

PC Jeweller Limited



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Annual value of India's domestic gems and jewellery industry is over INR 3,000 bn (~US\$ 50 bn)*

....Industry is expected to grow @ CAGR of over 16% to reach INR 5,430 bn (US\$90.5 bn) by 2018

Of this, organized market constitutes ~20-22% (regional chains contribute ~17% and national chains ~5%)

....Expected to grow fast and reach over 35% in the next couple of years

- **PC Jeweller has ~7% market share in the overall organized Indian Jewellery Market**
- **PC Jeweller is Second Largest National player in the Indian Jewellery Industry****

PC Jeweller – Brief Snapshot



PC Jeweller - India's leading jewellery retail chain

Backed by strong promoter team, professional management and an independent board

52 showrooms across 44 cities and 17 states (over 3,24,296 sq. ft. of retail space)

Robust Business Model - Large Format Showrooms, Maximum Product Variety, Intelligent Pricing, Best Customer Policies, Comfort on Gold Purity to customer

100% Gold Hedging - No business risk from Gold rate fluctuations

Domestic retail sales contributes ~75%, established B2B exports contributes ~25% (FY 2014)

Dividend paying company, with statutory audit from Grant Thornton (Amongst India's leading auditor, Big 5)

A/ A1 (Stable) rating by India's top rating agency, Crisil India Limited (subsidiary of Standard and Poors)

Promoter and Management Background



- Company was promoted by a first generation entrepreneur in 1981 in partnership with a family friend
- This partnership continued till 2005, when the two families amicably separated and formed their own companies
- Mr. Padam Chand and Mr. Balram Garg started PC Jeweller in April 2005 with a single showroom at Karol Bagh, New Delhi
- Next few years were focussed on growing PC Jeweller brand, hiring a strong team, developing robust and scalable systems and processes and aggressive expansion
 - ✓ **Today, PC Jeweller has 52 stores across 44 cities and 17 states in India**
 - ✓ **Its team is known for its highly professional, ownership and entrepreneurial-driven culture**
 - ✓ **3 directors on the board are independent directors who are eminent personalities in their chosen field (Law, Management and Finance)**

Right Business Plan, Speedy Execution with Careful Optimism over the years



FY 2005 - 06

- Commenced operations with a single showroom focussed on wedding jewellery at Karol Bagh

FY 2007 - 08

- +2 showrooms
- Export operations commenced, manufacturing facility upgraded at Noida SEZ

FY 2008 - 09

- +2 showrooms

FY 2009 - 10

- +5 showrooms
- Manufacturing capability expanded – New facility established at Dehradun

FY 2010 - 11

- +7 showrooms
- Manufacturing capability expanded – Second facility established at Dehradun

FY 2011 - 12

- +7 showrooms
- Manufacturing capability expanded – State of art manufacturing unit established in Noida

FY 2012 - 13

- Listing on Indian Stock Exchanges
- +6 showrooms

FY 2013- 14

- +11 showrooms

FY 2014 – 15

- +9 showrooms opened
- E Commerce initiative www.WearYourShine.com launched
- Manufacturing facility at Noida expanded

FY 2015 – 16

- +2 showrooms already opened
- Plan to add 15-20 showrooms every year
- Franchise Model to be launched on pilot basis

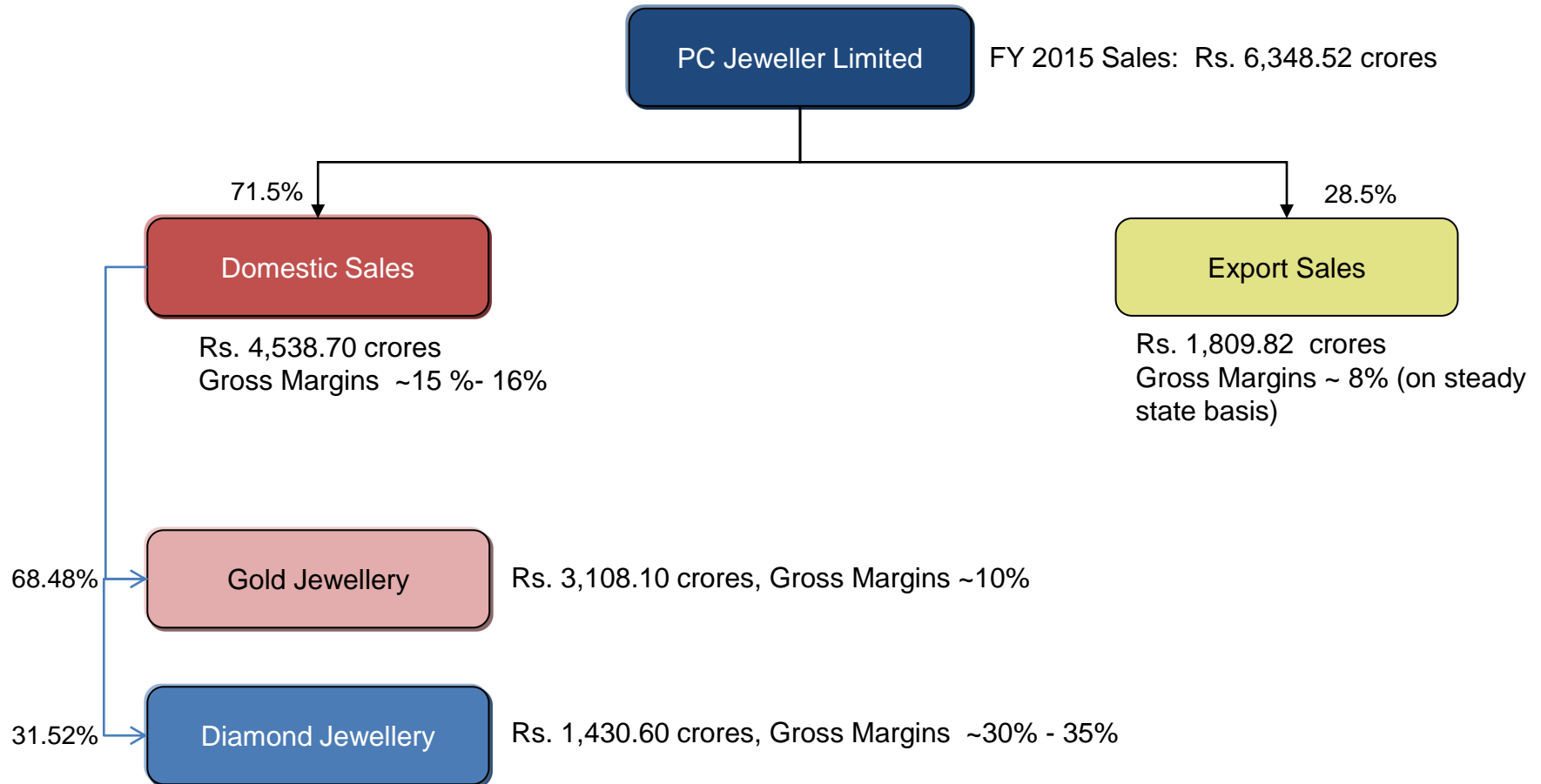


First showroom at Karol Bagh (New Delhi), set up in 2005

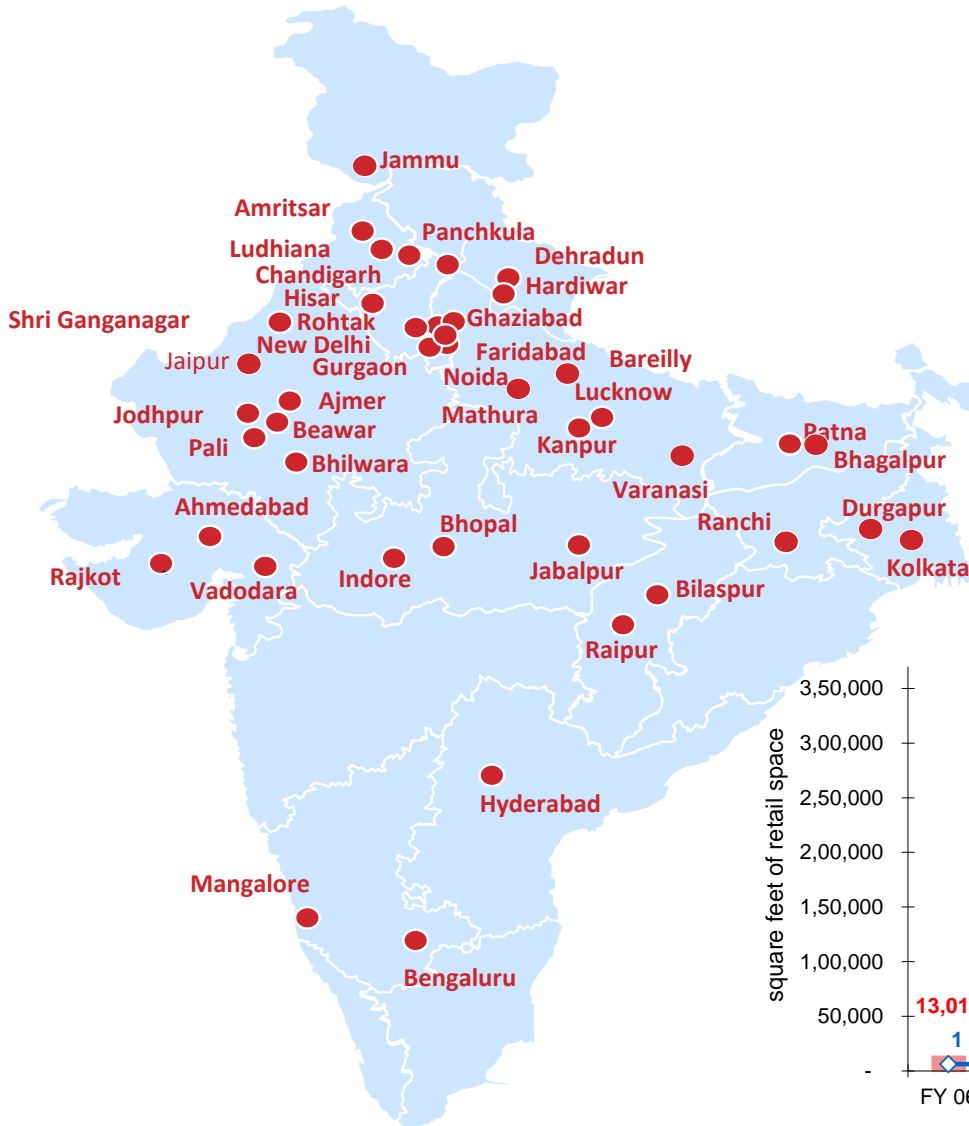


State of art manufacturing facility (34,000 SFT) in Noida, India

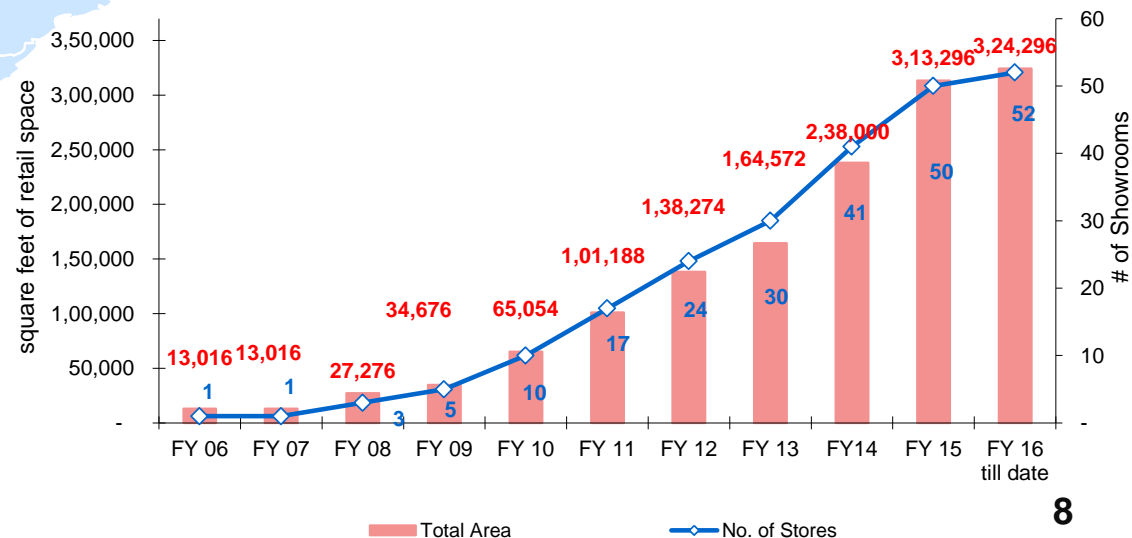
Business Segments – Brief Overview



Extensive Retail Network – Pan India Reach

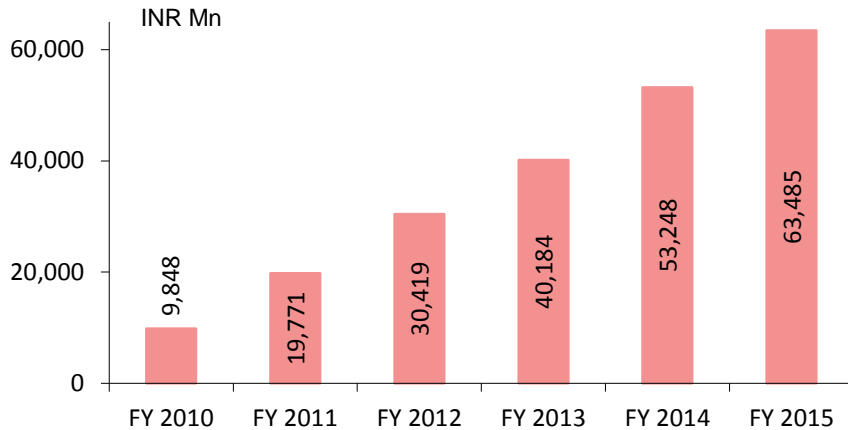


- 52 large format showrooms
- 2 showrooms to be opened by end June 2015
- 44 cities, 17 states
- Target addition of 15-20 showrooms every year
- All showrooms are large format showrooms at high street locations

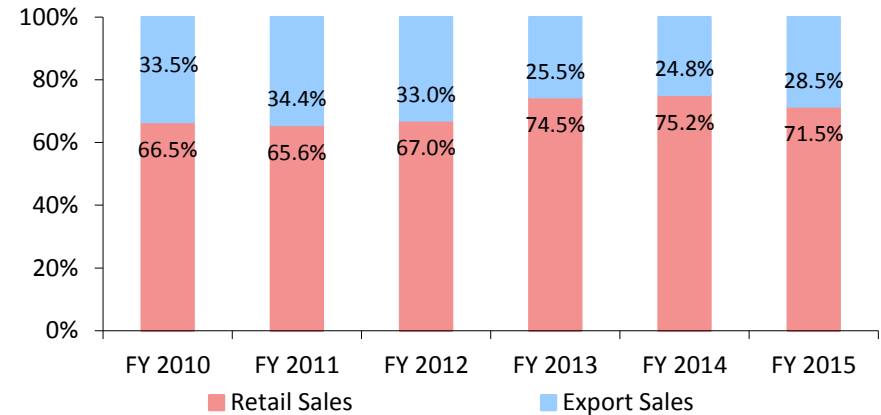


Robust Financial Performance Trends

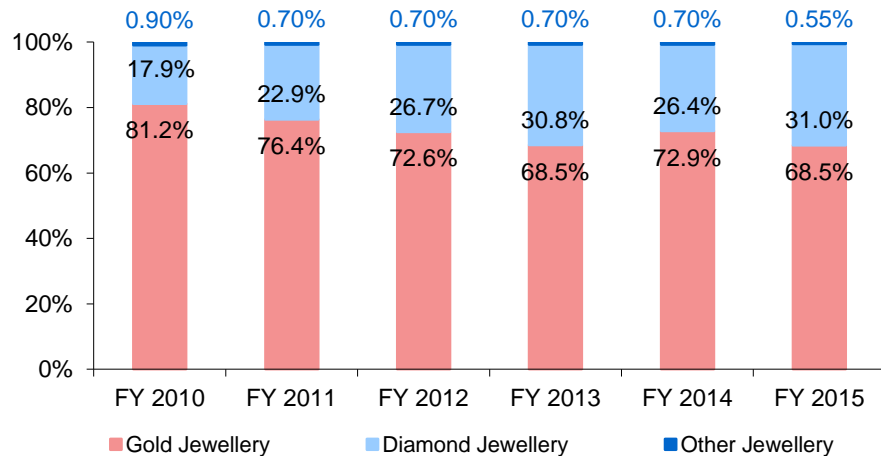
6 years CAGR in revenues ~ over 45%



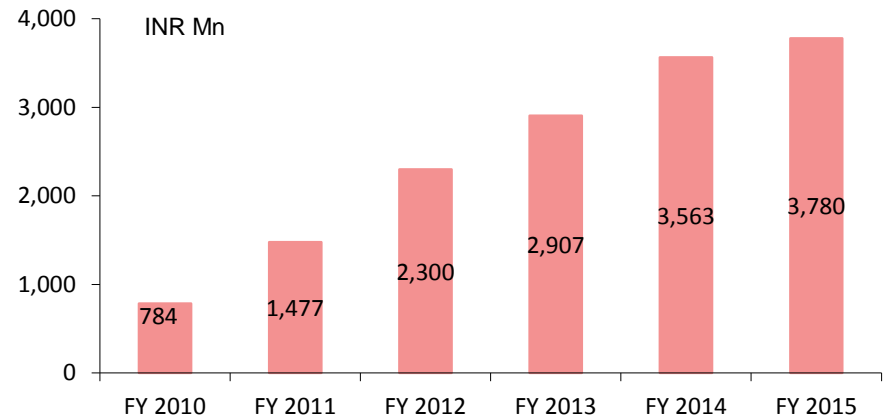
Consistent Focus on Domestic Retail Business



Focus on High Margin Diamond jewellery

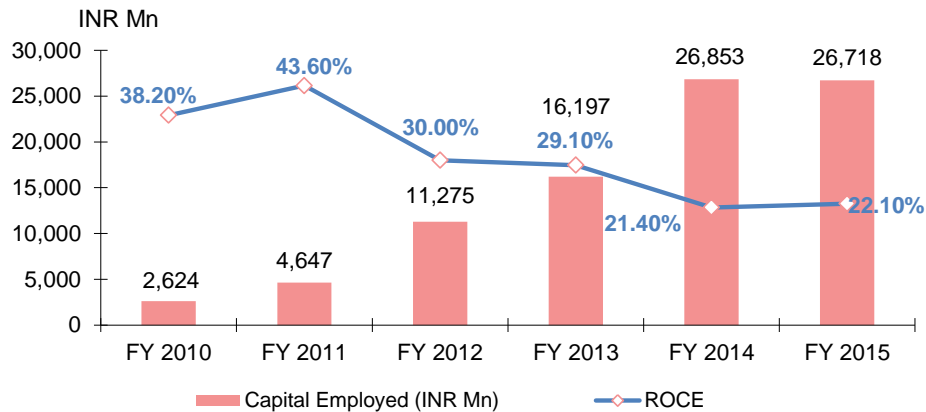


Growth while maintaining robust Profitability

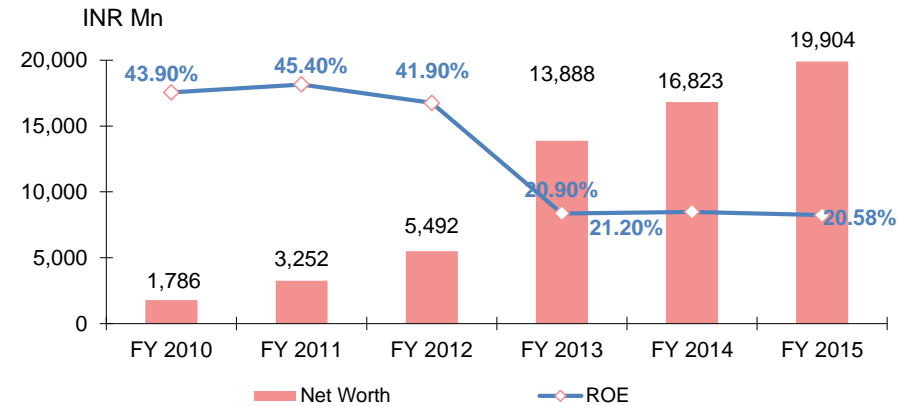


Robust Financial Performance Trends (Cont'd.)

RoCE

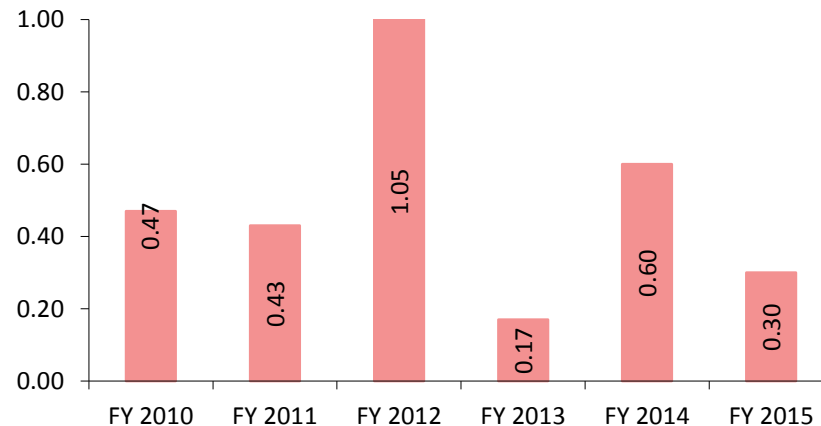


RoE



* Significant increase in network owing to IPO fund raise in FY 2013

Debt/ Equity ratio



Salient Features - Unique Business Model

- PC Jeweller has focus on wedding jewellery which is a high ticket purchase with strong emotional touch-point for most Indian families
- Wedding jewellery is considered as an investment and an asset to be used in need. Trust becomes the most important factor for the customer to decide the jeweller as customer needs to be assured of quality of product, value for money and the pricing
- PCJ has developed its unique business model, keeping in view the above aspects of consumer buying behaviour

Focus on Large Format Showrooms

- Opening only large format showrooms at the best shopping destination of the city
- A large standalone showroom provides the first element of trust and faith to the customer that this jeweller is reputed and has good standing and is there to stay for a long time
- At majority of the locations, our store is the largest as compared to other jewellers in the area

Large Product Variety

- Company surveys the existing jewellers before setting up its store and ensures that its stores contain more variety and range than its competitors
- This delights the customer as he/ she sees more range to choose from.

Intelligent Pricing

- There are certain items in the jewellery industry which are common across jewellers like coins, plain gold bangles, chains etc.
- Customers normally compare the pricing of these products across stores to decide which jeweller is cheaper
- PCJ typically keeps the making charges on these products low to give comfort to the customers that it is competitive on pricing vis-a-vis other jewellers.

Salient Features - Unique Business Model (Cont'd)

Gold Hedging	<ul style="list-style-type: none">▪ Pursuant to our contract with canalizing agencies and international bullion suppliers, price of gold purchased is fixed within the applicable credit period on the basis of prevailing gold rates on sale to customers<ul style="list-style-type: none">○ This minimizes any risk to us relating to gold price fluctuations between the time of raw material procurement and sale of finished product to customers
Customer Policies	<ul style="list-style-type: none">▪ Company promises its customers a 100% refund policy (including taxes) if returned within a week.<ul style="list-style-type: none">○ This policy is not available with any other jeweller in the country.▪ This policy gives a comfort to the customer to buy the product now and return if somebody in the family does not like it. We have however, observed negligible returns across showrooms.
Comfort on Gold Purity	<ul style="list-style-type: none">▪ All PCJ showrooms have Karatmeters which can be utilized by anybody to test the gold purity▪ In India, quality and purity of gold still remains a very big issue especially in Tier I & Tier II locations.<ul style="list-style-type: none">○ Company's assurance of gold purity immediately brings faith and trust to the customers on PCJ▪ Company also provides quality certificate for all its diamond jewellery as well as buyback guarantee
Robust Supply Chain Management	<ul style="list-style-type: none">▪ Company has developed strong linkages for regular supply of gold and diamonds (cut and polished) as well as consumables like packing boxes to ensure that there are no disruptions in its production▪ Entire gold is procured from leading banks like the Bank of Nova Scotia, HDFC Bank, Natixis (London) as well as Indian Public Sector institutions like State Trading Corporation of India▪ Diamonds are obtained from traders and processors in Surat & Mumbai

Typical Store Economics

Indicative workings for a Store with an area of 5,000 sq. ft.	
Target Annual Store Sales	Rs. 600 mn
Gold: Diamond Jewellery Mix	70% : 30%
Gross Margins – Gold	9% – 10%
Gross Margins – Diamond	30% - 35%
Blended Gross Margins	Rs.105 mn (17.50%)
Store Costs (as % of Store Sales)	
Rentals	0.90%
Employee Costs	1.10%
Advertisement Expenses	1.20%
Other Expenses/ Overheads	0.90%
EBITDA Margins	Rs. 80.4 mn (13.40%)
Finance Cost	Rs. 12.8 mn (2.13%)
Depreciation	Rs. 3.4 mn (0.56%)
PBT	Rs. 64.2 mn (10.71%)
Tax	Rs. 19.3 mn (30% on PBT)
PAT	Rs. 45.0 mn (7.50%)

Indicative Capital Employed at the Store	
Total Inventory	Rs. 200 mn
Store Inventory	Rs. 150 mn
Back-end Inventory	Rs. 50 mn
Store Set-up Cost	Rs. 22.5 mn (Rs. 4,500/ sft)
Total Capital Employed (TCE)	Rs. 222.5 mn

Typical Store Level Funding Pattern	
Equity/ Internal Accruals	Rs. 66.8 mn (~ 30% of TCE)
Gold Lease scheme	Rs. 90.0 mn (~ 40% of TCE)
Debt	Rs. 65.8 mn (~30% of TCE)
Total Capital	Rs. 222.5 mn

Target Store-level Return on Capital Employed	
ROCE for the Store	~24%

- For a store in the same city as an existing store, **breakeven is less than 6 months**
- For a store in the same region/ state as an existing store, **breakeven is between 6 – 8 months**
- For a store in a completely new region, **breakeven is around 1 year (approx.)**

Strong Designing and Manufacturing Capabilities

- Company has a strong team of over 50 designers who keep on creating new patterns and designs on a regular basis based on domestic and international trends
- Company also participates in domestic and international fashion shows and exhibitions on a regular basis to understand the prevalent fashion
- Our state of the art manufacturing facility is equipped with all latest machines for developing diamond jewellery with accuracy and speed.
 - ✓ However, role of skilled artisans in the jewellery manufacturing cannot be overemphasized as significant portion of ethnic Indian Gold jewellery is hand made.
 - ✓ The company has developed and maintained a skilled pool of over 1,000 workers who have the capability and skills of converting paper designs into exquisite jewellery pieces

Widespread Brand Reach – India, Overseas, Online Space

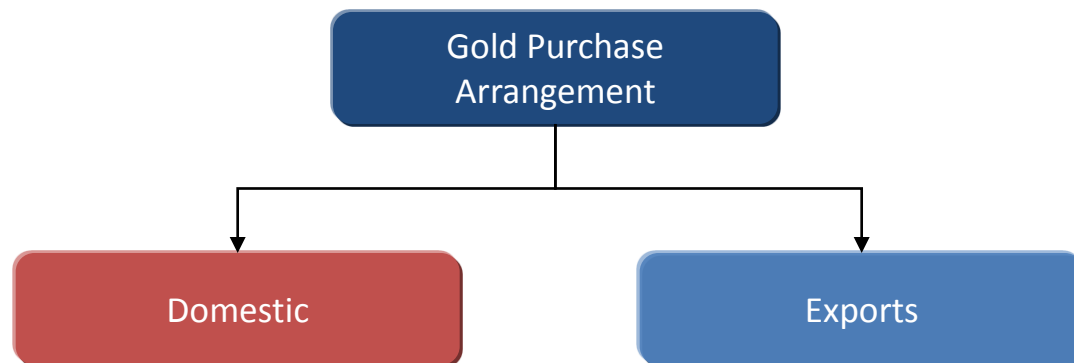
- Company is a pan India player with 52 stores as on date. It has plans to expand its reach by covering more and more locations every year
 - ✓ Currently the company is present in Metros, Tier I & Tier II locations. It has also finalized plans to move to Tier III locations through Franchisee stores
- Indian jewellery market is still predominately in the hands of unorganized sector. However, the consumer buying preferences is shifting towards branded players and this gives players like PC Jeweller immense potential to continue on the growth path for the immediate future
- PCJ also exports hand made designer gold jewellery. It is a B2B business and NRIs and Muslims are its target customers. Its export markets are primarily Middle East, US and UK.
- The company has also entered into the field of fast growing online space by launching its e commerce website WearYourShine.com. It also has an tie up with Flipkart and Amazon for jewellery sales.

Strong Risk Management Policies



- Company obtains almost of all its gold on lease basis which protects it against gold price fluctuations
- 100% insured transfer
 - ✓ Entire inventory, including raw material, finished goods at stores, goods under transit remains fully insured at all times
 - ✓ Nearly 80% of the sales happen in the form of cash. The company has entered into cash pick up arrangements with various leading Indian banks like SBI, HDFC which pickup cash directly from its stores. All these pickups and transfers are also insured.
- Strong Security Systems
 - ✓ All the stores have strong rooms for overnight safe custody of inventory
 - ✓ All the stores have 24 hour CCTV vigilances and armed guards security
 - ✓ The entire inventory of finished goods is computerized and each item has a unique tag number for immediate trackability
- There is a rigorous system of internal audit which also includes physical checking of the complete inventory at every store at regular intervals.

Business de-risked from Gold price fluctuations



Mode of Purchase

◆ RBI Nominated Agency

◆ Direct Import for SEZs / RBI Nominated Agency

Credit Days

◆ 180 Days from date of procurement

◆ 270 Days from date of procurement

Type of Security

◆ Stand By Letter of Credit

◆ Stand By Letter of Credit

- Pursuant to our contract with canalizing agencies and international bullion suppliers, price of gold purchased is fixed within the applicable credit period on the basis of prevailing gold rates on sale to customers
 - ✓ This minimizes any risk to us relating to gold price fluctuations between the time of raw material procurement and sale of finished product to customers
- In our domestic operations, we are typically entitled to fix such prices within a period of 90 to 180 days from the date of procurement
- In our export operations, we are generally entitled to fix such prices within a period of up to 270 days from the date of procurement

Focussed Expansion Strategy

- Started operations from one showroom at Karol Bagh, New Delhi. Today, PCJ has 52 showrooms across 44 cities and 17 states
- Has consistently followed a **well thought-out and considered expansion plan**. Key drivers are as follows
 - ✓ Position itself as a most trusted jewellery brand
 - ✓ **Store rollout strategy** – Target of adding 15-20 retail showrooms every year
 - ✓ Open stores at high street, usually the most popular shopping destination of the city
 - ✓ Focus on setting up large format stores with large product range and comfortable ambience
 - ✓ Competitive pricing as compared to the local/ regional competitors
 - ✓ Transparent and customer centric policies
- Proactively setting up stores in Tier 1 & Tier II towns
 - No compromise on the store format , décor, or product range even at these locations
 - These locations are expected to be the next growth drivers - unorganized sector is significantly large, creating potential opportunity for organized players to gain the market share



India Online Jewellery Industry – Indicative Market Size



- Annual value of India's domestic jewellery industry is ~INR 3,000 bn (US\$ 50 bn)
 - ✓ Expected to grow @ CAGR of ~16% to reach INR 5,430 bn (US\$90.5 bn) by 2018
 - ✓ Of this, organized market constitutes ~20-22% (regional chains contribute ~17% and national chains contribute ~5%), this is expected to grow fast and reach ~35% in the next couple of years
- Currently, online Jewellery Sales in India is less than 0.2%
 - ✓ Comparatively, in US Online Jewellery constitutes ~ 10%-13% (~USD 6-8 bn) of the overall US jewellery market (~USD 60 bn)
 - ✓ Key reason for this lower penetration is limited focus of reputed and established jewellers on this amazingly fast growing online channel
- Now, even if ~2% of the overall Indian Jewellery market gets online in next 3 - 4 years (around 5% - 6% of the overall organized market), it creates an INR 110 bn (~USD 2bn) potential market for online jewellery sales

We, at PC Jeweller, are committed to this channel of sales and are convinced that we can leverage our Brand Value, Strong Offline Presence, Robust Sourcing and Manufacturing Network to scale up fast and become the leading Online Jewellery Store in the country

- We launched a focussed ecommerce vertical **www.WearYourShine.com** in Oct 2014 focusing 100% on Customer experience, Designs and Transparent pricing
 - ✓ Target has been to make the website a go-to jewellery destination for high-end customers and the masses alike
- We have seen an amazing growth in the unique visitors, leads and conversions in the last 8 months of launching the platform
 - ✓ Convinced with the model and the performance of the platform, we are now moving the complete online business to a 100% subsidiary of PC Jeweller in near future
 - ✓ This will ensure a more focussed growth and team building for our online business
- Benefits of WearYourShine.com for our retail showrooms business
 - ✓ Help us catch the target segment young - A regular visitor/ buyer at www.WearYourShine.com (PCJ Website) will definitely visit/ prefer nearby PCJ Showrooms when she/ he has to evaluate a high-ticket wedding jewellery purchase
 - ✓ Better CRM systems - Enhanced data collections and analysis (for other online and offline customer visits) of customers' preferences and behaviour to develop effective marketing and communication and targeting strategies
- Platform for purchase of affordable luxury products
 - ✓ Our long term vision is to create a platform which customers can trust for purchasing affordable and delightful luxury products online



- Indian retail jewellery market is fast becoming organized and preference towards organized jewellery players is growing
 - ✓ Organized market in India today constitutes ~22% (regional chains contribute ~17% and national chains ~5%) of the total market and this is expected to grow fast and reach over 35% in the next couple of years
- Smaller Indian cities (Tier II and Tier III) are also witnessing this phenomenon of growing preference towards organized jewellers as compared to local and age-old jewellers
 - ✓ Growing comfort on buying jewellery items from organized jewellers who provide hallmark and certified jewellery
 - ✓ Media campaigns by leading jewellery chains educating customers on transparent and friendly customer policies
- In light of this, we are currently working on developing a **franchisee model for select Tier II and Tier III locations, wherein we can leverage on our brand and utilize the infrastructure and resources of local jewellers/ investors** and make them our franchisees
 - ✓ Tier II and Tier III cities do not require significant inventory levels (relative to Metros and Tier 1 cities) and hence franchisees should be able to meet the capital requirement
- We have worked out a viable business model ensuring complete checks and balances and plan to open 200 franchisee stores in the next 5 – 7 years. We are launching 2 franchisee stores on pilot basis in H2 FY 2015

Flexia – Detachable Jewellery Collection

- We launched a unique detachable jewellery collection, Flexia, in Nov 2014 wherein one jewellery set can be converted and worn into 5-6 unique ways
 - ✓ Customer response to the product has been extremely good. Women are loving the concept as one jewellery piece can be worn in multiple ways and each product looks different and unique
- We initially launched this collection in heavy range (pricing above Rs. 1,50,000). Now, our teams are working on Flexia jewellery in various ranges
 - ✓ Range above Rs. 1,50,000 – Already launched, more designs being worked on
 - ✓ Range between Rs. 50,000 and Rs. 1,50,000 – Sampling done, Production work in progress
 - ✓ Light weight Flexia, upto Rs. 50,000 – Design work in progress, sampling to be initiated shortly
- We are working towards developing Flexia as an independent sub-brand
- We also plan to launch exclusive Flexia counters at our showrooms



Flexia – Plans for introducing Shop-in-Shop for light weight segment

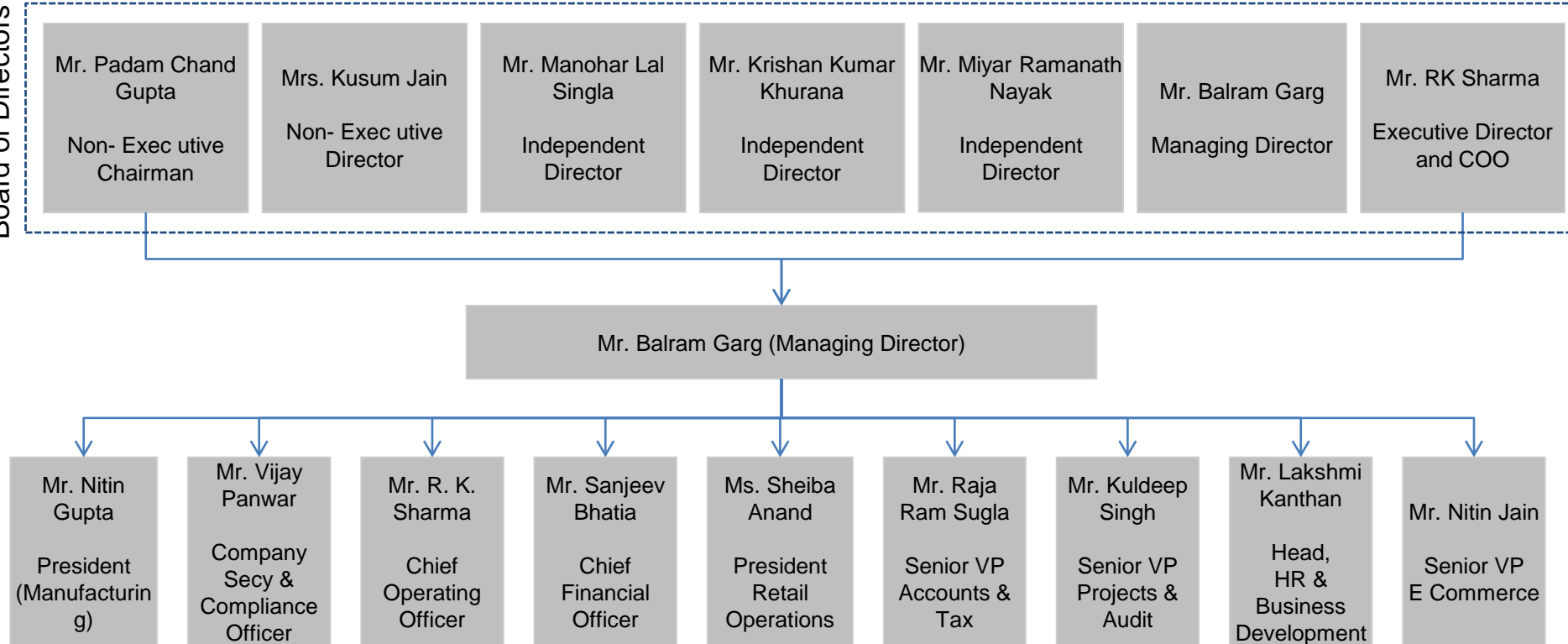


- We expect light weight Flexia jewellery to be a very successful amongst youngsters and working women
 - ✓ The designs are very contemporary and affordable
- Hence, we are also exploring launching light-weight Flexia jewellery through a shop-in-shop model
 - ✓ We plan to evaluate high traffic retail malls and at select airports for such shop-in-shops. This will lead to a large reach of the light weight Flexia collection amongst the target segment
 - ✓ The average selling price at such SIS will range from Rs. 15,000 – Rs. 50,000
- We expect a nominal inventory cost of Rs 20 - 25 lakhs for setting up such shop in shops
 - ✓ Average number of products per store ~100
 - ✓ Average cost price of the product ~ Upto Rs. 25,000
- Once we launch in India, we plan to replicate the Flexia SIS model globally targeting destinations like Singapore, London, etc.

- We have recently signed an exclusive India collaboration agreement with Blue Nile, one of the largest online retailer of diamond jewellery in the world
 - ✓ As a part of the exclusive collaboration agreement, we plan to launch a PCJ – Blue Nile joint branded product range that will be exclusively retailed through our retail showrooms and eCommerce portal
 - ✓ PC Jeweller and Blue Nile teams are working together on various aspects of product design, diamond sourcing, marketing strategy and customer experience.
 - ✓ We are looking forward to launch this product range in next few weeks. This collaboration is a stepping stone towards deeper strategic partnership between Blue Nile and PC Jeweller
- Rio Tinto
 - ✓ We are amongst the select few jewellers in India, identified by Rio Tinto, to promote and retail their exclusive collection 'Nazrana' which focuses on *brown* diamonds
- International Designer Connect
 - ✓ We are in discussions with some of the leading international designers to create high-end jewellery for sale at our lounges

Professional Management

Board of Directors



- Promoters have over two decades of experience in jewellery retailing and product development. No other businesses and 100% time and effort invested in PC Jeweller
- Ably supported by professional management team with various divisional and functional heads

Strong Corporate Governance Practices



- Only 2 (out of total 7) directors on the Management Board are Promoters Directors
- 3 directors on the Management Board are independent directors who are eminent personalities in their chosen field (Law, Management and Finance)
 - ✓ Independent directors head the Audit committee and Nomination & Remuneration committee
 - ✓ These committees review the management adequacy and effectiveness of the internal control systems and internal audit functions at regular intervals. Besides the above, Audit Committee is actively engaged in overseeing financial disclosures.
- M/s Walker Chandiok LLP , affiliate of Grant Thornton, one of the world's leading Audit companies, is statutory auditor of the Company
- Company is rated as A (long term) /A1 (short term) by Crisil Limited, subsidiary of Standard and Poors. Another leading Indian rating agency CARE Limited, has assigned 4/5 fundamental rating (very good fundamentals) to PC Jeweller
- Aon Hewitt is advising Company in developing more robust HR systems and processes and ensuring that the company is ready for the next level of growth and expansion
- Adequate internal control systems
 - ✓ Our internal auditor, in addition to statutory auditor, also review the processes, operational procedures and financials disclosures and statements

Annexure A: Select Showroom Images



Select Showroom Images



Milestone 50th Showroom at Jaipur, Rajasthan (Feb 2015)
(20,522 sq. ft.)

Select Showroom Images (Cont'd)



Flagship Showroom at Karol Bagh, New
Delhi



Bengaluru, Karnataka

Select Showroom Images (Cont'd)



Kolkatta, West Bengal



Vadodara, Gujarat

Select Showroom Images (Cont'd)



Kanpur, Uttar Pradesh



Jodhpur, Rajasthan

Select Showroom Images (Cont'd)



Rohtak, Haryana

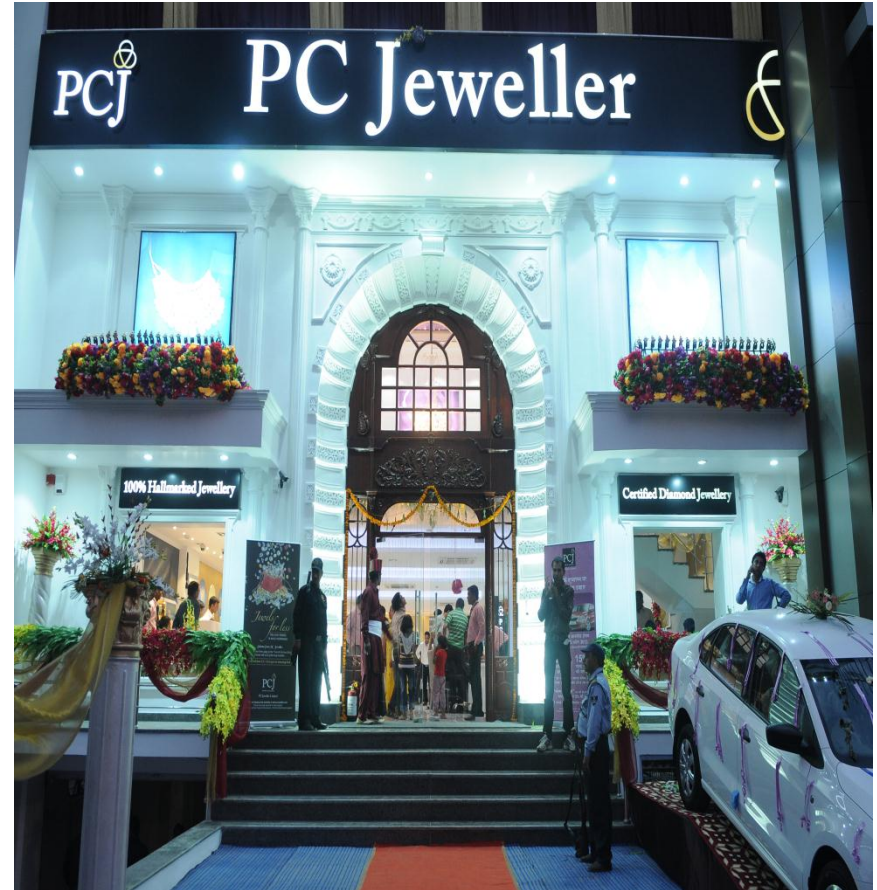


Dehradun, Uttarakhand

Select Showroom Images (Cont'd)



Varanasi, UP



Jabalpur, Madhya Pradesh

Annexure B: State-of-the-art manufacturing facility



State-of-the-art manufacturing facility at Noida, UP, India



Annexure C: Flexia - Detachable Jewellery Collection



Flexia Detachable Jewellery Collection – Higher range

Detach. Create. Wear.

Design a new jewellery every day...



Daria

is a wearable artwork that will grace you daily, but with a difference. The originality and exclusivity of its designs makes DARIA a timeless, striking piece that can be turned, twisted and assembled into a treasure...Every time...

THIS PIECE IS A UNIQUE INSPIRATION IN THE WAY IT HAS BEEN CRAFTED AND 5 DIFFERENT OPTIONS IN WHICH IT CAN BE USED.



Flexia Detachable Jewellery Collection – Higher range (Cont'd)



Flexia Detachable Jewellery Collection - Light Weight



Swap it, Switch it & Wear it . .



Detachable Jewellery



Flexia Detachable Jewellery Collection – Light Weight (Cont'd)



Annexure D: Select Indian Jewellery



Wedding Jewellery



Wedding Jewellery (Cont'd)



Light Weight Jewellery



Thank You