

ANNUAL REPORT 2018-19



**Consolidating.
Innovating.
Sustaining.**

CONTENTS

Corporate Overview

Consolidating. Innovating. Sustaining.	01
Being Customer Centric	02
Awards & Recognitions	05
Message from Managing Director	06
Corporate Information	08

Statutory Reports

Directors' Report	09
Report on Corporate Governance	36
Management Discussion & Analysis	52
Business Responsibility Report	55

Financial Statements

Standalone Financial Statements

Auditor's Report	60
Balance Sheet	69
Statement of Profit and Loss	71
Statement of Changes in Equity	72
Cash Flow Statement	73
Notes forming part of the Financial Statements	75

Consolidated Financial Statements

Auditor's Report	117
Consolidated Balance Sheet	124
Consolidated Statement of Profit and Loss	125
Consolidated Statement of Changes in Equity	126
Consolidated Cash Flow Statement	128
Notes forming part of the Financial Statements	130

Statement containing salient features of the financial statement of Subsidiaries

173

Notice of 14th Annual General Meeting

174



Forward Looking Statements

Certain statements in this annual report concerning our future growth prospects are forward-looking statements, which involve a number of risks, and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expect', 'project', 'intend', 'plan', 'believe' and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, our actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.



Consolidating. Innovating. Sustaining.

Financial Year 2018-19 (FY19) has been a year of challenges, transformation and consolidation for PC Jeweller Limited as well as for the Indian Jewellery industry. We witnessed weaker market sentiments; shrinking credit facilities; higher finance cost; and an increasingly less lucrative export business. FY 19 presented us with an unprecedented set of challenges and transformation in our macro business environment. The bankers in India moved consciously to reduce their exposure to the jewellery industry. This has been a tough period, demanding tougher measures. At PC Jeweller, we stood this test of time.

As market sentiments were not encouraging and our margins were under pressure, we decided and acted to rationalize our retail stores and the cost of retail operations. During FY19 we relocated 5 stores, merged 4 stores and closed down 6 stores to optimize store performance. At the same time, we decided to expand selectively and profitably and opened 4 new stores in FY19.

In view of changes in regulatory environment in Dubai, the mainstay of our export business, and since this business involves long-credit periods, we have decided to gradually scale down the same. During FY19 we reduced our export business by about 47% as compared to previous year.

We channelized all our marketing strategies towards greater synergies with focus on Same Store Sales Growth, Online-Offline Integration; Omni Channel Sales; enhanced customer experience, use of latest technology; launching new collections; and faster product delivery options.

It was during FY19 that we lost our guiding light and mentor, Shri Padam Chand Gupta, Founder Chairman due to his sudden demise. PC Jeweller will be grateful to him and he will always be remembered as instrumental behind PC Jeweller's success journey.

During FY19, we responded to external challenges by strengthening ourselves internally. We have a resolute commitment to our long-term business growth and to nurture stakeholders' interests.

Being customer centric – In-spirit, In-action

PC Jeweller is a customer-centric company and during FY19 also, we had a crystal clear focus on staying closer to our customers. We believe that key to our success has been and will always be in finding newer and more ways to reach out to customers. Here is a glimpse of our initiatives during FY19:

Creation of Sub-brands:

In order to create customer focus, the Company has created following five sub brands within its overall jewellery range:



MIROSA

A new collection curated for younger and working women who aspire to stand out and leave their mark. The collection consists of fancy silhouette, delicate designs, casual look and affordable wear.

INAYAT

Jewellery for wedding functions.



AZWA

High premium jewellery for any formal occasion.



LOVE GOLD

Gold jewellery for the younger generation which combines elements to create affordable jewellery for the youth.



SWARNA DHAROHAR

An innate ode to the colourful mosaic of Royal Rajasthan.

New Showrooms:



Saharanpur, Uttar Pradesh



Deoria, Uttar Pradesh



Rudrapur, Uttarakhand



Sirsa, Haryana

FY19 marked the major shift in new showroom launch strategy at PC Jeweller. The Company has decided to grow its retail showroom network selectively and with a clear focus on showroom profitability. The Company opened 4 new showrooms during FY19 and all of these were Franchisee showrooms.



Online-Offline Integration & Omni-channel Presence:

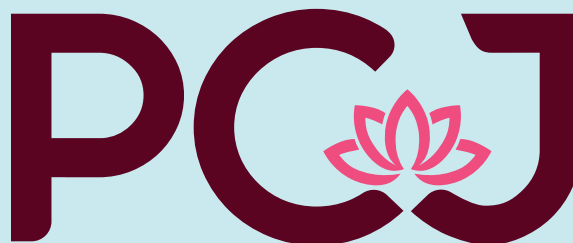
The integration of online and offline channels is going to be the key to the success of any retail business, especially the jewellery industry and the Company is moving ahead on the same vigorously. During FY19, we made definitive progress on our Omni-channel presence. At the end of FY19, 4,000 designs (15,000+ products) from 60 showrooms across 15 states, were made available online, under same day shipping facility. This has helped us to reach out to a wider consumer base with a totally different offering and the Company is confident that investing in this platform will give it good returns.

We have also showcased our products to a much wider customer base by placing the products prominently on various e-commerce platforms namely Amazon, Flipkart, TataCliq and even on SBI Yono App. The aim is to reach out to the maximum number of potential customers with the least amount of investment. We are also very active on all the social media platforms.



New Brand Identity:

PC Jeweller has launched a new brand identity and logo which is positioned as contemporary and close to customers. The new identity has been rolled out on a pilot basis from the Company's Karol Bagh Showroom.





During the year, PC Jeweller has been felicitated with following awards:

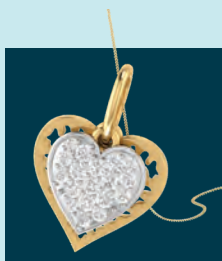


Overall Excellence in category of Precious Metal Jewellery – Plain (Large) 2016-17 by India Gem and Jewellery Awards at 44th Annual Awards Function.

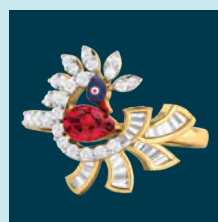


Best Chain of Retail Stores – National by India Bullion and Jewellers Association Ltd. at 6th India Bullion & Jewellery Awards – 2019.

Our strong brand perception was recognized among global luxury goods companies during FY19. PC Jeweller prominently featured in 'Deloitte Global Power of Luxury Goods 2019' report as mentioned below:



Featured at 40th position in the list of Top 100 Luxury Goods Companies, Globally



Featured in the list of 20 Fastest Growing Luxury Goods Companies across the world

MESSAGE FROM MANAGING DIRECTOR

Dear Shareholders,

The year gone by ended on a very somber note with a very sudden and unexpected demise of Shri Padam Chand Gupta. Shri Padam Chand Gupta was the Chairman and Founder of the Company and in his death PC Jeweller has lost its guiding light and conscience keeper. Shri Padam Chand Gupta leaves behind a rich legacy and one that will continue to inspire us in the years ahead. I wish to place on record the contributions made by him in growth and development of the Company and also pray that his soul rests in peace.

You are all aware that the Banks turned averse to their exposure to jewellery sector in general during the last financial year. PC Jeweller has faced this adverse situation by rationalizing its operations, shutting down non-performing showrooms and cutting down on flab and expenditure. The Company's credit exposure consists mainly of working capital facilities only and it has negligible long term debt but it deleveraged its balance sheet by reducing its working capital limits. The Company registered an increase in its domestic sales even after closure of some of its showrooms mainly due to a double digit in SSG. The Company also took initiative in leveraging technology to increase its reach amongst its customers mainly by strengthening its online presence and operationalizing "Online-Offline Integration", whereby it is able to display its showroom inventory online as well and guaranteed delivery within 24 hours of getting an order.

The Company's export business requires a very long working capital cycle as the Company used to buy gold on credit and sell jewellery on credit and this business model had been continuing right since the beginning. The export business is a B2B business and the entire cash conversion cycle takes a time period of nearly 270 days. The Company had a pretty stable export business with a regular payment cycle and there was no delay or backlog of payments. However, during the last financial year, the export business got hit by two unrelated developments simultaneously - (i) credit crunch in India forced the Company to slow down its export business, which affected the entire business cycle; and (ii) imposition of VAT at Dubai which had been preceded by import duty disrupting the normal business working.

The above two factors resulted in a huge backlog of export receivables and the Company's Board had to take a commercial call to extend discount on its outstanding export receivables. The pendency of old receivables is coming down gradually. The Company is also reducing its export business gradually and the weightage of the export business in the total business is expected to come down to single digit in next two to three years.

The Company will continue to concentrate on its domestic business. The Company has also unveiled its new logo and a new brand identity which is more contemporary and more attuned to the customers. The Company will also continue to work on its products range and create new varieties as well as high margin jewellery items. The aim during the existing year will be to extract additional efficiencies from its existing assets and undertake fresh showroom expansion only on a restricted level.

Yours sincerely,

Sd/-

Balram Garg
Managing Director

Corporate Information

BOARD OF DIRECTORS

Shri Padam Chand Gupta

Shri Balram Garg

Shri Ramesh Kumar Sharma

Mrs. Sannovanda Machaiah Swathi

Dr. Manohar Lal Singla

Shri Krishan Kumar Khurana

Shri Miyar Ramanath Nayak

Shri Suresh Kumar Jain

Chairman (Ceased w.e.f. January 28, 2019)

Managing Director

Executive Director & Chief Operating Officer

Independent Director

Independent Director

Independent Director

Independent Director

Independent Director

CHIEF FINANCIAL OFFICER

Shri Sanjeev Bhatia

COMPANY SECRETARY & COMPLIANCE OFFICER

Shri Vijay Panwar

STATUTORY AUDITORS

Walker Chandiok & Co. LLP, Chartered Accountants
Firm Registration No.: 001076N/N500013

REGISTERED OFFICE

PC Jeweller Limited
C - 54, Preet Vihar, Vikas Marg, Delhi - 110092
Tel: 011 - 49714971, Fax: 011 - 49714972

REGISTRAR AND TRANSFER AGENT (RTA)

Karvy Fintech Private Limited
Karvy Selenium Tower B, Plot No. 31 - 32,
Gachibowli, Financial District,
Nanakramguda, Hyderabad - 500 032 (Telangana)
Tel: 040 - 67161606 | Fax: 040 - 23001153
E-mail: einward.ris@karvy.com

WEBSITE

www.pcjeweller.com

CORPORATE IDENTITY NUMBER

L36911DL2005PLC134929

ISIN (EQUITY SHARE)

INE785M01013

BSE SCRIP CODE

534809

NSE SYMBOL

PCJEWELLER