

**Investor Presentation** 

































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# One of India's Largest Integrated Jewellery Manufacturing and Retail **Enterprise**

#### **Rough Procurement**



Rough Distribution





Jewellery Wholesale





Jewellery Retailing



- Established in **1966**, graduated from diamond cutting and polishing to one of the worlds largest Integrated Jewellery Company
- > DTC Sight holder through a promoter company, enjoys competitive edge in rough diamond supply
- > 4 of top 5 brands in India owned by the Group
- > 3 state of the art in-house cutting and polishing facilities with a capacity of about 400,000 stones per month
- > 7 modern jewellery manufacturing units with production capacity of 8,000 pieces per day
- > Largest distribution network with over 3,500 points of sales through FMCG type distribution
- > Strong retail presence with 1,040 retail points in India through own, franchise and shopin-shop route
- > 111 retail points in USA and a retail store in Dubai to maintain brand experience for consumers

### **Gitanjali Gems – Key Business Verticals**

## Group businesses – Three focused verticals

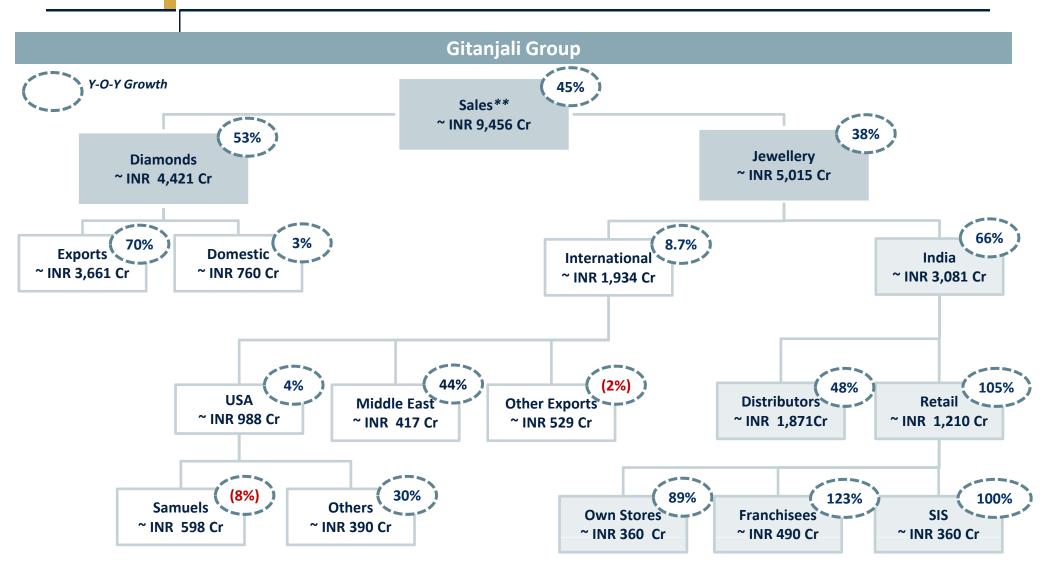
#### Gitanjali Gems Ltd. **Domestic Branded Jewellery International Operations** Diamond (Manufacturing, Distribution & Retail) (Distribution & Retail) & Jewellery Manufacturing RIVAAZ Gitanjali Brands Ltd. Gitanjali Gems Ltd. Aston Luxury Group Ltd. Brightest Circle Jew. Ltd. Samuels Jewelers Inc. Gitanjali Exports Corp Ltd. ( NAKSHATRA WORLD OF SOLITAIRE PARINEETA **Branded Jewellery**\*\*\* D'Damas Jewellery (India) Pvt. Ltd.\*\* D'damas Gitanjali Infratech Ltd.\* Gitanjali Ventures DMCC Gili India Ltd. Gili Hyderabad Gems SEZ Ltd. Leading Italia Jewels Srl. asmi Asmi Jew. India Ltd. Spectrum Jew. Ltd. sangini **GITANJALI** Gitanjali Lifestyle Ltd. Gitanjali Jewellery Retail Pvt. Shoddhi MMTC Gitanjali Pvt. Ltd.\*\* \*The company's Infratech business is only to unlock value of its surplus land in Borivali by developing a residential complex. This is essentially to monetize the company's surplus land bank.



\*\* MMTC Gitanjali is 74% owned by Gitanjali Gems while D'Damas is 51% owned by Gitanjali Brands Limited.

\*\*\*All entities engaged in branded jewellery are 100% subsidiaries of Gitanjali Brands Limited. All other entities are 100% owned by Gitanjali Gems

### **Gitanjali Gems – Business Structure (FY11 Revenue Contribution)**



<sup>\*\*</sup> Total Revenues of INR 9456 Cr, include "Other" Sales of ~ INR 20 Cr, which have not been shown separately in this presentation. As this slide represents only the primary business segments of the company viz,- "Diamonds "and "Jewellery"



Diamond & Jewellery Manufacturing

### **Diamond & Jewellery Manufacturing**



#### Competitive Sourcing of Rough

- Gitanjali Gems Limited (GGL) and Gitanjali Exports Corporation Limited (GECL) are 2 standalone entities primarily engaged in the traditional diamond trading business of the group. GECL is engaged in the traditional business whereas GGL is also engaged in Jewellery Manufacturing for the international division
- Both the entities enjoy competitive sourcing of rough diamonds from DTC, ALROSA, RIO TINTO and BHP.

Diamond Polishing at 3 state of the art facilities across 3 locations in India

- Gitanjali has 3 state of the art manufacturing facilities dedicated to diamond polishing.
- These are strategically located at Surat, Hyderabad and SEEPZ (Mumbai).
- The Hyderabad SEZ is spread across 171 acres in the vicinity of Hyderabad international airport and is divided into Processing Zone (85 acres – for manufacturing diamonds and jewellery) and Non Processing Zone (85 acres).
- Rental Facilities of ~400,000 sq. ft. To be rented out by FY 2013

Polished diamonds supplied for captive consumption as well as exports

- Polished diamonds are supplied to group entities for local consumption
- Polished diamonds are also exported to Antwerp, USA, etc

Domestic Branded Jewellery (Manufacturing, Distribution & Retail)

# Domestic Branded Jewellery: Portfolio of Established and well recognized Brands

# Brands with distinct identity and design concepts

	Bran	d Characteristics	Brand identity	Design concept	
Beautifully you.		Stylish, Contemporary, Extrovert, Enthusiastic, Self- made	Embrace the Gili way of easy elegance "Beautifully you"	Easy to wear, highly contemporary and trendy designs	D
NAKSHATRA		Mesmerizing, Epitome of Beauty and Luck, Elegant and Timeless	Stunning, beautiful, sparkling diamond jewellery positioned as a woman's ultimate accessory "The enchanting enigma"	Design concept inspired by the popular Indian floral cluster	
Diamond Jewellery For the woman of spirit	4	Free, Spirited, Goal oriented, Successful, Independent	Diamond jewellery with a delicate & feminine look that is distinctly evocative of strength and grace "For the woman of spirit"	Design concept revolves around curvilinear forms that symbolize the inner fire of women	
maya  Gold  GITANIALI  MATTERIALI		Classic, traditional, festive, occasional gift giving	Aimed at the wedding market and similar festivities and traditional occasions "Moments like these speak gold"	Traditional classic designs to cater to major gold jewellery buying occasions	
D'damas	1	Celebration of every occasion, stylish, chic,	Jewellery for every occasion, mood, need, user profile	International quality combined with Indian	8
— Celebrate Always —		aesthetic	"Celebrate Always"	aesthetics. For all occasions, moods, user profiles	

#### **Brand building strategy**

- To create strong aspiration value amongst purchasers through celebrity association
- To create a "top of mind" brand recall
  - Annual advertisement blasts with over 250k TV and 4.5k radio commercials and 13k press inserts
  - Advertising spend of over Rs 3.5 bn in last 3 years to build and promote brands



## **Domestic Branded Jewellery: Raw Material Sourcing**

### Mitigation of gold price fluctuations

#### **Gold jewellery**

- Gold purchased on loan from bullion lending banks / nominated agencies against margin deposits
  - Price remains open for a period of up to 6 months
- Company manufactures jewellery and sells it to distributors / retailers / franchisees
- As soon as jewellery is sold / invoice is raised, price for that quantity is fixed with the bullion lending banks / nominated agencies
- Gold jewellery enjoys an inventory turnover of c.4x-5x and price risk gets completely mitigated

#### Gold component in diamond studded jewellery

- Gold for diamond jewellery is purchased upfront from the market at prevailing prices
  - Typically, gold constitutes 30%- 35% of total diamond studded jewellery
- For fixing MRP of the product, mark-up is applied on the prevailing rate of gold
- Due to slow inventory turnover for diamond jewellery at retail level, when actual sale is effected, prevailing rate of gold may be different than what is reflected in the MRP
- To mitigate this risk, MRP is revised on quarterly basis or on periodic basis, depending upon gold and diamond price volatility

# Domestic Branded Jewellery: Integrated Design and Manufacturing Capabilities

# Overview of manufacturing units

Manufacturing units overview

Mfg Units	Brief Description	Capacity (Pcs / day)	
DJ			
MIDC	Manufacturing diamond jewellery primarily for Gili	1050	
Marol	<ul> <li>Manufacturing diamond jewellery primarily for BCJL and other subsidiaries</li> </ul>	1500	
GemPlus I	Manufacturing diamond jewellery primarily for GGL	1000	
Hyderabad	<ul> <li>Rajiv Gems Park,SEZ at Hyderabad for jewellery manufacturing</li> </ul>	2500	
Surat	<ul> <li>Manufacturing Diamond jewellery primarily for GGL &amp; GECL</li> </ul>	1400	
GJ			
Coimbatore	<ul> <li>Group company - Shubalavanyaa doing contract manufacturing of gold jewellery</li> </ul>	250	
Kolkata	Presently a division of GGL, Manufacturing Gold jewellery	300	



Going forward, jewellery for exports will be manufactured by EOU / SEZ units

State-of-the-art jewellery manufacturing facilities with a production capacity of c.8,000 pieces of finished jewellery per day

**Third Party** 

Gold and diamond jewellery sourcing

# **Domestic Branded Jewellery : Retail**

### **Business Model has various Formats**

#### Overview

Business spread will be across MFO, MBO and EBO formats

#### **Multi Format Outlet**

Location: Malls or High Street format

Size: 5000 - 20,000 Sq ft



#### **Multi Brand Outlet**

**Location:** Luxury Boutiques in Malls or High Streets

Size: 1500-5000 sq ft

#### **Exclusive Brand Outlet**

Location: Malls with high footfalls

Size: < 1500 sq ft









Beautifully you.











International Retail

### **International Retail**

### Samuels Jewelers Inc.

### Samuels Jewelers Inc.











### 111 stores across 5 retail brands

- Samuels is the 5<sup>th</sup> largest fine Jewellery retail chain in USA . It has access to the retail market through stores located in high end locales
- Gitanjali Group acquired Samuels in December 2006.
- Gitanjali group has direct access to the US retail market through 111 doors under Samuels
- FY11 saw revenues worth USD 120 Mn from Samuels Jewelers Inc.

#### **Products offered**

- Leading national bridal brands Tacori, Scott Kay
- Proprietary bridal brands PassionStone, Calista, Natasha K, etc.
- Proprietary fashion brands Calypso, Jennifer Morgan
- Essentials Solitaires, PPF, Encore (3-stone+), Journey

#### **Target audience** (Varies depending on location)

- Broad base with focus on mid to upper-mid segment
- Average annual HHI between \$45K to \$120K

**Diamond products** represent 90% of our sales

**Average price point:** \$600

### **International Retail**

## Gitanjali Ventures DMCC (GVDMCC)



#### Wholesale

- GVDMCC is an initiative undertaken to capitalize on the opportunities envisioned in the Middle- east market
- GVDMCC is primarily into distribution of Jewellery to well established local players such as Alukkas, Al Haseena, etc

#### Retail

■ The group has a retail presence in Dubai via one store which was recently opened in July 2010 to cater primarily to the Indian population



#### **Growth Potential**

- The revenue clocked in from the Mid East business in FY11 is c. INR 417 Cr
- The Indian Diaspora present in the GCC presents tremendous growth opportunities for the company





Working capital

### **Working Capital**

### Working capital overview

#### **Gold Jewellery**

■ Gold jewellery enjoys high inventory turnover (c.4x – 6x) at retail level leading to a short cash conversion cycle

#### Inventory and debtors for gold Jewellery

- Raw material and WIP inventory at c.½ month
- Finished goods inventory at c.½ month
- High inventory turns leading to faster recovery from debtors
  - Credit period extended to B2B channel at 2- 3 months
  - Low risk of defaults as most purchasers established in their respective markets

#### **Diamond Jewellery**

■ Diamond jewellery has lower inventory turnover (c.0.8x − 1.2x) at retail level leading to a longer cash conversion cycle

#### Inventory and debtors for diamond Jewellery

- Raw material and WIP inventory at c.1 month
- Finished goods inventory

- B2B channels: c. 1-2 months

B2C channels: c.8-10 months

- Longer debtor recovery cycle of c.3-4 months
  - Debtors secured through PDCs
  - Credit extended only with prior approval o management

#### Channel wise analysis - Diamond Jewellery

#### COCO / SIS

- Slow inventory turns leading to high inventory
  - 0.8x to 1.0x at COCO stores
  - 0.6x to 0.8x at SIS
- Significant expansion over last 2 years also lead to significant inventory build-up
- Company periodically reviews merchandising and price points to improve inventory turns at CoCo / SIS stores
- No debtors in front-end stores

#### **Distributors**

- Inventory at supply chain and warehouse levels at c.2 months to cater to a wide network of distributors
- Slow inventory turns at retail level increase the recovery cycle for distributors and consequently for the company
  - Debtors at c.4-6 months

#### **Franchisee**

- Has fastest cash conversion cycle
- Inventory at c.1 month
- Debtors at c.2 months
  - 50% of primary sales recovered immediately
  - Balance covered through PDCs



*Peculiar to industry* 

Gitanjali's operations

are working capital

An integrated model

manufacturing and finished goods for

inventory (raw material

requires higher

characteristics,

intensive

/ WIP for

distribution)

Branded DJ has

days are longer

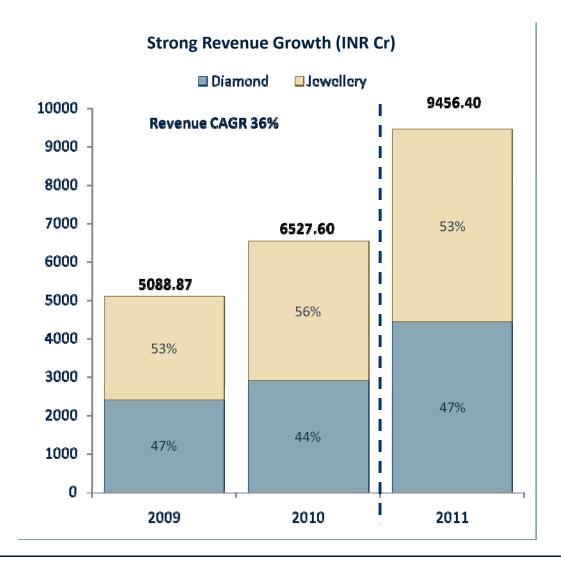
characteristics of slow

turns. Hence debtor

Financial information

### **Financial Information**

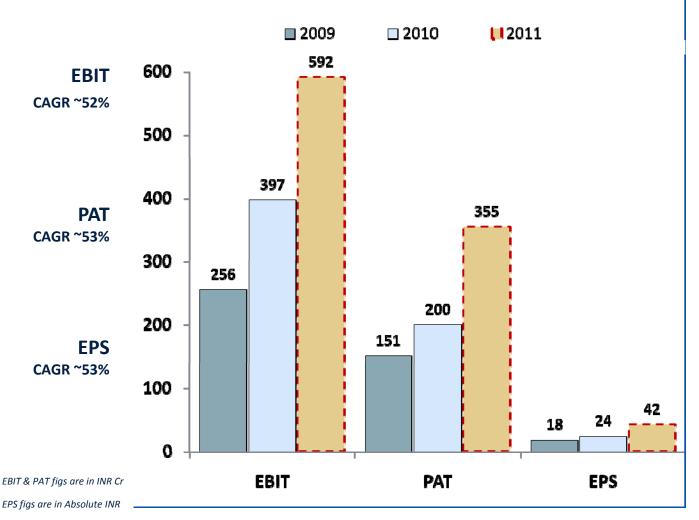
### Revenues



- Revenue growth at ~ 36%
   CAGR in the last 3 years
- FY11 has seen a revenue growth of ~ 45% over the last fiscal
- This growth can be primarily attributed to –
  - Shifts in consumer trends
  - Inflationary trends in raw material prices, especially prices of diamonds
  - Focus on India as a key growth destination with incremental sales from new franchisee, shopin-shop and own stores

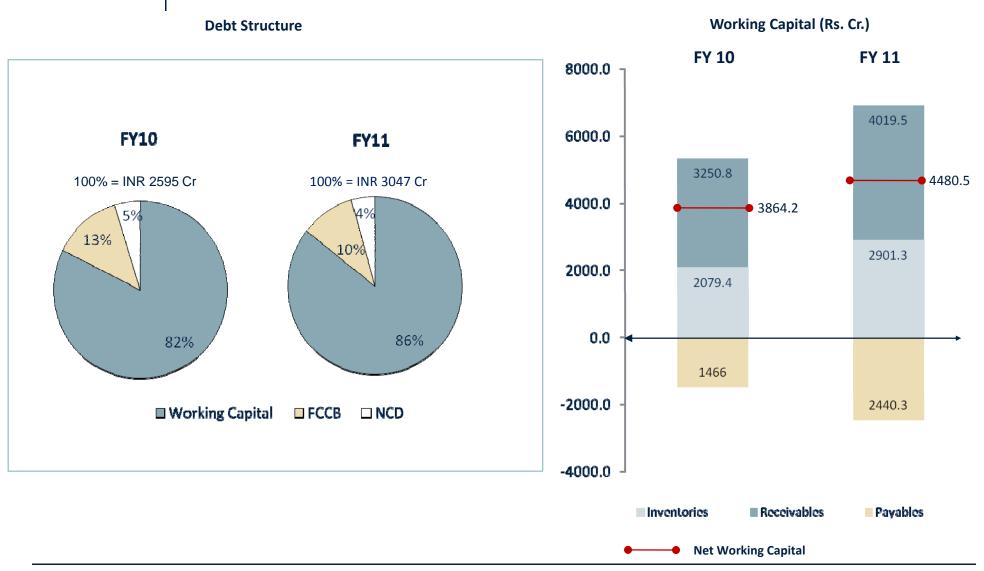
### **Financial Information: FY11**

# **Operational Indicators**



- EBIT growth at ~ 52% CAGR in the last 3 years
- FY11 has seen an EBIT growth
   of ~ 44.5% and a PAT growth
   of ~ 78% over the last fiscal
- FY11 has seen an EPS Y-O-Y growth of ~ 76%
- The Consistent growth in bottom line is primarily attributed to
  - Change in the segment mix, in favor of jewellery
  - Aggressive downstream expansion focused on branded jewellery retail

### **Financial Information: FY11**



Management and Organisation

### **Key Management**

Gitanjali has a highly experienced management team with the right blend of entrepreneurship that has helped nurture this business to present levels

## Experienced management team with right blend of entrepreneurship



Mr. Mehul Choksi - CMD, Gitanjali Group

- Promoter of the Group.
- Gitanjali brand was established in 1986
- Pioneered the concept of branded jewellery in India
- Received many awards and recognition for his entrepreneurship and innovation.
  - Nominated for "E&Y Entrepreneur of the Year" awards (2008)

Management team with an average experience of over 15 years, committed to execute the group's vision



Mr. Nishit Mehta- Group President Experience: 15 yrs.

- · Joined the Group in 2005
- Possesses experience in managing international business in corporate houses
- Has been instrumental in establishing the International business of the Group



Mr. Nehal Modi – CEO, Gitanjali USA Inc. & Samuels Jewelers Inc.

Experience: 11 yrs.

- Joined the Group in 2005
- Leads the group's USA operations and continuously identifies further downstream opportunities that align with Gitanjali's vertically integrated business model
- Has been primarily responsible for turning around the business from loss making to profit making



Mr. Amrish Masalia – Brand Head, BCJL Experience: 21 yrs.

- loined the group in 1999
- Proneer in setting up FMCG distribution model in jewellery industry
- Previously worked with Suashish Diamonds



Mr. RK Menon – Brand Head, D'damas Experience: 16 yrs.

- . Joined the group in 2006
- Brings core expertise of B2B distribution model
- Previously worked with Philips, Kodak India



Mr. Sunil Varma – Group CFO Experience: 18 yrs.

- · Joined the Group in 2009
- Previously worked with Gemsiam Manufacturing in Thailand handling the entire finance and operations functions
- · Holds CA, CPA, CFA and MBA degrees



Mr. Abhishek Gupta – Head Strategy & Investor Relations

Experience: 10 yrs.

- . Joined the Group in 2008
- Assists senior management in Investor relations and M&As
- Previously worked with JPMorgan Chase and CapGemini
- MBA in finance



Mr. Pankaj Shah – Brand Head, Asmi & Spectrum Experience: 20 yrs.

- Joined the group in 2006
- Has significant expertise in diamond assortment and grading business
- · Previously worked with Reckon Exports



Mr. Santosh Srivastava – Brand Head,

- Experience: 16 yrs.
- **Bring**s with him core expertise of Franchising , Brand Launch and Management, Modern Channels, etc.
- He is an engineer and MBA by qualification



Mr. V.L. Ganesh – President Finance Experience: 30 yrs.

- Joined the Group in 2011
- Previously worked with Hotel Leelaventure Ltd and Rolta India Ltd as Director Finance and at Kores India Ltd and Metal Box where he has played varied responsible roles
   Holds an ICWA and CS degrees



Mr. Vikram Singh – Head Manufacturing Experience: 12yrs.

- Joined the Group in 1999
- Started his career with Gili and is now responsible for managing jewellery manufacturing units of the group
- Holds a Master Diploma in Jewellery Designing



Mr. Rahul Vira – Brand Head, Gili Experience: 15yrs.

- · Joined the Group in 2005
- Has significant experience in retail management, business development for modern retail,
- Previously worked with Bennett & Coleman, Shoppers Stop



Mr. Kaushik Shah- CFO Experience: 18 yrs.

- Joined the Group in 2007
- Previously worked in advisory and consulting roles in Taxation and Auditing for large corporate houses
- · CA by qualification



Mr. Niyat Parekh – Brand Head, Diya & Rivaaz Experience: 9 yrs.

- Joined the Group in 2005
- He is responsible for the brand's image, experience, and promise.
- Holds a Bachelors in Business Administration(Marketing) from the University of London

Independent team for managing marketing, sales & finance functions for each brand



Annexure – 1 – Historical Performance

# **Annexure I – Historical Performance**

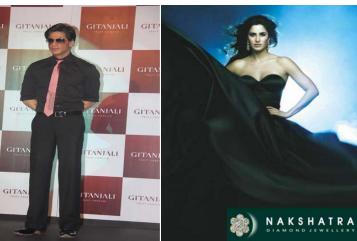
# Income Statement (Consolidated)

Particulars	CAGR (FY 09 – FY11)	FY 11 (Audited)	FY 10 (Audited)	FY 09 (Audited)
(INR Cr.)		Total	Total	Total
Sales	(36.3%)	9,456.40	6,527.6	5,088.9
Raw material cost		8,199.35	5,525.3	4,238.3
Gross Profit		1,257.05	1,002.3	850.6
Manpower costs		216.62	209.1	216.6
Other operating income		15.99	2.6	2.24
Operating expenses		426.12	354.1	346.4
EBITDA	(49.5%)	648.4	441.7	289.9
EBITDA margin (%)		6.9%	6.8%	5.7%
Depreciation		56.37	44.5	33.6
EBIT		592	397.17	256.3
EBIT margin (%)		6.3%	6.1%	5.0%
Interest		208.72	172.4	97.8
Exceptional items		18.07		
PBT		383.28	224.7	158.5
Tax		26.72	23.19	3.18
PAT	(53.5%)	354.8	200.2	150.6
Basic EPS (Rs.10 FV)	(53.7%)	41.8	23.7	17.7
Diluted EPS	~	35.9	20.4	15.3

# **Annexure I – Historical Performance**

# Balance Sheet(Consolidated)

Particulars	FY 11 (Audited)	FY 10 (Audited)	FY 09 (Audited)
(INR Cr.)	Total	Total	Total
Net operating working capital			
Inventories	2,901.28	2,079.4	1,975.8
Inventories / COGS	35.4%	37.6%	46.6%
Inventory days	127	135	168
Receivables	4019.52	3,250.8	2,759.6
Receivables / Sales	42.5%	49.8%	54.2%
Days Receivable	153	179	195
Current liabilities	(2,440)	(1,466)	(1,671.9)
Payables / COGS	(30%)	(26.5%)	(39.4%)
Days Payable	(108)	(97)	(144)
Debt Facility			
Working capital loans	2,604.27	2,088.4	1,659.2
NCD	125	125	
FCCB	316.33	331.6	374.7
Other loans	1.74	50.2	12.8
Gross debt (A)	3,047.34	2,595.3	2,046.6
Cash and cash equivalents (B)	439.32	238.6	297.2
Net debt (A-B)	2,608.02	2,356.7	1,749.4
Net worth	2,529.65	2,196.5	2,077.5
Net debt / Equity ratio	1.03	1.07	0.84

















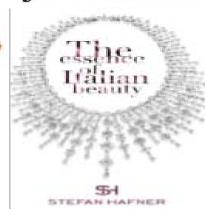
ROGERS JEWELERS EST. 1920

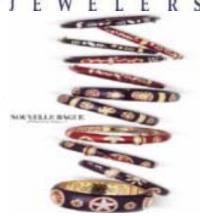












# Thank You!!

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