



"Gitanjali Gems Limited Q1 FY14 Earnings Conference  
Call"

**August 16, 2013**



**MANAGEMENT:**     **MR. MEHUL CHOKSI – CHAIRMAN & MANAGING DIRECTOR**  
                              **MR. ABHISHEK GUPTA – GROUP PRESIDENT**

**Moderator**

Ladies and gentlemen, good day and welcome to the Gitanjali Gems Q1 FY14 Earnings Conference Call. As a reminder, all participants' 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 telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Abhishek Gupta – Group President, Gitanjali Gems Limited. Thank you and over to you sir.

**Abhishek Gupta**

Ladies and Gentlemen! Welcome to the financial results of Gitanjali Gems Limited for the quarter ended 30th June 2013. The first quarter has been replete with regulatory announcements for the jewellery sector. There have been changes in the import duty for gold, working capital funding of the jewellery business and depreciating rupee making the business scenario challenging. For the 1st quarter of FY 2014, the Group achieved consolidated sales of Rs. 3,919 Crores a growth of 16% over the corresponding quarter last year. While the EBIT for the quarter was at Rs. 175 Crores and the PAT for the quarter was at Rs. 35 Crores. The Gross margin for the quarter increased to 15.5% from 14.3% last year. However, the decline in EBIT and subsequently the Net Profit has been majorly on account of volatile currency and provisioning for doubtful receivables. We also achieved retail penetration in India through the addition of 14 franchisees, 6 own stores, 14 shop-in-shops and 40 retailers through the distribution channel. As you are aware some of the most prominent jewellery brands in India come from the house of Gitanjali. We are a dominant diamond jewellery manufacturer and retailer. We have increased the occasions for jewellery sales and introduced new formats for the retail of jewellery all of which have served to ensure that we witness an increase in footfalls and also the conversion of footfalls to sales. The transforming of our product brands into retail chains has been supported strongly by the addition of new categories in colour stones such as emeralds, rubies, polki, kundan and jadau. We also intend to extend our brands to include other lifestyle categories thereby adding diversity to our business. These additions to our portfolio lend greater versatility to our offerings and accommodate the varied regional preferences of the Indian market. This quarter our international business has also performed well with US showing a YOY growth of almost 12%. Middle East and Japan too have performed well and remain our areas of continued focus. In the light of recent regulations, Gitanjali has decided to realign its portfolio to focus on diamond jewellery, alternate metals and low carat of gold. Also, Gitanjali plans to further strengthen its international presence. This strategy will enable us to mitigate the impact on gold jewellery sales due to regulatory changes. Thank you very much! We will be taking questions now.

- Moderator** Thank you. Ladies and gentlemen, we will now begin with the question and answer session. We have the first question from the line of K. Khandelwal, an Individual Investor. Please go ahead.
- K. Khandelwal** My question is why is there a dramatic increase in the Other Expenses on a quarter-on-quarter basis?
- Abhishek Gupta** Other Expenses has been largely increased on account of provisions that we made for doubtful debts and the Forex volatility loss that we had suffered during the quarter.
- K. Khandelwal** Can you give me the surplus figures for doubtful debts provision as well as Forex loss?
- Abhishek Gupta** It is roughly about 100 crores. 200 crores is the total expense increase and about 120 crores is for doubtful debts and remaining is for Forex loss.
- K. Khandelwal** Forex loss. So, can you just mail me the balance sheet for the quarter ended for this first quarter? The Assets and Liabilities statement?
- Abhishek Gupta** The Balance sheets will be released in the next quarter, Mr. Khandelwal.
- K. Khandelwal** You mean to say in the second quarter? September quarter?
- Abhishek Gupta** Yes. In the second quarter and in the last quarter we have the balance sheet released.
- K. Khandelwal** Full year of course is intact but this first quarter, if I could get the balance sheet or at least a statement of assets and liabilities it would be better for us to analyze the funds.
- Abhishek Gupta** I will have to get the detailed numbers from the Finance team since we do not publish the balance sheets on the first quarter and we can discuss this offline.
- K. Khandelwal** I know. You can just mail me.
- Abhishek Gupta** I will do that.
- Moderator** Thank you. The next question is from the line of Vaibhav Gupta, an individual investor. Please go ahead.
- Vaibhav Gupta** I just need to know at the moment, what is the latest promoter holding and pledge?
- Mehul C Choksi** The latest promoter holding is approximately 45%.
- Vaibhav Gupta** The pledge figures?

- Mehul C Choksi**                      Around 17% of that is pledged.
- Moderator**                              Thank you. The next question is from the line of Sam John from Value Advisors. Please go ahead.
- Sam John**                                 Can you talk about your CAPEX plans for the year?
- Abhishek Gupta**                        CAPEX will be a very small number, less than \$4 million.
- Mehul C Choksi**                        For the domestic market, it will be less than \$4 million and for the American market, it will be approximately another \$5 million.
- Abhishek Gupta**                        So, overall about \$9 – 10 million.
- Mehul C Choksi**                        Over a year's time from now. So, if you consider in this financial year, it would be half of that.
- Sam John**                                 Okay and any prospects for realizations from your real estate asset?
- Abhishek Gupta**                        Real estate is ongoing, Sam. This year we will realize approximately \$7 – 8 million and over the next 3 years most of the realization will happen.
- Mehul C Choksi**                        We have planned an approximate Rs. 70 to Rs. 100 crore a year. Every year there should be an unlocking of approximately Rs. 100 crores from Real Estate.
- Sam John**                                 And is there a timeline for the residential complex that is in Mumbai?
- Mehul C Choksi**                        Yes. It will take approximately 1.5 – 2 years from now to complete it. The 100 crores that we mentioned earlier is part of this revenue.
- Sam John**                                 Have you reduced your CAPEX plans?
- Mehul C Choksi**                        We are mostly expanding through the franchisee route and the CAPEX plan mostly this year is only because we are expanding in the United States where we need to put in approximately \$300,000 for the store and we plan to expand via 20 stores in the next one year.
- Sam John**                                 Is the company restricted from buying back stock?
- Mehul C Choksi**                        No, not at all. There is no restriction. The restriction is only on the promoter's account. We are already in discussion with them to remove our name. There is only one personal account.
- Moderator**                                Thank you. As we have no further questions, I would like to hand the floor back to Mr. Gupta for closing comments. Please go ahead, sir.

*Gitanjali Gems*  
*August 16, 2013*

**Abhishek Gupta**

Ladies and gentlemen, thank you for your participation in this conference call. We will see you next quarter. Thank you so much.

**Moderator**

Thank you gentlemen. Ladies and gentlemen, on behalf of Gitanjali Gems Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.