



# JEWELLER

Investor Presentation

August 2017

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# Agenda

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Industry Overview

World of PC Jeweller

Financial Overview

Way Forward

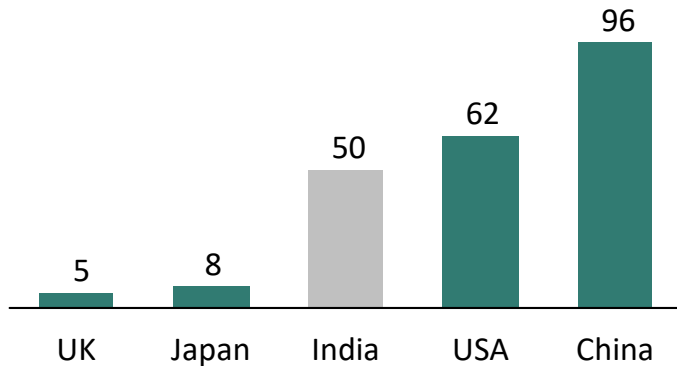


# Industry Overview

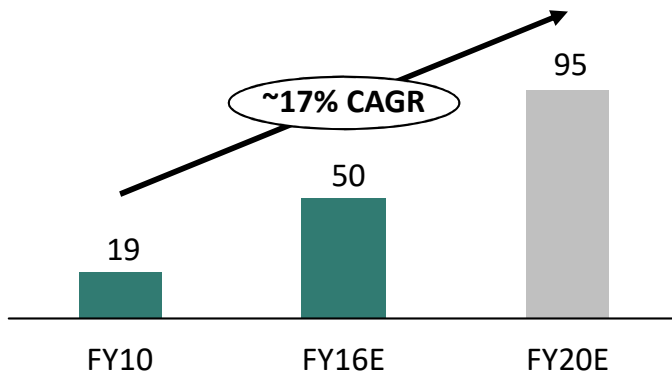


# India's Love for Jewellery

One of the largest jewellery markets in the world\* (USD Bn)



Expected to cross US\$ 95 bn by 2020E\*



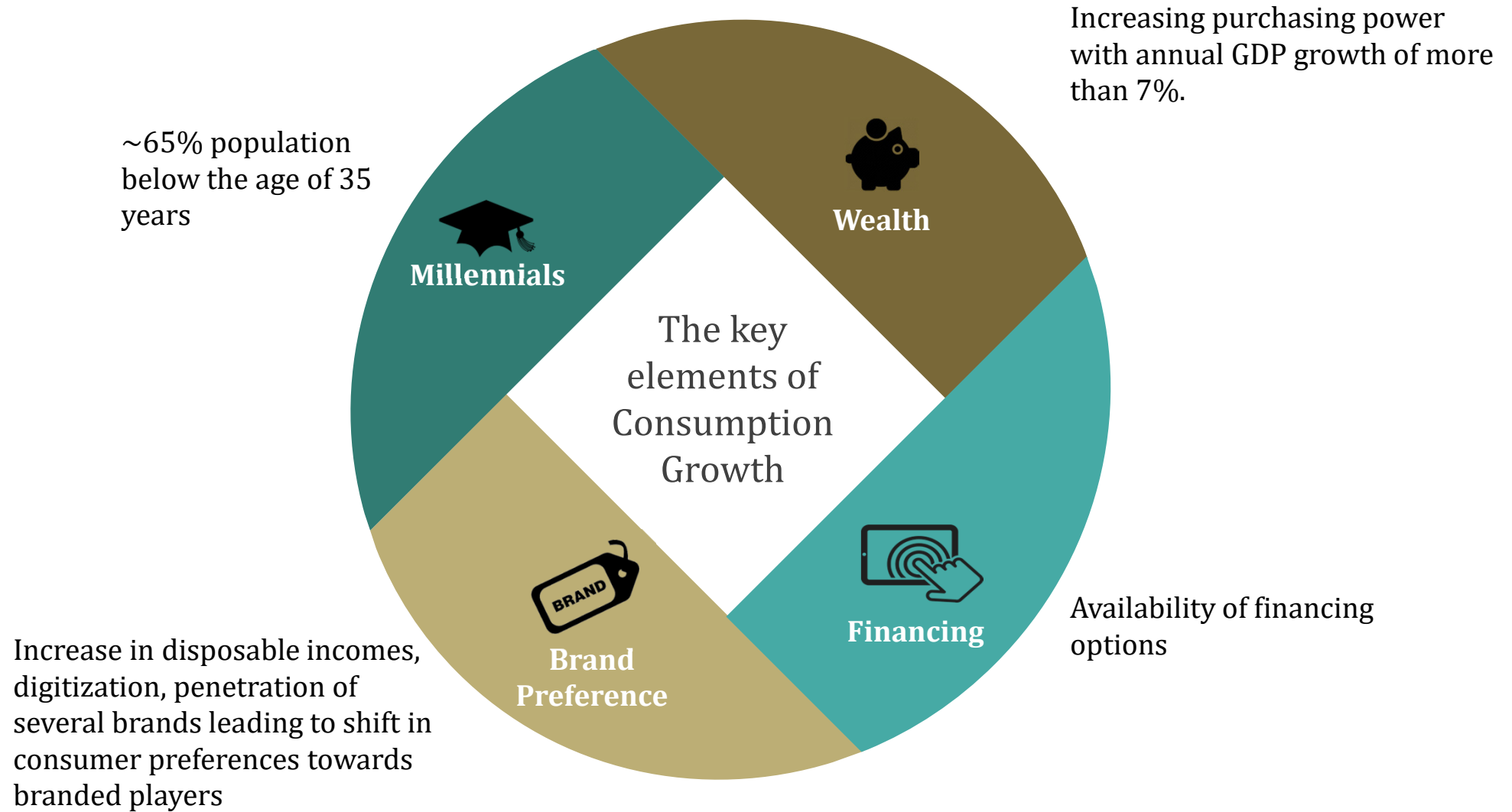
## The Quirk's of the Indian Market

- ✓ Gold is considered as a status symbol as well as auspicious
- ✓ Indians spend a significant proportion of their wedding budget on jewellery
- ✓ It is considered as an important mode of saving by the female of the house
- ✓ Many families start buying gold for a girl child from the 1<sup>st</sup> year in preparation for her wedding
- ✓ Mid-size retailers account for 70% of sales with expected shift to regional and national chain on the back of increasing regulatory compliances

\* Industry Sources



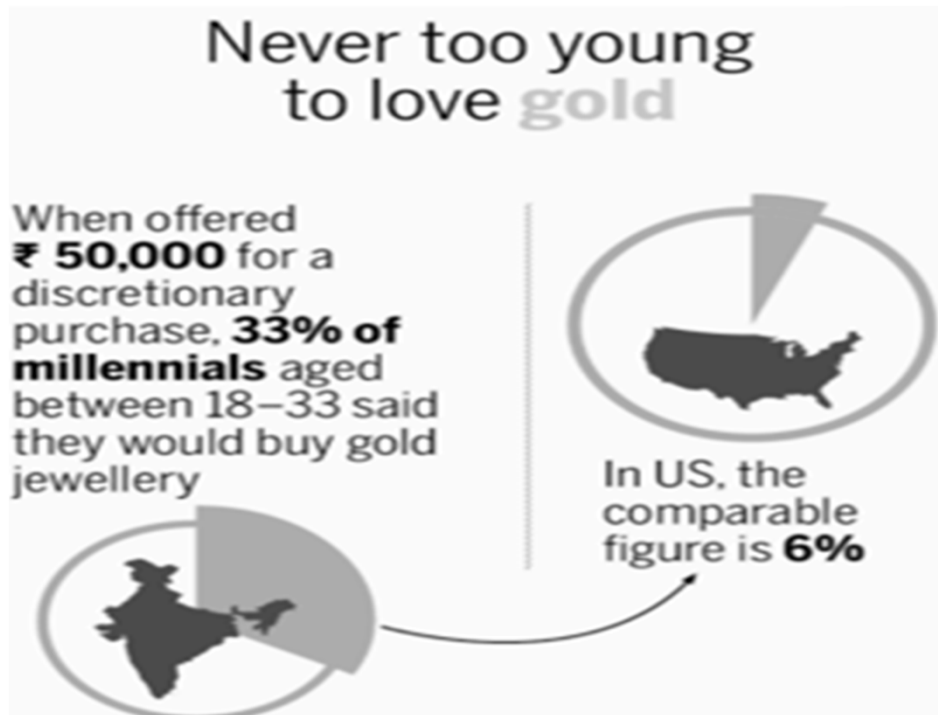
# Increasing affordability of Indians



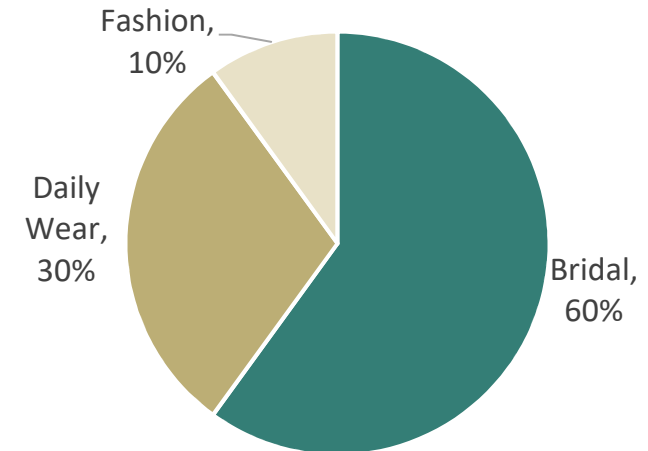


# How India buys its gold jewellery

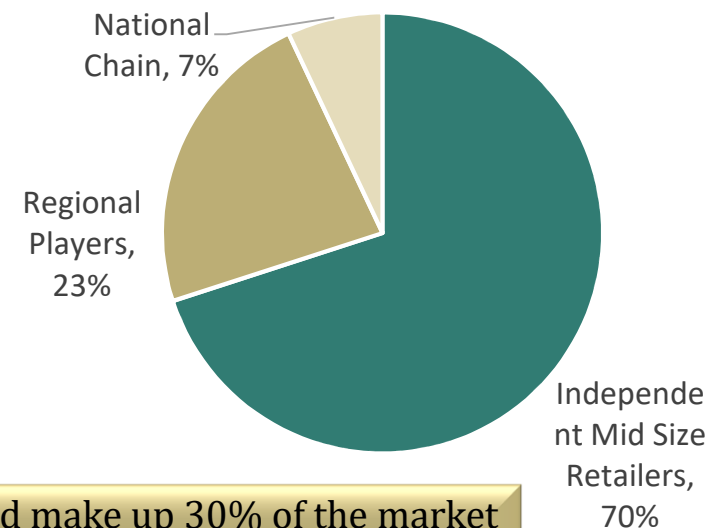
- ✓ India sees ~8-10 mn weddings each year which contribute to over 60% of the jewellery demand
- ✓ Bangles & Chains are most popular item sold



## Type of Jewellery People Spend ON



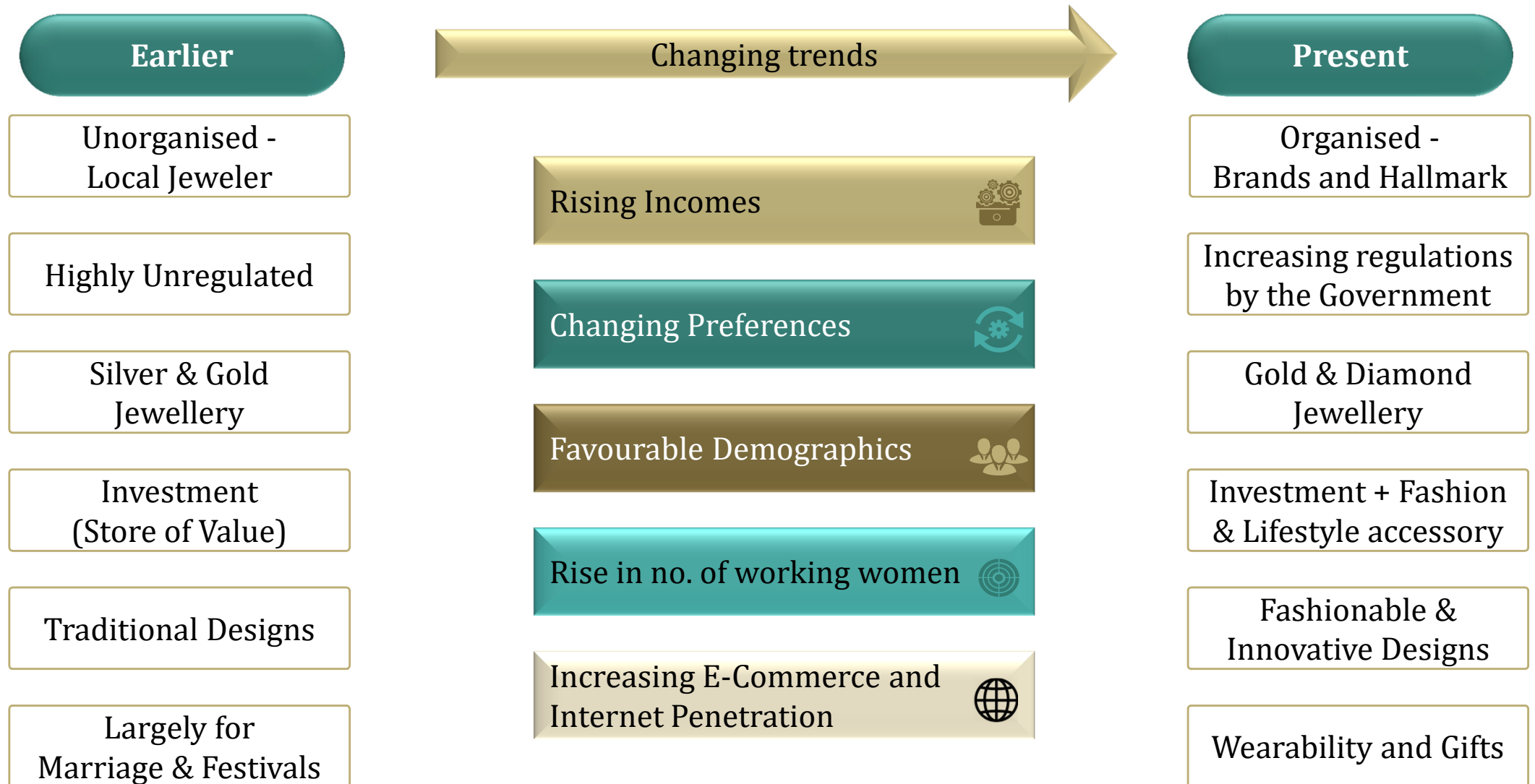
## Market Share



Regional and National Chains are growing in popularity and make up 30% of the market now



# Visible shift in Demand Scenario

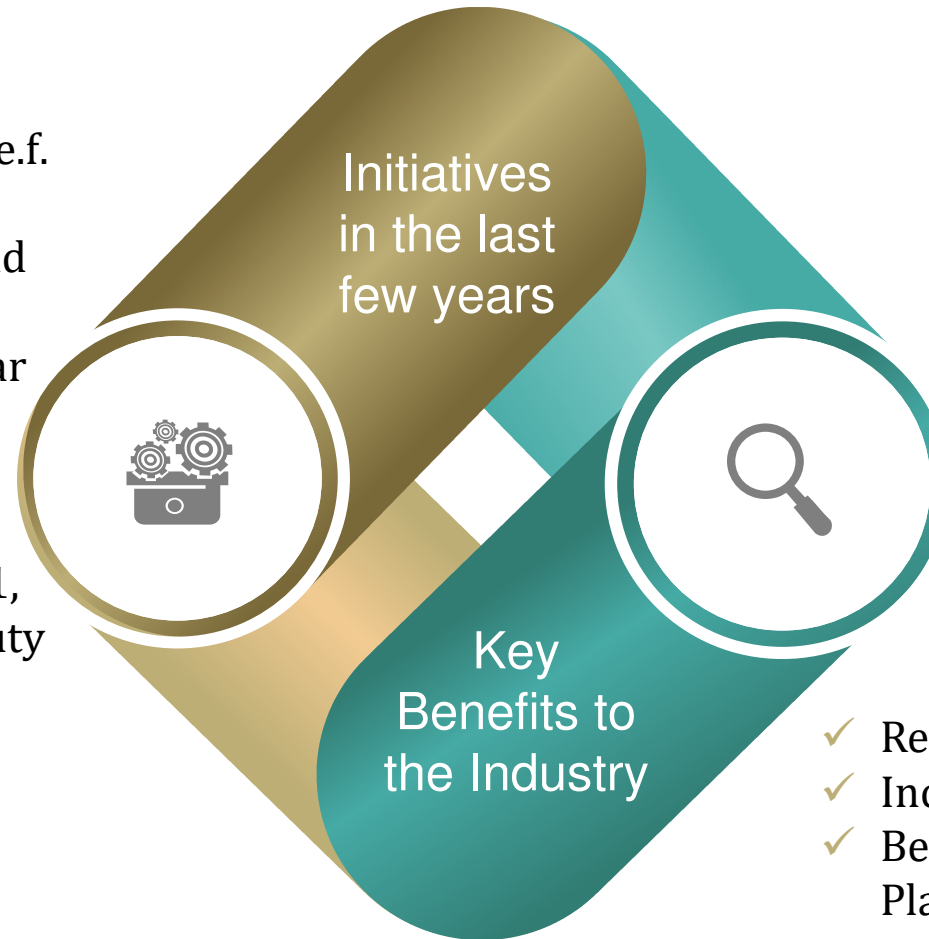




# Along with increasing Regulations by the Government...

....Driving towards an Organised Market

- ✓ Mandatory PAN card on transactions above Rs. 2 lacs w.e.f. Jan 1, 2016
- ✓ Compulsory Hallmarking of Gold Jewellery
- ✓ Levy of 1% excise duty w.e.f. Mar 1, 2016
- ✓ Demonetisation of higher currency notes
- ✓ 3% GST on Jewellery w.e.f July 1, 2017, replacing VAT & excise duty



- ✓ Regularising the industry
- ✓ Increasing Transparency
- ✓ Benefitting Organised Players



# GST: A Strong Platform for Organised Retailers

Earlier Tax Rate :  
Gold Jewellery: ~2%

Post GST:  
Gold Jewellery: 3%

Modest increase in  
tax rate not expected  
to impact demand

## Benefit For Organised Player:

- ✓ Under GST firms manufacturing inhouse will have advantage
- ✓ A firm can offset tax it pays against its revenues using input tax credits so that the effective cost to the consumers is expected to remain more or less constant at the existing rates only
- ✓ GST Compliance to be more cost effective for the organised retailers because of their large scale of operation
- ✓ Rapid formalisation and better financing options to help the organised sector to outpace the industry
- ✓ PCJ is expected to benefit as it will save ~ 1% tax on the inter state sale of jewellery.

Better supply-chain efficiencies and enhanced transparency to help gain market share



**World of PCJ**



# The world of PC Jeweller

Established in 2005  
today the 2<sup>nd</sup> Largest  
listed jewellery  
retailer in India

A Leading player in  
Indian Wedding  
Jewellery Market

Featured  
in the list of 20 fastest  
growing Luxury Goods  
companies across the  
world

Alongside: Pandora, Fossil, Graff  
Diamonds, Michael Kors, etc.

#44 in the Top 100  
Luxury Goods  
Companies Globally –  
Deloitte report



Source: Deloitte – Global Power of Luxury Goods 2016



# Our DNA built for performance...

*Grown from 1 showroom in Karol Bagh (in 2005) to 79 showrooms today*

- ✓ Focussed on Tier I & Tier II locations to leverage the income growth and brand awareness in such locations
- ✓ Consistently innovating in terms of designs, product ranges and leveraging technology

## Committed to our principles

- ✓ Hedging Gold and Currency since initial years
- ✓ Continuously enhancing design team and manufacturing facilities to ensure we are ahead of competition in terms of designs and cost efficiency
- ✓ Focus on diamond jewellery and wedding jewellery

## And combining Key Elements

- ✓ Ability to have a long term vision and plan ahead
- ✓ High Growth ambitions tempered with conservatism
- ✓ Risk taking qualities with stop-loss mind set



AZVA

Online Platform

5 Franchisee Stores

75 Showrooms

17 instore Exclusive Lounges

Bridal, Fashion and Lifestyle Jewellery

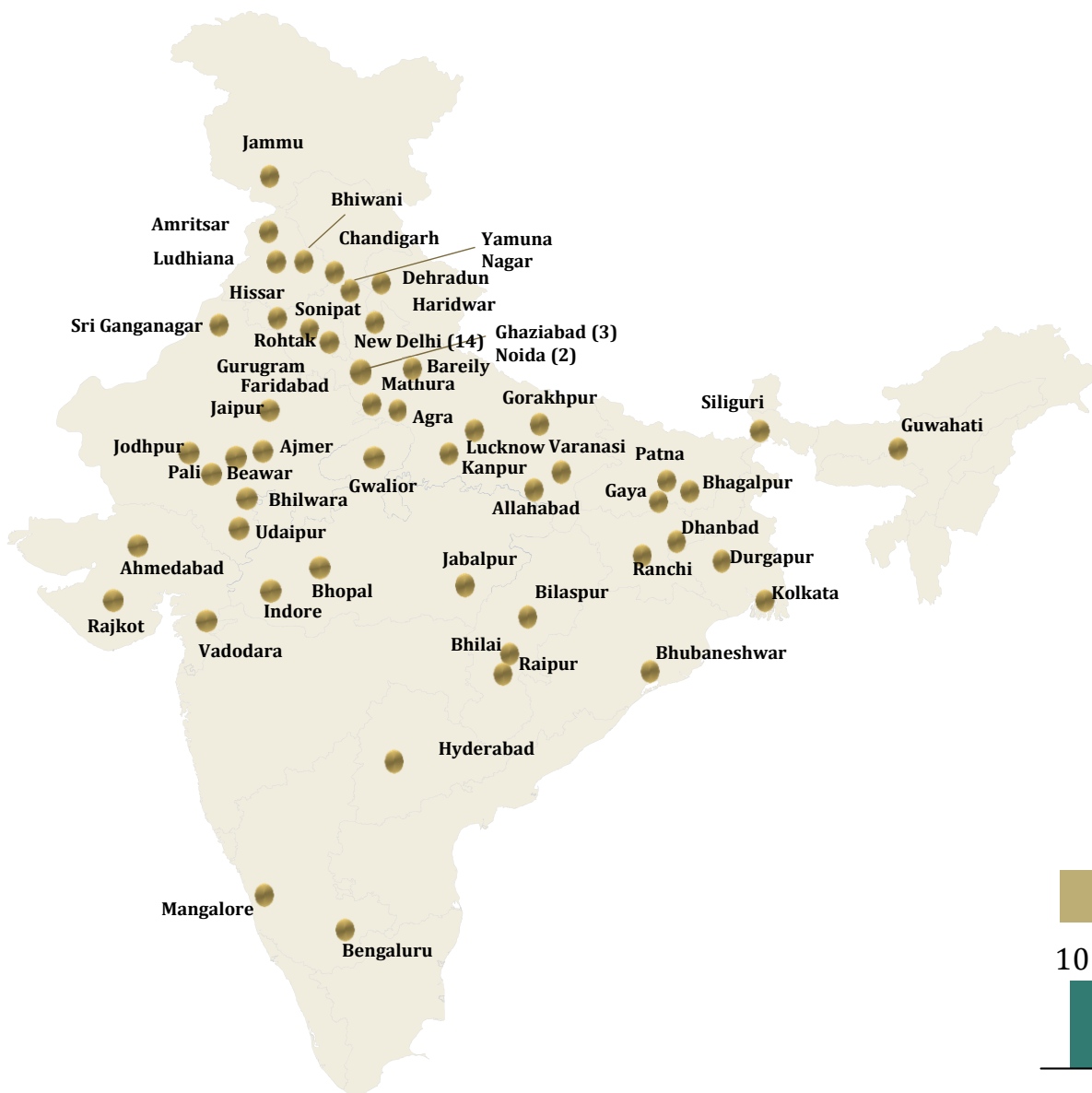
24 Showrooms  
Bridal Jewellery

\* Includes other income



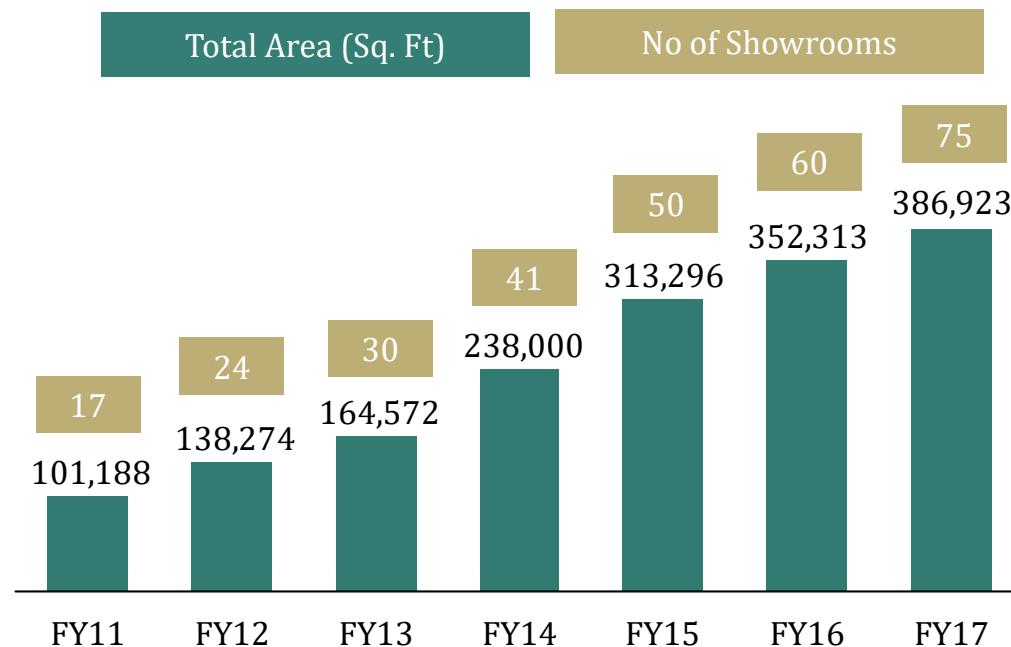


# ...With PAN India Presence



Map not to scale

- ✓ 79 showrooms as of July 2017
- ✓ 62 cities and 18 states
- ✓ Exclusive lounges at 17 showrooms
- ✓ Manufacturing Facility FY16 ~ 83,000 sq.ft
- ✓ Manufacturing Facility FY17 ~ 107,000 sq.ft (increase by ~30%)



# We stand apart with our offerings...



*Flagship Store at Karol Bagh, New Delhi*

High Street Locations

Mass Market Locations

Franchisee

Exports

Online Platform

Bridal to Fashion Offerings



# Targeted market approach

Customer Segment	Metro	Tier I	Tier II	Tier III
Ultra Rich	<div><div>✓ Exclusive Lounges</div><div>✓ Started this concept in select showrooms ~3 years back.</div><div>✓ Focused on high end designer pieces</div></div>			
Rich and Upper Middle Class	<div><div>✓ High Street Showroom (avg. 5,000 sq ft)</div><div>✓ Own showrooms across Metro, Tier 1 and Tier 2</div><div>✓ Focused on exclusive gold and diamond jewellery for weddings and occasions</div></div>		<div><div>✓ Franchisee showrooms across Tier 2 and Tier 3</div><div>✓ Relatively large (1500 – 2500 sq. ft.)</div></div>	
Youngsters, Young couples and Working Women	<div><div>✓ SIS concept planned across malls and high footfall areas (primarily metros and Tier 1 for youth oriented jewellery like Flexia, Smart jewellery etc.</div><div>✓ E-Commerce platform - Penetration across Metro, Tier 1 and Tier 2</div><div>✓ Focused on light weight, everyday and work wear jewellery</div></div>			
Middle and Lower Middle Class	<div><div>✓ Mass Market Stores (~ 1,000-1,500 sq ft)</div><div>✓ Smaller local markets at locations where PCJ already has a presence on high street as well as towns with population at least 0.5 million</div><div>✓ Focused on gold (primarily) and small ticket diamond jewellery</div></div>			



# High Street Stores – creates favorable brand image

## Trust and Ambience

- ✓ Located at high street locations in the city
- ✓ An element of 'Trust' to customers seeking one-stop for wedding jewellery products

## Large Product Variety

- ✓ Have larger variety across price range, much wider than its competitors
- ✓ More buying options ensure higher share of customer wallet

## Intelligent Pricing

- ✓ Lower making charges on 'comparable' products to give comfort & trust to the customer
- ✓ High margins on unique, designer and exclusive pieces which are not 'comparable'

## Customer Friendly Policies

- ✓ 7 days returns policy, buyback policy, lifetime free service
- ✓ Karatmeters at all showrooms to test Gold purity



# Mass Market Stores – taps into newer micro markets

- ✓ In our endeavour to innovate and target newer micro markets, we have moved beyond high street locations to local markets.
  - ✓ Target middle class/ lower middle class customers who are not very comfortable in visiting showrooms at high street locations
  - ✓ We believe such customers have a limited budget and preference for gold jewellery
  - ✓ Ideal location for such stores is busy local markets which mostly have unorganized players
  - ✓ However, the interiors are in line with the PCJ brand
- ✓ Idea is to leverage PCJ brand and gain market share from unorganized market segment
  - ✓ Focus on gold jewellery and small ticket diamond jewellery
  - ✓ Average store size expected to have an area of ~ 1,500 sq. ft.
  - ✓ Target cities where PCJ has a strong brand recall and a presence on high street
- ✓ We have already opened 10+ stores under this format till date
  - ✓ Response to this format has been very encouraging and Company would continue to roll out at regular intervals
  - ✓ We are extending this model to newer towns as well



# Franchisee Showrooms

- ✓ Targets smaller Indian cities (Tier 2 and 3)
  - ✓ Majority of smaller Indian cities still lack branded jewellery outlets
  - ✓ However, the consumers of these locations also are brand conscious and want assurance of purity, quality as well as variety and range
- ✓ In light of this, we have developed franchisee model with a win-win proposition for PCJ and Franchisee
  - ✓ Leverage on PCJ brand and utilize the infrastructure and resources of local jewellers/ investors
  - ✓ Smaller Cities, Tier II - III cities do not require significant inventory levels (relative to Metros and Tier 1 cities) and hence we expect that franchisees should be able to meet the capital requirements. However , depending on Franchises investment appetite we can consider franchise even for Tier 1 city
  - ✓ Robust compliance, monitoring and control systems put in place to ensure meeting brand standards
  - ✓ Strict Franchise Selection process – Parameters include financial strength, market goodwill, previous track record, other business interests
- ✓ We have opened 6 franchise showrooms at Gwalior, Agra, Gorakhpur, Allahabad, Aligarh and Meerut. We are working to scale this model at a rapid pace now and expect franchise business to be a significant ROE booster for us as the entire investment ( Capex+ Inventory) is made by the Franchisees.
- ✓ Going forward, we are targeting that around 60% of our new showrooms should be under the franchisee vertical only.





# Online Platform

- ✓ Indian Online jewellery segment is ripe for disruption and is expected to reach 2-3% of jewellery market in next 4 years creating a \$2-3 bn market. Currently it is estimated at only 0.20% of the total jewellery market
- ✓ Considering the potential we launched our ecommerce vertical as a curated jewellery marketplace three years back.
- ✓ Online platform is a great complement to our physical showrooms and this aligns with our strategy of targeting future wedding jewellery customers at an early age
  - ✓ Target the growing Work Wear/ Daily Wear jewellery segment which was not being targeted earlier
  - ✓ Help us catch the target segment young - A regular visitor/ buyer on our online platform is more likely to visit/ prefer nearby PCJ Showrooms when she/ he has to evaluate a high-ticket wedding jewellery purchase
  - ✓ A strong online presence helps us to create online offline synergies as many consumers like to browse online before visiting a physical store.

In order to provide a further thrust to this segment Company is revamping its online business by rebranding the same to [www. Aucent.com](http://www.Aucent.com) and including some state of art technology features to make it more appealing to the young consumers.



# Adapting Technology

Digitizing inventory across showrooms



- Reducing Capital Blockage and increasing consumer choice
- Inventory at all showrooms visible to customer at every showroom

Online kiosk stores across all the existing showrooms



- Online Offline integration
- Catering to customers beyond wedding jewellery

Virtual reality Technology



- Expansion without Investment



## Exports

- ✓ Promoters have over 2 decades of experience in Exports
  - ✓ Focus on handmade designer gold jewellery
  - ✓ Target: Indian diaspora and local population outside India
  - ✓ Provides economies of scale to Company
  - ✓ Provides access to international designs and trends which can be leveraged for domestic market also
- ✓ Attractive, Cash Flow positive business model
  - ✓ Gold is procured on lease from international banks
  - ✓ Negative working capital, high RoCE business but lower margins
- ✓ Exploring newer markets for exports of high margin jewellery (both diamond studded and gold)
- ✓ Participation in Overseas Exhibitions for - Azva, Flexia, and other designer items

## Further exploring potential of...



Branded  
Jewelry



International  
Stores



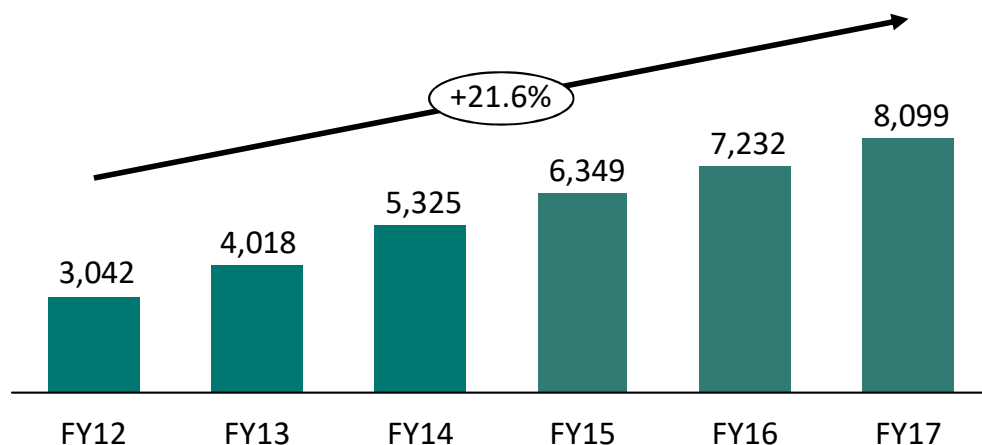
## Financial Overview

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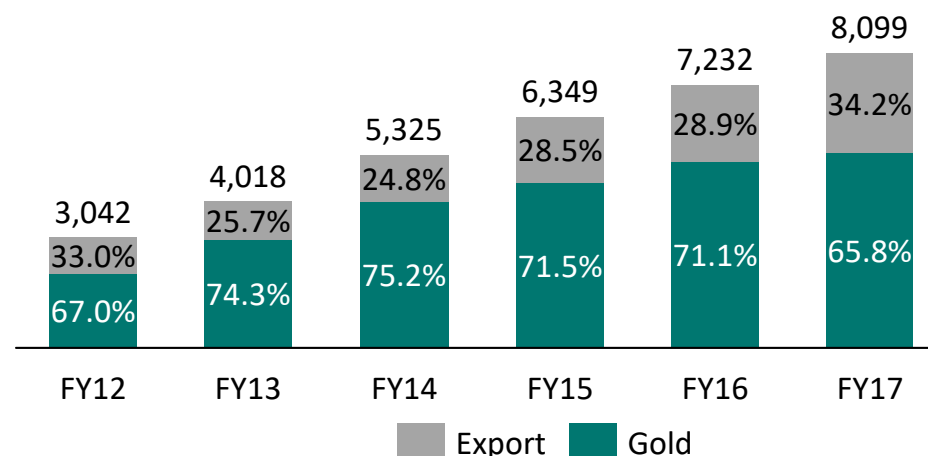


# Performance since IPO (Dec 2012)

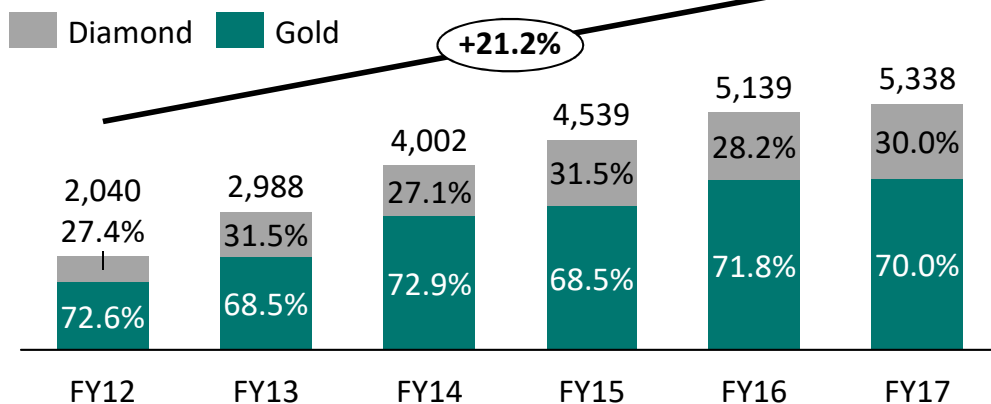
## Revenues (Rs. Crores)



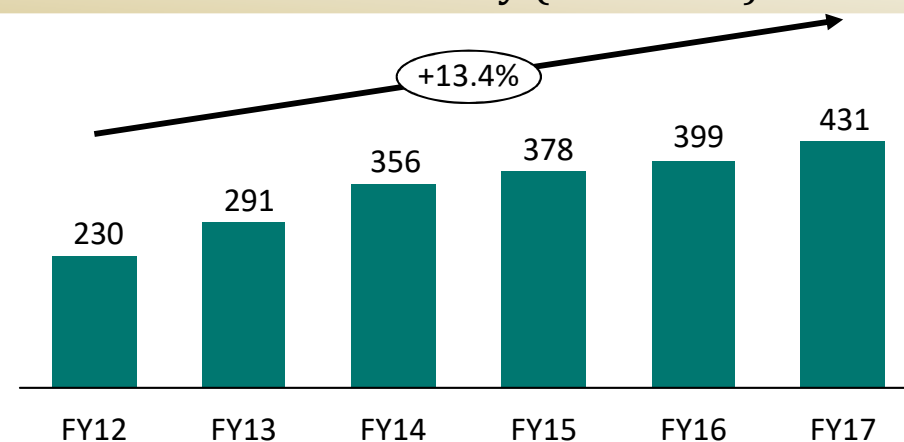
## Consistent focus on Retail Sales (Rs. Crores)



## Focus on Diamond Jewellery (Rs. Crores) \*



## Robust Profitability (Rs. Crores)



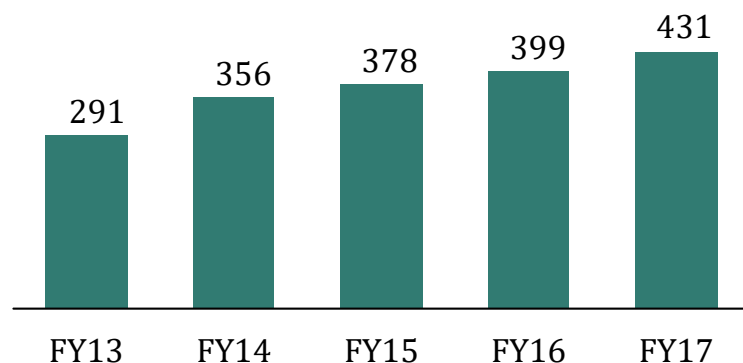
\* Domestic net operating revenues



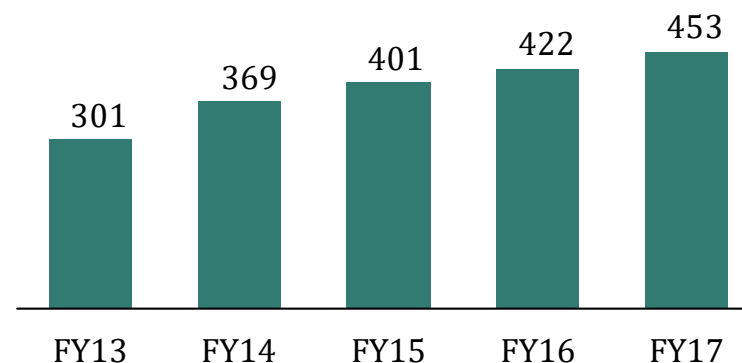
# Leverage Strategy

We make PROFITS, We pay DIVIDENDS, and We maintain extremely LOW LEVERAGE

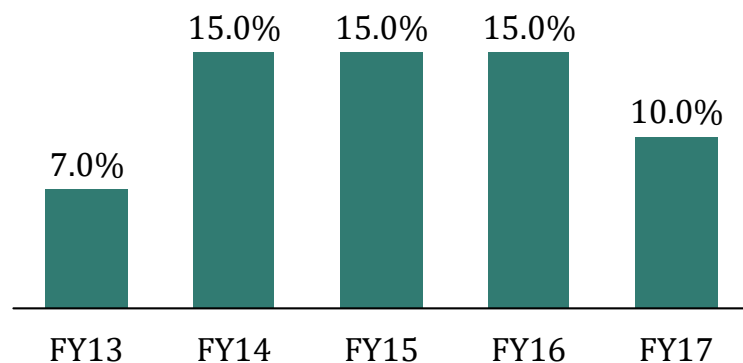
PAT (Rs Crores)



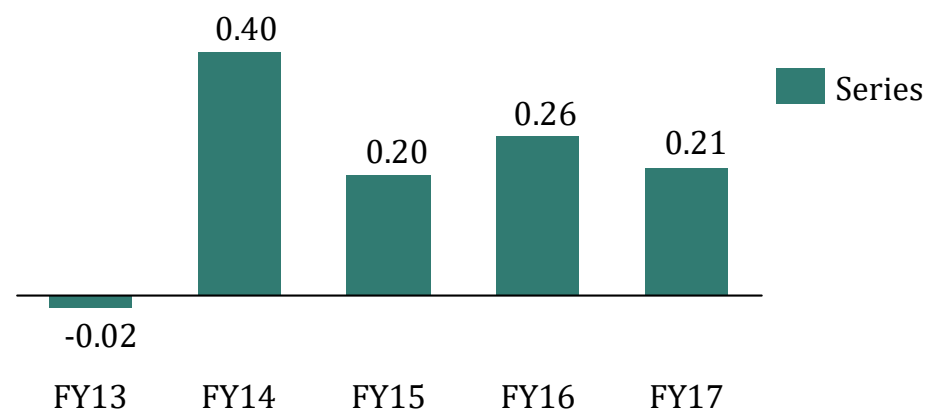
Strong CASH PAT generation (Rs. Crores)



Dividend Payout Ratio



Debt to Equity Ratio





# Financial Performance FY17 Highlights

Particulars (Rs. Crores)	Q1 FY 2018	Q1 FY 2017*	FY 2017	FY 2016*
<b>Revenue from Operations</b>	<b>2,119</b>	<b>1,664</b>	<b>8,099</b>	<b>7,232</b>
Domestic Retail	1,383	1,050	5,338	5,140
Exports	736	614	2,766	2,092
<b>Gross Margins (%)</b>	<b>14.30%</b>	<b>15.50%</b>	<b>12.69%</b>	<b>13.76%</b>
Domestic Retail	19.02%	20.76%	16.34%	16.01%
Exports	5.43%	6.53%	6.55%	8.22%
<b>Expenses (% of total Revenue)</b>				
Employee Expenses	1.00%	1.22%	0.97%	0.98%
Advertisements	0.34%	0.30%	0.39%	0.57%
Rentals	0.72%	0.73%	0.69%	0.62%
Other Costs	1.14%	0.83%	0.88%	0.78%
<b>PBT Margins</b>	<b>8.97%</b>	<b>8.84%</b>	<b>7.00%</b>	<b>7.42%</b>
<b>PAT Margins</b>	<b>6.41%</b>	<b>6.40%</b>	<b>5.32%</b>	<b>5.52%</b>

\*The FY 2016 figures have been restated to conform to IND AS norms



## Way Forward

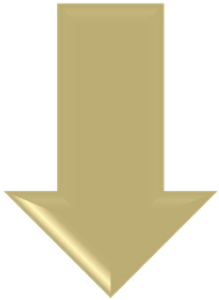


# Our Curated focus areas



# Franchising – A Strategy for Growth

**Reduced capital outlay**



**Scalability with negligible capex**

Lower inventory costs  
No establishment expense

**Higher Profitability**



**Strong Operating Leverage**

Economies of Scale to kick in as transaction volumes increase over time, with no incremental capex & operating cost benefiting from high operating leverage

**Higher ROCE**



**Higher ROCE**

No major capex required for expansion and payback period is... months  
Better and sustainable ROCE from franchise model



# What we are focussed on for Future

- ✓ Extensive focus on growth and capture of more market share by speeding up the store opening process
- ✓ Focus on Topline without diluting Bottom line
  - ✓ Moving up the value chain by introducing “different” type of jewellery like Flexia, Azva etc.
  - ✓ Emphasis on diamond jewellery
- ✓ Growth with increasing ROE
- ✓ E-commerce Vertical will help the company to expand its reach across geographies and consumers without any investment in physical assets like inventory, retail stores etc
- ✓ The strategy of opening stores in mass markets of big cities permits us to target the huge consumer base at the “bottom of the pyramid” with minimum capital.
- ✓ Rapid expansion in Tier II & III locations enables the company to move in areas which do not have presence of branded jewellers and take the First Mover Advantage.
- ✓ Increase of manufacturing capacity to enhance in-house production
  - ✓ Helps in control of manufacturing costs
  - ✓ Shortening product development cycle and meeting deadlines
  - ✓ Ability to launch increasing variety of collections



# What we are focussed on for Future

- ✓ Focus on promoting Hallmarked Gold jewellery to enable conversion of customers from unorganised to organised
- ✓ Extensive focus on CRM (data capture, data analysis and usage) across all showrooms for marketing/ offering/ branding of our products
- ✓ Focus on Digital marketing by active presence on all social media, Digital Branding and Youth Marketing Initiatives
  - ✓ As on date we have highest no of followers on facebook (1.3 mn) amongst the jewellery players
- ✓ Role of Technology
  - ✓ In improving manufacturing productivity
  - ✓ Creating a new shopping experience by setting up Virtual Reality Zones at our showrooms





## PCJ Collections



# Successfully Running Collections

## Garland of Love

*Glimpse at the jewellery*



The Edith's Copper Pendant



The Crimson Rose Necklace



The Dainty Sulphur Bracelet



The Sephisa Chandra Bracelet





# Successfully Running Collections

## Ferns and Turns

*Glimpse at the jewellery*



The Green Dusk Earring



The June Dusk Earring



The Opalive Earrings



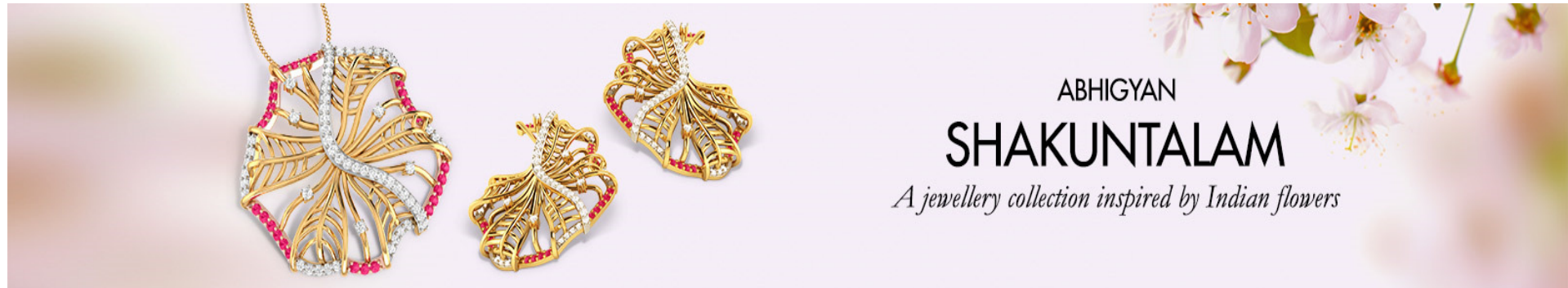
The Zelen Bracelet



# Successfully running Collections



# Successfully running Collections





# Successfully running Collections



# New Collections Launched in Q4 FY17





# Expanding Product Offerings

New Collections Launched in Q3 FY17

DARSH



OM HRIDYA



ZAHRA



JEIYA



TWIRLZ



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