

Date: 22<sup>nd</sup> August, 2023

<p>The Manager- Listing</p> <p><b>The National Stock Exchange of India Limited</b></p> <p>“Exchange Plaza”, Bandra – Kurla Complex, Bandra (EAST), Mumbai – 400051</p> <p><b>NSE SYMBOL: SENC0</b></p>	<p>The Manager – Listing</p> <p><b>BSE Limited</b></p> <p>Corporate Relationship Department Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai -400001</p> <p><b>BSE SCRIP CODE: 543936</b></p>
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**Sub: Earnings Call Transcripts**

Pursuant to Regulation 46(2)(oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of Investors’ conference call organized on August 16, 2023 post declaration of Financial Results (Standalone & Consolidated) for the quarter ended June 30, 2023.

The transcript is also available on the website of the Company:

<https://sencogoldanddiamonds.com/investor-relations>

Kindly take the same on record and acknowledge receipt.

Yours sincerely,

For SENC0 GOLD LIMITED

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Company Secretary & Compliance Officer  
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**Senco Gold Limited**

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## “Senco Gold Limited Q1FY24 Earnings Conference Call”

August 16, 2023

**Moderator:** Ladies and gentlemen, good day and welcome to the Senco Gold Limited 1QFY2024 Earnings Conference Call hosted by Ambit Capital. 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 the 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 Mr. Alok Shah from Ambit Capital. Thank you and over to you, Sir.

**Alok Shah:** Thank you, Zico. On behalf of Ambit Capital, I would like to welcome the management of Senco Gold Ltd. for their Q1FY2024 results conference call. I would also like to thank all the participants who are joining the call. From the management of Senco, we have the senior management team led by Mr. Suvankar Sen, Managing Director and CEO and Mr. Sanjay Banka, CFO. I will now hand the call to Mr. Suvankar Sen for his opening remarks post which we can take the questions. Over to you Suvankar Sir

**Suvankar Sen:** Thank you. Thank you very much. Good evening, ladies and gentlemen to the earnings call of Senco Gold Limited. Before we get into the performance of the company, we would like to talk a little bit about the industry just to put ourselves in the right perspective. So the total jewelry industry is Rs.4.5 lakh crore around \$58 billion size out of which we can assume that 33% to 38% of the total industry size is for the organised players and in the future it is predicted that the industry size would move up to around \$80 billion and share of the organized players will go up to 45% - 50% over the years FY26 or FY27 and the drivers to this movement of unorganized to organized are certain factors primarily these are the hallmarking that has become mandatory which even with our performance we can see that the preference of the consumers is moving more towards branded players following certain



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system and processes. Also, the fact that with GST, the various laws and rules, it is getting difficult for the unorganized players to work and they are shifting to be organized players in the sector like us. And players like us are having a kind of a tailwind to move ahead of the others. Also there has been a preference for the consumer towards buying from brands, the design and the collection. It is no more a time of just selling a product or a category, it is about selling stories. It is with that perceptiveness I think brands are moving ahead of the unorganized sector.

Now very important overall if you look at it in terms of the margins and the profitability of a jewellery company, we have seen that the share ratio or the ratio of the share of diamond jewellery in the overall sales of the company is very, very important to ensure that the profits keep increasing and we have seen that the industry average has been around 15%. For Senco in terms of the share of diamond jewellery in the overall sales, it has been in the range of 9% to 10% and our endeavour has been to move towards 15%, and we have seen especially this Q1 our share of diamond jewellery has been 11% and in terms of quarter-on-quarter performance of diamond jewellery, in the overall jewellery sales, we have seen a huge growth of 50% in terms of value and around 34% in terms of volume of diamond jewellery.

We are all aware that the IPO has been a great success for Senco. We are really overwhelmed and humbled by the fact that there has been a 190 times of interest shown by the institutional investors and around 75 to 77 times in terms of the overall subscription for our IPO and it is only with that hope that as a team, we are working and trying our level best to work with full commitment and passion to take the company forward and even in the industry itself, we can see that in the future, the coming 10 to 15 years, we are extremely optimistic the way things are moving. There will be growth for India and along with growth for the country, there will be demand for jewellery as a category.

Now in terms of the number of showrooms that we have been able to open in Q1, we have opened total number of six stores out of which five have been company owned company operated and one franchisee and as a result, our number of stores have moved up above 140. The new geographies that we have entered in the Q1 is Sikkim, Gangtok to be more specific and we can see that as a part of the organised sector, we are the first jewellery retail player to have opened a store in Gangtok. We have also entered the MP market, marking our foray into Central India, if we may say. Also, in terms of number of stores, in terms of franchisee, which has been one, the important milestone for us as a company is that this has been our first franchisee into Bihar. While we have franchisees in Jharkhand, we had always company owned and company operated stores in Bihar, in Patna, but we have opened our franchise store in Bhagalpur that opens up the opportunity to open more and



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more stores in Bihar as a part of the strategy. In terms of the pipeline of the new stores that we intend to open over the next quarter, we have eight in the pipeline out of which namely there are stores in Chandigarh, one in Kolkata, one in Delhi, one in Bengaluru and one in Pune.

Now let me get into a little bit of the numbers. During the quarter, we have seen that in terms of the Q1 of the previous financial year to Q1 of this financial year, there has been a growth of over 29% in revenues and if you look at the price of gold that was there in Q1 of the previous financial year to the Q1 of this financial year, as per our estimate and calculation, it was on average Rs.5,100 per gram in the previous year's quarter to Rs.5,900 per gram in this year's Q1. In addition, we have also achieved a volume growth of 8% from 1,400 kg to 1,600 kg. Incidentally, we also achieved an increase in stud ratio as I mentioned from 9.6% to 10.8% - - 11% kind of a growth, which is mainly driven by our growth and the sales that we have had in North India wherein Delhi NCR region we have seen a stud ratio of 18% to 20%, so this is where we would like to continue to focus our growth as we have already mentioned before in Eastern and Northern part of the country with two strategic imperatives. One is to continue to leverage our brand and goodwill in Eastern India and to build the brand more and more in Northern part of the country that will also help us with our diamond jewellery sales and growth.

So, the value of growth in silver and platinum also has been around 15% and 17% respectively and the volume has been 7% in silver and 9% in platinum and if you look at like to like or same store sales growth in the overall growth it has been 21%. So that is the kind of same store sales growth that we have seen from our existing stores. When we talk about our digital business, it is not only the direct sales that we do through our websites, but we have seen that there have been consumers looking at our website. They are looking into the designs that we are putting up on the website and then taking a call, decision - leads are being generated, going to the store and then buying the jewellery and as per our estimates, we have seen that around 12% of the business that we have garnered has been digitally led. So, in the overall growth, we can say that the franchisee business has grown by 18% while our overall own stores have grown by a higher percentage. Now, one thing that is there is the number of customers. So, we have had our monthly installment scheme, the Swarna Yojana as we call it. Our customer base for Swarna Yojana is around 80,000 and the total outstanding that we have from the customers, the kind of deposits that we have garnered from them is Rs.200 crore in the last quarter and as I have already mentioned, the HUID program that was initiated by the government has been a major role in which we have seen a large number of customers coming for old gold exchange and the purchase of jewellery by customers from old gold exchange has increased and the customers have also increased to 24% from 19% last year out of the total purchase of 1.8 tonnes of gold that we have seen



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and this includes around 50% customers who have been first time. So that is where I think that shift of the unorganized to organised players have been happening in which new customers who have not been buying from Senco, but the unorganized players are now planning to buy from branded players and adding to the customer base of Senco.

In terms of the ATV and ASP, we have seen that grow by 20% or so and the new buyer contribution has been around 45% to 50%. With the repeat footfall of customers, the loyal customers that continues to come and buy has also gone up from Rs.68,000 to Rs.86,000 and in terms of the number of pieces of jewellery that we have sold, we have sold 2,88,000 pieces of jewellery to over 1,89,000 customers increasing around 8% year-on-year. So, this has been few of the success and achievement of Senco in the Q1 and we look forward to continue to perform, continue to reach out to our customers, strategize and build new initiatives so that customers keep coming to us.

In terms of production and new designs that we have created in the Q1, we have added about 9,000 designs in gold jewellery and 6,000 designs in diamond jewellery. Along with that there have been initiatives taken by the IT Department in terms of ensuring that the ISO certification 27001 is confirmed, the Cisco networking connecting all the stores ensuring that the data and the internet speed and connectivity happens truly and the ERP that we have implemented of Microsoft and the CRM, there should not be any kind of network issues and that is why we implemented the same.

So, this has been an overall success and achievement of the company in Q1 along with the great success of IPO and all the support that all of you have given and we would like to continue with that same energy and vigor in Q2 and the year forward. Now I will request Mr Banka to take you through certain numbers and certain areas of our business.

**Sanjay Banka:**

Sir, thank you very much. So as mentioned by our MD about the business performance, the performance has translated into a good financial performance. So, the revenue has increased by 29% to Rs.1,304 crore in Q1 and this was the highest ever Q1 with such a revenue. The benefits have also flown at the EBITDA level margin. So, margins have improved by 27% from Rs.67.20 crore to Rs.69.91 crore and the PAT improved by 22% from Rs.22.55 crore to Rs.27.67 crore on a consolidated basis. Now this clearly shows that we are controlling our costs and expenses in a proper manner. We are also very happy to announce post the IPO as our networth has increased; our debt equity ratio has become below 1. Before IPO it was in the range of 1.2x and now it is 0.84x and we will continue to leverage our balance sheet very efficiently and capital allocation for the new stores will be done in line with our business plan. Our inventory which has come down during Q1 on account of post the festive season, now again, we will be building up our inventory as we are heading ourselves



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for the next quarter. The blended rate of borrowing as we explained during the pre IPO period, the blended rate of borrowing is around 6% and on the gold metal loan we pay around 3% to 3.5%. So, if you see the interest rate it gives us a superior return on net worth which is in the range of 20% and will continue to work on this line. So, with that, we open the house for Q&A session, and we will be delighted to answer to your queries and share our future plans with you.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Devanshu Bansal from Emkay Global Financial Services. Please go ahead.

**Devanshu Bansal:** Thanks for the opportunity and congratulations for a very strong set of numbers as well as on your first call after IPO. Sir, I wanted to better understand this 30% growth number that you have delivered in Q1? Is this the rate that we expect to continue going into coming quarters as well or there is some extent of preponement of some of the purchases that would have happened in the coming quarters, so first question is on this Sir.

**Suvankar Sen:** So, Devanshu if we look at the historical numbers, I am sure that all of us are trying to analyze that how the year is going to be like, right. So, if you look at historical numbers the growth for Senco on a conservative approach in the range of 15% to 20%. This particular Q1 is the quarter of Akshay Tritiya and then is the summer wedding season. Then we have a Q2 where there are no such wedding seasons that would be there. But again, last year also we have always seen that the H1 of a particular financial year has a business of about 40% to 45% while the H2 of the financial year has a business of 55% to 60%, so our endeavor is to continue to perform like the way we have been doing in the past which will continue to remain. But at the same time every quarter is important, and every quarter needs its own strategy, and we will closely observe and keep sharing the information with all of you as and when the quarter crosses in terms of our performance, but like the path, the range and the target of 15% to 20% growth, this is going to be our endeavor and our effort to move towards those numbers.

**Devanshu Bansal:** Got it Sir. Typically, between Q1 and Q2, what is the kind of seasonality as in how much is Q2 lower versus Q1?

**Suvankar Sen:** Q2 is lower by see if you look was lower approximately. So that is what we have seen the seasonality between Q1 and Q2. So, we could do some kind of analysis accordingly, but at the same time though we would not want to give this is our first time post listing that we are all in discussions with all of you. The performance numbers, the month of July and we are in the middle of August. The customer response and the retail response has been good, and



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we are looking at compared to last year, the numbers are better. So, this is how we would look at it.

**Devanshu Bansal:** Got it Sir. Sir given a very strong performance on this studded mix side, I wanted to understand this margin decline? So, what was the reason for that? Is it largely because of higher mix of gold exchange or how should we see it because we have seen a very strong improvement of stud?

**Sanjay Banka:** As you have seen in jewellery industry the structure of gross margin is not same in all the four quarters. So even in Q1 last year the EBITDA margin was 5.5%. Obviously, EBITDA margin is a sub product of gross margin. So, it clearly is dependent upon the stud ratio and the franchise sale. So last year, our franchisee growth was slightly lesser in a single digit and we are very happy to say and that this year franchisee growth has been more than 20% so a higher franchise sell will result into slightly lower gross margins but a higher return on net worth so that is one and similarly the old gold which was 25%, this quarter we have seen a very high input of old gold not only from Senco customer but for non Senco customers, so this has played relative impact on the margins. Also, gold price plays a small impact but overall if we look at the EBITDA margins at the same range which has been there last two to two years within the range of 7% to 8%. Q1 is the indicator but not a full year. So, we must say that the full year performance should be in line with the past trend. For example, in last year our PAT in H1 was around Rs.30 crore to Rs.40 crore and in H2 it was almost Rs.130 crore so we expect a similar trend, and you will see more when the Q3 results come into public domain.

**Devanshu Bansal:** Got it. Mr. Banka what is the growth that you called out for franchise; it is higher than the overall company growth of 30% is what you are saying?

**Sanjay Banka:** Sorry.

**Devanshu Bansal:** Franchise growth in this quarter is higher than the overall company growth of 30% ?

**Sanjay Banka:** I said franchise growth is in the 20% range, around 18% whereas the own channel grew by 29%. So, from channel 29% and franchise 18% which was less than 10% last year, so overall 29%.

**Moderator:** Thank you. Our next question is from the line of Drisha Poddar from Carnelian Capital. Please go ahead.



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**Drisha Poddar:** Thanks for the opportunity. I just wanted to understand like continuing from the previous participant's question that this 29% and the strong growth that we have seen, how much of this would have come purely from the bullion sales?

**Sanjay Banka:** The bullion sales will not be too much. See bullion sale in our case Drisha, are not more than 2% to 3%. So, if you look at Rs.4,077 crore turnover, I think it is less than 1% not even Rs.40 crore. Our main business is jewellery business we do not focus on coins, bullions etc., because there the gross margin is lesser. We focus on a high margin yielding products as our strategy.

**Suvankar Sen:** To add on, Drisha I want to give more explanation. We have had an export sale of close to Rs.45 Crores to Rs.50 Crores which is again a very low margin kind of a channel so if you can say that rather than on the bullion sale out of the growth we have, we have seen a sales growth of exports which does not add to the gross margins to that extent. So, this is how you need to look at it. See for example just to give you all an idea till say YTD, we have had an export sale of Rs.77 crore right YTD. The previous year the similar time our export sales was around Rs.19 crore. So that is like Rs.50 crore to Rs.55 crore of extra sale which does not have a high gross margin, so this is where you could say that why overall the margins has not been looking that great.

**Drisha Poddar:** Okay and Sir what has led to this sudden, such a high growth in exports?

**Suvankar Sen:** See what has led is that there has always been a market for jewellery export and there are customers all over. We have seen that gradually for say most of our exports happen in Middle East, little bit in Singapore and the demand from the customers worldwide has always been there and we are also putting our efforts. I am a member of the Gem and Jewellery Export Promotion Council. So, we are reaching out to new customers and taking orders. Overall, in the whole scheme of things, say Rs.50 crore to Rs.60 crore in the overall sale of more than Rs.1,000 crore is 2% to 3% only, but that is what it is. The growth looks high, but in absolute terms the numbers are lower. But there is a demand for jewellery that is happening and one more thing we can say and see is that unorganized players the availability of capital and the ability to execute orders of customers worldwide is also becoming a capability for us compared to the unorganized players who are unable to cope up of execution of orders. So, this is how I think the two factors that are playing up for us to grow our exports though in the overall scheme of thing it still remains to be in the range of 3% to 4% of the total sales.

**Drisha Poddar:** Right understood thanks. I will join the queue again if I want. Thank you so much.





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**Moderator:** Thank you. Our next question is from the line of Aejas Lakhani from Unifi Capital. Please go ahead Sir.

**Aejas Lakhani:** Congratulations for the results. So Suvankar I have a couple of questions? First is could you just explain us this is your first maiden call, so how is the hedging policy at the company level? Are you always 100% hedged or is there some component of gold prices like the mark to market prices which also sit in the gain? Could you explain that entire piece for us?

**Suvankar Sen:** Right. So, see our hedging, if you remember happens in two to three ways. One is the metal gold loan that we take from the bank, the unfixed metal gold loan. So that is a system of auto hedging. The second is the position we take on MCX in terms of the future sales or options. So, these are the methods of hedging that we use and as per the policy, we have always remain hedged majority of the times. More than 50% is what the policy says, but over the years we have always stayed hedged above 80%. So, this has been the kind of hedging procedures that we have been following and in the same manner in Q1 we have followed, and the hedging has been above 80%.

**Aejas Lakhani:** So Suvankar it is fair to then assume that the margins in FY23 would have some amount of mark to market benefit of the gold price increase sitting in the gross margins?

**Sanjay Banka:** This is basically as we said that we are 80% to 90% hedged right which means that effectively we do not make any gain or loss in the case of price rise or price fall. Now the gains or the losses which are there, let us say there are unrealized gain so let us say even in Q1 as the gold price goes up there is unrealized gains. Now unrealized gains will not move into the gross margin, but what you should see is that over two to three quarters when the realization happen the impact will be there. Now to answer to your specific question, yes, last year partly a part of the gross margin was on account of accounting gain which moved to the gross margin and that is why in the current year we are expecting slightly lower gross margin as we look into the new markets and as we look at the intensifying on our customer interest and to pull new customer interest in the market.

**Aejas Lakhani:** Suvankar my second question is that you had a substantial franchise set up for 15 years running so I want to really understand that what makes franchisees stick with Senco? Today a lot of the players are trying to go to franchise mode, both the leading national players as well as the other aspirants which also operates franchise so what makes the franchise stick with Senco? Is it lower upfront fee? It is better support? Could you speak a little bit about the same?

**Suvankar Sen:** I will try to share without really disclosing too much, which might be sensitive information for the strategy of the company, but all we can say that Senco has always been known for



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products which are affordable and lightweight. That is our USP. Coming from Kolkata, which is the hub of jewellery creation and manufacturing, working directly with the Karigar, we create jewellery within the ticket size or budget of the customer, the middle class and upper middle-class customer of the country. So, we have always been addressing the big base of customers, the broad and big fat middle class and at the same time, our focus for our franchisees business has been the tier two, three and four cities of the country which the customer has certain limitations of budget and we have been able to provide designs as per their tastes and preferences. So, these are the two to three reasons. Other than that, I am sure that any good organization or company that is trying to get into the franchising business many of them are successfully running it as well but the bond, relationship, and we treat them as family. So, these are all very soft and subjective matters but the real would be in terms of the product that we create which is as per the taste of the middle, upper middle class and as per within their budget. I have always been saying that our average ticket size has been in the range of Rs.60,000 to Rs.70,000 that we sell to the customers and that is what I think that everyone and anyone can afford. So, that has been our benefit I can say.

**Aejas Lakhani:** Got it and finally just in the own stores, your sales from existing stores and new stores could you quantify this sale per store on an average?

**Sanjay Banka:** That is what we are saying that the LFL growth this year has been 21% so the store growth has improved. In fact, if you look at trailing 12 months, I am giving you the breakup the trailing 12 months, last year Q1 we have got 131 and now 142 stores, so almost 11 new stores have come up across India East and Northeast seven, North one, west two and South one. Now if you look at growth across the various geographies, the highest growth we have received is the West to the extent of 56% because the stores some are small and so on. So last year franchisee had grown sub 10% and this year franchise has grown 18%. So, with this growth in franchise clearly the tier two and tier three towns which were facing some post COVID difficulty, I think they are out of those challenges, and we are likely to see a higher growth in the rest of the year and particularly as we are building up our inventory for the festive season.

**Aejas Lakhani:** So that's noted could you just call out what is your revenue per store, existing and new?

**Suvankar Sen:** Revenue per store existing and new.

**Aejas Lakhani:** The new stores track record say one to one and a half years. What is the average earning there and the existing store revenues?

**Suvankar Sen:** So Aejas if you look at the overall turnover as on March 31, 2023 are Rs.4,077 crore with a number of stores of 137, so our average sale has been in the range of Rs.30 crore to Rs.35



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crore right and there are stores which does above Rs.50 crore to Rs.60 crore to Rs.70 crore and there are stores that does below Rs.30 crore as well. So anyway, it takes about two to three years. Going store by store it might not be possible for us to share that information over the call, but we will be happy to extend and take you through the model anytime in the future.

**Aejas Lakhani:**

Got it and just finally Suvankar the studded share used to be in the mid single digits up till a couple of year back and now some stores it is doing 15% to 20% so what is being and at a blended level even you are at 11% which is quite respectable, so I wanted to understand that in the last 3 to 4 years where is this studded sale? Is it a function of something internally that is being done by Senco or is it is a function of the external environment?

**Suvankar Sen:**

So, any ways to achieve a strategy you need to have multiple plans in place. So, one is in terms of design development, two is like to train the team and to motivate them towards serving the customers better. Third is that overall, if you look at it the psychographics, the fashion, and the lifestyle of the consumer, so there is an inherent demand for diamond jewellery that has also been on an uptrend. Fourth is the young consumer. If you look at it, the ones who are now going across buying the kind of clothes that they are wearing, the occasions that they are visiting, so today modern western designs of gold jewellery are being produced, but at the same time diamond jewellery are more western and modern, so these are the four factors and we have understood those factors and we are ensuring that we are keeping the right product for the customers. So, this is what I think would have helped us to achieve the growth.

**Sanjay Banka:**

Aejas as you are asking moreover, we have invested in the team for the diamond. We have invested in the inventory and as you see our diamond sale had almost doubled during the period FY17 to FY22. Last year FY23 the diamond jewellery sale increased by 30% and in the current year if you look at Y-o-Y the current year, the diamonds jewellery sale has increased by almost 50% with an almost high concentration across all areas. In second point as you said the stud ratio and even in the press release, we said while our blended stud ratio which is at 11% currently will be around say 14% to 15% in the own store and around 7% to 8% in the franchise that is growing across the franchise also and we saw the geography let us say NCR in Delhi it is in the range of 15% to 20%. So, we are committed to increase our stud ratio as it is a very important driver for the topline as well as the bottom line.

**Suvankar Sen:**

If you look at it against that we have a sub brand called Everlite which is lightweight jewellery where most of it is diamond and platinum jewellery and if you happen to visit our website, you will see that we are continuously coming up with new designs and innovation under that brand and collection, right. We also have a brand called Perfect Love where we



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are selling heart shape cut diamonds in the solitaire, but not the 1 carat solitaire, but lower size. For pointers, we call it mini-Solitaire for the consumers to buy. So therefore, we are continuously working hard on the design. Our design team is working on it, and I think all put together it is showing the results.

**Moderator:** Thank you. Our next question is from the line of Shreenidhi from Pioneer Wealth Management. Please go ahead.

**Shreenidhi:** Congratulations for the great set of numbers. Sir I just wanted to understand on what is our thought process or advantages you see, when we sell to franchise, we do not take royalty, but instead we charge margin on it? So just wanted to understand it, why do we follow that model? What are the pros against those by charging royalty?

**Suvankar Sen:** By charging royalty or by charging margin on it?

**Shreenidhi:** Yes. What was the thought process like we are charging margin instead of charging royalty? That is what I wanted to understand?

**Suvankar Sen:** It depends. Actually, see the franchise is buying the stock from you. It is their investment, right. In a way, we are creating jewelers, people who are aspiring that their sons, their children, and their family members also be a part of the respectable industry of jewelry and keep themselves productively occupied. So, we are saying, if you have to put your skin in the game, you invest in the stock, you learn the business and that is how we drive forward and we are always there at the back end to support. So that is the benefit and sense of ownership by the potential franchisees. When it comes to royalty, to my understanding it is whose investment. If it is their investment then I do not know how the whole concept of royalty will work because ultimately it is going to be a percentage of sales that as a company and as a brand we will be able to charge them but when they know that, they are investing it and they will earn out of it, the company is helping me at the backend and supporting them. So, I am keeping my margin and selling it to them. So, I am keeping a minimum reward and passing on the maximum rewards to them. While in terms of the risk taking, they are taking a little bit of a higher risk, but at the same time they are getting rewarded more. I think this is the pros and cons for this particular model.

**Shreenidhi:** Sir what will be the working capital days from the franchise?

**Sanjay Banka:** In the first year the franchisee does 2 rounds, second year 3 rounds. So, by that logic inventory days, in the first year it will 180 days and third year it will be 150 days.

**Suvankar Sen:** These are all average numbers.



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**Sanjay Banka:** And most of this inventory depends upon the product mix because for diamond the inventory days are higher. So, it varies from a geography to geography and business model to business model. So exactly if we compare one company's inventory turnover with the other it will not be comparable. The best indicator is to compare is return on equity. I think that is the solid most indicator across to compare all the companies.

**Shreenidhi:** I just wanted to know that inventory will be in their books, if my understanding is right?

**Sanjay Banka:** Yes, so we call it asset light model. We sell them inventory up front with normal gross margin. We retain some and we leave some for them so inventory belongs to them and is in their books and we recognize the revenue at the moment we sell it to them.

**Shreenidhi:** Yes, so I wanted to understand the data? Basically, when we sell them product, so how many days we get the money from them?

**Sanjay Banka:** There is no debtor days. We sell them up front. In many cases they give advance. Only during festival days, let us say during Akshay Tritiya or during Dhanteras for a short time period off ~ 15 to 20 days, we give them a short-term loan less than 30 days.

**Shreenidhi:** Right. Okay so there is an upfront model or basically advance we charge or take from them?

**Sanjay Banka:** So whatever debtors you see as on March 31, 2023, almost 50% to 60% of that is pertaining to the franchise and a similar number comes in September that is all, twice a year.

**Shreenidhi:** Okay Sir and Sir the last question will be on the working capital side like since last year we did not generate any cash flow from operations and again I guess even in the last two years we have been unable to do that. So, is there any like strategy on how we can optimize our working capital days and generate free cash flow from operations?

**Sanjay Banka:** So, as we have explained earlier it is an optical illusion, different companies have been adopting different modes of reporting the operational cash flows so you will see that in our case, the gold metal loan is financing activity, so we did not take our accounting disclosure in March 2022 and March 2023. The moment we adopt the industry standard and move in the path of operating cash flows you will see operating cash flow optically positive and in reality also, if you look at the PAT of last year Rs.160 crore there was Rs.30 crore to Rs.40 crore depreciation so Rs.100 crore is the free cash flow in our company. Now using that for the existing stores and for capex, the balance is the free cash flow, so the gold business is a high free cash flow business, but the free cash flow is used for extension and for new stores. That is why what you are seeing is an optical negative cash flow, but the business is one of robust and most liquid balance sheets and free cash flows are quite high.



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**Shreenidhi:** Sir, in the Eastern side where we have a strong brand recall and strong foothold, so just wanted to understand now from that side where we are expecting the growth? Is it from the new stores, are we going to open or new products or from the existing store still we can see a good footfall over there and since we have a good brand at East but we are also moving towards North so there also we have to build a brand position? So, any like strategy how we are going to build that and scale up there in that area of the business?

**Suvankar Sen:** Well, our focus has been East and Northern part of the country and we will continue to leverage the goodwill to penetrate into the tier 2/3/4 cities of East India and also build the brand in Northern part of the country. So, this has been one of the broad strategy and we will have a very focused approach towards the same. If you look at the same store sales growth, in Q1 we have grown by almost 20% to 21%. So just imagine that even with stores that have been existing over a longer period of time, thanks to the shift of the consumer preference towards brand and new products, we are getting new customers in the existing stores also. So overall the growth will happen in three ways, new geographies, having your new customers in your existing store and the new stores and you continue to create new products and designs and then you will have your existing customers with whom we build that strong relationship, and they will keep coming back to you to buy those new product. So, I think these are the three ways we will look at the growth to happen.

**Moderator:** Thank you. Our next question is from the line of Priyanka Trivedi from Antique Stock Broking Limited. Please go ahead.

**Priyanka Trivedi:** Thank you for the opportunity and congratulations on the good set of numbers. Sir my question is, we have mentioned that we have witnessed higher traction in the Northern region versus the Eastern region, so could you give us a sense on, what has the growth been in each of these regions and what has been the contribution to sales of both these regions for the quarter?

**Sanjay Banka:** The growth as you said is 29%. Then 59% growth has come from own store, franchise 18% and remaining from others. So, when we look at the zone wise Y-o-Y growth, last year Q1 revenue was around Rs.1,007 crore, this year it is Rs.1,305 crore, so the highest growth has happened in West that is 56% because the base is low so you can see 23% in West Bengal, 31% in East which includes West Bengal, Northeast, Bihar, Assam and Odisha and North was around 24% so that is the ratio. Almost the entire arc of India is growing. The good things is that tier 2/3 towns, which were at lesser growth last year, they are also growing in the range of 18%.

**Priyanka Trivedi:** Okay Sir got it. My second question is further diving into 29% growth, could you give us a sense in terms of the ticket size, how the growth has been? Like between below Rs.50,000



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range to Rs.1 lakh range and above Rs.1 lakh range how the growth has been where the traction has been higher?

**Suvankar Sen:** We do not have those exact break up details but what we have told already is that in terms of the average ticket value that has gone up from Rs.55,000 to Rs.66,000. This is the kind of increase we have seen in terms of the purchasing ticket value of the customer.

**Sanjay Banka:** Just to add here, our ticket size in the three categories of upto Rs.20,000, Rs. 20,000 to Rs.50,000 and greater than Rs.50,000 structurally it has remained the same for the three years. We will dig down and by the next call we will come back to you with more details, but we are expecting that the growth will be more or less similar. The structure has not changed in our case in last three years so the same will remain in this quarter also.

**Priyanka Trivedi:** Okay Sir got it and lastly on the outlook for the coming quarter, there has been an inauspicious period of Adhika-masa and lower number of wedding dates also versus last year? So how has the overall outlook been for the quarter for the coming quarter?

**Sanjay Banka:** You are talking of Q2 versus the quarter that has gone.

**Priyanka Trivedi:** Correct yes Q2?

**Sanjay Banka:** Priyanka if you look at Q2 of FY21 and FY22 we have clocked a turnover of around Rs.900 crore and even in FY22-23 we clocked a turnover of Rs.900 crore versus Rs.1,007 crore in Q1. So while we have seen 29% growth even as of now one and a half months it is still pending to be achieved and when we are saying that we will achieve a growth for the whole year in the range of 18% to 20%, we expect that in Q2 also we will see a good growth while we are bracing ourselves for the main festive season that is Q3. So, you can expect upwards of Rs.1,000 crore in Q2?

**Moderator:** Thank you. Our next question is from the line of Darshil Jhaveri from Crown Capital. Please go ahead.

**Darshil Jhaveri:** Good evening and thank you so much for taking my question. Sir firstly congratulations on a great set of results. I just wanted to ask, we have grown splendidly in this quarter? Are we being a bit more conservative by saying around 15% to 20% growth because if the reverse calculator H1 it is supposed to be 40% to 45% then there is a good chance we might end up going more than Rs.5,500 crore, so are we being conservative?

**Suvankar Sen:** The Q1 we have had a splendid performance. Q3, the base for all jewellery companies is on the higher side. We believe that we rather be conservative and achieve our numbers rather



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than unnecessarily have extrapolation and high expectation in the way it would be, so it is good to be conservative. As we finish every quarter, we will keep updating you, but this is how we would want to move ahead.

**Moderator:** Thank you. Our next question is from the line of Ankit Gupta from Bamboo Capital. Please go ahead Sir.

**Ankit Gupta:** Sir, in the case of the franchise, how does the hedging work for the franchises? Do we book on behalf of the franchise the inventory that gets sold to them or they book it on their books?

**Suvankar Sen:** No, the inventory is on their books and see for them the inventory that they have is a long-term asset. Just like you would invest in real estate for them it is an investment of their capital in gold and diamonds. So, they are not so I would say focused on hedging. They believe that gold as an asset will give them returns in the long run and that is how they would ensure that as much as they are selling, they will keep buying so it depend on franchise whether they would want to hedge or not. We only guide them, but we leave it to them to take the decision.

**Moderator:** Thank you. Our next question is from the line of Dhwanil Desai from Turtle Capital. Please go ahead.

**Dhwanil Desai:** Good afternoon and congratulations for a good set of numbers. My first question is that if we look at the historical numbers last 4 years, we have grown at CAGR of 19% top line? Can you break it up in terms of, how much of that is from SSSG and how much is from the new store expansion and corollary to that, if you look at gross margins, they are around 17.5% to 16.1%, but the operational leverage has not played out? Our gross margin EBITDA conversion has almost remained the same, so any sense on that why the operating leverage with scale growing not prompting out?

**Sanjay Banka:** Last part of the question I can hear, you asked what SSG right?

**Dhwanil Desai:** This question was that in the growth that we have had how much of it was SSG and how much new store? The second part of this question was that the operating leverage has not started to act upon in terms of increasing of the gross margins?

**Sanjay Banka:** I will say it differently as our franchise percentage increase the gross margin will dilute because in the case of franchisee we have a lesser gross margin in the range of 5% to 7% whereas own storage is slightly higher so that is what we are saying that do not look at gross margins or EBITDA margin because all the jewelers have different business structure





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so the best would be to look at return on net worth where we are among the top three in India in FY22-FY23 and FY21-FY22 and even in the current quarter when we have seen the results of other players we maintain among the top three slots in India.

**Suvankar Sen:** If we look at SSSG v/s new stores, majority of the growth comes from SSSG. The new stores takes time for gestation and maybe not on the first year, but from the second year they add to your growth numbers. Though we do not have the exact numbers currently but all I can say is that 80% of your growth comes from SSSG if I am not mistaken.

**Sanjay Banka:** Absolutely, let's say, if there are 10 new stores their turnover is Rs. 200 crore. So, the majority part of growth will definitely come from the existing stores because in our case, the average sales per store has a huge scope for improvement, so we look at improving the productivity of the existing store i.e the total 142 store portfolio which we have.

**Moderator:** Our next question is from the line of Gaurav Gandhi from Glorytail Capital Management. Please go ahead.

**Gaurav Gandhi:** Thanks for the opportunity. Congratulations Sir on the good set of numbers and successful IPO? Sir one major thing why people stick to the traditional or their known jeweler is because of the lower making charges they charge right. So organised jeweler most of the times have higher making charges than the traditional ones and one of the thing which can attract these customers to our showroom and pay higher making charges is by having beautiful and unique designs? So, what are your thoughts about the design we keep in our showroom and also whether our jewellery design matches with the community choices and according to the regions where we are present?

**Suvankar Sen:** Right so our designs team and our merchandising team is working hard, doing the research and creating balanced merchandise. So, there are certain designs which are unique to the origin from where we come from, and we are playing out with the percentage of how much we keep designs unique to our brand and designs which are as per the local taste and preferences. Maybe I am not disclosing the exact balance of the percentage but we are very conscious of the fact what you are saying and we are working with our karigar's and suppliers and vendors to fulfill that need and as you are aware that again our head office being in the city of Kolkata most of designers and artist are from this part of the country, so we have the the inherent capability and strength and we are trying our best to work on those. See the intention of charging a higher making charge is not that being unfair to the customer, but this customer should get value against the the money that they are paying right. The value could be in terms of design, in terms of behavior, in terms of the service, in terms of the brand that we build so that is how I think any organised player in the country will have to think of and build that strong relationship with the customer.



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**Moderator:** Our next question is from the line of Rahul Ranka from Kushals Investments. Please go ahead.

**Rahul Ranka:** Good evening. Sir I wanted to know what could be the guidance for volume growth in the coming years Sir, that is my first question?

**Suvankar Sen:** You mean in the coming years?

**Rahul Ranka:** Yes, in this current financial year, what volume growth are we looking for?

**Sanjay Banka:** See Rahul if you look at the current quarter i.e Q1 our volume growth was in the range of 8% for gold and 34% for diamond and 50% for platinum, so volume growth is clearly as we are moving into the new stores particularly in the North, South and West, they get more traction and the volume growth will happen, but as you see, the volume growth is also linked to prices. Ultimately as a jeweler, our major focus is the top line. Now whether that top line comes by value or volume that is subsequent, so we have seen that when the gold prices rise the volume comes down, but the jewelers achieve the growth target. So, we would like to see from that perspective.

**Suvankar Sen:** Yes, and if the price goes down then again the volume goes up. So, our objective is to ensure that the share of the wallet of the customer in terms of money that gets covered by us. So that is how we would like to look at it. We are all in the business of trying to understand how the future could be. So, if the prices remain stable, I can assume that the way the volume growth we have seen in Q1, we would be able to see a similar mid single digit kind of a growth, if the prices move up a little bit, then the volume growth might come lower single digit because we will add new stores and try our best to do something. If the price goes down, then maybe the customer will come out more with enthusiasm and buy more and we might have a high single digit or low double digit, but it all depends on the consumer liquidity availability with them and the price of the gold.

**Moderator:** Our next question is from the line of Koustav from Das Investment Group. Please go ahead.

**Koustav:** I just had one small question so right now we are trying to increase the percentage of our studded share, so if we consider that maybe 4-5 years down the line you reach like 15% to 20% somewhere in between that range of studded share what would be your blended final EBITDA margin for the whole consolidated company? What would be the EBITDA margin that you guys thing you will be achieving?

**Sanjay Banka:** As we have seen that due to increase in the stud ratio the EBITDA margin will improve, but there will be other pressures. The competitor will increase. We will be entering into new



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territories, so we look at EBITDA margin in the same range. We do not expect a dramatic increase in the percentage as such but the absolute number of the EBITDA, the absolute volume in terms of rupee will increase, but percentage in terms of quality whatever increase happened due to stud ratio it may get diluted only to get impacted by the another market factors on which obviously we will try to work on as well.

**Koustav:**

I just have one followup question to that to? Would it be better if you try to drive more of your business from your own stores and clearly you have grown your own store sale much more like I think couple of percentage points points at least higher than your franchise stores so do you not think on that regard it would add to your EBITDA margin because the EBITDA in your franchise store is lesser, but EBITDA in your own store is higher so if your own store business is rising faster than the franchise store shouldn't that actually not dilute rather add to the EBITDA margin?

**Suvankar Sen:**

There are 2-3 things that you need to keep in mind. One is EBITDA, one is Return on Capital or Return on Equity. So it is all about balance, when you have enough and more capital to keep on opening your own stores yes it makes sense but how do you leverage your goodwill, how you leverage your brand, and how do you penetrate into the smaller town, then you would need the support of a model like franchisee where they will also invest. Although you are sharing your EBITDA and all of that but at the same time you will be able to reach to customers using not your capital, but sharing that growth and profitability with other people. So, it is all about balance at the end of the day. Someone will say open more franchisees. You are not using your capital, but you are using your goodwill. Someone will say open more stores. So, we need to balance it out. That is all I can say to your answer.

**Moderator:**

Our next question is from the line of Dipak Saha from Svobodha Infinity Investment Advisors Private Limited. Please go ahead.

**Dipak Saha:**

Thank you for taking my question and congratulations for a good set of numbers. I have only one question? If you look at your store distribution and especially East region, within West Bengal, you have good presence in tier 2/3 districts. Now when you are coming through East to North or other parts of the country for expansion. Do you think you should in the same way expand with districts and geographical presence that you have? Secondly given East has a relatively lower per capita do you not feel you're positioning will be a little bit different from the current one? It would benefit in terms of securing faster growth which is North and other parts has relatively higher per capita with respect to East? Can you share some color on that?

**Suvankar Sen:**

Your voice was not totally audible. Can someone explain the question?



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- Sanjay Banka:** What I can understand it that you are saying that what will be our gross margin as you move to tier 2/3 is it what you are saying? The margins movement as we move to tier 2/3, and you are assuming that the market in metro has matured. Is it what your query?
- Dipak Saha:** No, my specific query is the strategy that what you are deploying in West Bengal especially where you have more number of stores. You have a lot of stores at district level capital, so do you think same level of presence will help you in terms of securing faster expansion? Second thing if you see in West Bengal typically East the per capita GDP compared to other parts of the country is relatively lower? So, if you position yourself in terms of little bit different on the North side right given the per capita GDP is on the higher side do you think the kind of growth you can secure compared to the East part will be much more faster than North?
- Suvankar Sen:** The first thing yes, our whole focus is that in the bigger cities we open our company owned company operated stores. We build the brand and look for potential franchisees partners in the smaller towns so the way we have done it in Eastern part of the country we would like to follow a similar pattern in northern part. That is what has given us success and we would like to replicate the same and on the answer to the positioning of our brand for Northern India, if you see that we have a brand ambassador like Kiara Advani, the products and designs that we are developing for North India is as per their taste and preferences and our average ticket size though we do not have the exact data but all I can say is that average ticket size in North India for us is higher than the average ticket size in Eastern India which is because of the higher per capita that is there in that part of the country, so we are conscious of the fact and step by step we are taking the necessary action to achieve the growth and the perception in that part of the country.
- Moderator:** Our next question is from the line of Gaurav Gandhi from Glorytail Capital Management. Please go ahead.
- Gaurav Gandhi:** Thanks for the follow up. Just one question, what can be the risk associated with the gold SIP scheme we run and also how does it add to the income of the company if any?
- Suvankar Sen:** The gold scheme that we run, we call it Swarna Yojana, six months, 6 months, 11 months, 18 months. We are guided by the Companies Act and the money that you can raise from the customer is a percentage of your company's net worth. So, this is the rules that we follow, and we are having a strong tracking and monitoring system to ensure that when we are raising the money, we are taking the necessary KYC and following the rules that are set by the government. So inherently there is no risk if you are putting your effort to ensure that all the necessary compliances are being done.



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**Sanjay Banka:** If I can understand your query, we are not committing the rates. So, the customer is only giving the money let us say Rs.1,000 over 6 installments i.e Rs.6,000. So whatever is the gold rate on the date on the final date that we are giving. So, there is no price risk to us.

**Suvankar Sen:** Your price risk is mitigated; your compliance risk is mitigated, and it allows the customer to plan their purchase and keep buying. Operationally, we are trying to ensure that the customer need not always come to the store. They can make digital payments towards the scheme as well and we have collected Rs.200 crore and we have seen that 7% to 8% of our turnover in the business is derived from the customers who are enrolled in that scheme. So, this is how it is. It is a great way to ensure that the Indian consumers can plan their purchases. So that is how it is. If it is done in the correct manner, it is a great thing to do.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question of our question-and-answer session. I would now like to hand the conference over to the management for closing comments.

**Sanjay Banka:** We would like to thank all the investors for showing interest in our company. As we have said, we have consistently delivered growth in terms of topline and bottom line. If you look at our financial performance in last 4-5 years, our CAGR growth has been amongst the best not only on the financial parameters, if we pick up nonfinancial parameters which are equally important for a sustainable growth, our credit rating has improved from A minus to A by the ICRA. Our government norms, we are constantly upgrading. We have got Walker Chandiook as our statutory auditor. We have strong controls over our inventory. Our inventory goes through multiple layers of audit and verification by our own team, by the statutory auditor, by the internal auditor, and by the bank ASM auditor. Similarly, our diamond inventory that is valued by a reputed third-party valuer every quarter. If you look at our commitment to ESG and if you look at our gender ratio it is about 30%, so it shows the empowerment to the female which is there. We also look at empowering our young people and we give them employment in our back office. So overall we look at factors like a social value creation. We look at the trust of the customers and obviously delivering superior performance. So, this being the first quarter, we will continue to work with full passion and energy to meet the expectation of our stakeholders, of the regulators and of the society at large. Suvankar will give the concluding remarks.

**Suvankar Sen:** I just want to thank all of you. Post listing this is our first earnings call and we have tried our level best to address your queries and within the constraints and limitation of sharing our numbers or sharing our strategy, we have tried our level best to address your queries and we hope to continue to have this close conversation and close discussions with all of us, so that we can keep you updated on the numbers, on the performance and the way we have



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built on trust and transparency with our customers, we would like to continue on the same philosophy and build a trust and transparency with our investors also, so that is from my side.

**Moderator:** Thank you. On behalf of Ambit Capital that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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