



“Uday Jewellery Industries Limited
Management Interaction Conference Call”

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MANAGEMENT:

MR. RITESH KUMAR SANGHI – PROMOTER & MANAGING DIRECTOR – UDAY JEWELLERY INDUSTRIES LIMITED

MR. SANJAY KUMAR SANGHI – PROMOTER & EXECUTIVE DIRECTOR – UDAY JEWELLERY INDUSTRIES LIMITED

MR. UDAY SANGHI – BUSINESS DEVELOPMENT HEAD – UDAY JEWELLERY INDUSTRIES LIMITED

MR. TEJAS SANGHI – BUSINESS DEVELOPMENT HEAD – NARBADA GEMS & JEWELLERY INDUSTRIES LIMITED

INVESTOR RELATION: Ms. TANYA VERMA – GO INDIA ADVISORS

MR. RAKESH ARORA – GO INDIA ADVISORS

Tanya Verma:

Hello everyone and welcome to Uday Jewellery Industries Limited Analyst Meet. We have with us on the call today, Mr. Ritesh Kumar Sangh, Promoter and Managing Director, Mr. Sanjay Kumar Sanghi, Promoter and Executive Director, Mr. Uday Sanghi, Business Development Head at Uday Jewellery Industries Limited and Mr. Tejas Sanghi, Business Development Head at Narbada Gems and Jewellery Limited. I must remind you that the discussion on today's call may include certain forward-looking statements and must be therefore viewed in conjunction with the risk that the company may face. I now request the management to take us through the company's business and financial highlights, post which we can open the floor for Q&A. Thank you, and over to you, sir.

Sanjay Kumar Sanghi:

Good evening, everyone. Thank you for joining us today on Uday Jewellery Industries Limited management interaction. Hope you had time to go through our investor presentation uploaded on the exchanges. I would like to start by sharing with you a brief history of our group. The group has a rich history and heritage spanning more than 100 years.

Sanghi Global Group holds a distinguished position in India's gem and jewellery sector, showcasing a rich legacy. The group history goes back to 1905 when it commenced its supplying jewellery to the Nizams of Hyderabad. We successfully survived India's partition and thrived post-independence, achieving significant milestones. We established our first retail store in 1921 at Old City of Charminar and another in 1928 at Abid Road, New City, both in Hyderabad. In 1975, the group marked a significant shift by establishing its first in-house manufacturing unit in Hyderabad for self-consumption. The Sanghi Global Group comprised of 3 companies, namely Sanghi Jewellers Private Limited, 2 listed companies, namely Narbada Gems and Jewellery Limited and Uday Jewellery Industries Limited, continuing the legacy of Hyderabad Gharana precious natural colour gemstone studded jewellery. Before moving on to Uday Jewellery Industries Limited, I would like to briefly introduce Sangi Jewellers Private Limited and Narbada Gems & Jewellery Limited. Sangi Jewellers Private Limited, the flagship company of the Sangi Global Group, specializes in mass manufacturing of colour gemstone studded jewellery. My father, Sri Hanumanth Rai Sanghi, plays a vital role and serves as the backbone for manufacturing, innovation, design, demonstration, a proactive approach in adapting state-of-the-art technology. Narbada Gems and Jewellery Limited focuses on exclusive, luxury, customized jewellery manufacturing of diamond with colour gemstone studded jewellery.

The year 2010 witnessed the listing of Narbada Gems and Jewellery Limited on the BSE followed by Uday Jewellery Industries Limited in 2015. Now coming to Uday Jewellery Industries Limited which specializes in mass manufacturing of cubic zirconia with colour gemstone studded jewellery and rose-cut diamond jewellery for today's Gen Z. Today, Uday Jewellery Industries Limited is a leading B2B supplier of innovative natural gemstone studded jewellery established in 2011 and is managed by the 4th and the 5th generations. The business led by Mr. Ritesh Kumar Sanghi and myself represent the fourth generation while Mr. Uday Sanghi and Mr. Tejas Sanghi from the fifth generation actively contribute to the strategy and operations of the group. The company has a strong foothold in the Indian jewellery

market, and it is preferred and trusted supplier to India's top retail jewellery brands, not only in India, but to the various international markets. We have a significant domestic presence with the state of Telangana, Andhra Pradesh, Karnataka, Kerala, Maharashtra and Tamil Nadu. Globally our exports extend to major countries in Doha, Qatar, Dubai, UAE, Singapore, and USA, etc.

Deepavali 2023, Sanghi Global Group inaugurated Sanghi House at the state-of-the-art integrated manufacturing unit in Hyderabad. It is a five-story building with each floor dedicated to 3 companies for customized, handcrafted jewellery. Still, 3 floors are under construction and a centralized corporate office for streamlined operations and marketing. It is Equipped with latest technology for efficient production and stringent quality control. A strategic investment of 12 crores all companies together have been dedicated to the completion of the unit along with modernizing machinery ensuring the group stay at the forefront of the innovation and efficiency. Our modern manufacturing facility ensures we have unparalleled efficiency in operations and our new facility will provide us with the ability to scale and expand our manufacturing capability for Uday Jewellery Industries from 20 kgs per month to installed capacity of 125 kgs monthly over a period of time.

What really sets us apart is our strong focus of financial robustness and an even stronger risk management framework. We have a seasoned Gold Desk team under the Treasury Management Department to monitor and manage daily gold procurement, hedging, minimizing the impact of gold price fluctuation on profitability. We use a dual strategy employing gold metal gold loan for efficient inventory management and financial instruments like forwards and futures for effective hedging. These measures ensure that our P&L is largely insulated from gold prices fluctuation. On the financial front, the company has experienced a 24% increase in revenue compared to previous quarter, with a 24 percent year-on-year growth in EBITDA and a 20 percent rise in profit after tax. EBITDA margin stands at 9 percent and PAT margin stands at 6 percent for the quarter, with exports market revenue continuing 11% of the total revenue. Going forward, we are confident of our growth trajectory. We are aiming for a revenue top line of 300 crores by financial year 25, while maintaining margin between 7 to 8%. Expansion plans include increasing our manufacturing capability to cater to rising demand of the Gen Z and venturing into newer domestic and emerging global markets to capitalize on growing opportunities. We are solely focused towards creating superior shareholder value and while offering distinctive, innovative and handcrafted jewellery to both domestic and global markets.

With this, I would like to open the floor for Q&A. Thank you.

Tanya Verma:

I request all the participants to please raise your hand using the reaction button to ask a question. First question is from the lines of Mr. Priyank Parikh. Sir, please go ahead.

Priyank Parikh:

Yeah, thanks for the opportunity. Sir, just wanted to understand, ye jo humein teen entities hai, so why we have kept them separate entities? What is the strategic business rationale behind that?

- Sanjay Kumar Sanghi:** The idea, see the jewellery market as such is a huge market or the way it has been growing and developing. So, the whole idea was to penetrate the market with the strength of quality and product line, different product line into the market because various products are being bought by various jewellers. Every jeweller in their focus of retail, they don't sell everything together. So, and big manufacturing chain stores, brands will love to buy from the seasoned player or the focused manufacturing companies only. So that was the whole idea of having 3 different companies with 3 different product lines to penetrate the market in the big way.
- Priyank Parikh:** Okay, so, sir, the customer, so I believe we are more towards B2B. So, the customers, those buy from our entities. So, for all these 3 companies, we have different set of customers?
- Sanjay Kumar Sanghi:** Different set of customers to certain extent, but different product lines applying to same customer or the different customer.
- Priyank Parikh:** Okay, so in terms of business dynamics, how you are seeing Uday vis-a-vis other 2 entities?
- Sanjay Kumar Sanghi:** Uday jewellery is focused towards the fashion jewellery and the rose cut diamond jewellery so that the fast-moving items so that there can be a surge in mass supplies to the buyers.
- Priyank Parikh:** Okay, So I'm asking like how it is different from other 2 entities in terms of so 1 thing I understand that Uday is into the manufacturing of CZ based jewellery whereas other are in other sort of..
- Sanjay Kumar Sanghi:** No, Sanghi Jewellers, our flagship company is into only colour gemstone jewellery, natural colour gemstone jewellery. That is 1 vertical while Narbada gems and jewellery is purely into polki diamond jewellery and with natural colour gemstones. So, it's a high-end luxury product.
- Priyank Parikh:** Okay.
- Sanjay Kumar Sanghi:** So that way.
- Priyank Parikh:** Okay, got it. Secondly, I want to understand like the value of jewellery we sell. So, what is the proportion in terms of value and in terms of weight between the gold part and the studded stone part?
- Sanjay Kumar Sanghi:** It is only the quantum of the stones while Sanghi jewellers probably the stone value addition may be around 7-8%, Narbada can be as big as 30-40% and Uday jewellery can be from 5-6% because fashion and all to about 8-10% when it comes to rose cut diamond jewellery.
- Sanjay Kumar Sanghi:** So apart from gold, this will be the contribution for stones.
- Priyank Parikh:** For Uday, it is 5-10%
- Sanjay Kumar Sanghi:** Because we are with CZ jewellery with colour stones and rose cut diamond jewellery with colour stones.

- Priyank Parikh:** Okay. Sir, now, say, the lab grown diamond have been gaining traction. So, are we seeing any risk from lab-grown diamonds for the CZ sort of jewellery?
- Sanjay Kumar Sanghi:** Well, see India is a vast country and we have in our economy, we have every kind of customer buying every product. I don't feel that will add on to the 1 more vertical or product line to be supplied. So, but the existing lines of production, I don't see any threat to each other. Lab grown may still grow, but everything will have their own share of percent, I mean own share in the consumption.
- Priyank Parikh:** So, sir, can you give me an idea about the difference in value between the jewellery which has, you know lab-grown diamond vis-a-vis the CZ.
- Sanjay Kumar Sanghi:** Lab-grown diamond is actually comparable with your diamond jewellery because the everything is comparable with diamond. Only the ticket size, the price of the diamond there and here, there will be a difference of maybe around 40%, 50%. So, this CZ jewellery is at the bottom of the pyramid where the masses will be consuming. While diamond jewellery is a, I should say, replacement or a other jewellery for people who are buying for diamond jewellery at a lower cost. Lab grown will be for a diamond jewellery. And what we do in Narbada is a flat diamond polki jewellery, which is for wedding jewellery, wedding concept, evening jewellery, and where a lot of creativity is there.
- Priyank Parikh:** Okay. So, any idea on the ticket size of our article specifically
- Sanjay Kumar Sanghi:** Our article in Uday Jewellery right from 15-20,000 to I should say around 6-7 lakhs.
- Priyank Parikh:** Okay and that distinction is mainly due to the gold proportion.
- Sanjay Kumar Sanghi:** Gold and the overall size of the product, because when it comes to broad sets, long sets for bridal jewellery and all, then probably it may cost about 6, 8 lakhs rupees to that extent also each product.
- Priyank Parikh:** Okay. Okay. Got it. Now, sir, I want to understand the value chain like right from the starting of the raw material, value addition and the finance selling part. So, can you give me the broad idea on the value chain?
- Sanjay Kumar Sanghi:** The procurement of raw material is 1 area. Then production where a lot of skilled labour and a lot of intricacies where designing, understanding the trends of the market, understanding our customers' requirement, understanding which demographic area the customer is, because our country culture changes right from Jammu to Kanyakumari, it keeps changing from every 200 to 300 kilometres. So that is 1 big area. Then production with skilled labour, then supplying to either to a distributor or at least supplying direct to a retailer. Then the retailer at the end of the day, retailer is the 1 who would, I mean, sell it to the end consumer.
- Priyank Parikh:** Okay. Okay. So, no. So, I want to understand like from where we buy raw material, what sort of raw material we buy and additionally how we sell in the market, how we position ourselves in the market.
- Sanjay Kumar Sanghi:** See, ours is a total 100% in-house manufacturing state-of-the-art facility where we procure our stones, diamonds from Surat, Mumbai, and we

procure your gold from all the nominated banks. And even Uday Jewellery is a recently we are IIBX, India International Bullion Exchange, Gift city, we have become a member to that to procure the gold in future because gold in future to come will get all through IIBX only. So even Uday Jewellery has become a member to that. Hardly, I think about 25 people, 25 memberships have been issued in the entire country and Uday Jewellery is 1 of them. And so procurement of gold and procurement of colour gemstones, which we do it from right from Jaipur because Jaipur for colour gemstone supplies is the world market.

Priyank Parikh:

Okay got it. And in terms of selling, like, can you give me idea on the number of customers or like how much proportion of our sale goes to top 5 or top 10 customers?

Sanjay Kumar Sanghi:

See right now the real business which is happening is with the chain stores either regional players or the total pan India wise. So, and as they are opening so many stores, huge number of stores everywhere. So, the real business is happening with all big chain stores. So, we are supplying to maximum to the big chain stores and, like Malabar, Kalyan, Chemnore from Kerala, Sultan.

Sanjay Kumar Sanghi:

So, all this chain stores, either regional players or the pan-India players, we are supplying because we feel a lot of growth is there. And there, everything is getting so organized. So, while they are growing, they would try to procure more jewellery out of us. So that is why all this expansion and all this supplies to them.

Priyank Parikh:

Okay. Okay. Got it, sir. I'll join back the queue. Thank you.

Sanjay Kumar Sanghi:

Thank you.

Tanya Verma:

Next question is from the lines of Mr. Lalit Rai. Sir, please go ahead.

Lalit Rai:

Hi, good afternoon, everyone. So, sir, firstly, could you give us some idea about your peers? So, you are mostly a Southern India based company and focused over there and also internationally more in the Middle East. So, who are the peers that you're competing with? And there's an IPO currently ongoing by the name of RBZ Jewellers, RBZ or RBZ as you may know.

Lalit Rai:

And they also claim about, you know, 40%, 40 or their own revenues coming from Southern India. So, do you see them around and how are you different from them?

Sanjay Kumar Sanghi:

The very first thing, the figures look like we are supplying to Southern India because now that all the big players have been their purchase office for this product line in Hyderabad. But the product is going pan India. Like Joy, Malabar, Kalyan, Joe's, all these players who have the pan India presence, their purchase office for this product line, because this product line is all from Hyderabad.

Uday Sanghi:

I'll take this from here. Sir actually RBZ is manufacturing a different type of jewellery, which is not started with natural gemstones, CZs or whatever we do. So, the product line is entirely different. So maybe we may be catering to similar clients, but they're not a competition because

jewellery again, I'm sure you're aware has a lot of product lines like plain gold chains, bangles, Kundan jewellery, Jadau jewellery, studded jewellery, Polki. So, amongst all of these lines, RBZ is into a totally different product. So probably not a direct competition to. So yeah.

Lalit Rai: Sure sir. So, who else is your peers? Are there any other known names?

Sanjay Kumar Sanghi: Well, in Hyderabad, this product is all from Hyderabad and most of our peers have a job working facility. They take a lot of job working. So, we are the largest jewellery manufacturer in Hyderabad since under single roof from last more than 2 decades.

Lalit Rai: Okay sir, also wanted to understand like So all of you guys who are doing this, you know, kind of contract manufacturing or making for others. So how does your kind of manufacturing process when you say state of the art, so how is that different from somebody else? So, I was trying to understand. So, if I look at somebody like a Sky Gold, you know, you see about 4% kind of operating margins. You guys are at now more than double that.

Lalit Rai: So, trying to understand what is the differentiator there?

Sanjay Kumar Sanghi: No, they are manufacturing plain gold jewellery. See, they are totally, probably manufacturing plain gold jewellery. We are with natural colour gemstones. These natural colour gemstones are unique by itself, they are natural and everyone cannot handle it. This is the strength of Hyderabad which we are instrumental in creating Hyderabad as a manufacturing hub - Our group is instrumental in creating Hyderabad as a manufacturing hub because this product line of natural colour gemstone jewellery is all originated from the combined state of Andhra Pradesh.

Lalit Rai: Okay, so designing is very critical in your space. So, do you kind of come up with the designs and then get it approved by the people that you're supplying for? Or do you just generate a whole host of products and then they pick and choose from there?

Uday Sanghi: So, I'll take that. So, designing basically we have a team of almost 15 designers qualified from various institutions like NIFT, NID, a few of course Bengalis etc. And we use software also along with this to basically make the designs. Market surveys and trend analysis contribute a lot here. And after a lot of market survey, merchandising, etc, we come up with designs, which are then presented to our customers, the larger chains, who then select their designs and maybe multiply it as per their showrooms or their regions. And when it comes to family jewellers, which we supply the non-organized ones. We basically manufacture the product, show them the finished goods and then they make a selection. So there the design is directly manufactured by our own procedures and we don't get it selected from them.

Lalit Rai: Okay and just a part of the question I asked earlier about the geographical thing. So, I understood that domestically you are supplying from Hyderabad, but it's basically going across the country. Some of the international geographies you mentioned seem more like Middle Eastern countries. So, 1 is how much of your revenues comes from exports? And

second is how large is this global opportunity? And what else are you looking to do over there?

Sanjay Kumar Sanghi: In Uday Jewellery, across 10%, 12% is what we are getting revenues out of exports. But we feel the Indian diaspora across Middle East, across US is huge. So, times to come, the markets are growing. So, we will have an opportunity to penetrate still more.

Lalit Rai: OK, so That's all from me. Thanks a lot for so patiently answering the questions.

Sanjay Kumar Sanghi: Thank you. Thank you.

Tanya Verma: Next question is from the lines of Prathamesh Sawant. Sir, please go ahead.

Prathamesh Sawant: Good afternoon, everyone. I'm Prathamesh from Axis PMS. So, 2 questions from my answer. What is the average selling price of your products? So, 2 questions I wanted to understand because I'm new to this market, so I may sound stupid. But is this something similar what we call as imitation jewellery or is it different from that?

Sanjay Kumar Sanghi: No, no. This is purely gold jewellery, pure gold jewellery, 22 carat gold jewellery or 18 carat gold jewellery. We are mostly with 22 carat jewellery because in India, people have a lot of, I mean, focus towards 22 carat jewellery as it is handmade, mostly handmade jewellery, because 22 carat gold is slightly softer. So, to make with hand, the softer material is required. So, it's a pure, no imitation. And CZ is an, I would say, is an only imitation stone while other natural stones are all naturally mined across the world. And Jaipur is the place where they get the rough stones cut into the desired shapes and sizes and supply to the world market. So, we purchase the natural gemstones from Jaipur while the jewellery is all pure gold and colour stone jewellery with close cut diamonds with everything.

Prathamesh Sawant: And average ticket price for it?

Sanjay Kumar Sanghi: It is right from 20,000 rupees at the minimum entry ticket size to around 6 to 8 lakhs of a bridal Haar set or a broad set.

Prathamesh Sawant: What would be your median most selling product or what would be your average selling price? Just to understand who are your target audience?

Sanjay Kumar Sanghi: Well, as we started with fashion jewellery, the average ticket size was around 50,000-70,000 rupees. But right now, as we are moving forward, because India being a very young country, young population, so, and India probably another 25 years or 30 years, the population will be young. So, the marriages will keep happening. So, our real focus, times to come, would be the bridal jewellery and the festive jewellery and all also, because that is a bigger ticket size jewellery for the acquisition. So, we are catering to every requirement.

- Prathamesh Sawant:** Okay. Okay. And so, so are we seeing any good traction lately? Because you know, this year we have a very high number of Murats in November, December season. So, do we see any lumping of our order books particular to Q3 and Q4?
- Sanjay Kumar Sanghi:** Well, this is an election year. Probably, we have seen Deepavali as a very good time because there was slightly sluggish in the first quarter, but second and third quarter were very good. And as you rightfully said, the marriage season is in the second half of the year. And every year we see a surge in our top line in the second half of the year. So yes, there can be because a lot many marriages are there. We are equally placed with orders which are going on.
- Prathamesh Sawant:** Okay. And then how is your working capital like? So, do we receive, do we like, is there money stuck with the customers or how is the whole overall working capital situation with you?
- Sanjay Kumar Sanghi:** No, there is, as such, there is no stuck because we have been supplying with long-term relationships are there. So, we have been supplying to all the seasoned players across the country and across the regions. So, I said that it's not stuck, but sometimes because of the seasons, the time to repay back because we have to supply on credit, this is not a perishable goods and it's a luxury product. So, we have to be supplying them for 45 to 90 days of credit lines and all. So probably we get, sometime we may get a slightly delayed payment.
- Prathamesh Sawant:** Okay. Okay. And sir, what would be our customer development? How much would be our top organized and non-organized?
- Sanjay Kumar Sanghi:** No, mostly we are as an organized manufacturing setup with all, we are mostly dealing with organized buyers only.
- Prathamesh Sawant:** Okay, okay. And sir last question from my end and it's more of a structural nature. So, from three-year or five-year perspective, how do we see our revenue growth? Like, what would be the key triggers to your three-year, five-year horizon, and what are the key risks to your three-year, five-year horizon?
- Sanjay Kumar Sanghi:** The growth would be, should be very good because we have come up with a new facility, with a very modern facility to see that our retainership to the skilled labour is at the highest. And the capacity what we have - the existing capacity was around 20 kgs of production a month. Now we have a capacity expansion to the extent of 125 kgs in Uday jewellery industries. So that will be the trigger where we are going all out in the market to penetrate. And this is giving us immense focus also to penetrate the market because the capacity is already developed. So, this way, probably this will be the key. The new factory will be the key to really achieve the big targets, big turnovers.
- Prathamesh Sawant:** And so, what is your internal timeline for achieving the maximum capacity? Because I understand in your business, getting the skilled labour is also very difficult and retaining them is also, you know, very crucial.

- Sanjay Kumar Sanghi:** So, I should say around 2 and a half years to achieve that. Because it's a number which we have to really work. So probably about 2 years, it should take 2 and a half years.
- Prathamesh Sawant:** And you don't see any labour constraint or as such, you know, because 20 to 125 is like a 5x increase.
- Sanjay Kumar Sanghi:** Yeah, we know. No labour constraint as we are a long-term player as we are a very established player in Hyderabad since 1993 as the group for manufacturing. So, we do have the access to the skilled labour across Bengal, across Hyderabad, and the facility what we have done, the way we have made, probably we should not face as such any constraint to employ skilled labours.
- Prathamesh Sawant:** Okay. And so, what was the motivating factor? As in, is it something your internal aspirations to grow or did you see increasing interest from your customers, which were increasingly expecting higher amount of orders from you?
- Sanjay Kumar Sanghi:** I would say both, but the real fact is the economy is growing to its peak and our buyers are growing and penetrating the tier 1, tier 2, tier 3 cities in a big way. So, the real fact is they are growing and they would require a lot of jewellery to be supplied and while they are growing, they only have options to buy with our kind of facilities where we can give them timely product, quality product and quantity products.
- Prathamesh Sawant:** Okay. Thank you, sir. That's it from my side.
- Sanjay Kumar Sanghi:** Pleasure. Thank you.
- Prathamesh Sawant:** Best of luck for your future endeavours.
- Sanjay Kumar Sanghi:** Thank you.
- Tanya Verma:** Next question is from the lines of Mr. Prateek Chaudhary. Sir, please go ahead.
- Prateek Chaudhary:** Am I audible, sir?
- Sanjay Kumar Sanghi:** Yeah, please.
- Prateek Chaudhary:** Sir, what is the amount of investment we are looking to spend for this new 5x expansion?
- Sanjay Kumar Sanghi:** No, I should say the facility, for the facilities almost nearly we have done to, from 20 to 125 probably we may need some machines and all, not very much. Working capital is a big requirement in our kind of trade where the product gold, diamond, colour gemstones, everything is a costly material. So going forward, as we keep increasing our turnovers, only working capital increase would take the major chunk of the requirement of funds.
- Prateek Chaudhary:** And are we looking to raise any funds for working capital requirement?

- Sanjay Kumar Sanghi:** Hopefully, I mean, as we step forward, we will have to look to the markets.
- Prateek Chaudhary:** And sir, for this 5x increase in utilization, roughly you're at 150 - 180 crore top line yearly right now. And I'm assuming you're fully utilizing your existing 20 kg per month capacity, is that right? You're fully utilizing it?
- Sanjay Kumar Sanghi:** Yes, nearly.
- Prateek Chaudhary:** And so, for a 5x increase you're saying that, that in terms of full utilization of that 5x capacity, you could do that potentially in the next 2 years?
- Sanjay Kumar Sanghi:** 2 to 3 years, yes. We are very hopeful because the way we have forecasted things.
- Prateek Chaudhary:** And for this, because that's a major increase, do you also foresee getting into, say, significant large clients, entry into other names? Or do you see, you know, do you see big, newer, bigger clients becoming our customers?
- Sanjay Kumar Sanghi:** Obviously, we have to penetrate the various states and various markets with many more players but already we are with few big players and we see lot of big expansion happening with all of them. So, it has to be balanced between the new players and the existing ones.
- Prateek Chaudhary:** No, I'm asking, can we get something like Tanishq or you know, the leaders on board as our customers? Is that a possibility?
- Sanjay Kumar Sanghi:** Leader is Malabar.
- Prateek Chaudhary:** Malabar, okay. In your segment.
- Sanjay Kumar Sanghi:** No, I mean in total jewellery segment, Malabar is much bigger than Tanishq. I mean in terms of the total revenues. Kalyan is there. And you have so many. See what has happened is right now, every state, within the state, there are few players who are expanding within the state. There are regional players. There are, I mean, Pan India players. So, there is an immense potential and opportunities right now for supplies. And skilled labour, as rightfully asked, skilled labour in times to come will be a constraint because total economy is growing and hence getting skilled labour everywhere will be a task. Manufacturing will be given a special preference in times to come.
- Prateek Chaudhary:** And sir, as our turnover increases and as operating leverage kicks in because I'd say if you do 3x of what you're doing currently say in the next 1 and a half years which is roughly 400-500 crore kind of number. Then do you see your margins, you know, is there scope for margins increase to say potentially double digit? You know, can it go to 10, 10 and a half, 11% kinds as your turnover increases exponentially?
- Sanjay Kumar Sanghi:** Well, I would say margins will increase to certain extent, but the return on ROI and all that will increase substantially.

- Prateek Chaudhary:** Okay. And so last question for your like currently international business is contributing around 10 to 15% of our turnover. 2 years down the line, where do you roughly or potentially see this percentage go to? Can it be 20% kind of a number 2 years down the line.
- Sanjay Kumar Sanghi:** Yeah, we do see because Indian diaspora people, they are doing very good across the globe. So, we see a lot of potential new markets like Australia, South Africa, and all those potential markets. So probably times to come, we should be able to penetrate into US, Middle East and Eastern side as we already supply to Singapore and all. So, we feel that there can be a good surge in the exports also times to come. So, 20% should be a 1 we should be able to achieve.
- Prateek Chaudhary:** And for your new manufacturing setup that you're putting up, when is that likely to go I mean commercially start production?
- Sanjay Kumar Sanghi:** Trial productions have already started. This Diwali we have already inaugurated and our production has already shifted there, but only the trial productions and productions have started. So only thing is now we have to declare open or that way. So, things have started working there and but initially hiccups, initial process development and systems and processes are going on.
- Prateek Chaudhary:** Okay, sir. I'll get back in the queue. Thank you.
- Sanjay Kumar Sanghi:** Please, thank you.
- Tanya Verma:** Next question is from the lines of Mr. Ankur Gulati. Sir, please go ahead.
- Ankur Gulati:** Thanks. Sir, 2 questions. 1, when you are saying gen z jewellery, is it more lightweight jewellery which you want to get into?
- Sanjay Kumar Sanghi:** I am not audible, please.
- Ankur Gulati:** Is it audible now?
- Sanjay Kumar Sanghi:** Yes, to certain extent, yes.
- Ankur Gulati:** All right. So, when you are saying Gen Z jewellery, is it more lightweight jewellery, more for younger generation or is it still traditional jewellery which you're trying to come out with newer designs? That's 1. And second, any plans to set up your own stores at some point in time in future?
- Sanjay Kumar Sanghi:** The first question, we do have lighter weight jewellery, the gold prices have gone up. So, all the jewellery has become very light in weight. Only the size matters, small size to big size, because on various occasion, people will love to wear various jewellery. On a day-to-day, jewellery would be a chain and a locket and a tops or a jhumka or a bangle. While for evening wear, it can be a locket set or a small choker set and all. But for a marriage or a festive mood, probably 1 would try to wear a bigger 1. So, it's all the choice of the customer, but we do have all the ranges and we are trying to cater to the Gen Z also because they are the future. So, we have to see that we have jewellery which will really suit them also.

- Ankur Gulati:** Sir, on that note, are you planning to supply to any of these online portals?
- Sanjay Kumar Sanghi:** Yes, yes. As the next round of growth, we feel we should be supplying them also because there the ticket size as well as the total quantum is all increasing. So, we do find that is a very potential area to be marketing and penetrating. So, once we are through with this commercial production in our new facility, we will have a dedicated team to be focusing to and supplying to them.
- Ankur Gulati:** And is the margins on that side higher, especially the lightweight jewellery?
- Sanjay Kumar Sanghi:** In India, we can expect turnovers. Margins in lightweight jewellery probably I feel right now it is not that high when compared to the other jewellery. But probably in times to come probably there can be a slightly 100 basis point or 200 basis point more into that. See our kind of jewellery is a natural gemstone jewellery. So however, the bigger size of jewellery where more natural stones or more diamonds are being consumed. So, the margins are slightly better off than the regular 1.
- Ankur Gulati:** And any plans to set up your own stores?
- Sanjay Kumar Sanghi:** Well, right now as we have taken a very big leap into manufacturing, so, and as we foresee there can be a demand, a big demand into requirement of jewellery from this all-organized retail stores. So, we are open to it. We are starting to at least market or start promoting our jewellery brands and all so that we want to be net prepared. So, but it will take some time and we keep it open for the board to take the decision ASAP.
- Ankur Gulati:** So, last question, how much of your gold inventory do you guys hedge?
- Sanjay Kumar Sanghi:** Nearly about more than 50% because a lot of physical gold is also available, which is a natural hedge. So nearly 50% and plus we are hedging right now. But it's a slow process where we will try to achieve maximum because a lot of fluctuation is there. So, we will have to be very safe.
- Ankur Gulati:** Thanks, and all the best.
- Sanjay Kumar Sanghi:** Thank you.
- Yash Bajaj:** I mean, if suppose the inventory is 53-54 crores, out of that 30-40 crores would be a finished product?
- Sanjay Kumar Sanghi:** Around 35-40% would be finished product, rest into production cycle. Because every karigar has to hold gold only or diamonds or stones only.
- Yash Bajaj:** Okay. And sir, if you can give me a broad breakup when it comes to your ticket size. Let's take 3 brackets of up to 50000 rupees jewellery, 50 to 1 lakh rupee jewellery and above 1 lakh rupee jewellery. What would be a broad breakup or proportion?

- Ritesh Kumar Sanghi:** Let me let me take this quick answer. See, am I audible to everybody? Yeah. So generally, no small items like bracelets, pendants, rings and tops, they are around 10 to 12 grams. So that you can say it will be around 70 - 80,000, less than 1 lakh. And anything, when you go for a pendant set or a single bangle or anything, which, you know, a small necklace then it takes from 1 lakh to maybe 2 lakhs to 2.5 lakhs. So, it all depends upon you know what product you wanted to select and buy.
- Yash Bajaj:** Okay so I mean out of your total sales, how much would be less than 1 lakh rupees and how much would be more than 1 lakh rupees?
- Sanjay Kumar Sanghi:** Broadly, depends upon the orders and the customers requirement from time to time. If it is a low season, probably he would give a smaller item more requirement and when it is a marriage season then they will purely go into all bridal sets, big sets and all. So, it is to the prerogative of the buyer actually. We normally calculate into the total quantum of selling or production in kgs or in value terms actually.
- Yash Bajaj:** Okay. Thank you. That's all from me. All the best.
- Sanjay Kumar Sanghi:** Thank you.
- Tanya Verma:** Sir, we have a few questions in the chat as well. First question is from Mr. Praveen Gamble from Ananya Research. He has 2 questions. First is, is the company looking for any fundraising through preferential equity issue in the near future?
- Tanya Verma:** And second is, liquidity in the stock is very less. How will you address the same?
- Sanjay Kumar Sanghi:** Well, that is all market driven, the liquidity. Well, I'll come back to you for that, because I don't have any clue into that.
- Rakesh Arora:** Praveen ji, companies are making all effort now to, you know, popularize the company among investors. So, I am pretty sure that liquidity will go up.
- Tanya Verma:** Okay, sir. Next, we have Pratik Chaudhary again in the line. Go ahead, sir.
- Prateek Chaudhary:** Sir, what sort of ROE or ROCEs are we targeting over the next 2 years?
- Sanjay Kumar Sanghi:** Right from 16 to 20 percent.
- Prateek Chaudhary:** Okay and so if we look at your historical you know financial statements, specifically the cash flow statement, we haven't really ever been operating cash flow positive. Any thoughts?
- Sanjay Kumar Sanghi:** As we are trying to deploy all the funds for the new facility, new productions, various production, various penetration into the market. So probably that could be the reason.
- Prateek Chaudhary:** No, but that because if you're investing for newer resources, that usually is shown in the investing part of the cash flow statement, but in the

operational part, the operating cash flow part, it's always been negative over the last few years, last 5 - 6 years.

- Rakesh Arora:** Prateek, what really happens is for you know, companies like this, investment is actually into inventory, because inventory is what really drives revenue so that's why you know gold companies you have to see little bit differently. It's not like a typical manufacturing.
- Prateek Chaudhary:** Is there, I mean since I understand that when I mean when the company is in a growth phase and hence your investment into inventory would also increase.
- Rakesh Arora:** For all gold companies this will be typically true. You can compare that because if the company is growing, they need inventory. That is a capital investment actually. It shows as inventory but it is a capital investment for growth.
- Prateek Chaudhary:** And once you stabilize your revenues at say a much higher level?
- Rakesh Arora:** Then there will be a free cash flow.
- Prateek Chaudhary:** Then you foresee a positive operating cash flow at that scale?
- Rakesh Arora:** Yeah, it is always positive free cash flow. It is just that the companies into investment phase, they are growing and the investment comes in form of inventory so that's why you know you see, mathematically it shows negative free cash flow but it is not that case
- Sanjay Kumar Sanghi:** See already with the fashion colour gemstone jewellery, we started focusing into rose cut diamond jewellery, where again, we would require a lot of investments there. So, we are trying to add on to the various product lines, various verticals, for the growth and supplying to various players across the country and internationally.
- Prateek Chaudhary:** Got it sir. Thank you.
- Sanjay Kumar Sanghi:** Thank you.
- Tanya Verma:** Next question is from the lines of Mr. Priyank Parikh again. Sir, please go ahead.
- Priyank Parikh:** Yeah, and thanks for the opportunity. Sir, I just want to understand and reconcile certain numbers. So, when we are saying that currently our capacity is 20 kg per month, right, And, we are fully utilizing it. So, is it right way to assess that we are selling 240 kg of gold per year? That is 20 into 12?
- Sanjay Kumar Sanghi:** See, yes, naturally, we are, I mean, we are doing that.
- Priyank Parikh:** Okay, so if I is so our top line is 166 CR and if I divide it by 240 kg so we are getting 69 lakh. So, per kg 69 lakh would be the right way to assess it?
- Sanjay Kumar Sanghi:** Probably we are selling more actually, because the average gold price is around 62 - 63. So, we may be selling around 260 kgs.

- Priyank Parikh:** Yes, yes. So, I am coming to that only. So, 62 lakh and we are selling on 69 lakh. So then that that gap of 6 - 7 lakh is the value addition what we do.
- Sanjay Kumar Sanghi:** No, no 20 kgs on an average basis, we are telling. It can be more or less around 20 kgs. I will have to go to the details of the account to see how much we have produced for the complete year to achieve that turnovers. But I mean, on average basis, it counts for around 20. Sometimes we will have to work more and produce more in the season time to give more of a production. So, we will have to work sometimes more or likewise we have to supply more also.
- Ritesh Kumar Sanghi:** And there is a diamond also involved in this.
- Priyank Parikh:** So, I want to understand that part only, sir. So that the value addition or the diamonds we sell over and above gold, wherein we really earn the margins. So how much that portion is into the sale value?
- Sanjay Kumar Sanghi:** 5 to 10% is the stone value which is overall added to the gold value.
- Priyank Parikh:** Okay got it. Sir, the in the asset schedule the fix us a schedule that I am seeing in our latest annual report. It doesn't have the building, or any sort of, you know, infrastructure facility. So just wanted to understand how we are like using, have we leased the building or any group companies building or facility we are using?
- Sanjay Kumar Sanghi:** No, the building is constructed by the promoters and the complete building is leased out to all the companies. So that right now the business, the working capital to be utilized is for the growth of the company and value creation for the shareholders. So, the company has been built by the promoters and given on lease to the companies.
- Priyank Parikh:** The building has been privately owned by the promoters.
- Sanjay Kumar Sanghi:** Yes. It's under family asset.
- Priyank Parikh:** Okay. Got it. And sir, we are saying that we are targeting to, you know, doubling our size of business. So obviously we need to invest into the working capital. So how we are going to fund that investment?
- Sanjay Kumar Sanghi:** Well, initially right now, we have some surpluses, so We will start working with it and as we find shortages, we will have to look to the markets from time to time.
- Priyank Parikh:** Okay. So, you are open for both the debt raising as well as preferential equity raising. That's what you are saying?
- Sanjay Kumar Sanghi:** Yes. Yes. Mix of that.
- Priyank Parikh:** Okay. Okay. Got it. Okay. Thank you.
- Sanjay Kumar Sanghi:** Thank you.

- Tanya Verma:** Next, we have a few questions in chat. First is from the lines of Hemant B. He is asking, Sir, what is the internal IRR we work with for any capital employed?
- Sanjay Kumar Sanghi:** Approximately 17 - 18% or 20% around.
- Tanya Verma:** Okay. Next question is from Amitabh Vatsia. What are the trends in contract manufacturing space? Do you prefer a model where bullion is provided by the organized retailer?
- Sanjay Kumar Sanghi:** We'll surely. Because we have a big facility and funds light and we can earn our value addition. Yes, we are open to it.
- Tanya Verma:** Next, we have Prateek Choudhury in the line for some questions. Sir, please go ahead.
- Prateek Choudhury:** No, I'm done actually. I'm sorry I'll lower my head.
- Tanya Verma:** Okay. We have another question in the chat from Mr. Hitesh Jain. Sales break up of 3 entities as they deal in different products.
- Sanjay Kumar Sanghi:** Last year Sanghi Jewellers was around 300 crores. Uday Jewellery was around 170 plus. And Narbada was around 90 crores. Together group total turnover is around 600 crores.
- Sana, Go India:** Sameer Sir, do you want to ask a question?
- Sameer Gupta:** Yes, please. Am I audible?
- Sana, Go India:** Yeah, please go ahead.
- Sameer Gupta:** Good afternoon, and thank you for the opportunity. Just to get an idea of the business, are you doing any job work currently?
- Sanjay Kumar Sanghi:** I mean, a little portion of it, not much. Because we are into jewellery manufacturing and supplying. But we are open to it in a big way.
- Sameer Gupta:** Okay. The working capital day is very high, 81 days for a gold jewellery. Are there any returns also? You are supplying obviously on credit to the retailers. Now the retailer is displaying the jewellery. If it is unsold, does he return it or how does it work here?
- Sanjay Kumar Sanghi:** No, normally we outright sell to them but we give a facility of 5-7% return on a yearly basis just to serve them right.
- Sameer Gupta:** Can you share what would be your making charges, your charges you are able to realize per gram?
- Sanjay Kumar Sanghi:** It depends from product line to product line because every product there is a different set of workmanship required. So, it has a list of in the sales department with all the various products at various prices. We negotiate we agreed upon and then we keep supplying them at those prices.
- Sameer Gupta:** What would be the range of the making charges?

- Sanjay Kumar Sanghi:** Approximately 8 to 12%.
- Sameer Gupta:** In terms of rupees per gram?
- Sanjay Kumar Sanghi:** It can be converted in the same way about approximately 500 rupees to about 700 rupees around.
- Sameer Gupta:** And what is your share of, can you give a recap of your revenue from machine made v/s handcrafted.
- Sanjay Kumar Sanghi:** We are totally handcrafted and machine product we are not doing. We are using intermediary machine to take the help for handcrafted jewellery. But we are a handcrafted jewellery manufacturer but we have lot of intermediary machines like from lasers, various lasers, XRFs, castings, mass finishers.
- Sameer Gupta:** Okay. Your largest clients would be Kalyan and Malabar?
- Sanjay Kumar Sanghi:** Yes, they are growing.
- Sameer Gupta:** So, in 1 of the slides, the geographical sales break up, it is showing Telangana is accounting for 87% of your revenue. So, is it that they are sourcing for the local showrooms from you or how is it?
- Sanjay Kumar Sanghi:** Actually, we, as this product is unique all from Hyderabad, so they have their purchasing sourcing offices in Hyderabad itself for the entire nation. So, and they have a lot many stores here. So, we are supplying to their local office. From there it gets distributed to the various stores across the country.
- Sameer Gupta:** Okay. And this growth you're seeing, you're forecasting a doubling of revenue in a couple of years. So, is this from the existing clients or from new markets?
- Sanjay Kumar Sanghi:** Both. New markets, new products, and existing. But we have a lot of existing requirements from the existing ones only. But obviously, to mitigate the risk and going forward as the markets are expanding because of a very good robust economic growth across the country.
- Sameer Gupta:** Correct. Regarding exports, around 10 to 12% that is not clear to me. Despite the import duty of 12 - 12.5% on gold, you are managing exports?
- Sanjay Kumar Sanghi:** 7.5% off?
- Sameer Gupta:** No, there is an import duty on gold of 12.5%.
- Sanjay Kumar Sanghi:** But we get that duty drawback for exports. Only we have to get the export gold separately from the nominated agencies and at the international prices we procure that and we supply. So, that is a different channel of supply by the government and we procure that and we keep supplying.
- Sameer Gupta:** Okay. And the margins are similar on that export?

- Sanjay Kumar Sanghi:** Margins are similar because as such there is no benefit in exports. So, for us, where the growth is, we are there.
- Sameer Gupta:** And currently you don't have any retail sales here. You said you might look at that in the future.
- Sanjay Kumar Sanghi:** Yeah, we might look at that because as we have put all the efforts to increase our production substantially so for at least some time to achieve that big numbers. But we started preparing ourselves for some forward front businesses promoting the brand and understanding all that. So, ASAP or as the board may find it good enough to venture into the front-ending businesses, will be taken up.
- Sameer Gupta:** Okay. And a lot of jewellery I believe is sold in when these trade shows happen, organized by JGEPC, the jewellery trade shows. How much of your revenue are you getting from these shows?
- Sanjay Kumar Sanghi:** No, these shows are all B2B shows. They are not B2C shows. We attend only to the B2B where we really attend that, we get the pulse of the market. We interact with all our buyers. We have orders with them and we have good interaction with their team and our team interacts with them. So, it's a very good nice way of carrying the business or developing the business or increasing the business. But there it is nothing is sold because this is all B2B trade shows where no sales happens.
- Sameer Gupta:** Okay. Okay, just my last question is, sir, I believe organized retail has reached over 30, across 30-35% as a jewellery sales. But what about jewellery manufacturing? What is the organized share according to you, sir?
- Sanjay Kumar Sanghi:** Well, there is a big requirement out of organized jewellery retailers because the growth ideas and methodology, which was not very clear maybe a decade before, is so clear. So, every regional player, every family store is doubling their counts and all. So that way there is a huge requirement and rightfully said, that's what we feel, organized manufacturers requirement and there is a shortage of that. That is the whole reason why we have come up with the 5x of capacity because that is where our mantra to really penetrate this opportunity of growth.
- Sameer Gupta:** Sorry, I missed that. I got disconnected. What is the share of organized manufacturing?
- Sanjay Kumar Sanghi:** Organized manufacturing is lesser and that is where the opportunity lies and hence, we have gone for that 5x of facility.
- Sameer Gupta:** How much will it be currently? Currently how much will it be? 10-15% or more?
- Sanjay Kumar Sanghi:** Should be more but that numbers I don't have.
- Sameer Gupta:** Okay sir, thank you so much.
- Sanjay Kumar Sanghi:** Thank you, thank you, pleasure.

- Tanya Verma:** Sir, we have some questions in the chat. First question is from Prateek Chaudhary - Plans for Narbada. What are the plans for Narbada? What are the plans for Narbada going forward?
- Sanjay Kumar Sanghi:** Production capacity again for that has been increased. Because the same production capacity there also we have increased. So, the plans are mostly similar.
- Tanya Verma:** Okay. And do we see improvement in data days and inventory days? If yes, to what levels and what are the targets for the same?
- Sanjay Kumar Sanghi:** We are working on that. That is where we have put the new facility to see that how best we can reduce the number of days in production and have a less turnaround time so that we can have more rotations in a year. It's all about that only. Because the profitability has to increase there only.
- Tanya Verma:** Okay, next question is from Amitabh Vatsia. He's asking why is the receivable raise around 60 days against some peers who have 1 month cycle?
- Sanjay Kumar Sanghi:** Well, we have negotiated with few for 90 days, for 60 days, 45 days. And sometimes with the ups and downs in the season, they are paying, they are taking some grace days to pay. So, it's all depend from various players and various products what they are buying. In future we are looking for players who can do cash and carry also.
- Uday Sanghi:** And peers may also be dealing with a different type of jewellery, say gold jewellery, which ideally ranges from a 2-day payment term to 30-day payment term, and ours being studded jewellery. So, you know, the payment days are different again. So, peers, ideally, if they're doing gold jewellery, they will have an average cycle of 2 days, 5 days up to 30 days anything. So that's 1 more differentiator there
- Tanya Verma:** Okay sir. So, we don't have any more questions now.
- Prateek Chaudhary:** I have just 1 last question. Sir, in Narmada you said you have increased capacity there as well. What sort of capacity increase has happened in Narmada?
- Ritesh Kumar Sanghi:** Can I answer? It's a diamond high-end luxury jewellery. So, you know numbers, weight wise we cannot count Narbada. It will go by values, you know, how the market, how polki jewellery is made, how the bridal jewellery goes. But definitely there will be big numbers for Narbada also, because facility is good and that also move to a new space. So, facilities will be good in that also.
- Prateek Chaudhary:** Did that happen recently?
- Ritesh Kumar Sanghi:** Yes, yes. That also has happened recently.
- Tejas Sanghi:** Hello, am I audible?
- Prateek Chaudhary:** Yes, yes.

- Tejas Sanghi:** And also, if I may add to the point, also over here, keeping in mind the organized retail, we are also target audiences, you know, a big number of design hubs, designers, and you know, a lot of people who are coming into the market, like a lot of designers who supply clothes. They have a lot of requirements for their jewellery and their own ideas. So, we are trying to have a different set of buyers there. So that also is another differentiator and it helps in a very great value addition that side.
- Prateek Chaudhary:** This is for Narbada you are saying?
- Tejas Sanghi:** Yes, for Narbada.
- Prateek Chaudhary:** Okay do you have similar such plans I mean, in terms of potential 5x increase or maybe, you know, higher increase in the capacity or the turnover?
- Sanjay Kumar Sanghi:** Over a period of time, we will have to look because that is a very luxurious product. So, we want to really have that luxury first, because that is scattering with a different ticket size and a different segment of people. So, we are looking to there in a different concept and different styling. So, probably the capacity increase to that extent will take some more time.
- Prateek Chaudhary:** Okay and sir last on our unlisted entity Sanghi Jewellers, is there any plan to merge it in 1 of the listed companies?
- Sanjay Kumar Sanghi:** Board will actually, board has to decide that, seeing the future, seeing the value creation for the shareholders. So that prerogative is all dependent, I mean, it's all with the hands of the board to take the decision in times to come.
- Prateek Chaudhary:** And sir, I was looking at the numbers for that entity, the number that you have filed with the Ministry of Corporate Affairs. There's hardly any profit that is, you know, gets operating profit is very, very low out there. Like on, I think almost FY22's numbers I have, on 277 crore of revenues, the EBITDA was hardly 6 crores. Why is that?
- Sanjay Kumar Sanghi:** It's a mass product supplying at the bottom of the pyramid. But with the current facility, again, there also we are trying to see that how best the lead time to manufacturing can be reduced because there the product line is very different. So, we are trying to cut down on the number of days of production, have more rotations. That is the whole idea about having the new facility.
- Prateek Chaudhary:** This you are saying for Uday?
- Sanjay Kumar Sanghi:** Sanghi Jewellers.
- Prateek Chaudhary:** And Uday as well?
- Sanjay Kumar Sanghi:** Uday is better because there is some fashion jewellery and some rose cut diamond jewellery. So, the margins are better than Sangi Jewellers.
- Prateek Chaudhary:** Okay, sir. Thank you.

- Tanya Verma:** Sir, as there are no further questions, would you like to give some closing comments before we close the meeting?
- Sanjay Kumar Sanghi:** Yes, yes.
- Tanya Verma:** Please go ahead, sir.
- Sanjay Kumar Sanghi:** We trust that we have addressed all your inquiries to your satisfaction. If you have any remaining unanswered questions, please don't hesitate to contact our investor relation agency, Go India Advisory. They will be more than happy to assist you further. Thank you.