is a problem but for PCJ there is no problem.
- Moderator** Thank you. Next question from the line of Bhavesh Shah from CLSA. Please go ahead.
- Bhavesh Shah** I have 3 questions: what is our annual requirement of gold imports?
- Balram Garg** Annual requirement import of gold import depend on the sales but definitely, you want to ask about the quantity?
- Bhavesh Shah** Yes.
- Balram Garg** Quantity actually last year around 10,000 Kgs we purchased so this year depends on the sales definitely you can increase by 20% to 30%. So I think 12,000 or 12,500 by this year.

- Bhavesh Shah** Understood and basically we are the company we do not have any issues in terms of procuring the gold because we also actually exporting. So just wanted to understand that dynamics which you just referred right now?
- Balram Garg** Actually you see our last year of export sales was around 24%, 20-25% and domestic was around 75%; 25-75 ratio. So I think this year we will maintain that I think 22 or 78. So there is no problem in the supply side because bankers are giving gold to us. We are taking gold from the bank 20% for the export and 80% for the domestic side. So I think for this year we do not have any problem.
- Bhavesh Shah** My 2nd question is that our exports are fallen from 23% in March quarter to 15% in the current quarter. Can you throw some light on the fall or is seasonality an issue here?
- Balram Garg** Actually this is seasonality issue because if you see our export business, export business is always good in the 2nd half; 3rd quarter and 4th quarter. Export business is always slow in the 1st and 2nd quarter. So this is a seasonality issue only and whatever target we fix for this quarter we have already achieved in the export. So there is no issue in the export business also.
- Bhavesh Shah** Understood. Just finally one more question: You did mention but I probably missed it; what is the store opening guidance for FY14?
- Balram Garg** Actually 14 we have already opened 6 stores and 14 stores we will open in the 2nd half and 11 sites have already finalized and work is going on in some sites. So we will definitely achieve the targets for the stores.
- Bhavesh Shah** Approximately 20?
- Balram Garg** Yes, 20 stores.
- Moderator** Thank you. Next question is from the line of Nitin from Kotak Securities. Please go ahead.
- Nitin** I joined in late. Just one question regarding the discussion that you had with the earlier participant; you said that you already met the export target for this year. I didn't quite follow what you really meant by that?
- Balram Garg** I told this quarter, we fix target for every quarter, the 1st quarter we set the export target for 200 crores and we achieved that. So this whole year we have set a target of Rs. 1000 crores to Rs. 1100 crores for export and definitely we will achieve that target. And 2nd half is always better than the 1st half.
- Moderator** Thank you. Next question is from the line of Karthiyeen VK from Suyash advisors. Please go ahead.
- Siddhartha** I just wanted to know how much did we export in terms of volumes last year.

- Balram Garg** Volumes terms we do not have the figures but definitely around I can say its 2500 Kg approximate.
- Moderator** Thank you. Can we take a follow up question from the line of Riken Gopani from Infina Finance. Please go ahead.
- Riken Gopani** Just wanted to understand how are the lease rates panning out and has there been any upwards movement on the gold lease rates?
- Balram Garg** No, there is no, I do not think, lease rates are similar.
- Riken Gopani** Do you envisage any move there on the lease rates?
- Balram Garg** No, we do not think so. Lease rates depend on the labor rate. If labor rate will increase then definitely lease rate increase.
- Riken Gopani** The other thing was on the making charges itself; do we continue to maintain the making charges or have we started seeing any you know pressure on making charges in the market?
- Balram Garg** Right now no. The demand is good right now there is no pressure on making charges.
- Riken Gopani** One thing the availability of gold for non-exporters how are things panning out there if you could highlight how is competition getting the gold and has there been any increase in the rate at which the other players are able to get gold in the market?
- Balram Garg** I cannot comment on others definitely but for us there is no problem we are getting gold regularly from the banks and we do not know about the other players how they are getting gold. But these banks are selling gold, I heard that banks are selling gold to others on the premium but we are getting gold on the cost price.
- Riken Gopani** There is a premium that the bank has started charging.
- Balram Garg** Yes.
- Riken Gopani** So would that also start getting reflected in the making charges itself? Can we therefore have improved making charges even for PC jewelers given that the others are getting gold at higher...
- Balram Garg** I think it is not related to making charge, definitely the companies who are paying premium they will charge the same to the customer, they will charge even in the gold rate not in the making charges.
- Riken Gopani** One question that I had broadly on how this whole implementation will work because today there is no restriction in the amount of gold that can be imported because exports is something

that you have to deliver after a point in time. So how would this whole regulation be implemented? Is there more clarity on this?

Balram Garg I think there is no clarity, I think we are even banks are expecting some clarification from the RBI. So right now there is no clarification but definitely the companies who are doing domestic business as well as export business they are not facing any problem. But definitely others are facing problem and they are waiting for some clarifications on how this scheme will be implemented. So I think everybody is expecting this week RBI will issue some circular they are expecting. How to implement this scheme but scheme is clear.

Riken Gopani If you could also highlight in terms of the exports itself what is our split in terms of geographies where we export the jewelry?

Balram Garg Basically geographies the Gulf and the South-East Asia.

Riken Gopani The Gulf would be what percentage of your exports?

Balram Garg Right now we do not have the figures for the percentage.

Riken Gopani How are those geographies growing in terms of volumes? So if you are just the reason why I am asking is-

Balram Garg See we are making I think we are making handmade jewelry there is a lot of demand in the handmade jewelry in the Gulf and the South- East Asia.

Riken Gopani So the growth is there in those markets?

Balram Garg Exactly.

Moderator Thank you. Next question is from the line of Avi Mehta from IIFL. Please go ahead.

Avi Mehta Sorry I joined a little late, sorry if I am repeating but could you share gold volume growth that you have seen in the quarter?

Balram Garg Our volume growth is 28% and the value growth is 25% the same store sale.

Avi Mehta This is same store right?

Balram Garg Yes.

Avi Mehta And overall sir?

Balram Garg Overall is 33% is the value growth and 36% is volume growth.

Avi Mehta 36% is the-

Balram Garg Domestic. I am talking about the domestic business.

Avi Mehta Sir what I wanted to know is the; you said 28% volume growth and 25% value growth; this was for domestic plus exports or only domestic?

Balram Shah Only domestic, exports is declined by 22%.

Avi Mehta And the 36% is overall including new stores?

Balram Garg Yes.

Avi Mehta If you could split this as in how have diamonds sales done I mean like to say is the growth rate kind of seeing, is it continuing to increase or is it flatted?

Balram Garg flattish or down because last quarter diamond sales percentage was 32.15% and this quarter is 25.72% but if you see the absolute number, last quarter the diamond sales was around 284 crores and this quarter is 303 crores.

Avi Mehta Has the growth rate tapered off on a QoQ basis or no, it is still-

Balram Garg Diamond jewelry sales is definitely down because of good jewelry sales and because of gold price fall whenever the gold price falls always diamond sales are down and when gold price cross 30,000 diamond sales starts picking.

Avi Mehta Just on the demand now for the next you know July has gone just wanted to get a sense how has demand been and you know what kind of confidence do you have in terms of full year growth rates or do you think it is too hazy? If you could share any-

Balram Garg We are very confident that jewelry demand will remain and there is a dip in the investment demand definitely but we are selling only 2% in over all sales. So there is a good demand of jewelry, so we are putting a good year for the jewelry business.

Avi Mehta Do you have any number on July that you could share in terms of sales?

Balram Garg No, we do not have the number but demands are good definitely.

Avi Mehta It is more or less in the same level as the 1st quarter, not major?

Balram Garg Not on the same level because the 1st quarter was definitely very high. If you compare this 2nd quarter to the last 2nd quarter, definitely demands are good.

Avi Mehta That growth rate kind of sustain.

- Balram Garg** In this quarter there is no festival. In 1st quarter there is some festivals and some marriage seasons, 2nd quarter there is no marriage reason there is no festivals so definitely but demands are good, definitely.
- Avi Mehta** Could you share the industry level volume growth or any other details for the 1st quarter and for July if you have any?
- Balram Garg** First quarter was good for the industry; definitely 1st quarter was good for the industry and for every company and what we heard that in 1st quarter the industry growth was around 20-25% approximately.
- Avi Mehta** In volume terms?
- Balram Shah** In volume terms.
- Moderator** Thank you. We are going to take our next question from the line of Pradeep Singhanian from Ambit Capital. Please go ahead.
- Pradeep Singhanian** My question was like because of this new export requisition, there can be chance of other organized players who do not have strong hold in export will try to catch up with the exports just to cater the domestic demand and get a supply for domestic side. So that would increase the competition.
- Balram Garg** They can be. Some players will definitely go in the export market because we are already in the export market so we have a benefit and definitely some other players will try it to go in the export market, definitely.
- Pradeep Singhanian** But won't that create a pressure on you to like on your margins for the competition?
- Balram Garg** We are in to exports markets from so many years, so we are not worried.
- Pradeep Singhanian** No because their motive will be just to have export sales not to make margins because the main focus will be on domestic demand.
- Balram Garg** You know our export margins are better than the industry margins other players, because we are not exporting that commodity items, we are exporting only the handmade jewelry and the exclusive design. So I do not think that there will be pressure on our margins because we are not exporting the commodity items which everybody can make. These items are designer items like we are selling in our stores.
- Pradeep Singhanian** And apart from this just taking some macro data points so like as India how much quantity of gold we imported last year?

Balram Garg Last year India imported around 1000 tons and out of this 1000 tons, 600 tons was around for the jewelry and 400 ton was for the investment.

Pradeep Singhania And exports?

Balram Garg Exports around 70 tons.

Moderator Thank you. The next question from the line of Karan Desai from L&T Mutual Fund. Please go ahead.

Karan Desai Sanjiv I wanted to check about the grammage scheme which we run? Is it just at the price or even we do something similar to some of our competitors like we even do it at a value front?

Sanjiv Bhatia We had just started that scheme, the scheme is similar but our volumes are currently negligible in the same.

Balram Garg We have just in a three months back. So it will take time to pick-up.

Karan Desai But gives us a natural hedge?

Balram Garg Yes that gives us natural hedge. We are totally hedged.

Karan Desai The overall scheme as a percentage of our domestic sales?

Balram Garg You are talking about the “Jewels for Less” scheme?

Karan Desai Yes.

Balram Garg “Jewels for Less” scheme is around 3%.

Karan Desai Second thing I wanted to check on exports your exports has come down to around 14.5% from around 22.5% last year and according to the new RBI regulations you had mentioned that you will be self-sustaining your own demands. So do you see exports picking up from Q2 because I presume-

Balram Garg Actually March quarter is always better for the export business. So we cannot compare the March sales to the 1st quarter.

Sanjiv Bhatia I think 2nd half is always better for the export market, business is seasonal business. So I think whatever target we set for this year we will achieve yield.

Karan Desai And because of competition do we see margins shrinking a bit in exports?

Balram Garg No, we do not see any shrinking of margins because it is not easy that somebody will go to the export market and start exporting because we are doing business from the last several years in

export market not today and we have set clients and we have good customers, we have making good designs, different designs so this is a basically design based business. So I think we do not see any impact on the margin.

Karan Desai And lastly on diamond? Your diamond sales are down to 25% from 32%, is it because of I agree that since gold prices went down everyone rush for gold but are we seeing situation improving since this quarter?

Balram Garg Definitely because even in the 1st quarter we did diamond jewelry sales 303 crores and the 4th quarter our diamond jewelry sales was around 284 crores. It is not that the diamond jewelry sales are down its more that gold jewelry sales are very high.

Karan Desai So it was 300 crores versus 284?

Balram Garg 284 crores.

Karan Desai So you are seeing growth over there?

Balram Garg Yes definitely. We will see some growth in 2nd half also.

Moderator Thank you. Next question from the line of Tejas Shah from Spark Capital. Please go ahead.

Tejas Shah Just wanted to check what is the proportion of diamond jewelry in your exports?

Balram Garg This first quarter we did only gold jewelry exports. That is order based work so 1st quarter we did only gold jewelry; there was no diamond jewelry sales.

Tejas Shah What was that proportion last year?

Balram Garg I think it was 15% around.

Tejas Shah That proportion of exports won't be accounted or won't be helping you to import gold in India under this 80-20.

Balram Garg Even in the domestic business our 30% is basically diamond jewelry so you have to reduce that also.

Tejas Shah When you say that this quarter the complete export was gold jewelry there was no studded part also involved in that. So how does the mechanism work?

Balram Garg Studded jewelry and gold jewelry not diamond jewelry.

Tejas Shah But when you say studded it means it is also counted for your import quota?

Balram Garg Yes it accounts for the import quota. Stones values are negligible studded means that is not the precious stones. Value for that stones are negligible.

Tejas Shah You mentioned that you are not facing any problem even as we speak today there is no problem at least for PC this was gold in the market. So are we getting gold under new scheme of 80-20?

Balram Garg Definitely we are getting gold from our 80-20 scheme.

Tejas Shah Just wanted to understand implementation part of it. This export obligation is it staggered or is it bullet, so you need to finish that obligation within let us say a financial year, half year or quarter, how is it?

Balram Garg Obligation we have to export the gold within 180 days.

Tejas Shah 180 days.

Balram Garg Yes, but generally we export the gold within a month.

Tejas Shah So the moment you source gold from your consignment bank you need to export within 180 days from that day?

Balram Garg We have a time for 180 days but generally we export in a month's time.

Tejas Shah And are this terms same for all the players?

Balram Garg Yes, all the players same rule.

Tejas Shah I missed on your store expansion plan number for the year?

Balram Garg This year we have already opened 6 stores and we are opening 14 more in the 2nd half, 7 sites we have already finalized 3 will be finalized soon.

Tejas Shah And inventory of all the stores will be on metal loan?

Balram Garg Yes, all metal loans.

Tejas Shah What will be the current rate for metal loan?

Balram Garg Current rate is around 3% to 4%.

Tejas Shah With this added obligation on consignment or nominated banks to match export obligation as well. Are you seeing some pressure on this rate also going up in future?

Balram Garg Right now no. Because this rates are linked with the LIBOR and we are a unique customer for the bank, we are taking gold for the export as well as the for the domestic use.

- Tejas Shah** And this new regime obviously you mentioned that we imported roughly 1000 tons of gold last year and out of that only 600 would be for jewelry purpose, now even if I take last year's number 70 tons-
- Balram Garg** Definitely there is a shortage of 300 ton.
- Tejas Shah** So which section of market you believe will be impacted most as far as sourcing gold is concerned?
- Balram Garg** Actually it is difficult to say definitely everybody will get affected from this scheme and only the companies who are either exporting or doing both business domestic or export. Definitely there is a situation that there is shortage of 300 ton of gold supply side. So how they will do that we do not know really but definitely they will run some incentive scheme for the old gold jewelry or they will enter in the export market, it is difficult to say or smuggle gold will come we do not know about this.
- Tejas Shah** And taking cue from your commentary mentioned that demand for jewelry is still continuous to be very strong, now in this scenario when we are actually squeezing supply and demand continuous be strong then at some point at least from legitimate channel that import won't be able to feed the demand. So aren't organized players like you are worried that and then this new regime, smuggling might assume higher proportion and as a result organized players like you are following the rules to the last full stop will be impacted because of this regime because demand your mentioning that there is no impact on demand.
- Balram Garg** Actually you are right but it is difficult to full fill the demand of 300 tons from the smuggling. It is not possible. But definitely smuggling there is chance for such smuggle gold but government have to see and carefully watch that whether smuggling gold is coming or not. But definitely 300 tons it is not possible. Some gold can come from that route but not 300 tons. So I think the jewelry companies are looking some other options like they are running the incentive scheme for the exchange gold or they are trying to enter into export market also. So I think these are the 2 two routes. And what we feel that this scheme is not permanent, I think if the cash problem will solve I think government will review may be after 6 months or after one year.
- Moderator** Thank you. Next question from the line of Ankit Babel from Shubkam Ventures. Please go ahead.
- Ankit Babel** Just wanted to confirm you did mention that banks have started charging premiums on gold?
- Balram Garg** Yes banks because if supply is short and demand is more then bank will definitely charge the premium.
- Ankit Babel** So any idea that what is the quantum of that premium that they are charging now?

- Balram Garg** I do not know about the bank but definitely in the market if the cost price is supposed 28,000 you will not get the gold on 28,000 you will get the gold I think today 28,700. So there is a premium of Rs. 500 to 1000 in the market.
- Ankit Babel** There was also a media article that there has been no gold imports in India after 22nd of July, is it true sir?
- Balram Garg** No, it is not true. Gold for the companies who are exporting gold and are into domestic business can easily take that gold delivery, no problem.
- Ankit Babel** So gold is getting imported in India?
- Balram Garg** I do not know about the import but definitely maybe the old stocks have banked but we are getting gold.
- Ankit Babel** But you must be worried about your future supplies also, so you might be knowing-
- Balram Garg** Bank is saying there is no problem in the future supply for you. Companies who are taking gold for the export purpose and the domestic purpose there is no problem.
- Ankit Babel** Lastly sir do you believe that the recent RBI norms would impact the unorganized sector to a very large extent. Since they may not get the gold itself?
- Balram Garg** I do not know actually it is difficult to say right now I think we have to wait and we have to wait for some clarifications from the government from the RBI and we have to wait for 1 or 2 months or maybe 3 months then the real picture will come.
- Ankit Babel** So you expect the clarification to come in the next 2-3 months' time?
- Balram Garg** Yes, definitely.
- Moderator** Thank you. Next question from the line of Deepak Agarwal from Impetus Advisors. Please go ahead.
- Deepak Agarwal** Can you provide me a breakup of interest of Rs. 51 crores how much of that is the metal loan and what is the rest of that?
- Balram Garg** We do not have the breakup but definitely most of the interest is for the metal loan.
- Deepak Agarwal** So what is the quantum of the metal loan because Rs. 51 crores for quarter will mean about Rs. 5000 crores even at 4%. Is that the amount of metal loan we have?
- Balram Garg** Yes, definitely we have a gold around 5000 Kgs so definitely and this interest include we have a limits of around 250 crores we have a debt of around 225 or 250 crores. Definitely that interest

plus the metal loan interest both include the figure of 51 crores. And if you compare to the last quarter there is an increase of about Rs. 10 crores.

Deepak Agarwal That is fine but if you have 250 crores-

Balram Garg Last quarter sales were around 884 crores and this quarter sales is around 1178 crores.

Deepak Agarwal What is the cost of this debt of Rs. 250 crores around what 12%?

Balram Shah Yes 12%.

Deepak Agarwal So that means about 45 crores each is the interest for metal loan that means about 4500 crores of metal loan?

Balram Garg Yes, you are right. Only the metal loan interest and plus the net interest both include-

Deepak Agarwal Metal loan outstanding as of now is around Rs. 4500 crores?

Balram Garg Right now we do not have the figure but approximate about maybe this figure, you are right.

Moderator Thank you. We are going to take a follow up question from the line of Pradeep Singhania from Ambit Capital. Please go ahead.

Pradeep Singhania Sir did I hear it right that you said that export obligation is like we have to do export within 180 days of the import?

Balram Garg Yes.

Pradeep Singhania But in the circular nothing is written of this sort. It says that you have to export 75% of that 20% quota.

Balram Garg That is both are different things. If you are buying gold from the banks for export purpose so there is obligation that you have to export that gold in 180 days. But in new schemes exporting gold in the 180 days but they are saying if you are buying gold for 20 Kg for the export out of that 75 you have to export first then you can order for the new one for the domestic gold.

Pradeep Singhania But there can be a possibility where I can import the quantity required for the whole year at one go and there is no time line like I won't be requiring new imports for the whole year, it can be the case?

Balram Garg How you will import because you have to make the payment?

Pradeep Singhania But I can do on lease, right?

Balram Garg But even then there is a time period you cannot lease for an indefinite open period no?

Pradeep Singhania I consider it is a cash payment.

Balram Garg You have to give the bank guarantee.

Pradeep Singhania Right, but I agree like even if it is a cash payment, even if it is such that I am procuring gold on cash so I can procure for the whole year without having any export obligation like I won't be full filling my export obligation but I will be having my gold imports.

Balram Garg If you not fulfill the export obligations there are some legal consequences for that.

Pradeep Singhania And what are they?

Balram Garg Duties and penalties both you have to pay.

Pradeep Singhania So by when are you expecting more clarification on this 80-20 scale?

Balram Shah We are expecting the more clarification I think in a couple of days.

Moderator Thank you. We are going to take the next question from the line of Kathiga Mantri from Equity master. Please go ahead.

Kathiga Mantri I wanted to know the amount of cash on your book?

Balram Garg Pardon?

Kathiga Mantri Amount of cash on your books at the end of this quarter?

Balram Garg We have enough cash but definitely we cannot disclose but definitely we have enough cash in the next quarter conference call we will definitely disclose that.

Kathiga Mantri But I assume that it will be mostly pertaining to "Jewels for Less" program?

Balram Garg Jewel for less is I can tell you the "Jewels for Less" carries around Rs. 98 crores.

Moderator Thank you. We are going to take a follow up question from the line of Deepak Agarwal from Impetus Advisors. Please go ahead.

Deepak Agarwal Again on that same loan interest thing, at the end March we had a total debt including current liabilities of Rs. 2000 crores only. Now you are saying we have Rs. 4500 crores approximately metal loan.

Balram Garg No, not sure about Rs. 4500 crores it is 4500 Kgs.

- Deepak Agarwal** No but in terms of amount it is still coming to based on the interest because on 250 crores the interest will be around Rs. 7 crores and from Rs. 51 crores if I reduce that it is still about Rs. 7 crores there is still about 44 crores.
- Sanjiv Bhatia** See from the last quarter we had expenses of Rs. 39 crores from which we have gone up to Rs. 51 crores you have to match it with the increase in the operation level of the company. Once you see it that the increase is in line with the increase in the operating levels of the company and more this thing so we really do not think that there has been unprecedented.
- Balram Garg** The sales increase is 33% and 40 crores of interest cost is Rs. 50 crores. It is in the line of that only.
- Deepak Agarwal** That is in the line sir then I need to understand 39 crores. This 39 crores will mean that you had 32 crores of approximately metal loan interest which will mean about Rs. 3200 crores of metal loan but you had only Rs. 2000 crores of total debt as on March.
- Balram Garg** Right now we do not have the calculations.
- Deepak Agarwal** See it is very simply no sir. 4% is the annual interest on metal loan so 1% for a quarter, so 39 crores of interest for a quarter will mean 3900 crores on metal loan.
- Balram Garg** There are other costs also included.
- Deepak Agarwal** That is what I want to understand. What is the breakup of this Rs. 39 crores?
- Balram Garg** LC charges and other cost are also includes that final cost.
- Sanjiv Bhatia** Bank commission.
- Balram Garg** Whatever LC we give at 1% and export interest is also including this. This is the total domestic as far as export also.
- Deepak Agarwal** This LC is for the metal loan right?
- Balram Garg** This LC commission is in the metal loan. This LC is for the metal loan.
- Deepak Agarwal** So this LC commission is in addition to 3% to 4% that you pay.
- Balram Garg** Added to that.
- Moderator** Thank you. As there are no further questions I would now like to hand over the floor to Mr. Sanjiv Bhatia for closing comments. Thank you.
- Sanjiv Bhatia** I would like to thank you all for joining in and listening patiently to us and also asking some very pertinent questions. We hope to meet you next quarter until then all the best. Thanks everybody.



*PC Jewellers Limited
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Moderator

Thank you. On behalf of PC Jewellers that concludes this conference call. Thank you for joining us you may now disconnect your lines. Thank you.