PCJ

Jeweller for generations

Date: November 12, 2014

To,
The Listing Compliance Department,
BSE Limited,
P. J. Tower, Dalal Street,
Mumbai – 400 001

To,
The Listing Compliance Department,
National Stock Exchange of India Limited,
Exchange Plaza, BandraKurla Complex,
Bandra (East), Mumbai - 400051

Ref.: PC Jeweller Limited (Scrip Code: 534809, Symbol: PCJEWELLER)

Sub.: Management Presentation & Results Analysis for the Quarter ended September 30, 2014

Dear Sir/Madam,

Please find enclosed herewith the Management Presentation & Results Analysis for the Quarter & six months ended September 30, 2014.

Kindly take the same on record.

Thanking you,

Your's faithfully,
For **PC Jeweller Limited**

(SANJEEV BHATIA)
Chief Financial Officer

Encl.: As above

PC Jeweller Limited

Q2 FY 2015 Results Update

November 2014

Disclaimer

Certain statements are included in this release which contain words or phrases such as "will," "aim," "will likely result," "believe," "expect," "will continue," "anticipate," "estimate," "intend," "plan," "contemplate," "seek to," "future," "objective," "goal," "project," "should," "will pursue" and similar expressions or variations of these expressions that are "forward-looking statements." Actual results may differ materially from those suggested by the forward-looking statements due to certain risks or uncertainties associated with our expectations with respect to, but not limited to, our ability to implement our strategy successfully, the market acceptance of and demand for our products, our growth and expansion, the adequacy of our allowance for credit to franchisees, dealers and distributors, technological changes, volatility in income, cash flow projections and our exposure to market and operational risks. By their nature, certain of the market risk disclosures are only estimates and could be materially different from what may actually occur in the future. As a result, actual future gains, losses or impact on net income could materially differ from those that have been estimated.

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PC Jeweller Limited

India's leading jewellery retail chain

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

47 showrooms across 38 cities and 16 states (over 2,76,000 sq. ft. of retail space)

Indian Jewellery Market: ~US$ 50 bn, growing at 18% annually, to reach US$ 90.5 bn by 2018

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

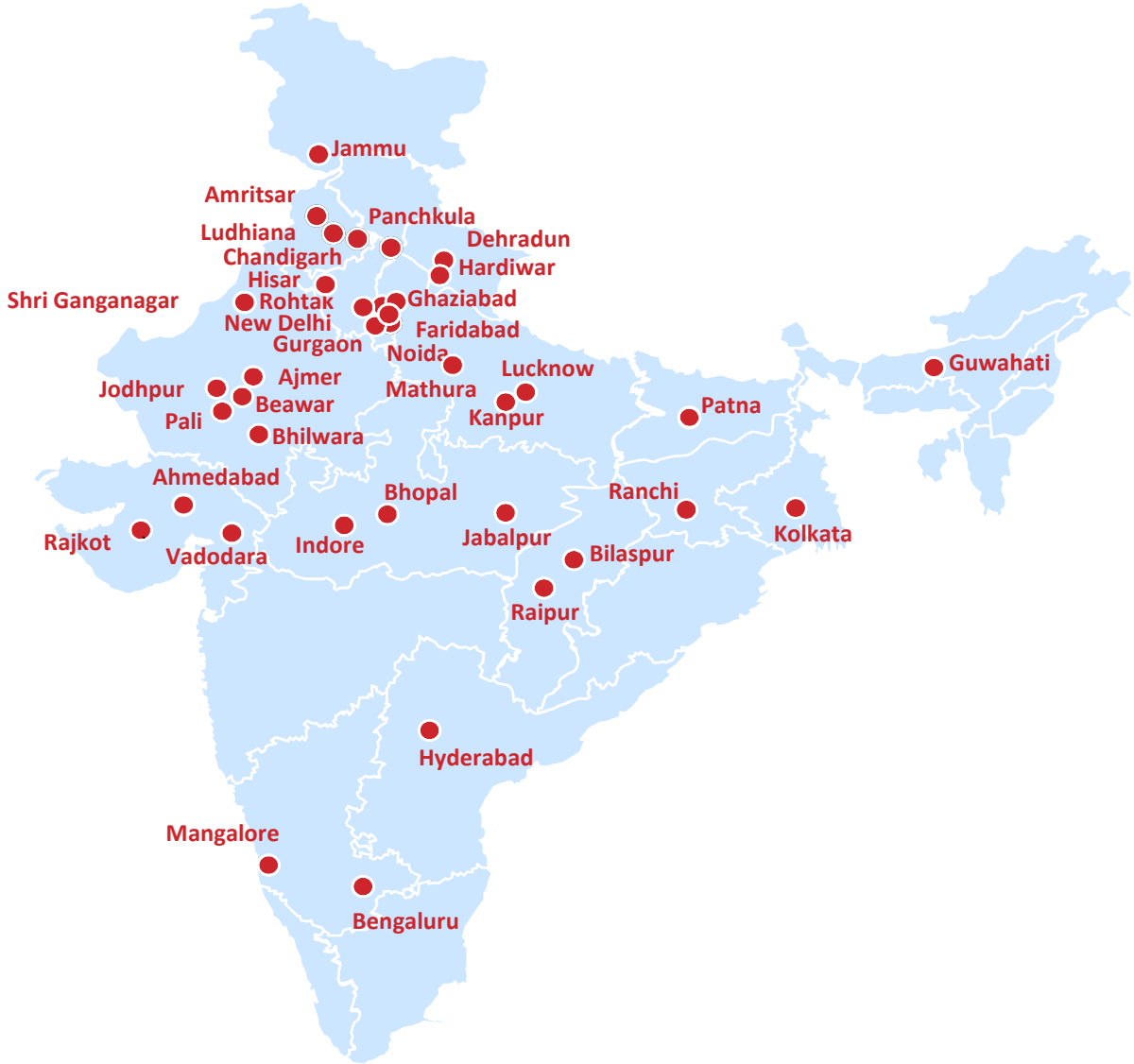
Gold on Lease Model ensures no business risk from Gold rate fluctuations

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

Statutory Audit by Walker Chandiok & Co LLP, an affiliate of Grant Thornton (amongst the Big 5) and M/s S J Associates

A/ A1 (Stable) rating by India's top rating agency, Crisil India Limited (subsidiary of S&P)

Extensive Retail Network – Pan India Reach



- 47 showrooms across 38 cities and 16 states till date
- Expansion plans are well on track with 6 new showrooms opened in FY 2015 till date
- 3 showrooms ready to be opened in Nov and Dec FY 2015. 11 showrooms to be opened in Q4 FY 2015
- Target to open total of 20 new showrooms every year for the next 5 years
- All showrooms are large format showrooms at high street locations
- Not a single showroom closed till now

Q2 FY 2015 – Key Highlights

Q2 FY 2015 Sales: Rs. 11,836 mn (6.5% growth over Q2 FY 2014)

Q2 FY 2015 Domestic Retail Sales : Rs. 9,938.3 mn (44.8% growth over Q2 FY 2014)

Of the total domestic retail sales in Q2 FY 2015, JFL redemptions contributed only 4-5%

Q2 FY 2015 EBIT: Rs. 1,648.7 mn (12.87% growth over Q2 FY 2014)

Q2 FY 2015 Domestic Retail EBIT: Rs. 1,420.5 mn (108.9% growth over Q2 FY 2014)

Q2 FY 2015 PAT: Rs. 792 mn (Q2 FY 2014 PAT was Rs. 1,028 mn)

Q2 FY 2015 Net Business Profits: Rs. 756.3 mn (27.5% growth over Q2 FY 2014 Net Business Profits)

Q2 FY 2015 – Result Analysis

PCJ

- Q2 FY2015 has been a good quarter for us. We have started observing improved sentiments as well as increasing footfalls in our showrooms. Despite the reduction in the gold prices by ~11% from 30th Sep 2013 to 30th Sep 2014 , the overall retail domestic sales have grown on account of volume growth and increased footfalls
- **Overall Sales for Q2 FY 2015 was Rs. 11,836 mn (6.5% higher than Q2 FY 2014)**
  - ✓ **Of this, domestic retail sales contributed Rs. 9,938.3 mn (growth of 44.8% as compared to Q2 FY 2014)**
  - ✓ **Of the total domestic retail sales in Q2 FY 2015, redemptions from JFL contributed only ~4-5%**
- **EBIT for Q2 FY 2015 was Rs. 1,648.7 mn (12.87% higher than Q2 FY 2014). Of this, domestic retail EBIT contributed Rs. 1,420.5 mn**
  - ✓ **We would highlight while domestic retail sales have grown by 44.8%, domestic retail EBIT has grown by over 108.9% as compared to Q2 FY 2014**
- **PAT for Q2 FY 2015 was Rs. 792 mn (as compared to Rs. 1,028.0 mn in Q2 FY 2014)**
  - ✓ **Our business profit (profit net of M2M gains) for Q2 FY 2015 was Rs. 756.3 mn (as compared to 593.1 mn in Q2 FY 2014) - growth of 27.5% in business profit for Q2 FY 2014**
  - ✓ **Effective tax rate has grown from 18.33% in Q2 FY 2014 to 33.5% in Q2 FY 2015**
- Domestic EBIT and Net Business Profit are the relevant parameters to evaluate the business (Please refer Annexure A on Page15 for detailed note on this analysis)
- Company has been strengthening its manufacturing and backend capabilities (machinery, equipment and manpower) in Q1 and Q2 FY 2015 in line with the significant growth in demand for product quantity and variety.
- There is an enhanced focus on regular launch of designs and ranges. Designers from reputed institutes and organizations are being hired to ensure improvement and freshness in designs

Q2 FY 2015 – Result Analysis (Cont'd.)

- Domestic margins have increased from 15.95% in Q2 FY 2014 to 18.50% in Q2 FY 2015
  - ✓ Key reason for the growth in domestic margins is the increase in contribution from diamond jewellery from 30.33% in Q2 FY 14 to 32.46% in Q2 FY 15
  - ✓ Increased focus on designer hand-made gold jewellery where making charges are typically higher as compared to machine made jewellery items
- On a steady state basis, export margins are ~8%
  - ✓ However, export margins keep varying from Q on Q due to forex rate movements and restatement of debtors and creditors on the closing date
- Overall Gross Margins are sustainable at current levels
  - ✓ We are working towards increasing our Domestic Retail margins by focussing on diamond jewellery and designer hand-made gold jewellery

Q2 FY 2015 – Result Analysis (Cont'd.)

- Advertisements (Other Costs)
  - ✓ Advertisements costs for Q2 FY 2015 reduced to 0.58% of the total sales in Q2 FY 2015 from 0.84% of the total sales in Q2 FY 2014
  - ✓ The national level TV ad campaigns were slowed a bit in Q2 FY 2015 as we were working on a new theme based ad campaign. The same has been already launched in the month of October (onset of Festival season)

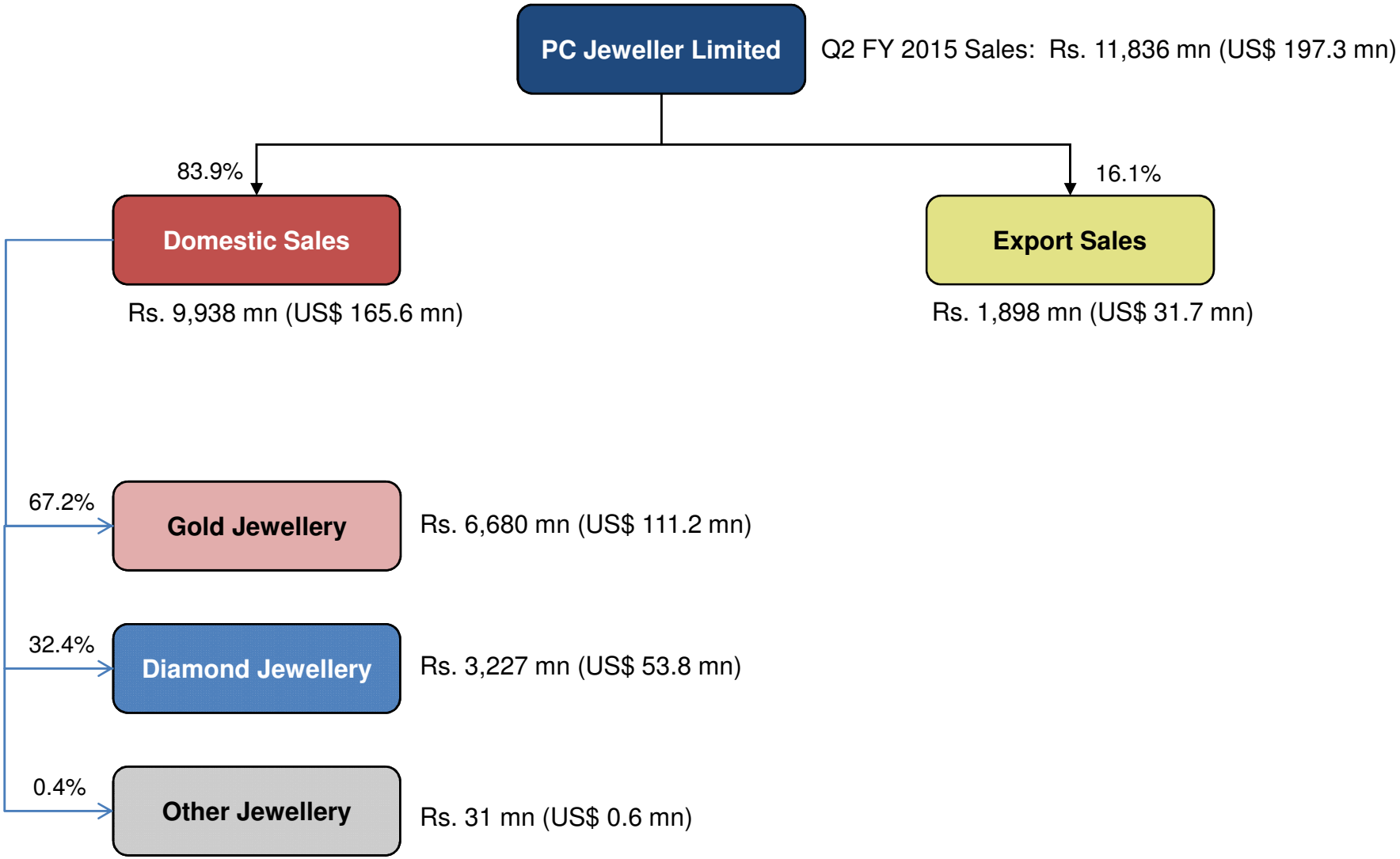
- Finance Costs
  - ✓ Finance Costs for our computation consists of both Interest Cost and Lease Rate Interest
  - ✓ Finance costs in Q2 FY 2015 were Rs. 551.8 mn as compared to Rs. 302.16 mn in Q2 FY 2014. Key reason for this growth are
  - ✓ Increase in operations (from 36 showrooms ending Q2 FY 2014 to 46 showrooms ending Q2 FY 2015)
  - ✓ Advance procurement of inventory for the festive season (beginning 25th Sep) and the upcoming stores, the sales of which will start at a later date
  - ✓ We expect the finance costs to reduce in the coming quarters as the Company has started moving back to the gold on lease model

Q2 FY 2015 – Result Analysis (Cont'd.)

- Inventory
  - ✓ Total inventory as on 30th Sep 2014 was Rs. 30,553.3 mn (an increase of 28.53% from 31st March 2014). Key reasons were
    - Increase in the number of active stores (from 41 as on 31st March 2014 to 46 as on 30th Sep 2014),
    - Advance procurement of inventory for the festive season (beginning 25th Sep) and the upcoming stores, the sales of which will start at a later date

- Net Debt
  - ✓ Net Debt as on 30th Sep 2014 was Rs. 6,780.4 mn as compared to Rs. 6,637.3 mn ending 31st March 2014
  - ✓ Even after opening 5 stores in the last 6 months (from April 2014 till Sep 2014), our net debt has remained at similar levels due to increased utilization of gold lease scheme
  - ✓ We are expecting further reduction in net debt levels by end of this fiscal, even after opening new showrooms in the Q3 and Q4 FY 2015
  - ✓ Net Debt to Networth ratio is 0.37 as on 30th Sep 2014 as compared to 0.39 as on 31st March 2014 inspite of substantial increase in operations

Q2 FY 2015 – Result Analysis (Cont'd)



Note: 1 USD = ~60 INR

Q2 FY 2015 – Result Analysis (Cont'd)

Particulars	Q2 FY 15 (3 months)	Q2 FY 14 (3 months)	Q1 FY 15 (3 months)	H1 FY 15 (6 months)	H1 FY 14 (6 months)
Revenue from Operations (Rs. mn)	**11,836**	**11,117**	**13,230**	**25,066**	**24,907**
Domestic Operations	9,938	6,865	7,823	17,761	18,646
Export Operations	1,898	4,252	5,407	7,305	6,261
Gross Margins	**17.80%**	**17.28%**	**13.63%**	**15.60%**	**15.22%**
Domestic Operations	18.50%	15.95%	18.92%	18.69%	14.24%
Export Operations	14.11%	19.43%	5.97%	8.08%	18.11%
Expenses (% of total Revenue)					
Employee Cost	1.07%	1.01%	0.93%	1.00%	0.85%
Advertisements	0.58%	0.84%	0.29%	0.43%	0.92%
Rentals	0.94%	0.62%	0.48%	0.70%	0.85%
Other Costs	1.28%	1.67%	1.17%	1.21%	1.45%
EBIT Margins	**13.93%**	**13.14%**	**10.76%**	**12.26%**	**11.15%**
PBT Margins	**10.06%**	**11.32%**	**7.49%**	**8.71%**	**9.69%**
PAT Margins	**6.69%**	**9.25%**	**5.26%**	**5.94%**	**7.74%**

Q2 FY 2015 Domestic Retail EBIT has grown by ~108.9% over Q2 FY 2014

Q2 FY 2015 Net Business Profits have grown by ~27.5% over Q2 FY 2014

Effective tax rate being 33.50% (Q2 FY 15) and 18.28% (Q2 FY 14)
While computing gross margins, we have taken into account the component of forex expenses which is otherwise covered under other expenses.

Q2 FY 2015 – Domestic Retail Sales Analysis

	Q2 FY15	Q2 FY14	H1 FY 15	H1 FY 14
No. of Showrooms*	46	36	46	36
Total Retail Area (in sq. ft.)	2,72,200	1,98,000	2,72,200	1,98,000
Total Domestic Sales (Rs. Mn)	**9,938**	**6,865**	**17,761**	**18,646**
Contribution from Diamond Jewellery	32.46%	30.33 %	30.18%	27.42%
Gross Margins (Domestic Sales)	18.50%	15.95%	18.69%	14.24%
EBITDA Margins (Domestic Sales)	14.82%	10.32%	14.91%	9.42%
EBIT Margins (Domestic Sales)	14.29%	9.91%	14.35%	9.12%
PBT Margins (Domestic Sales)	11.27%	7.70%	11.05%	7.76%
Volume of Gold sold (Kgs.)	2,257	1,584.14	3,841.14	4,572.00
Gold price* (24k/10gms in Rs.)	27,100	30,500	27,100	30,500

** As on the last date of the quarter*

Q2 FY 2015 – Focus on Retail Expansion continues

- **Existing Large Format Stores**
  - ✓ 6 new showrooms opened till date in the current fiscal with a total covered area of ~28,700 sq. ft
  - ✓ Today, company is a pan India player with 47 showrooms in 38 cities
  - ✓ It plans to continue its expansion strategy by continuing to open large format stores across Metros, Tier 1 and Tier 2 cities
- **Foray in e-Commerce space**
  - ✓ Company has launched its unique eCommerce store WearYourShine.com
  - ✓ Target is to engage early with younger generation, who are expected to be future high-ticket engagement and wedding customers
  - ✓ We have also entered into an exclusive tie up with Flipkart for online sales. Response received till date on both the platforms (WearYourShine.com and Flipkart) is very promising
- **Franchisee Stores**
  - ✓ We are currently working on developing a franchisee model for Tier III locations, wherein we can leverage on our brand and utilize the infrastructure of local jewellers/ investors and make them our franchisees
  - ✓ 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. Checks and balances are critical to ensure that customer always gets right product at the right pricing across PCJ own and franchisee stores
  - ✓ We are working with Grant Thornton on developing a viable business model ensuring all checks and balances are in place. We plan to open two franchisee stores on at pilot basis this fiscal

Q2 FY 2015 – Regulatory Updates

- Restoration of Gold Lease scheme for domestic operations (was earlier withdrawn by RBI in August 2013). Consequently, we have started procuring gold under the Gold Lease scheme again from Bank of Nova Scotia, Kotak Mahindra Bank and HDFC Bank
- Classification of JFL scheme as ''Deposits'' under the Companies Act 2013. We have stopped accepting subscription under the JFL scheme and have given an option to its members for premature payment either in form of cash refunds or jewellery purchase.
  - ✓ Nearly 90% of the deposits stand redeemed as on 30 Sep 2014
  - ✓ Nearly 60% of the redeemed amount has been in the form of jewellery sales
  - ✓ Total sales from JFL redemption contributed only 4-5% of the total sales from Q2 FY 2015

Annexure A: Computation of Business Profits

Particulars	Q2 FY 15 (3 months)	Q2 FY 14 (3 months)	%age change
Domestic EBIT	1,420.5	680.1	108.9% ↑↑
Export EBIT	228.2	780.6	-70.8%
Total EBIT	1,648.7	1,460.7	12.9%
Finance Cost	551.9	302.2	82.6%
Other Income	-94.3	-100.2	-5.9%
Profit before Tax	1,191.1	1,258.8	-5.4%
Tax	399.1	230.7	72.9%
Tax Rate	33.5%	18.3%	
Profit after Tax	792.1	1,028.0	-23.0%
Exchange Fluctuations (M2M)	35.8	434.8	-91.8%
Net Business Profit	**756.3**	**593.2**	**27.5%** ↑↑

Q2 FY 2015 Domestic Retail EBIT has grown by ~108.9% over Q2 FY 2014

Q2 FY 2015 PAT is lower than PAT of Q2 FY 2014 on account of higher M2M in Q2 FY 2014 and increase in the effective tax rate

Q2 FY 2015 Net Business Profits have grown by ~27.5% over Q2 FY 2014

Domestic and Export EBIT have been adjusted for unallocable expenses

Annexure B: Showrooms opened in FY 2015 till date

Showroom	Area in Sq. Ft.	Opening Date
Ranchi, Jharkhand	3,300	May-14
Guwahati, Assam	4,350	Jun-14
Jammu, J&K	3,250	Jun-14
Patna, Bihar	6,378	Jul-14
Kolkata, West Bengal	8,198	Sep-14
Mathura, UP	3,200	Oct-14

Showrooms opened in FY 2015 till date (Cont'd)

Ranchi, Jharkhand (May 2014)
(3,300 sq. ft.)

Guwahati, Assam (June 2014)
(4,350 sq. ft.)

Showrooms opened in FY 2015 till date (Cont'd)

Jammu, J&K (June 2014)
(3,250 sq. ft.)

Patna, Bihar (July 2014)
(6,378 sq. ft.)

Showrooms opened in FY 2015 till date (Cont'd)

Kolkata, West Bengal (Sep 2014)
(8,198 sq. ft.)

Mathura, UP (Oct 2014)
(3,200 sq. ft.)

Thank You