



# “PNGS Gargi Fashion Jewellery Limited Earnings Conference Call”

**August 09, 2024**



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August 09, 2024*

**Moderator:** Ladies and Gentlemen, Good day and welcome to the PNGS Gargi Fashion Jewellery Limited Conference Call.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Neha Boid – Company Secretary from PNGS Gargi Fashion Jewellery Limited. Thank you, and over to you Ms. Neha.

**Neha Boid:** Thank you Jacob. Good afternoon, everyone. This is Neha, Company Secretary and Compliance Officer of PNGS Gargi Fashion Jewellery Limited. A very warm welcome to all of you to the Earnings Conference Call.

For discussion we have here with us today, Mr. Amit Modak – our Director and Mr. Vishwas Honrao – our Chief Financial Officer. Welcome everybody.

We wish to start by qualifying that during the call we may make some forward-looking statements. PNGS Gargi does not provide any specific revenue earning guidance. Anything which is said during this call, which may reflect our outlook for our future, or which may be construed as a forward-looking statement must be reviewed in conjunction with the risk that the Company faces. These statements are considering the business environment we see as of today, and therefore there could be risk and uncertainty that could cause actual results to vary materially from what we are discussing on this call today.

An audio link and transcript of this call will be shortly available on the Investor Section of our website, [www.gargibypng.com](http://www.gargibypng.com).

With this, we are now ready to begin with the “Opening Statements” and the “Performance” of the Company. And post that we will be available for the question-and-answer session. I now request Mr. Amit Modak to take over. Over to you, sir.

**Amit Modak:** Thank you and welcome to all. This is almost a third time we are meeting on the Investor Call Cum Analyst Call. It is called as an Earning Guidance Call, but I don't know why we should call it as Earning Guidance Call, because we are making a forward-looking statement, but still we say it's a Earning Guidance Call.

Still, as our CS has explained you, there might be some forward-looking statement, which may happen during our discussion. There may be some earning guidance also given during our discussion. But all these things are subject to the risk which the Company may face during the

working and may differ from the statement which we make and actual results which you will see.

I am confident that all you people have got to see a better than what we have said earlier in our call, and that's why you must be happy to see the performance which is beyond the excellent performance.

The 1st Quarter we have completed, 30th June Results are there. I want to first clarify one thing which I had clarified in my earlier call also. So we have changed our business model from FOCO to FOFO in Q1. So, on 1st April, we sold the entire inventory, which was lying at the franchisees location, and made an invoice to them, and subsequently now that is running smoothly.

So, in the 1st Quarter, there was abnormal sale which was amounted to almost 44 crores and PAT of almost 8 crores. But we have given a reconciliation statement showing that actual B2C, that is at customer end how much sale happened from those locations. So, we will consider that for comparing with our earlier performance. And we are given that, that 13.65 crores is actual sale to the customer.

We have made, on that basis some pro rata allocation of the COGS, then full allocation of the cost of the P&L account of the direct, indirect cost. And it amounts to Rs. 2.91 crores profit for Q1 on the comparable basis. Actually, we could have made the statement that there is a change in the accounting system, there is change in our business model, so current period figures are not strictly comparable with earlier period and we could have given the full stop there, but we have got practice to have more and more transparency, and that's why we had given the reconciliation. Many people were asking that, where is the reconciliation, actually reconciliation was given along with the statement filed with the exchange. So, it was required to scroll down the result, you could have seen those director statement, and from that you could have found those things.

Whatever we had said earlier, in earlier calls or earlier discussion, we have delivered more. And every time investors have got thought process that we are too conservative while telling during the call, and we perform far better than what we tell in the call. But this time, I will say that now I have got experience about the business fully, now I am conversant what is likely to happen, and it is through the experience only. No one is perfect at the start, he becomes a little bit perfect after starting, he becomes more perfect after passing more time in the business and same business. So, I am a little bit now expert or updated about the business and so this time, I may not be that conservative, as I was earlier conservative.

You all have seen our Q1 performance compared to Q1 performance of previous year. That is 30th June 23 to 30th, June 24 it is almost 80% growth is there in the top line as well as bottom line. So, that itself shows that we are better performing as compared to the industry as such,

because industry CAGR is around 30% to 40% as against we are performing as 80%. Many people again and again will definitely ask during the question and answer whether that 100 crores will happen which you had said earlier. So, again I am saying, that time I was maybe little conservative -, so I said this, but as I said earlier also, that I will try my level best to complete the performance, to show that figure which was not during the regulated period, even during the regulated period, I will try to complete that figure and give the justice to the Company. And I will not say, it was during the unregulated period. So, I am not supposed to have any responsibility about it. If the statement is made by myself, I will stick to that statement, and I will see how it will happen and how it will get fulfilled and customers and all my investors will be happy.

Furthermore, that fashion jewellery industry is very quickly growing, very quickly changing. Nowadays more and more corporates are coming. We generally, since our promoters are 190 years old, always keep the path to the others. They can make the mark in the industry for others, and they have got the confidence and forward looking future. They know better about the business, like they know 190 years back, that jewellery will have better days, so they started jewellery business. Now they have started two years back, fashion jewellery business. And that business is growing, and many others are entering in this business with the attraction that there is a charm in this business, earning in this business, and good opportunity in this business. So, we are the benchmark for the others, and we want to be benchmark for others.

If you compare all other based fashion jewellery companies in the market, I cannot name one by one or at any point of time, because it is not suitable and not ethical also to name, but you can refer or find out that, I think one or two companies only has got bottom line in a black, all others are in red. And again and again, as I always say we want to be conservative in that term. We don't want to burn cash, we want to make money and use that money for the growth of the business, and not the capital for the growth of business. This time, after our all these efforts, few investor got gathered, and they ask that for future expansion, if you are interested in raising the funds, we are ready to contribute and on that basis, we made the private placement, preferential allotment, and many good investor chunk has supported it, and that is on the public domain - who are the allottees - Proposed allottees. Once we get permission from the exchange for the allotment, who are the allottees and from them also you can find, that there is a good number of allottees and good quality of allottees. And so, they will be a long term, whatever funds are going to get generated out of that which are around Rs.40 crores. Those will be totally used for the future expansion, and this time, first time, I am taking permission from those investors, and they have openly said, yes, it's good idea that I am likely to spend around Rs.7 to Rs.8 crores out of that for PAN India marketing. And out of that, I will create a PAN India image, because now we are almost in eight to nine states spread through the SIS stores.



*PNGS Gargi Fashion Jewellery Limited  
August 09, 2024*

We have got almost 66 locations right now in operation, including Shoppers Stop, FOCO model and brand shops. So, we are expanding this, and this number is likely to reach some miracle figure, just like a miracle figure which you are expecting about the top line. So, I am confident that we will have better footprint PAN India, plus there will be more and more standalone shop either through the master franchisees or directly by the Company on the FOCO model basis. There are many inquiries coming in for the FOCO model. But as we are very choosy, because once our name board will be made up in some place, we are there to keep that always up, as it is our tradition in 190 years of period. PN Gadgil has never pulled down any of their board or any of their locations. So, we want to maintain that legacy.

I will keep this time more to hear from you, more to hear from you the questions, and I will answer them, but with the full assurance that you will get satisfied from our future performance, that much I can tell you. You will be satisfied with the top line, and that top line will be a respectful top line with a good CAGR and that will be definitely beating the market or beating the industry, and we will be the footprint for the others. Thank you.

**Neha Boid:** With this, we are now ready to open the question-and-answer session. I will now hand it over to Jacob. Over to you Jacob.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rajesh Singla from VTG Capital. Please go ahead.

**Rajesh Singla:** Good Afternoon Sir. Thank you for a great set of numbers. Given that the strong start to the year, where do you see and also I heard your remark as well made initially. So, where do you see we ending FY25 given the strong demand environment you are seeing this season?

**Amit Modak:** No, I don't get exactly your question, where I see Gargi as a Company, or what is likely to be a demand as per the location and?

**Rajesh Singla:** Yes, so one is that we are seeing very good demand for the products so where do we see Gargi basically reaching in FY25 and the second question would be on the funding which we have raised by when do you think that we will be able to deploy the whole 40 crores funding and have more number of stores coming in, maybe by end of FY26 if we can give any target on number of stores that will also be helpful sir?

**Amit Modak:** As far as number of store, as I said that the number which you want to see at the top line, the same number I am interested in seeing at - as at location also, in coming another 8 to 10 months' time. So, you can take clue from that. And as I said, I am definitely going to deliver you, and we will try wholeheartedly to deliver you what I have said at earlier, when I was unregulated, but during the regulated time also, I will definitely try to deliver you. The third thing, the good

demand is shown in the subsequent month of July also after closure of 1st Quarter. And if that demand remains robust, as we have shown in July and the subsequent period, I am confident that Q2 will be also good one. Q3 is always best one, and Q4 again for the fashion jewellery, it is always good one. So, entire year will be good one. Regarding deploying of the fund, yes we will deploy all those funds that Rs.40 crores. It will be mainly for the working capital, then at a few places CAPEX if we need to set up our own store, we generally avoid going at opening of store at CAPEX side. But still, if one or two or three opportunities come forward which are very lucrative and we want to go on our own as a Company store, then definitely we will go there and few out of that, around 8 to 10 crores we may use there. 8 to 10 crores, as I said, it will be for the marketing event, which will be PAN India presence which happened now so we will spend for that. So, it will be used in another 15 to 18 months, not beyond 18 months. And you can imagine, there are no equations working in the market or in business. But if you see that, what I have done with the Rs.10 crores, what I can do with the Rs.40 crores, to that extent only, I can give the confidence.

**Rajesh Singla:**

Great, sir. So, just a follow up question on the amount of working capital so, let's say we are having out of that 40 crores. So, 10 crores will be for all this PAN India marketing campaign, and then 30 crores you will have for the working capital. So, given the way we have basically revolved the working capital in the past. So, how many cycle we can think about, let's say, if we buy inventories worth Rs.30 crores with that working capital money what we have raised. So, how many times usually we rotate the 30 crores kind of inventory in a year?

**Amit Modak:**

Last year, when we were having Rs.12 crores inventory on our books, we had got top line of almost 48 crores. So, we had rotated it almost three and a half to four times. This time it will not be hard and fast 3-3.5x to 4x. But 3x rotation is possible. Stockturn rotation to the extent of three times it is possible. But don't go and calculate and turn over and put it to me that whether do you mean that 150 crores will be the top line and all.

**Rajesh Singla:**

That will be my next question. So, probably the 100 crores this year, and we are able to rotate the 30 crores working capital three times next year, so probably will be doing like 150, to 200 crores kind of revenue in FY26, I understand like it. So, it's not.

**Amit Modak:**

Rajesh we will take all the efforts to make it justifiable, because when I am using money or I am deploying money, I need to create turnover out of that, unless I am creating turnover out of that, it is not making any sense to create a receivable or create the inventory. So, management is fully confident that we will definitely try to make that rotation comparable with the current rotations.

**Moderator:**

Thank you. The next question is from the line of Khushan Kasliwal from Incred Equities Research. Please go ahead.

**Khusan Kasliwal:** Very happy to be a shareholder for the last more than one year now. Sir, just wanted to understand where are we looking in terms of expansion, are we looking in Southern states more or the Eastern part of India, which is relatively - untapped. Also, if you can give some color on the margin structure going on because FOCO to FOFO, we might have some change in the EBITDA margin. Also in the 2nd Quarter, since we have already offloaded most of the inventory won't the top line artificially look very low versus the actual sales, which happens in the 2nd Quarter?

**Amit Modak:** Only your last question, I don't understand, can you repeat or change something?

**Kushan Kasliwal:** Last question was, there is in 1st Quarter we have recognized all the inventory as sales, because we moved FOCO to FOFO. Now in the next quarter, we will only be recognizing the sales which we make to the franchise owner. We will not be recognized sales which happens to the ultimate customer now. So, next quarter, sales will go down right, because the franchise owners are already filled up with inventory. So, what will happen to top line in the next two, three quarters, will it artificially look low?

**Amit Modak:** Yes, just like it is artificially, if we are calling it artificially. Just like it is artificially looking high in 1st Quarter it will be low. But throughout this year, we will be giving you comparable directly B2C, just like we had given for the June, we will give for the September, we will give for the December, and we will give for the March. And from next year onward, we will stop giving you this kind of comparison, but this reconciliation will be provided along with the result for throughout this year. So, you can compare that and judge whether ultimately, customer is there for the product, or only we are billing to the franchisee and creating the sale, that much you can reconcile from our reconciliation, and I assure you that even if you ask any question after the result also through the CS portal, we will reply you. We don't want to keep anything in the dark. So, that is your last part of the question. I have got some confusion, so if you repeat the first part of your question, I will be happy to answer it.

**Kushan Kasliwal:** The first part was around expansion plan, geographically which locations are looking more lucrative to us. Where are we looking to expand geographically and second was your view on EBITDA margin, will they change since this year we have moved from FOCO to FOFO?

**Amit Modak:** In FOCO to FOFO, there are certain things in that P N Gadgil Sons Limited, who are just like our master franchisee, they were working on the FOCO model, and now they will be working on the FOFO model. So, earlier, they used to keep our inventory, they used to give us the space for the business. We used to pay them certain rent or the facility charges and plus commission. Now, they are only getting markup and markdown. We are selling them markdown, and they are selling same product on their invoice on the markup basis. So, there will be, if you have seen, even the current period, that is Q1 compared with the last Q1 on the direct B2C basis, you must

have seen that margins are in line with the earlier period. So, there is no much impact due to change in FOCO to FOFO to that extent, I can give you the confidence. Secondly, the expansion areas, yes, we will try to expand in the area where there is a more demand. But getting suitable space in those areas is a very tough thing. Right now, Rajeshji, our one investor with whom I moved in Bangalore and tried to find out the suitable location, and he guided me, but there are certain limitations. So, even though Bangalore is very lucrative, there are certain limitations for us to go and try the luck there. We are trying in Bangalore, we are trying in Hyderabad, we are trying in Kolkata, we are trying in Indore. So, there are many areas where we are trying, but which will get clicked immediately that I don't know. Recently, a few days back, only 5-6 days back, I have blocked one space at Thane which is near to Mumbai, a standalone brand shop of the Company, and we will shortly start it. Whenever it will get started, we will declare it on the public domain that it is started. So, we need to block the spaces, and those spaces are required to be in the market where our product is a targeted customer is coming in that market. So, we are looking for the malls mainly and if malls are not suitable, then standalone stores, and that way we are expanding. We are very much serious. I cannot explain you point to point or alphabet to alphabet how we are going on, but I can give you confidence that we are seriously working on it, and you will see a good picture by the end of the year.

**Moderator:** Thank you. The next question is from the line of Sharad Anuragi an Individual Investor. Please go ahead.

**Sharad Anuragi:** Sir, I had three questions. The first one is on the expansion side, if you can elaborate.

**Amit Modak:** Go one by one because I don't remember afterwards what you have asked earlier, so ask first question. I will keep on hang with you, so you can ask second question. So, tell me your first question.

**Sharad Anuragi:** Yes, so my first question is regarding the expansion plan. Can you please elaborate a bit more about will you enter mainly the metro cities, or since you have visited one of your store near Vashi, and so you are going to cover up the nearby areas going by the strategy. So, basically, I just want to know the overall expansion strategy?

**Amit Modak:** Yes, expansion strategy will be metros, because working woman is our ultimate and major customer base. And second is a household woman who is fond of changing her fashion and there has to be a good earning in her hand due to highly paid salaried her husband. So, that is our targeted customer, and we see that Tier-1 is a best area for all these purposes, but Tier-2 is also growing up very quickly. Those are not exactly Tier-2, which are likely to be Tier-1 that kind of Tier-2 cities where BPOs are coming, then many education complexes are coming, then banking is moving, many offices are moving of the corporate for the cost benefit. And that is why Tier-2 - which is likely to be coming in Tier-1 in a few years here in down the line, those kind of Tier-



2 cities also we are targeting for expansion. And as I said, I cannot go on explaining and alphabet to alphabet to point out which are the cities we are targeting because many time it happens, if I pronounce something, my competitor will reach there, and I will lose the opportunity. So, certain things, I cannot explain you hard and fast, point to point.

**Sharad Anuragi:** Okay, sir and sir sorry I joined the call a bit late. Can you please repeat the number that you are targeting, number of stores you are targeting for this year?

**Amit Modak:** We have already completed 66 location including SIS, along with the standalone five brand shops. So, from there, we would like to expand at least to add another 20% to 25% by the end of the year. But keep in mind, I have delivered whatever I said, not only to that extent, but something more than what I said. So, as I have got limitation to make a forward-looking statement precisely. I cannot give you the exact number.

**Sharad Anuragi:** I understand. And sir second question is on the marketing strategy since you will be deploying cash for marketing now, what is the marketing strategy of the Company?

**Amit Modak:** Marketing strategy is mainly social media, because it's a young working woman who used to browse social media rather than watching the TV or watching the movie, full fledge movie in the theater, or she is not having a liking to read the newspaper also by holding it in hand for a longer period. Then hoarding has limited eyeballs, because once you pass from that hoarding, hoarding even every day you may miss that hoarding so social media will be the main strategy for the marketing purpose. And social media gives the presence PAN World, not only PAN India or the PAN specific area. It gets browsed, one can browse from anywhere, from any part of the world.

**Moderator:** Thank you. The next question is from the line of Dinesh from Finsight. Please go ahead.

**Dinesh:** So, my first question is, we have seen off late, excessive rains across parts of Maharashtra, especially in and around Pune. So, just wanted to know if there are any ways that is affecting our business in this month, in the month of July and August?

**Amit Modak:** Excessive rain?

**Dinesh:** Yes. Has it impacted the shortfall is my question?

**Amit Modak:** It affected for one or two days. Not beyond that, this is a discretionary purchase. So, if someone may miss to purchase on 5th, he will come on 6th. So, that way it is not getting missed, because that is not like a milk, that we want today and if we get it tomorrow it is of no use, this is jewellery and fashion. So, they may differ one or two days, and so we are not losing to that extent, that business is few minds may get changed, and to that extent there may be risk, but we are not

looking to that kind of any event, because July, we were extremely well. Also, we are not looking on numbers getting lower, even though rain is in Pune or Mumbai or Nashik where we are operating. Yes, it may affect, but I am not looking to that extent, that effect will be there.

**Dinesh:** Okay, great. And my another question maybe you have answered that, but we have seen accretional, exceptional jump in the EBITDA margins, the margins this quarter, even with respect to the previous quarter, and year-on-year as well. Do we expect this to continue for the upcoming quarters, or do we think the numbers would be around similar levels?

**Amit Modak:** I hope it should maintain.

**Moderator:** Thank you. The next question is from the line of Rajesh Singla from VTG Capital. Please go ahead.

**Rajesh Singla:** So, if I look at our balance sheet, we already had an equity net worth of around 30 crores at the end of March 2024 and with this fund raise, and probably this year profit, we probably will have a net worth of around 100 crores and our borrowings are like very minuscule. So, do you think that the next phase of expansion we would be financing through debt, and instead diluting stake by the promoters?

**Amit Modak:** Promoters are not interested in diluting the stake at all. This time also whatever they were committed to contribute they have given the intent to contribute at Rs.575 in preferential allotment. And we will fund the next 18 months expansion, at least from this expanded funds which are available through the preferential allotment. Thereafter, if required we may go for the borrowing, or otherwise it will be within the internal resources. I am willing more on the internal resources and owned fund, rather than the borrowed fund. And diluting equity by the promoter, generally, it will not happen, generally I am saying, but to some extent, 2% or 5% here or there, there may be, if any good opportunity will be there, but that fund which will be in their hand, they will deploy back in the same business. That much, I can assure you because there is no other target for them to in any availability of the funds. Otherwise, why they should have invested right now in this preferential allotment also upto Rs.20 - Rs.25 crores.

**Rajesh Singla:** So, with the 100 crores kind of net worth, we can take borrowings, or maybe internal accruals to fund further expansion, given our asset light model and also. So, one more question on this fund raise. So, what kind of revenue we can achieve with this fund raise, can we say that we would be, we are well funded at least up to 200, 250 crores, kind of revenue.

**Amit Modak:** Ultimately, you have come to that question only, that if stock turns 3 times then how much will 3 times of 100 crores and if you will deploy that 100 crores and after three turns how much will be your turnover. As I said, I will try to maintain that stock turn ratio and if stock turn or the

debt, current asset to turnover ratio. I will not say hard and fast stock turn, I will say current asset to top line. So, current asset to top line, I will try to maintain minimum to minimum 2.5 and good to good it will be 4.

**Rajesh Singla:** Okay, great. And sir last question from my side would be, so earlier you had communicated that we will be adding seven exclusive brand stores this year. So, anything which you have, maybe a bit longer time frame, if you can guide?

**Amit Modak:** Right now, we are adding Talegaon, we are adding Thane. These two are final and we are working on those stores, and those two stores will get added. And as I said in the earlier question, also, I cannot spell out my exact locations right now, because it is not good for me, as compared to the competitors. Competitors are there, but some other competitors are also there, not the only national player, local player competitors are also there who want to block our way of expansion. I want to be the first moving, take the first movers advantage, and that's why I will keep it in dark. And as soon as it will happen, it will be there on the public domain and first you all will get information through the exchange notification rather than anyone else.

**Rajesh Singla:** Right, but we are on track for adding seven stores this year?

**Amit Modak:** Yes, I am trying my hard.

**Rajesh Singla:** And for next year, can we assume that we will be able to add around 10 stores on annual basis from exclusive brand now that on a FOFO basis we have a very strong backing from the promoter as well?

**Amit Modak:** But for product like us, we need to have more and more sales point there, rather than the exclusive store, because more and more reach is required rather than exclusive brand store. That is my perception, because exclusive brand store is a very costly affair, rather than the point of sale, and where there is a very low cost, but deep reach is there. And so that Shoppers Stop, I can give the example from where we are getting very good response, and we are closing, and we are clocking very respectful topline figures also from those location at very nominal cost.

**Moderator:** Thank you. The next question is from the line of Rahul Kumar Paliwal from Shefa Family Office. Please go ahead.

**Rahul Kumar Paliwal:** So, finally, we decided to pull the weight, which is the marketing expenses. And I hope this call has been taken consciously, because 6 to 8 crores budget is what you are planning. Is it going to be solely Gargi exercise, or it will be a joint exercise by the PNGS. Timing also is a little concerned for me, because it makes sense only when Gargi goes across Maharashtra, outside Maharashtra with PNGS only. So, that's question number one.

**Amit Modak:** So, this marketing, as I said it is not just like throwing money on the road. It will be decided on the merit basis only, and it will be taken as a very conscious decision, where to spend, how to spend. PNG Sons Limited, that is our master franchisee is spending currently for our marketing along with their advertisement. And we also spend on our own, but they are equally taking effort for the marketing our brand as they are master franchisee, and that is giving them some good advantage for selling our product. This 6 to 8 crores will be used in the next two years' time; this is not a single year budget. Secondly, it will get capitalized and will get appropriated or period of years basis. So, it will not take a toll of the profit directly in a single year. So, there is no threat that profit will get pinched by that 6, 8 crores directly in a single year. Please keep in mind, one should not keep in mind that 6, 8 crores will get spent, and then it will get affected to the profitability and all these things, because these are the long term effort, so it will get allocated on the long-term basis only.

**Rahul Kumar Paliwal:** Okay. So, when you said it will be through social media, through influencer and all right?

**Amit Modak:** Yes. It will mainly be social media, to some extent, the integration with some shows on the TV or movie shows. And secondly, it will be some part of the theatrical advertisement during the period of the popular movies which are getting launched.

**Rahul Kumar Paliwal:** Okay. So, now when we are going into the marketing side, of course that will need too more footfalls. So, here comes the question second, like I do see for example in Indore, Krishna has opened recently. Then there are local heroes, like Eish and all and other brands are opening, coming up in fashion jewellery. So, competitive intensity is going to be only increased from here. So, what are the key initiatives that have been taken to deal with it, because now you are spending as well. So, you need to be prepared with wider choices when a customer visits, because at the same time, you don't want to let them just visit and go back without offering much choices which the neighborhood shop is being offering. And any comments on this 14-karat gold, is it like approved by Hallmarking. And what's the plan there, will it be pure jewellery, or again a diamond based, because then we will have a conflict of interest with the parent PNGS?

**Amit Modak:** First of all, conflict of interest we will keep aside, but whatever we had said from start itself that our 14 karat gold jewellery will be always 14 karat gold with natural diamond, we have never said 14 karat gold jewellery. We have always said 14 karat gold along with natural diamond jewellery so it's diamond jewellery basically it is not gold jewellery. The only thing gold used in that is a 14 karat which reduces due to that 14-karat content the ticket size of that jewellery, product of that jewellery pieces. Because we might use 18 karat or 22 karat that price will go up and the ticket size will go up. I want to make it affordable so it's pocket friendly jewellery I want to create, along with some buyback component which can give the customer his money back after using that jewellery. So, that was the thing. So, there is no conflict of interest that kind of thing, otherwise diamond jewellery is sold by PNG Sons Limited for years together, if it would

have been about conflict of interest then PNGS would have restricted us to introduce diamond jewellery.

**Rahul Kumar Paliwal:** Fair enough.

**Amit Modak:** I can tell you very quick figures also that in the 1st Quarter we have done almost 45% to 50% diamond jewellery in our total sales. So, that diamond jewellery is quickly picking up. Even though ours is a fashion jewellery store, we are picking up the 14-karat gold diamond jewellery sale very quickly and given though that fast increase was there in the component of the gold and diamond jewellery our margins have not gone down. Margins have been maintained or even pinches up 100 or 200 basis points.

**Rahul Kumar Paliwal:** That's interesting margin front. Maybe you can comment more in detail. My another question was about competitive intensity. So, how are you going to handle it because once the customer footfall happen through this marketing, are you coming up with a wider product range, more option to be offered, because to compete with the neighborhood shop that Gio, NIA and Krishna of the world.

**Amit Modak:** See, I cannot take the name, you are free to take the name of anyone, but I am not free to take name of any of the fashion jewellery, service provider or the product provider. But I can tell you very confidently that whatever variety we are offering is the best of the best in the market and that is the customer feedback, not my own feedback. I can show you, if you request I can share you the Google feedback which we are receiving. And in August month when we had that online campaign we are running the Independence Day campaign, we have seen out of total sale in first 8 days almost 20% sale is online sale. So, unless they are liking our product they are not coming to us. And whatever name you have taken for the diamond and all this, they are years together old. It's more than 30, 40 years old. I am not that old, so I need to chase them, I am too young for these kind of comparison, there are fashion jewellery provider or this kind of affordable jewellery who are working for 15 to 20 years' time in the market and right now they are popular with their name, I am just two and half years old. So, I need to work on it, but I cannot say that they are a threat to me or I am a threat to them. They are competitor to me, and as we run in a race where everybody runs with us and the best one wins, but I cannot say I will be the best and so I will win, others are also running for their business, so I need to compete with them. To that extent only I can comment, I cannot take it as a threat or opportunity. I am doing my normal business, if anyone comes next to me I think a new competitor has come to set business with me, and we both will do business, we have a population of 140 crores in India, so we cannot serve to each of the Indian otherwise entire 140 crores will be my customer, and nobody will be the customer of others.

**Moderator:** Thank you. The next question is from the line of Dinesh from Finsight. Please go ahead.

**Dinesh:** Thank you for giving me another opportunity. My question is more on the lines of unit level economy. As you mentioned we are opening quite a few branches across different parts of the state as well as the country. Are you seeing any drastic change in terms of the size or the cost per unit of running a shop, or a true store in say, like Mumbai and Pune, it's different in Sangli or city like Miraj or Bangalore, that the price would change, the cost would change. So, how are you looking, the expansion from a cost level, unit level perspective, if you could clarify something on that?

**Amit Modak:** It is said that "For Cheap quality of product Customer suffers again and again and for Expensive Products the customer suffers only one time." If I will go on looking only to the cost, then whenever the infrastructure is cheap I should go and set up the unit but if customer won't come there then what will be use of that. Wherever it's expensive to set up an unit but footfall is good then I should set up the store there irrespective of cost because customers are going to visit there, and my cost will be recovered. So, I need to see where customers are rather than where cheap infrastructure is available. So, I am looking to that one. Secondly, I am depending more and more on the FOFO now onward. So, when it's a FOFO, why I should think about, what is the cost of operation, what is the cost of the rentals and all these things, everything the FOFO that franchisees need to think, yes definitely we guide them, we teach them, and we give them sufficient guidance also that, what will be the cost, what will be the cost recovery, what could be the sale in that area, what will your commission earning after entire cost what will be your ROI, what will be your dry period, up to what period you will not get any returns, after what period you will get return. Vashi, is the best example which is the first franchisee, third party franchisee. And they were earlier making just Rs.2 or Rs.3 lakh a month. Now they are doing some two-three-folds of what they were doing earlier. So, it's a business which will pop up in a 2 or 3years' time. It is not something that you start today and from tomorrow you will have customers coming in. Even for the best of best food franchisees also not experiencing in that way. They also require almost 6 to 8 months to wait for the customers, even though they are world-known franchisees.

**Dinesh:** Thank you for that clarification very much. My question is slightly different, are we seeing.

**Amit Modak:** You can repeat your question if we have not answered properly.

**Dinesh:** No, that's awesome. My question was like, is there any drastic difference in terms of breakeven period, like in terms of months or years in running the show, opening and running the store in Tier-1 and Tier-2 cities, like say, if we compare Mumbai with versus Pune versus say Sangli, is there a difference in breakeven period for even for franchisees, I am asking, or is it okay, more or less similar in terms of months for even.....

**Amit Modak:** Franchises it's a 15 to 18 months to start making profit out of that.

- Dinesh:** Okay, irrespective of the place you are saying.
- Amit Modak:** When we explain cost and CAPEX to franchisees, we tell them to consider the first six months expense into CAPEX. First six months you won't be able to do a sale of Rs.1 and calculate accordingly and then calculate the ROI, to that extent we explain them. It has never happened like that, but we tell them first six months cost maybe your CAPEX, entire running cost and entire fixed cost. But it is not anything like that, and they are getting good returns. And Mumbai, Pune, Sangli, Nashik, Solapur, everything is depending on what your footfall is likely to be there rather than what is cost to be.
- Moderator:** Thank you. The next question is from the line of Rajesh Singla from VTG Capital. Please go ahead.
- Rajesh Singla:** Just one question from my side is, can you please tell us about the current product line, what we have and any new product lines which you are exploring for the future?
- Amit Modak:** It's difficult to spell out very precisely, but yes, we will see in the similar line which will be suiting to the fashion and lifestyle, and we are exploring few out of that, but at appropriate time I can spell out existing what we are going to do. Rajeshji, extremely sorry, but you also understand my limitation regarding this thing. But your question, I am taking it positively, and my reply is also positive, that from the day one, when we started this Company we have thought this single product line will not have, so we added that 14 karat gold with natural diamond. Now also, we are thinking to add few more products, it may be jewellery, it may be a lifestyle, or it may be a fashion, but something will get added and will get added value to the Company.
- Moderator:** Thank you. The next question is on the line of Deepak an Individual Investor. Please go ahead.
- Deepak:** I have two question. This is the first time I am talking to you. So, since you mentioned that you are looking for affordable Gold Jewellery, which is why are you targeting 14 karat, my question is, is there any plan to use lab grown diamonds, because again, that comes in the affordable category. That's question number one and question number two is, do you have to pay any royalties for using the brand name which you use from your sister concerns. Thank you.
- Amit Modak:** No, it's like their second baby, so they are not charging their baby any food cost, so that way they are not charging any royalty or anything for using of brand. You have got very good promoters with you who are not money-minded and who don't want to extract from the earnings of their other companies, where public are also participating as a partners. So, that is a very much a precise clarity from my side. At least for next five years, I can promise you that there will be no royalty or no any charges are going to be paid for using their name that is a promoters of P N Gadgil and Sons Company promoted by promoters of P N Gadgil and Sons limited. So, don't be

having that kind of threat that there will be cost for the royalty or anything. What is your second question, sir, please pardon.

**Deepak:** Thank you for answering the first question. Second was basically, will any plans to use lab grown diamonds, given that it's in the trend these days. So, again, that needs the affordability index and look wise also feel wise it's pretty much same.

**Amit Modak:** Lab grown diamond, if you have seen on social media, we have made an advertisement stating "Natural is good" something like this for natural diamond without taking the name of the diamond products. In the ad we have a lady eating real fruit and her husband is drinking fruit juice. So the lady asks whether it is better than this one, when it's natural it's better she says to her husband and it's shown that the husband is drinking juice and the lady is eating fruit because lady is our customer so she must be wise, so we have portrayed that she is speaking to her husband, but that kind of advertisement is already there. We are never going for the lab grown diamond. We are looking to the lab grown diamond their condition, their inventory value condition, if your Company is in lab grown diamond one year back what could be the inventory value as on date of those lab grown diamond inventory. So, there is no risk of the erosion of the value of your inventory, because Company will never touch lab grown diamond it will always go with the natural diamond. As far as price is concerned, in lab grown diamond giving commitment regarding the buyback is very difficult, even though it's a little bit costlier than the lab grown diamond, this natural diamond and 14 karat gold, we are giving buyback guarantee, 90% cash back and 100% exchange that guarantee we are giving and in fashion jewellery if somebody is getting back their money after use, there is nothing like it. So, people prefer this kind of 14 karat and natural diamond and as I have explained, that sale is picking up very quickly, along with our fashion jewellery.

**Deepak:** Perfect Sir. Thank you so much and all the best.

**Moderator:** Thank you. The next question is on the line of Dinesh from Finsight. Please go ahead.

**Dinesh:** Thank you for giving another opportunity. Sir actually, I recently visited Zapurza in Pune. And I am quite surprised that, there is finish shop there in the premises and quite surprised to see not much of jewellery there, all the other antiques and other products were there on the sale and it's a quite decently large store, but surprised not to see actually the jewellery which the Gargi is interested to sell. I am surprised to know that, any reason for that or are we still looking, because quite a few there was a footfall was quite great on that day, it was a Sunday.

**Amit Modak:** Saturday and Sunday footfall is always good there. And we keep jewellery only when we see there is a demand, we are observing for last one year, and we saw that souvenir kind of things and this antique looking kind of things, have got demand rather than jewellery, because whoever



comes there, he comes for the leisure. He is not a serious buyer when he is entering those shops. So, keeping a very small inventory there instead of huge inventory.

**Dinesh:** Yes, but is that shop under Gargi itself, or it is part of the Zapurza?

**Amit Modak:** It is a FOFO model it is under Zapurza only.

**Moderator:** Thank you. We have the next question from line of Mahesh an Individual Investor. Please go ahead.

**Mahesh:** Okay. So, recently, I saw a couple of ads in ABC Chowk and Marathi Bigg Boss also by PNGS Gargi, are you planning to have some brand ambassador?

**Amit Modak:** No, right now we are not planning any brand ambassador, but your question is very good, somebody asked question some few numbers back that whether PNG Sons is also making any advertisement for PNGS Gargi. So, that Bigg Boss is sponsored by PN Gadgil and Sons Limited. And the gifting is made by Gargi Fashion Jewellery Limited. So, we are getting presence in that national level, very good brand show, along with a good anchor. And from there, we are reaching to many people, PAN India and PAN Maharashtra. Basically, it's Marathi Bigg Boss so PAN Maharashtra, and we are getting good presence there. And all these people who will win the prize at the time of exit, because all who will exit from the house, will get one voucher for buying the Gargi Fashion Jewellery, 14 karat natural diamond jewelry. They need to visit our shop, they need to buy their jewellery so we will have their footfall there, and we can create a reel of that and post it. So, we can get more awareness with the customer that so and so celebrity also visited, and they also liked the Gargi Fashion Jewellery.

**Mahesh:** Okay. And in Nashik also, you recently did some exhibition or something to check the demand for your product site. So, any plans to open any stores in Nashik also?

**Amit Modak:** No, I have not made any exhibition or anything in Nashik. There are our two shops and one brand store at College Road.

**Moderator:** Thank you. The next question is from the line of Sharad Anuragi an Individual Investor. Please go ahead.

**Sharad Anuragi:** Can you please explain the buyback scheme that you were talking about just a minute ago?

**Amit Modak:** That is a 14-karat gold natural diamond jewellery has got buyback option, not the silver jewellery.

**Sharad Anuragi:** Okay. And what is the buyback offer?

- Amit Modak:** That buyback offer for 14 karat gold natural diamond jewellery is a 90% of the value of that day, or 100% value of that day for the exchange with the new 14 karat natural diamond Jewellery..
- Moderator:** Thank you. We have a follow up question by Mr. Rahul Kumar Paliwal from Shefa Family Office. Please go ahead.
- Rahul Kumar Paliwal:** So, sir, you spoke about this new product pipeline in our kitty, will it be a new category altogether. Any idea about the ticket size of the product, and will it be the woman specific, or you might target?
- Amit Modak:** Woman specific. It will be a lifestyle or the fashion and will get sold and marketed by same Company through same line, no separate stores or anything from the same store.
- Rahul Kumar Paliwal:** Lifestyle, okay. Any idea about ticket size?
- Amit Modak:** Ticket size will be, it will be a consumer product.
- Rahul Kumar Paliwal:** Okay. So, we can assume 5,000 to 20,000?
- Amit Modak:** No, even less than that.
- Rahul Kumar Paliwal:** I see. So, it will be a fast-moving consumable?
- Amit Modak:** Yes.
- Rahul Kumar Paliwal:** So, now we are expanding into larger scale, so any change or you made into logistics, because inventory logistics all this.
- Amit Modak:** It is presently managed by Sequel. Entirely, it is presently managed by Sequel Logistic, it is secured logistics which is meant for the gold, silver and money transit. Sequel is a very popular name in logistics in this precious market.
- Rahul Kumar Paliwal:** Got it that's a matured logistics.
- Amit Modak:** Yes. One clarification from my side to all the listeners and all participants. There are many questions coming in that some similar name jewellery house has got permission for the IPO and all these things, but our Company has got no relation with that Company. Our promoter of the main Company P N Gadgil Sons also do not have any relation with that Company. So, any impact of their IPO will not be there on my Company's performance or the working or creating the popularity for my Company or working. Similarly, my Company's popularity will not affect to them, or any negative or positive things of each other will not affect to each other.

- Moderator:** Thank you. So, we have a follow up question by Mr. Rahul Kumar Paliwal from Shefa Family Office. Please go ahead.
- Rahul Kumar Paliwal:** So, sir, we are present into this 30,000 to 60,000 kind of bucket as of now, are we looking for higher bucket size as well, beyond the one lakh?
- Amit Modak:** No, I don't get your question.
- Rahul Kumar Paliwal:** Right now, the product range is on higher side, the bucket is like almost 15,000, 20,000 to 60,000, 90,000.
- Amit Modak:** Yes.
- Rahul Kumar Paliwal:** So, are we looking to upgrade going beyond one lakh?
- Amit Modak:** It will be during the festival period mainly, because last time during our Valentine Day period, we sold almost (+50) diamond necklaces of Rs.1 lakh plus. But that will be selectively during the festival period of any specific occasion period.
- Rahul Kumar Paliwal:** Got it. That will make a kind of finish filling to the consumer as well, like limited.
- Amit Modak:** Yes, and carrying that inventory is easy for me, because I take that inventory on sale or return basis for specific period, and don't carry it in my normal inventory.
- Rahul Kumar Paliwal:** Got it. And we keep the gold on the book, or we do lease or do something else?
- Amit Modak:** No, it's on book, it's a very small quantity. And as it in FOFO model I need to sell the entire product along with gold, diamond, everything with pricing to the FOFO. So, that price risk of gold goes to the FOFO, that franchisee holder.
- Moderator:** Thank you very much. We have the next question from the line of Sushma an Individual Investor. Please go ahead.
- Sushma:** Sorry, I joined the call a bit later. So, in the Q4 you were mentioning there will be a jump up revenue in the Q1 that you have mentioned already in the last call. So, may I know sir, will this revenue sustain the Q2, Q3 as well or is there a reduction in the upcoming quarter?
- Amit Modak:** No, I did not hear your question clearly.

**Sushma:** So, in the previous Q4 call you were mentioning, there will be a sudden jump up in the Q1 of FY25 so there is a very big jump of revenue now. So, my question is, is his revenue will continue in the upcoming quarters as well, as you guided like only for one quarter any set of numbers?

**Amit Modak:** Yes, it is a onetime event, because the entire inventory got billed to the franchisee and simultaneously, if you see in our report there is a director's note also which is giving reconciliation to you. If we do the account like old times then how much it would have been, if it is into the directly to the customer. So, how much is sold to the customer. Keeping a note of how much is sold to the franchisee is a different thing than keeping a note of how much is sold to the customer. So, we have sold almost - 13.6 Crores to the customer vis-à-vis in same period last year, we sold Rs.6,52,00,000. So, there is a growth, and this one-time event will not repeat every quarter. But this explanation that is in your reconciliation, top line reconciliation, bottom line reconciliation note will continue for throughout this year, so it will be for your better understanding of the Company's performance. You are coming from which city?

**Sushma:** From Hyderabad.

**Moderator:** Thank you. The next question is from the line of Rajesh Singla from VTG Capital. Please go ahead.

**Rajesh Singla:** So, if I understand the FOFO model usually is treated as an external cost part because we carry receivables as against inventory. So, it is being treated as a receivable in our books, and we have good sales to FOFO in the 1st Quarter driven by the onetime shift inventory because of change in model. So, can you comment on the demand from the FOFO franchisee in the 2nd Quarter, because the 1st Quarter we will have a significant material and the kind of demand we have seen so far in the FOFO from the FOFO model stores in the 2nd Quarter so far sir?

**Amit Modak:** In the 2nd Quarter also, they are doing well. As it is, there was a monsoon sale was there in month of July, where we performed extremely well. And during that period, they were calling for the new variety from our side. And it is a continuous process that earlier purchase items they are sending back as a sales return to us and asking for the new variety we send new variety to them and replace their inventory. So, it's a continuous rotating thing almost 60% to 70% they sell it about 20%, 25% they return as a non-sellable or the variety if they want to reshuffle for the time being and that kind of exercise keep on going, but whatever inventory is with them is getting reflected indirectly in the receivable of the Company. So, as far as current assets are concerned, those are going to remain at same level, either in form of inventory or in form of receivable.

**Rajesh Singla:** Right. So, whatever the way this whole rotation whatever is happening in terms of, that is a normal rotation in the business group that usually happen in all the franchisee. So, despite all the rotation, we are seeing very strong demand on a net-net basis in the 2nd Quarter?

**Amit Modak:** Yes, 2nd Quarter also we are looking good demand, and you will see the figures when 2nd Quarter results come, that those are equally charming and making you happy as it has made happy to you in 1st Quarter. And our wish is the same as your, that we want more and more, and I will do as much as I can, and you all enjoy. If you wish for more then I am ready to provide you the reply and I am ready to supply for your satisfaction.

**Moderator:** Thank you very much. As there are no further questions, I would now like to hand the conference over to Mr. Amit Modak more for closing comments.

**Amit Modak:** I would like to appreciate members who participated in the conference, plus the analyst who have joined the conference for knowing our business or the industry and I am happy that our industry is doing well, they are going at 30% to 40% CAGR. And I am happier that our Company is performing even far better than what industry is performing. That is at 30%, 40% CAGR industry is performing. We are performing beyond 50% CAGR. And I hope that you all will be happy with the Company's performance in the coming days. I assure you that we will leave no stone behind which will give any regret to any of the investor to be with us. Thank you.

**Moderator:** Thank you. On behalf of PNGS Gargi Fashion Jewellery Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.