



PC Jeweller

ANNUAL REPORT 2019-20



PC JEWELLER LIMITED



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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.

Consolidation. Resilience. Sustenance.

Financial Year 2019-20 (FY20) has been truly a challenging year for our economy, our industry, our business and the mankind as such whose resilience was put to test by COVID-19 pandemic. Our mantra to wade through these testing times was to consolidate, remain resilient and sustain for a brighter tomorrow ahead.

During major part of FY20, we witnessed lowest economic growth in a decade; low consumer sentiment in India; sudden & steep surge in gold price; regulatory reforms in jewellery industry; and weak demand in export markets. These were then topped up by possibly the biggest medical threat to mankind across the globe – COVID-19 pandemic.

Our choice was clear – sustain with our best, since our commitment is resolute and our foundation is really strong. We took measures that were strong on the back of a strategy to sustain for a brighter future ahead. We have captured a glimpse of our actions and strong foundation in pages ahead. We believe that in our journey of one-and-half decade, the present times have given us the opportunity to test our mettle and shine like our metal, in times to come.



Corporate Actions During FY20



Cost Rationalization

At a time when sales were dropping for multiple reasons, we made strategic decision to rationalize our costs. We closed down non-performing stores. There was compensation cut taken up by the Promotor and some of the Senior Management personnel.



Expanding Strategically

In early FY20, despite having a cost reduction regime, the Company opened one new showroom at Sirsa (Haryana). Though the Company is now preferring consolidation over expansion but it intends to respond to market improvement, as and when it happens.



Infusing Liquidity by Promotor

An infusion of Rs.215 crore, in a truly testing time, by Promotor only testifies that our commitment is resolute and foundation is strong. The same is in the form of unsecured interest-free loan and likely to get converted into equity / equity like instruments later on, subject to receipt of necessary approvals and compliance with applicable laws.



Safeguarding Financial Interests

During FY20, we realized USD 11.25 crore (Approx. Rs.758 crore) from old export debtors. The figure could have been even better had the overseas markets were not shut due to COVID-19 pandemic.



Improving Profitability

At a time when sales were down by 60% for 4th Quarter (Y-o-Y) and about 40% for full year, we improved our profitability to Rs.123.54 crore for FY20 compared to Rs.2.76 crore for FY19 .



Strategic Scale-down of Exports

We continued on our strategy to scale down our export business. During FY20, we brought down our export business by 50% compared to FY19.





Roll-out of New Brand Identity

The new Brand Identity that was unveiled in FY19, was formally and fully rolled-out nationally during second quarter FY20. The new Brand Identity is positioned as contemporary and close to customers.



Greater Integration of Technology in Business

We have been utilizing technology for better customer reach, better experience and supplementing offline sales with online availability of products. The impact of COVID-19 pandemic has only heightened the need and benefits of technology in business. We wish to give our customers a store-like experience and endeavour to sell & deliver aggressively through online medium.

Our Strong Foundation

72
OWN
STORES

11
FRANCHISEE
STORES

83
TOTAL
STORES

68
CITIES



azva™

MIROSA



Inayat

इबार्न दीहारोहार

Lal Qila
A Nations Culture Carved in Gold!

Strong Sub-Brands & Timeless Collections:



A 15-year strong lineage

Message From Managing Director

Dear Shareholders,

Indian economy registered its lowest GDP growth of last one decade during the FY 2019-20. At the same time, gold prices also registered their sharpest increase within the shortest period of two months (July & August 2019). These two factors resulted in very muted consumer demand and the sales even during the festive season remained subdued and lower than the previous year. The export markets also continued to stay depressed and faced adverse consumer sentiments. And to top it all the spreading scare of pandemic COVID-19 started impacting consumer footfalls right from the first week of March and there was a complete shutdown of operations from 22nd March 2020 onwards. As a result, the reported financial year saw the Company experiencing de-growth in its domestic turnover for the first time. The Company has also slashed its export turnover by more than 50% on account of the weak consumer sentiments in its overseas markets.

Given the overall slowdown in the economy and declining consumer spending, the Company has eschewed expansion and opened only one new showroom at Sirsa (Haryana). It is instead concentrating on consolidating its network by shutting down non-performing showrooms, rationalizing its systems and procedures, and conserving capital by reducing working capital limits. To achieve the cost rationalization goals, I have volunteered to forgo my entire salary for the major part of the year and some of our senior management personnel, including Shri Ramesh Kumar Sharma, Executive Director & COO, also have foregone roughly 40% of their monthly salaries during the year. I have also infused Rs.215 crores in the Company in the form of unsecured, non-interest-bearing loan to improve its liquidity. Though currently these funds are in the form of loans but will be later converted into equity or equity-like instruments, subject to receipt of necessary approvals and compliance with applicable laws. Our commitment and steadfast pursuit of better operational profitability and improved financial health have helped the Company turn profitable once again.



Unfortunately, the dark clouds continue to hover above us. The new financial year, 2020-21, has started with the deleterious impact of the COVID-19 pandemic, which has spread all over the world. The Company is, however, ready to work with the new normal and will continue to perform to the best of its ability in the constrained circumstances. The Company will continue to concentrate on its domestic business by sustaining the tactical work on its products range and launching new designs and collections as well as high margin jewellery items. Our focus will be to ensure sales growth, further streamline the cost, improve the Company's financial performance, and to extract additional efficiencies from its existing assets. These measures will help us in increasing the value for the stakeholders in the long run and be operationally and financially ready to invest in growth when the external environment recovers.

Yours sincerely,

Sd/-

Balram Garg
Managing Director



Corporate Information

BOARD OF DIRECTORS

Shri Balram Garg	Managing Director
Shri Ramesh Kumar Sharma	Executive Director & Chief Operating Officer
Mrs. Sannovanda Machaiah Swathi	Independent Director
Dr. Manohar Lal Singla	Independent Director
Shri Krishan Kumar Khurana	Independent Director
Shri Miyar Ramanath Nayak	Independent Director
Shri Suresh Kumar Jain	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)

KFin Technologies Private Limited
Selenium Tower B, Plot No. 31 - 32,
Financial District, Nanakramguda,
Serilingampally Mandal, Hyderabad - 500032 (Telangana)
Tel: 040 - 67162222 | Fax: 040 - 23001153
E-mail: einward.ris@kfintech.com

WEBSITE

www.pcjeweller.com

CORPORATE IDENTITY NUMBER

L36911DL2005PLC134929

ISIN (EQUITY SHARE)

INE785M01013

BSE SCRIP CODE

534809

NSE SYMBOL

PCJEWELLER

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting their 15th Annual Report along with the audited financial statements of the Company for the financial year ended March 31, 2020.

FINANCIAL HIGHLIGHTS (STANDALONE)

The highlights of standalone financial statements of the Company for the financial year ended March 31, 2020 along with previous year figures are as under:

(Rs. in Crores, except earnings per share)		
Particulars	2019-20	2018-19
Revenue from operations	4,938.59	8,368.85
Other income	77.45	92.32
Total income	5,016.04	8,461.17
Profit before finance costs, depreciation and tax	527.08	359.90
Less: Finance cost	368.88	340.39
Less: Depreciation & amortisation expenses	34.66	16.75
Profit before tax	123.54	2.76
Less: Tax Expense	45.04	5.57
Net profit / (loss) after tax	78.50	(2.81)
Other comprehensive income for the year, net of tax	0.85	0.33
Total comprehensive income / (loss) for the year	79.35	(2.48)
Earnings per share (in Rs.):		
Basic	1.99	(0.07)
Diluted	1.98	(0.07)

COMPANY'S PERFORMANCE

During the year under review, revenue from operations of your Company decreased to Rs.4,938.59 crores from Rs.8,368.85 crores during previous year. However, profit before tax increased from Rs.2.76 crore to Rs.123.54 crores. Further, your Company once again turned profitable with net profit after tax of Rs.78.50 crore as compared to net loss of Rs.2.81 crore incurred during previous year. The share of domestic sales and export sales in the revenue from operations of the Company is Rs.4,280.62 crores (87%) and Rs.657.97 crores (13%) respectively.

BUSINESS OVERVIEW

Your Company is engaged in the business of manufacturing, sale and trading of gold jewellery, diamond studded jewellery and silver items and operates in different geographical areas i.e. domestic sales and export sales. The Company's export business of gold jewellery is on a B2B basis through its dealers based in

Gulf via some Dubai based firms. It offers wide range of jewellery including 100% hallmarked gold jewellery, certified diamond jewellery and silver articles, with a focus on diamond jewellery and jewellery for weddings.

As there is an overall slowdown in the economy and a decline in the consumer spending, hence, in the present time rather than expansion, the Company is concentrating on consolidating, rationalizing its systems and procedures, working to improve the performance of its existing showrooms and conserving the capital. The Company has adequate infrastructure as well as capability to start expansion once the ground level situation normalises. As on March 31, 2020 your Company has 83 showrooms including 11 franchisee showrooms and 4 manufacturing units.

Your Company is having in-house designers, who helps the Company in launching new designs and collections of jewellery from time to time. The Company owns jewellery sub-brands Azva, Swarn Dharohar, LoveGold, Inayat and Mirosa and has launched many new jewellery designs under its sub-brands and Lal Quila collection. Also, during the year, your Company for the first time in India launched silver and gold medallions to commemorate ICC Cricket World Cup 2019.

IMPACT OF COVID-19 PANDEMIC

During the last month of the year under review, COVID-19 pandemic developed rapidly into a global crisis, forcing governments to enforce lockdowns. Due to the spread of COVID-19 and in accordance with the various initiatives and directions of both Central and State Government(s) from time to time including Janata curfew and subsequent nationwide lock down, the operations of the Company were suspended from March 22, 2020. However, even before that date impact started to show on the business of the Company with falling footfalls at the showrooms and reduced workforce. After the end of second lockdown on May 3, 2020, the Company gradually started its business operations with minimum workforce combined with work from home policy.

The Company is closely monitoring the situation arising out of COVID-19 and resultant restrictions imposed by the regulatory authorities. At this point of time it is not possible either to foresee the duration for which this pandemic will last, nor predict its course. Hence, the Company is not in a position to assess with certainty the future impact on operations but does not expects normalcy to be achieved before the third quarter of financial year 2020-21.



CHANGE IN SHARE CAPITAL

The authorised share capital of the Company remained unchanged at Rs.700 crores comprising of 44 crore equity shares of Rs.10/- each and 26 crore preference shares of Rs.10/- each. However, consequent to allotment of 3,54,895 equity shares upon exercise of stock options under PC Jeweller Limited Employee Stock Option Plan 2011, the paid-up share capital of the Company increased to Rs.395,00,28,820/- comprising of 39,50,02,882 equity shares of Rs.10/- each.

DIVIDEND

The Directors have not recommended any dividend for the year.

TRANSFER TO GENERAL RESERVE

The Directors have not proposed transfer of any amount to General Reserve.

SECRETARIAL STANDARDS

The Company has complied with the applicable provisions of Secretarial Standards 1 and 2 issued by the Institute of Company Secretaries of India and notified by Ministry of Corporate Affairs.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

The Board of your Company comprises of 7 Directors (2 Executive and 5 Non-Executive Directors including 1 Woman Director).

During the year Dr. Manohar Lal Singla, Shri Krishan Kumar Khurana and Shri Miyar Ramanath Nayak were re-appointed as Independent Directors for a further term of 5 years with effect from September 13, 2019.

Shri Ramesh Kumar Sharma, Executive Director, is liable to retire by rotation at the 15th Annual General Meeting ("AGM") of the Company and being eligible, he offers himself for re-appointment. Pursuant to Regulation 36 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR Regulations") and Secretarial Standard 2 issued by the Institute of Company Secretaries of India, his details forms part of the Notice convening the 15th AGM.

No changes among Key Managerial Personnel took place during the year. Shri Balram Garg, Managing Director, Shri Sanjeev Bhatia, Chief Financial Officer and Shri Vijay Panwar, Company Secretary continue to be the Key Managerial Personnel of the Company.

SUBSIDIARY, ASSOCIATES AND JOINT VENTURE COMPANIES

As on March 31, 2020 your Company has following wholly owned non-material subsidiary and step down subsidiary companies:

- i) **PC Universal Private Limited:** It is engaged in the business

of manufacturing and export of gold jewellery and have a manufacturing unit at Noida Special Economic Zone, Noida (U.P.).

- ii) **Transforming Retail Private Limited:** It is engaged in the business of online trading of gold and diamond jewellery.
- iii) **Luxury Products Trendsetter Private Limited:** It is engaged in the business of manufacturing, buying, selling etc. of jewellery and have a manufacturing unit at Sitapura, Jaipur (Rajasthan).
- iv) **PCJ Gems & Jewellery Limited:** It was incorporated as wholly owned subsidiary of the Company on April 1, 2019 and is authorized to carry on the business of manufacturing, trading, import, export of all kinds of jewellery. However, it is yet to commence operations.
- v) **PC Jeweller Global DMCC:** It was incorporated in Dubai (UAE) and is engaged in the business of jewellery trading.
- vi) **Comercializadora Internacional PC Jeweller International S.A.S.:** It is the wholly owned subsidiary of PC Jeweller Global DMCC and based in Columbia. It is yet to commence operations.

Pursuant to the provisions of Section 129(3) of the Companies Act, 2013 (the "Act") a statement containing salient features of the financial statements of the subsidiaries (Form AOC – 1) forms part of the Annual Report. The contribution of the subsidiaries to the overall performance of your Company is outlined in Note No. 53 of the consolidated financial statements for the financial year ended March 31, 2020. The financial statements of all the subsidiaries are available on the Company's website www.pcjeweller.com. Your Company does not have any associate or joint venture company within the meaning of Section 2(6) of the Act.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements of the Company have been prepared in accordance with the accounting principles applicable in India including the Indian Accounting Standards (IND AS) specified under Section 133 of the Act read with the rules made thereunder and form part of the Annual Report.

COST RECORDS

Your Company is not required to maintain cost records as specified under Section 148 of the Act.

STATEMENT ON DECLARATION GIVEN BY THE INDEPENDENT DIRECTORS

The Company has received declarations of independence in accordance with the provisions of the Act as well as the LODR

Regulations from all the Independent Directors.

BOARD MEETINGS

During the year 5 Board meetings were held on May 11, 2019; May 30, 2019; August 9, 2019; November 14, 2019 and February 13, 2020.

AUDIT COMMITTEE

Audit Committee comprises of 4 Directors including 3 Independent Directors. Dr. Manohar Lal Singla, Independent Director, is the Chairman of the Committee. For further details, please refer to Report on Corporate Governance.

RISK MANAGEMENT

Pursuant to Regulation 21 of LODR Regulations, your Company has a Risk Management Committee, the details of which are given in Report on Corporate Governance. The Company has also put in place a Risk Management Policy to define a framework for identification, assessment and mitigation of risks. In the opinion of the Board, there are no risks which may threaten the existence of the Company.

INTERNAL CONTROL SYSTEMS

Your Company undergoes a rigorous audit process along with other items for stock, cash etc. at stipulated intervals by (1) Statutory Auditors; (2) Stock Auditors appointed by the Bank; and (3) Internal Auditors. The Company has effective internal control systems in place, which ensures that all the assets of the Company are safeguarded and protected against any loss from unauthorized use or disposition. Internal Auditors also periodically carried out review of the internal control systems and procedures. Their reports are also placed before Audit Committee for its review.

Your Company has also put in place adequate internal financial controls with reference to the financial statements commensurate with the size and nature of operations of the Company. Such controls were tested and no material discrepancy or weakness in the Company's internal controls over financial reporting was observed during the year.

PUBLIC DEPOSITS

Your Company was accepting unsecured deposits from the public under jewellery purchase scheme 'Jewel for Less'. However, after credit rating for the Company's deposit programme was downgraded below minimum investment grade during the year, the Company stopped accepting fresh deposits from the public. The requisite details relating to deposits, covered under Chapter V of the Act are as under:

a) Accepted during the year : Rs.30 crore

- b) Remained unpaid or unclaimed as at the end of the year:
 - i) Deposits that have matured but not claimed : Rs.24.97 crore
 - ii) Deposits that have matured and claimed but not paid : Nil
- c) Whether there has been any default in repayment of deposits or payment of interest thereon during the year and if so, number of such cases and the total amount involved:
 - i) at the beginning of the year : Nil
 - ii) maximum during the year : Nil
 - iii) at the end of the year : Nil

The Company has not accepted any deposits which are not in compliance with the requirements of Chapter V of the Act.

STATUS OF UNCLAIMED SHARE APPLICATION MONEY AND DIVIDEND AMOUNTS

The unclaimed share application money due for refund in relation to Initial Public Offer has been transferred to Investor Education and Protection Fund ("IEPF") during the year. Concerned Investors are advised to visit the weblink <http://iepf.gov.in/IEPF/refund.html> or contact the Company's Registrar and Transfer Agent KFin Technologies Private Limited for lodging claim for unclaimed share application money from IEPF Authority.

The total of unclaimed dividend amounts for the previous years as on March 31, 2020 is Rs.12.12 lakh. Dividend amounts remaining unclaimed / unpaid for a period of 7 years from the date of transfer to unpaid dividend account will be transferred to IEPF. The shares on which dividend remains unclaimed for 7 consecutive years shall be transferred to the demat account of IEPF Authority as per Section 124 of the Act read with IEPF (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012.

PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

The details of loans given and investments made by your Company have been disclosed in the notes forming part of the financial statements. The Company has not provided any guarantee.

PARTICULARS OF CONTRACTS / ARRANGEMENTS WITH RELATED PARTIES

All the related party transactions entered into during the year under review were on arm's length basis and your Company had not entered into any contract / arrangement / transaction with related parties, which could be considered as material in accordance with the Company's Policy on Materiality of and Dealing with Related Party Transactions. Hence, disclosure in Form AOC - 2 is not required. The details of transactions with related parties have been disclosed in the notes forming part of the financial statements.