PCJ

Jeweller for generations

Date: February 6, 2015

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 & nine months ended December 31, 2014

Dear Sir/Madam,

Please find enclosed herewith the Management Presentation & Results Analysis for the Quarter & nine months ended December 31, 2014.

Kindly take the same on record.

Thanking you,

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

PC JEWELLER LIMITED New Delhi

(SANJEEV BHATIA)
Chief Financial Officer

Encl.: As above

PC Jeweller Limited

Q3 FY 2015 Results Update

6th February 2015

Disclaimer

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In addition, other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this document include, but are not limited to: general economic and political conditions in India and the other countries which have an impact on our business activities; inflation, unanticipated turbulence in interest rates, foreign exchange rates, the prices of raw material including gold and diamonds, or other rates or prices; changes in Indian and foreign laws and regulations, including tax and accounting regulations; and changes in competition and the pricing environment in India. The Company may, from time to time make additional written and oral forward-looking statements, including statements contained in the Company's filings with SEBI and the Stock Exchanges and our reports to shareholders. The Company does not undertake to update any statements made in this presentation.

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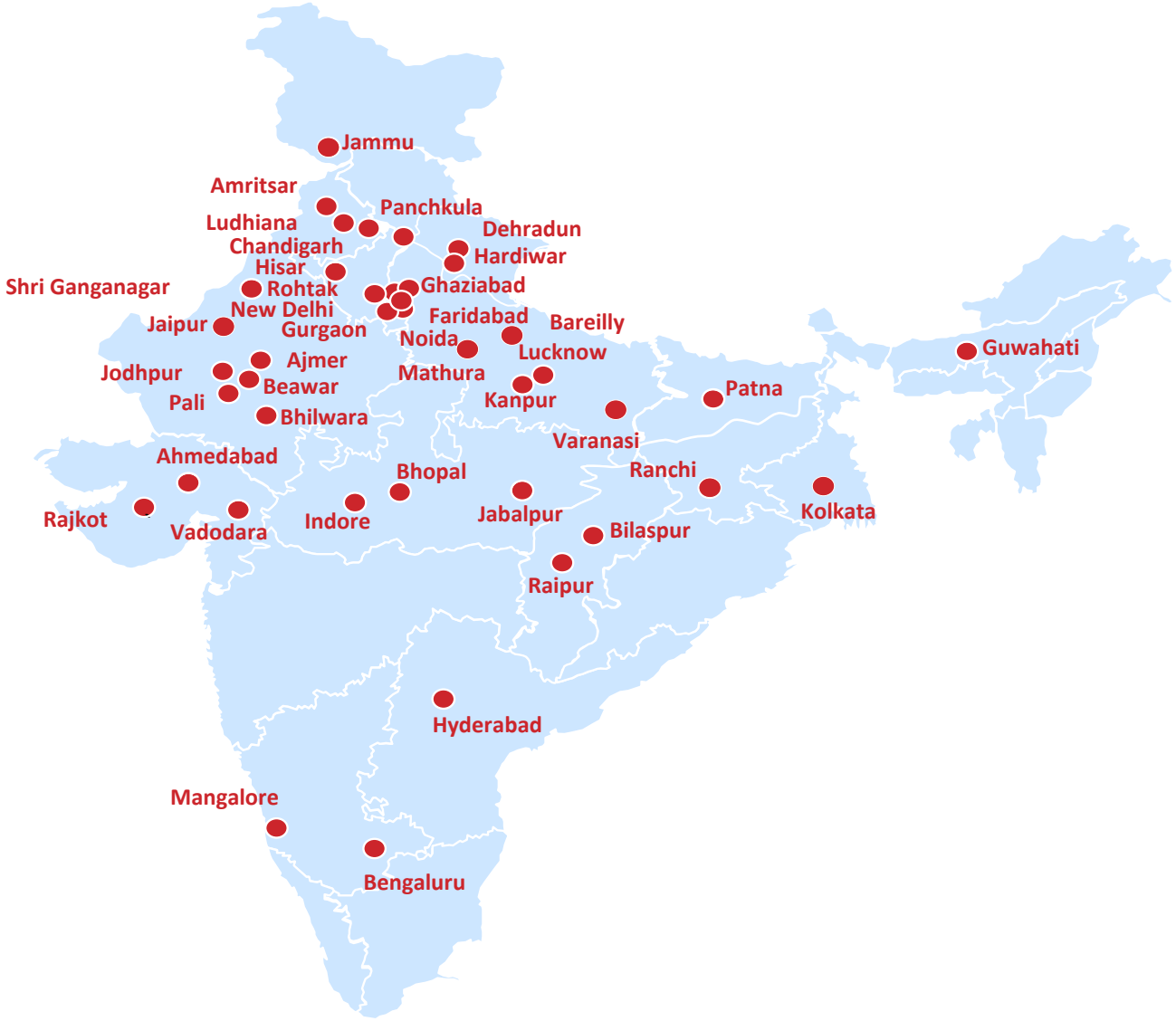
Showrooms opened in FY 2015 till date

Showroom	Area in Sq. Ft.	Opening Date
Ranchi, Jharkhand	3,300	May 2014
Guwahati, Assam	4,350	Jun 2014
Jammu, J&K	3,250	Jun 2014
Patna, Bihar	6,378	Jul 2014
Kolkata, West Bengal	8,198	Sep 2014
Mathura, UP	3,200	Oct 2014
Bareilly, UP	4,000	Nov 2014
Varanasi, UP	13,000	Jan 2015
Jaipur, Rajasthan	20,522	Feb 2015
Total Area added in FY 2015 till date	**66,198**	

- **We reached our 50th milestone by opening grand showroom at Jaipur, Rajasthan last week.**
- **We have grown our retail footprint from 2,47,098 sq. ft. (as on 31 March 2014) to 3,13,296 sq. ft. as of now (over 30% growth in the retail area)**
- **We have already added 66,198 sq. ft. to our retail footprint this year and are looking forward to achieving our growth target of 1,00,000 sq. ft. during the current fiscal**

Growing Retail Footprint



- 50 showrooms across 42 cities and 17 states till date
- Expansion plans are well on track with 9 new showrooms opened in FY 2015 till date
- Target to open 5 new showrooms in Q4 FY 2015
- Target of 20 new showrooms every year for the next 5 years
- All showrooms are large format showrooms at high street locations
- <u>Not a single showroom closed till now</u>

Q3 FY 2015 – Key Highlights

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Q3 FY 2015 Sales: Rs. 18,217 mn (40.3% growth over Q3 FY 2014)

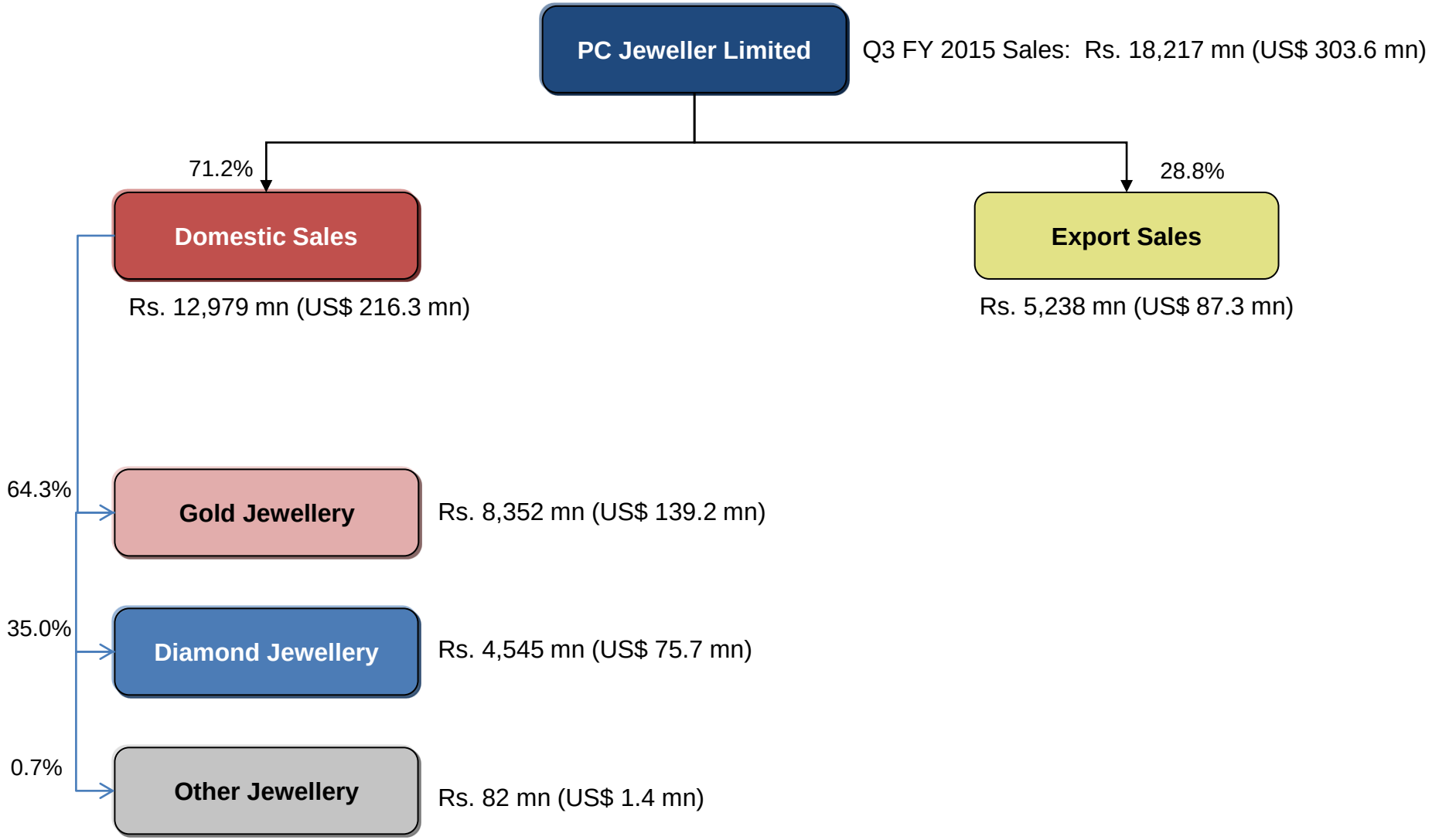
Q3 FY 2015 Domestic Retail Sales : Rs. 12,979 mn (25.5% growth over Q3 FY 2014)

Q3 FY 2015 EBIT: Rs. 2,016.8 mn (44.1% growth over Q3 FY 2014)

Q3 FY 2015 Domestic Retail EBIT: Rs. 1,552.3 mn (53.3% growth over Q3 FY 2014)

Q3 FY 2015 PAT: Rs. 1,092.9 mn (Q3 FY 2014 PAT was Rs. 79.9 mn, 36.6% growth)

Q3 FY 2015 – Key Highlights (Cont'd)



Note: 1 USD = ~60 INR

Q3 FY 2015 – Result Analysis

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Particulars (Rs. Mn)	Q3 FY 15 (3 months)	Q3 FY 14 (3 months)	Q2 FY 15 (3 months)	9 MTHS FY 15 (Apr – Dec)	9 MTHS FY 14 (Apr – Dec)
Revenue from Operations	**18,217**	**12,980**	**11,836**	**43,283**	**37,887**
Domestic Retail	12,979	10,340	9,938	30,740	28,985
Exports	5,238	2,640	1,898	12,543	8,902
Gross Margins	**15.13%**	**15.40%**	**17.80%**	**15.40%**	**15.28%**
Domestic Retail	17.58%	15.46%	18.50%	18.22%	14.68%
Exports	9.04%	15.18%	14.11%	8.48%	17.24%
Expenses (% of total Revenue)					
Employee Cost (Employee Cost as % of Domestic)	0.82% (1.03%)	0.94% (1.07%)	1.07% (1.16%)	0.92% (1.14%)	0.88% (1.02%)
Advertisements	1.58%	1.18%	0.58%	0.91%	1.01%
Rentals	0.56%	0.69%	0.94%	0.64%	0.79%
Other Costs	1.10%	1.81%	1.28%	1.23%	0.59%
EBIT Margins	**11.07%**	**10.78%**	**13.93%**	**11.76%**	**12.01%**
PBT Margins	**8.36%**	**8.65%**	**10.06%**	**8.56%**	**9.33%**
PAT Margins	**6.00%**	**6.16%**	**6.69%**	**5.96%**	**7.20%**

Effective tax rate being 28.25% (Q3 FY 15) and 28.76% (Q3 FY 14).
While computing gross margins, we have taken into account the component of forex expenses which is otherwise covered under other expenses.

Q3 FY 2015 – Domestic Retail Sales Analysis

	Q3 FY15	Q3 FY14
No. of Showrooms*	48	40
Total Retail Area (in sq. ft.)	2,79,400	1,98,000
Total Domestic Sales (Rs. Mn)	**12,979**	**10,340**
Contribution from Diamond Jewellery	35.00%	27.31 %
Gross Margins (Domestic Sales)	17.58%	15.46%
EBITDA Margins (Domestic Sales)	11.57%	10.08%
EBIT Margins (Domestic Sales)	11.14%	9.79%
PBT Margins (Domestic Sales)	8.03%	7.91%
Volume of Gold sold (Kgs.)	2,886.40	2,303.91
Gold price* (24k/10gms in Rs.)	26,772	28,144

* *As on the last date of the quarter*

Q3 FY 2015 – Results Discussion

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- Q3 FY2015 has been a very satisfying quarter for us.
  - ✓ This was primarily owing to improving sentiments and increasing footfalls in our showrooms, the wedding and festival season in Q3, launch and aggressive marketing of the unique Flexia collection
  - ✓ Despite the reduction in the gold prices by 4.9% from 31 Dec 2014 to 31 Dec 2015 , the overall retail domestic sales have grown on account of volume growth and increased footfalls with newer customers coming in
- Overall Sales for Q3 FY 2015 was Rs. 18,217 mn (40.3% higher than Q3 FY 2014)
  - ✓ Of this, domestic retail sales contributed Rs. 12,979 mn (growth of 25.5% as compared to Q3 FY 2014)
- Company has experienced overall same store sales growth of ~10%. Same store sales growth in metro locations has been flattish, however, the same store sales growth from Tier 1 and Tier 2 cities has been around 15%.
  - ✓ The balance growth has come from the new stores opened during FY 2014 and FY 2015 till date.
- Company also launched a unique detachable diamond jewellery collection Flexia in Q3 which has received very good response from customers
- With the restoration of Gold on Lease scheme, company has gradually moved to having all the gold on lease basis. Currently nearly 95% of the gold inventory is on lease basis.
- We set up a focussed ecommerce vertical www.WearYourShine.com in Oct 2014 with an aim to become India's finest online fine diamond jewellery portal focusing 100% on customer experience, pricing and designs. We have also done tie-up with Flipkart and Snapdeal for online jewellery sales
  - ✓ Strong online presence will help us attract younger generation consumer as well as working women. Low to Medium ticket online sales will help us target the potential high-ticket wedding customers at an early stage. We are confident that a regular visitor/ buyer at PCJ website (www.WearYourShine.com) will definitely visit/ prefer nearby PCJ Showrooms when she/ he has to evaluate a high-ticket wedding jewellery purchase.

Q3 FY 2015 – Results Discussion (Cont'd)

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- Domestic margins increased to 17.58% in Q3 FY 2015 from 15.46% in Q3 FY 2014. Key reasons for this growth have been
  - ✓ Significant growth in the diamond jewellery contribution in this quarter owing to launch of unique Flexia Collection (diamond jewellery contribution grew from 27.31% in Q3 FY 14 to 35.00% in Q3 FY 15). On a steady state basis, we expect diamond jewellery to contribute to ~30-32% of the total domestic retail sales for next 2-3 years.
  - ✓ Increased focus on designer hand-made gold jewellery where making charges are typically higher as compared to machine made jewellery items
- Export margins for Q3 FY 2015 were 9.04%, which are in line with the steady state margins. However, export margins keep varying from Q on Q due to forex rate movements and restatement of debtors and creditors on the closing date
- EBIT for Q3 FY 2015 was Rs. 2,016.8 mn (44.1% higher than Q3 FY 2014). Of this, domestic retail EBIT contributed Rs. 1,552.3 mn (76.97%).
  - ✓ **We would highlight while domestic retail sales have grown by 25.5%, domestic retail EBIT has grown by over 53.3% as compared to Q3 FY 2014**
- PBT margins have declined due to reduction in other income.
- PAT for Q3 FY 2015 was Rs. 1,092.9 mn (as compared to Rs. 799.8 mn in Q3 FY 2014, a growth of over 36.6%)

Q3 FY 2015 – Results Discussion (Cont'd)

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- Advertisements
  - ✓ Advertisements costs for Q3 FY 2015 grew to 2.22% of domestic sales
  - ✓ The growth has been on account of new national TV and Print campaigns launched in the month of October as well as the extensive advertisement for the festive and marriage season.
  - ✓ Our new TV Campaign based on Women Empowerment has been appreciated by large set of customers and critics

- Finance Costs
  - ✓ Finance Costs for our computation consists of both Interest Cost and Lease Cost. Finance costs in Q3 FY 2015 were Rs. 570.8 mn (3.13% of sales) as compared to Rs. 404.5 mn (3.12% of sales) in Q3 FY 2014.
  - ✓ The company has been able to stabilize its finance cost inspite of increase in operations (from 40 showrooms ending Q3 FY 2014 to 48 showrooms ending Q3 FY 2015)
  - ✓ We have gradually moved to gold on lease model (currently 95% of the gold inventory is already on lease) which will help us reduce the finance costs in the coming quarters

Q3 FY 2015 – Results Discussion (Cont'd)

- Rentals
  - ✓ Overall Rental cost grew to Rs. 101.5 mn in Q3 FY 2015 from Rs. 89.5 mn in Q3 FY 2014 (growth of 13.4%)
  - ✓ This was on account of increase in total showrooms from 40 to 48
  - ✓ However, the rental %age to sales has declined from 0.69% in Q3 FY 2014 to 0.56% in Q3 FY 2015

- Employee Cost
  - ✓ Overall Employee cost grew to Rs. 149.8 mn in Q3 FY 2015 from Rs. 121.5 mn in Q3 FY 2014 (growth of 23.3%)
  - ✓ This was on account of increase in total showrooms from 40 to 48
  - ✓ For the domestic retail business, the employee cost is ~1% of the retail turnover

Recent Industry Updates

- PC Jeweller has recently been designated as Nominated Agency by the Additional Director General of Foreign Trade (CLA), Ministry of Commerce & Industry, Department of Commerce, New Delhi
  - ✓ This permission makes the company eligible for direct import of Precious Metals (Gold/ Silver/ Platinum) for domestic business
  - ✓ We believe direct import of precious metal will help us lower the interest on gold loan and other associated costs and should have a positive impact on our RoE.
- RBI has also recently relaxed gold procurement guidelines by withdrawing the 20:80 Scheme. This has reduced overall premiums on the gold and smoothened the gold supply chain. This coupled with the restoration of Gold on Lease scheme has removed the regulatory overhang on the sector
- Make in India
  - ✓ Government has brought Gems and Jewellery under the prestigious ‘Make in India’ programme with a vision to make India a Global Hub for jewellery processing
  - ✓ The focus is on skill development and hence Jewellery is one of many sectors that government has identified for 'Make in India'.

Recent Industry Updates (Cont'd)

- FICC and WGC Recommendation
  - ✓ FICCI and the World Gold Council (WGC) have also recently issued a report wherein they have given recommendations to Indian policy makers with a focus is on establishing an India Gold Exchange to ensure pricing standardisation, increased transparency and improved supply and demand analysis.
  - ✓ The recommendations also mention standardisation of gold so that buyers and sellers can have faith in both the quality and price of their products.
  - ✓ The suggestion is to introduce guidelines for compulsory quality certification of all forms of gold to encourage accountability. Such compulsory certification is a strong consumer friendly initiative and will be a strong boost to organized jewellery retail.

Annexure

Showrooms opened in FY 2015 till date

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.)

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

Bareilly, Uttar Pradesh (Nov 2014)
(4,000 sq. ft.)

Varanasi, Uttar Pradesh (Jan 2015)
(13,000 sq. ft.)

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

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

Thank You