



“Khazanchi Jewellers Limited  
Q1 FY '25 Earnings Conference Call”  
August 14, 2024



**MANAGEMENT:**           **MR. RAJESH KUMAR– CHIEF OPERATING OFFICER – KHAZANCHI  
JEWELLERS LIMITED**

**MODERATOR:**           **MS. PREETI BHARDWAJ – KIRIN ADVISORS**

**Moderator:** Ladies and gentlemen, good day and welcome to Khazanchi Jewellers Limited Q1 FY '25 Earnings Conference Call hosted by Kirin Advisors. 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 the star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Preeti Bhardwaj from Kirin Advisors. Thank you and over to you, ma'am.

**Preeti Bhardwaj:** Good afternoon. Thank you. On behalf of Kirin Advisors, I welcome you all to the conference call of Khazanchi Jewellers Limited. From the management team, we have Rajesh [Mehta], Chief Operating Officer. Over to you, sir.

**Rajesh Kumar:** Hello, everyone. Welcome to Q1 FY '25 Conference Call. Let me provide an overview of Khazanchi Jewellers Limited. Discuss recent developments and explore the implications of recent policy changes before driving into the specifics of our Q1 FY '25 performance. Since our founding by Mr. Tarachand Mehta in 1971 and incorporation in 1996, Khazanchi Jewellers Limited has built a distinguished presence in the jewellery industry.

Based in Chennai, Tamil Nadu, we are known for our commitment to quality, innovation, and ethical practices. We proudly hold a BIS hallmarking certificate and are authorized on the IIBX platform, which underscores our reputation as trusted jewellers. Currently, our operational showroom in Sowcarpet, Chennai serves as our sole retail location.

This showroom spans 1,200 square feet and offers a comprehensive shopping experience with a diverse range of products. It includes over 25 distinct product categories and boasts a design library of more than 5 lakh unique designs. We have approximately 120 daily footfalls at this location, reflecting our strong market presence and high level of customer engagement.

I am also delighted to announce that we will soon be opening a new flagship showroom in Sowcarpet, which is a wholesale hub of South India. As you have Kalbadevi in Mumbai scheduled to open later this year, this 10,000 square feet facility will expand our retail footprint and provide an even more extensive selection of gold, silver, and diamond jewellery. All aimed at delivering an exceptional shopping experience.

We will be recalibrating our revenue distribution, focusing entirely onto the B2C segment in our new showroom to enhance our market position and better serve our customers. Our strategic focus is shifting towards high-value temple jewellery, which reflects our rich heritage and offers attractive margins. We are also making significant strides in our B2B segment, with our jewellery now reaching major multi-stores and renewed generational jewellers throughout South India.

This expansion will strengthen our market presence and allow us to cater to a broader customer base. Additionally, the recent Union Budget 2024-'25 has introduced a significant reduction in custom duties on precious metal. Duties on gold and silver have been reduced from 15% to 6% and on platinum from 12.5% to 6.4%. This change is expected to lower procurement costs, making precious metal more affordable, a drive growth within the jewellery industry. This revised duty structure aligns perfectly with our growth strategies and supports our ongoing commitment to deliver exceptional values to our customers.

Now we come to the financial highlights of our quarter results of FY '25. Our company has demonstrated remarkable financial performance. The company reported total income of INR381.19 crores, marking a substantial year-on-year growth of 103.88%. EBITDA reached INR13.48 crores, reflecting an impressive year-on-year increase of 108.98%, with an EBITDA margin of 3.54%, up by 9 basis points. PAT stood at INR9.21 crores, up by 232.26% compared to previous year, and PAT percentage improved to 2.42%, an increase of 93 basis points. EPS also saw a significant rise, growing by 140% to INR3.72%. These results underscore the company's strong financial health and strong growth trajectory.

In conclusion, our strong performance in Q1 FY '25, along with our strategic expansion and favourable policy changes, set Khazanchi Jewellers Limited on a path to continued success. I am confident that our strategic initiatives and the new showroom will further enhance our market presence. I appreciate the ongoing support of our shareholders, customers, employees, and I look forward to achieving new milestones together.

Thank you for joining us today, and I am excited about the opportunities that lie ahead. With this brief remark, now I request to open the floor for questions and answers. Thank you.

- Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Jayraj Jain from EBC Capital. Please go ahead.
- Jayraj Jain:** Good afternoon, management. Thank you for the opportunities. My first question is, how much inventory does the company keep with themselves?
- Rajesh Kumar:** Quantum wise, if you say, the company holds an inventory of approximately 400 kgs gold.
- Jayraj Jain:** And what about your finished goods?
- Rajesh Kumar:** Most of the goods that we hold in our stocks are finished goods only. 10% of the stocks are in the pipeline of production.
- Jayraj Jain:** What do we expect from the new store opening?
- Rajesh Kumar:** The new store is going to open, which is our current showroom. From there, it is a very big size. It is in multiple of 6x to 7x bigger than the current store. We are expecting revenue growth of at least 30% from the new store. And that to B2C segment, which is going to provide a higher margin. In the B2B segment, we have a margin of around 4%. And in the B2C segment, it will be around 8% to 9%. Since we are expanding on to B2C segment, the margins are going to be higher. And the growth ratio will be around 30% extra.
- Jayraj Jain:** Can you please tell me what will be our working capital requirement?
- Rajesh Kumar:** Currently, for this first showroom, the company may not require much of a working capital. And it is going to be open in the starting of FY '26. It may be anywhere between January to April. So, the company is going to manage with the current working capital. And it is going to expand the first storeroom. And further expansion, it will be decided by the management on a later scale.
- Jayraj Jain:** Do we plan to add any new design portfolio?
- Rajesh Kumar:** Yes, obviously. Since we have been in the field for the past five decades, all our management have vast experience. And we have an experienced team. And we have artisans all over India, who are working on the patterns and designs of jewellery, which is the main aspect of growth in the jewellery sector.

So on a regular basis, we have been creating new designs and adding as per the market requirement. And since the gold prices have been appreciating, everybody prefers to buy a lightweight jewellery, a budgeted jewellery. So we have been manufacturing that too. And we are, on a daily basis, making researchers to make products more attractive and more reachable.

**Jayraj Jain:** Okay, great. So, can you please tell me like how many artisans do the company have? And do they have any plan to add any more further?

**Rajesh Kumar:** That's what we have artisans all over India, actually. It is diversified all over India. We get goods manufactured from various places. Since the once again, I tell you that management has been five decades of experience. So all the good groups are good artisans who have been working all over India are along with the company. And we are getting our goods manufactured from them.

**Jayraj Jain:** Okay. So, is the company on track for like 20% to 30% revenue growth guidance?

**Rajesh Kumar:** Yes, sure. As the additional policies of the government has been making a strong backbone for the progress of organized sector. And for this year, current year, the duty has also been reduced. And from past five years, if you say that the gem and jewelry sector has been transferring from unorganized sector to organized sector in a very fast pace.

If you take a data wise, if you say it was around 17% was with the organized sector in 2019. Now it has been improved to 34%. And after the reduction of duty, it is going to be a very plus point for the organized sector. And the pace of its growth is going to increase much higher than what we are expecting.

**Jayraj Jain:** Okay, great. And sir my question is like, so budget has been like budget has been announced. So, there were several policies and benefits to the gold segment. So, what opportunities does the company see in the next quarter or in the next year from the budget?

**Rajesh Kumar:** That's what this budget has provided a very good opportunity for the jewelers. Since there was a big difference of pricing between the organized sector and unorganized sector, they have been sourcing or unorganized sector sourcing gold from various unethical routes, which has become a very big competition for the organized segment. Now since the duty has been reduced,

they cannot compete with the organized segment that much, since the prices are going to be equal for both the sectors. So, it is going to add a boost to the current organized sector.

**Moderator:** The next question is from the line of Abhishek Yadav from Trans Union. Please go ahead.

**Abhishek Yadav:** So my question is, what is the planned capex for FY '25 and next three years?

**Rajesh Kumar:** I couldn't get your question, sir. Please.

**Abhishek Yadav:** What is planned capex for FY '25 and next three years?

**Rajesh Kumar:** The current capex is whatever the company is holding. It is going to work with the current capex for the next coming up showroom. And the further requirement of capital would be decided by the management on a later scale.

**Abhishek Yadav:** My next question is, what is your volume sale and what is the growth in volume?

**Rajesh Kumar:** That's all for the FY last quarter. We have given the results of the revenue operation is around INR381 crores and which has been at the growth rate.

**Abhishek Yadav:** Thank you for answering my questions.

**Rajesh Kumar:** Thank you so much.

**Moderator:** The next question is from the line of Avdhi Gajgiye from KRE consultancy. Please go ahead.

**Avdhi Gajgiye:** Congratulations sir. And thank you for giving me this opportunity. And my question is export plans of the company. What is your export plan?

**Rajesh Kumar:** Export?

**Avdhi Gajgiye:** Yes.

**Rajesh Kumar:** The company has been currently we do not engage in exports, but the company has further plans of making. We are working on going expansion towards the export market.

**Avdhi Gajgiye:** Okay. And my next question is do you plan to regional diversification in current year or maybe in the next two years?

- Rajesh Kumar:** Next two years we do have an expansion plan. Initially, our flagship showroom would be opening in another 9 to 12 months. And further from there for the coming two years, we have an expansion plan of geographical expansion here around five to six showrooms in the coming years.
- Avdhi Gajgiye:** Okay sure and I have one another question. Do we have online presence? If yes, what is the contribution from this vertical?
- Rajesh Kumar:** We have been working on online platform. It will be launched very shortly. Currently, we have been working on the portal system and it will be launched shortly.
- Avdhi Gajgiye:** Okay. Thank you, sir.
- Moderator:** The next question is from the line of Dinesh Saney from Invest4Edu. Please go ahead.
- Dinesh Saney:** Hi, good morning, sir. This is Dinesh Saney. Thank you for the opportunity and congratulations for a very good set of numbers in this quarter one. My question is that, so you are going to open a showroom in the next eight to nine months, right of 10,000 square feet.
- Rajesh Kumar:** Right.
- Dinesh Saney:** So what exactly is the debt portion in this particular showroom?
- Rajesh Kumar:** What is the amount of stock we are going to put in that showroom that is the point you are asking.
- Dinesh Saney:** So overall, how have you funded this expansion?
- Rajesh Kumar:** Currently, the current stocks and the current working capital will be enough sufficient for the opening of this initial flagship showroom. On a later scale, when there are further expansions, the management will be deciding on getting the source of funds for expansion.
- Dinesh Saney:** Okay and what is the current debt position overall debt to equity you can say?
- Rajesh Kumar:** Overall, all the ratios have been presented. The current debt is around the company is holding a loan liability of INR38 crores.

**Dinesh Saney:** And as you mentioned currently that you will be focusing on online business as well?

**Rajesh Kumar:** I am sorry. It is a limit that is sanctioned for INR38 crores, but the company has been last quarterly utilizing it to the extent of INR17 to INR18 crores.

**Dinesh Saney:** Okay. Got it, sir. My second question is regarding your online business which you just mentioned in a previous question. What exactly is your vision to grow this segment, sir?

**Rajesh Kumar:** We are expanding a portal system and online segment so that we can showcase our existing stock along with all the other lightweight jewellerys also and we are going to expand that portal and promote that portal so that the company gets a good reputation for that and good sales out of it.

**Dinesh Saney:** Okay. All right. One last question is that recently in union budget, so there is a reduction in custom duty from 15% to almost 6.5%. So is this can we think that your input cost would be reduced, and can we think that you would be able to pass on this reduction to the final customers?

**Rajesh Kumar:** Yes, obviously. It is the price is amended immediately from the time of his amendment, the prices of the gold and silver has been reduced. And from the same period, it has been transferred to the clients also because the prices immediately changes, and it gets affected to the market immediately.

**Dinesh Saney:** Okay. And one last question from my end, sir. Since you are expecting almost 25% to 30% growth in current financial year, so what exactly the margin profile you are looking at in terms of EBITDA margins?

**Rajesh Kumar:** The current EBITDA margin is around 5.5% and it is since we are expanding into the retail segment for the coming years, the margin would be surely increasing because the difference between the B2B and B2C segment the margins are around for B2B segment it is around 4% and for B2C it is around 8% to 9%.

**Dinesh Saney:** Okay. All right. Thank you, sir. All the best.

**Moderator:** The next question is from the line of Tainya Jain from Finway. Please go ahead.

**Tainya Jain:** Sir, I wanted to know what is the pilferage ratio?



- Rajesh Kumar:** What is the?
- Tainya Jain:** pilferage ratio.
- Rajesh Kumar:** Are you talking about the cost of manufacturing or what is the spillage of gold when we are manufacturing goods is it that?
- Tainya Jain:** Yes.
- Rajesh Kumar:** It is around, say, 0.8 to 2%.
- Tainya Jain:** Okay. So can -- B2C increase?
- Rajesh Kumar:** Yes.
- Tainya Jain:** Can B2C increase margins? If yes, then how much?
- Rajesh Kumar:** That's what B2C is obviously going to increase the margin, and I have already specified that the margin for B2B is around 4% and B2C it would be around 8% to 9%. And since we are going to add all the premium products along with the diamond jewellery and polki jewellery of the new showroom, so the margins are going to be higher.
- Tainya Jain:** Okay. So then what are the plans for future growth in diamond segment?
- Rajesh Kumar:** We are also thinking of making an expansion in the diamond segment. We are working on making expansion for the production of diamond jewellery for B2B segment also and for the new showroom B2C also. The proportion of profit margin is diamond in higher. So overall the profit margin for the whole company would be increasing.
- Tainya Jain:** All right. Thank you.
- Moderator:** The next question is from the line of Jay Mehta from Jay Advisory. Please go ahead. Hello Mr. Jay, your line has been unmuted. Please go ahead with your question.
- Jay Mehta:** So my question is what kind of growth you expect in footfall in new premises?
- Rajesh Kumar:** We are expecting currently say we are having footfall of around 120 to 150 customers per day. It will grow at least double in the new showroom.

**Jay Mehta:** Okay. And my second question is with the commitments of our new showroom, how much rise in retail sales is expected by the company?

**Rajesh Kumar:** That's what overall proportion -- whatever the company achieves the financial top line. Among that 25% of the top line would be in retail in the coming years after the opening of showroom.

**Jay Mehta:** Okay. Thank you.

**Moderator:** The next question is from the line of Pooja, an Individual Investor. Please go ahead. Hello, Ms. Pooja, your line has been unmuted. Please go ahead with your question. Hello, Ms. Pooja, can you hear me? Okay. We'll move on to the next question. It's from the line of Ritika Jain, an Individual Investor. Please go ahead.

**Ritika Jain:** Yes. Hello. Good evening, sir. Thank you for the opportunity. My question is how many showrooms you intend to open in next three years?

**Rajesh Kumar:** After opening of our flagship showroom, in another two years from there, two to three years, the management has been planning to open five to six showrooms in coming two years.

**Ritika Jain:** Okay. Five to six. Okay. Any split or bonus for the investors?

**Rajesh Kumar:** I couldn't hear you. What did you say?

**Ritika Jain:** Are you planning any split or bonus for investors?

**Rajesh Kumar:** That management has to decide. Till now, nothing of that sort has been decided. Later on, anything which will be decided will be surely posted.

**Ritika Jain:** Okay. Fair enough. The company primarily caters to customers who buy the high gold gram and not to low gold gram. So, with gold price on rise, do you see any issue?

**Rajesh Kumar:** I couldn't get your question. What did you say?

**Ritika Jain:** Sir, I am saying that customers who buy high gold gram and not to low gold gram. So, with gold price on rise, do you see any, is there any issue?

**Rajesh Kumar:** No, no issue at all. Since the prices have been increasing and it is providing a better return opportunity for all the investors who have invested in gold in

regular interval. So, everybody is optimistic about gold in near future also. In the longer-term run, the gold has been appreciating and everybody is interested in making additional investment in gold.

**Ritika Jain:** Okay. Thank you so much, sir.

**Rajesh Kumar:** Thank you.

**Moderator:** The next question is from the line of Pooja, an Individual Investor. Please go ahead.

**Pooja:** Yes. So, my question is, how much growth in top line is anticipated in next three years?

**Rajesh Kumar:** Top line growth, since there has been a loss, lots of positive factors which are added were too much for the increase in top line of jewelry sector. If you want to know, then the company will grow at a pace of 30% to 40% per annum in the next coming three years.

**Pooja:** Okay, sir. Thank you very much.

**Moderator:** Thank you. The next question is from the line of Mansi, from Qatari Investors . Please go ahead.

**Mansi:** Hello, sir. First of all, I would like to have a...

**Moderator:** I am sorry to interrupt, ma'am. Your voice is coming very low. Could you speak a bit louder?

**Mansi:** Sir, first of all, congratulations on your set of numbers.

**Rajesh Kumar:** Thank you.

**Mansi:** So, my question is, generally in the jewellery segment, the craftsmen -- who design the portfolio are very important. I just want to know; how long do you have your craftsmen with you?

**Rajesh Kumar:** That's what I am telling you. Since our management has been in the jewellery segment for, say, five decades. From 1971, the management has been in the jewelry sector. And we are working with all over India, Pan India's best artisans. So, we have been working with artisans who are along with us from last 40 years, 30 years, 25 years, who are working with the company and

providing us the best quality craftsmanship for the company and for its customers.

**Mansi:** Okay. And I just want to know, any unique feature about your designing?

**Rajesh Kumar:** We are specialists in manufacturing of traditional jewelry. Here in South India, lots of traditional jewellery are there. For marriages and all, they have purchased some traditional stone jewellery and necklaces, haram sets, and thali chains. All specializations we have here. We are manufacturing with the most efficient craftsmen.

**Mansi:** Okay. And if I go by your designing or about your portfolio, I just want to know, at what ratio do you refresh your jewellery? Like those who are working in the market or those who are outdated. So, at what period do you just refresh it?

**Rajesh Kumar:** So, if you are talking about the rolling of stocks, since we are dealing with both B2B and B2C segments, our stock is getting rolled in every 80 days, one cycle.

**Mansi:** Okay. And about the design portfolio?

**Rajesh Kumar:** Our design portfolio, on a recurring basis, most of the designs we manufacture are sold out. Say 1% or 2% of the designs we are not selling, we modify it. We make few changes into it so that it can be up to the mark of customer's requirement.

**Mansi:** Okay, sir. That's it from my side. Thank you so much for answering my question.

**Rajesh Kumar:** Thank you.

**Moderator:** The next question is from the line of Neeta Deshmukh from Satgiri Advisors. Please go ahead.

**Neeta Deshmukh:** My question is, what is our important component in total raw material processing?

**Rajesh Kumar:** Gold. Fine gold.

**Neeta Deshmukh:** Okay.

- Rajesh Kumar:** The prime ingredient is fine gold.
- Neeta Deshmukh:** Okay. Is there any client addition in B2B segment?
- Rajesh Kumar:** What do you want to ask?
- Neeta Deshmukh:** Is there any client addition in B2B segment?
- Rajesh Kumar:** Client addition. Yes, obviously. We are working with all the major jewellers who are famous and who are operating in multi-stores. Those players who are having familiar name, Pan India. And a few traditional jewelers who are having a very famous and who have been working with us from past four decades, five decades. Who are, what they say, generational jewelers here who are operating with two, three showrooms. Very well-known names in South India. We are working with them all.
- Neeta Deshmukh:** Okay. One more question. Please explain the impact of the latest project announcement of reduction in duties on gold and silver in our important process.
- Rajesh Kumar:** Yes. Comparatively...
- Neeta Deshmukh:** And whether we will be able to pass on the same to end consumers?
- Rajesh Kumar:** Yes. That's what. It has been a very positive impact for the whole jewelry segment. The reduction of duty. Price-wise, the price has been very steeply increasing in international market also. And this price, this duty reduction added as an, what they say, added as a positive aspect for the consumer. There was a reduction in price also.
- And one aspect is that it is a very healthy move by the government. All unorganized channels through which the gold has been imported to India will be curbed. And everybody, those who are working in organized segment will have a better business and have good growth. And you talk about the transferring of that benefit to the consumer. It is from immediate impact.
- When the budget was announced, and it has been immediately impacted on the current market price. And the prices have been reduced and all the benefits have been transferred to the end users.
- Neeta Deshmukh:** Oh, that's good. Thank you, sir.

**Rajesh Kumar:** Thank you.

**Neeta Deshmukh:** All the best.

**Rajesh Kumar:** Thank you.

**Moderator:** As there are no further questions from the participants, I would now like to hand the conference over to Ms. Preeti Bhardwaj from Kirin Advisors for their closing comments.

**Preeti Bhardwaj:** Thank you, everyone, for joining the conference call of Khazanchi Jewellers Limited. If you have any queries, you can write us at [research@kiranadvisor.com](mailto:research@kiranadvisor.com). Once again, thank you, everyone, for joining the conference call. Thank you.

**Rajesh Kumar:** Thank you so much. Thank you.

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