RBZ
JEWELLERS LTD.
(Formerly Known as RBZ Jewellers Pvt. Ltd.)

26th February 2024

To,
Department of Corporate Services
BSE Limited,
P J Towers, Dalal Street,
Mumbai - 400 001

Security Code: 544060
Security ID: RBZJEWEL

To,
Listing Department
National Stock Exchange of India Limited,
Exchange Plaza, 5th Floor Plot No. C/1,
G. Block Bandra-Kurla Complex,
Bandra (E), Mumbai - 400 051

Symbol: RBZJEWEL

Dear Sir/Madam

Sub: Earning call Transcript with Analysts and Investors for the Quarter and Nine Months ended on 31st December 2023

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find below the link of transcript of conference call arranged by the company for analysts and investors on Wednesday, 21st February 2024 at 15:45 hrs. for discussion on the financial performance of the Company for the quarter and Nine Month ended on 31st December 2023.

Path: https://rbzjewellers.com/wp-content/uploads/2024/02/Investor-Earn-Call-Transcript-21.02.2024.pdf

Title: Investor Earn Call Transcript_21.02.2024

This is for your information and records.

Thanking you,

For, RBZ Jewellers Limited

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Date: 2024.02.26 13:01:06 +05'30'

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"RBZ Jewellers Limited Q3 FY-24 Earnings Conference Call"

February 21, 2024

MANAGEMENT: MR. HARIT ZAVERI – JOINT MANAGING DIRECTOR, RBZ JEWELLERS LIMITED
MR. HARSHVARDHAN BHARDWAJ – CFO, RBZ JEWELLERS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Earnings Conference Call of RBZ Jewellers Limited for Q3 & Nine Months FY24.

This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

We have with us from the company Mr. Harit Zaveri – Joint Managing Director and Mr. Harshvardhan Bhardwaj – CFO from the company.

I now hand the conference over to Mr. Harit Zaveri – Joint Managing Director. Thank you and over to you sir.

Harit Zaveri: Good afternoon investors. So, this is the First Earnings Call of RBZ Jewellers Limited.

Let me brief you about the industry and how the back end, that is the manufacturing section of the jewellery industry works:

We are an organized manufacturer and we supply our goods to organized retailers. So generally, on the wholesome, in the four quarters that we see, the Quarter 3 are the best for the retail people and the wholesale people who supply to the retailers, independent retailers. As far as organized retailers are concerned, they generally do their purchasing well in advance and before the Diwali or the festive season begins.

Quarter 3 as we are also into the wholesale segment and the retail segment plus, we are servicing to the organized retailers. As far as Quarter 3 is seen, it's a promising figure of around from last year that we have done around 92.60 Cr. This year we have done around 115 Cr and there has been an increase in employee expenses from about 1,59,00,000 to 2,18,00,000. We were already going for an IPO and we had started building the infrastructure up. So, the reason of a very heavy increase of around (+30%) in the employee cost is because the infrastructure was already ready to be. It is not that once we get the money, it was not possible that after that we start to deploy the resources. It was done well in advance. Another rise that we have seen is the finance cost that has risen. That is the result that we had bought a retail property and the long-term loan of 19 crores accumulates to the interest of around 1,36,00,000. And that was one of the reasons that both the cost had gone up.

Still, we have done a profit before tax of around 9,14,00,000 from the last year which was 7, 88,00,000 and I think the PAT are 594 from last year December ‘22 to this year's 6,81,00,000. Generally, from RBZ Jewellers Limited the Quarter 2 remains strong in terms of organized retailer getting the supplies in advance and Quarter 3 also remains very good in terms of the retail and the wholesale that happens.

I'm looking forward for all the questions that investors might have and what they might want to understand.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Saranj Sethi from Summer Wealth. 5.05

Sarang Sethi: I wanted to know do you have any plans to increase your parents in retail market? As I can see the retail share in revenue has increased to 41% from 23% in FY21.

Harit Zaveri: I must first make you understand about the business model. The business model is job work. We have wholesale and we have retail. So, with this perspective let's say if the revenue has increased from X to Y, we need to really understand what the volumes have increased. So, in FY21 we might have done great volumes in terms of job work services and in FY22 might have done a good performance in terms of retail and wholesale and also had a decent growth in job work. So, on an accumulated level if you see the—to directly answer your question yes the—revenue will increase and certainly we are looking for a substantial and a significant rise in terms of the volumes that we had done in previous year that was 1059 kg. We are looking forward for a 1200 kg volume this year. And considering this nine-month performance, I think we are on track with whatever we have said. But this year certainly because the funds have just come in on the end of almost the December end, in industry the season begins from month of July onwards. So, month of July onwards we are expecting that due to the increase in variety and inventory, there can be a sharp rise in terms of sales and sales figures. And yes, in coming 2 years we are 100% sure that we will expand to whatever we have committed on any of the media or to any of the investors. But certainly, we are expecting significant growth in the company for another at least 2 years by raising these funds and also the debt that we'll be raising in future.

Sarang Sethi: Do you have any plans on expanding your showroom count?

Harit Zaveri: We have a showroom of around 11,000 square feet. We are expanding 3300 square feet. The utilization was only 6600 square feet. We are again utilizing the unutilized area of the showroom was 3300 sq ft and we are utilizing it now. I think by October or August we should be ready with an additional space. The showroom has got itself a capacity of around 400 to 500 crores, touching the top line of 400 500 crores. So, for another 2-3 years I think that we are in the right infrastructure and space that we have and the retail is going to expand as well as the wholesale is going to expand at the same pace. So operationally once the infrastructure is already ready, why should we look at another location as of now?

Sarang Sethi: And secondly, I want to know about your hedging policy.

Harit Zaveri: When we say that there are three different business segments, in job work we get gold in advance and we generally do the services. So around 60% of the business or 50% of the business which is of job work services, you can say that we get the gold directly from outside and then whatever we save while manufacturing, we keep it in the closing stock and the rest goes to the client. And talking about the 40%, whatever we generally sell in terms of gold volumes we generally purchase at the same day. So, this is a general policy of gold that we hedge and our accounting is done on the basis of average inventory. So, the current market price of inventory if it is 65,000, in the accounting things because it is on the weighted average method, the inventory would be at quite a lesser value. So, in that ways we play safe in terms of because of the weighted average method, we generally play safe with the disparity between the current market price and the weighted average of the book inventory value.

Moderator: The next question is from the line of Rajesh Singla from VTG Capital Services LLP.

Rajesh Singla: I just wanted to reconfirm from you. So, in the previous question's the remarks you had said that your retail showroom is capable of generating 400 to 500 crores kind of revenue. Is that correct or did I hear properly?

Harit Zaveri: Yes, it is correct.

Rajesh Singla: So that one retail store can generate 400 to 500 crores kind of revenue.

Harit Zaveri: Yes, Rajesh Bhai, in general also if you check any of the stores from wherever you're located, the benchmark stores that you have in your city like in Bombay or anywhere—I am not telling anything which is coming from—in the industry itself if there is an established retail showroom of 10,000 sq ft, it is easily capable of generating a volume of 400-500 crores. Generally, if you have lot of stores, there are smaller stores there are bigger store combined and then the average gets lesser because there are some stores who are yet to mature, some stores who are not in their growth phase, some stores are facing different kind of challenges. But here in this city we are strong we are established. The brand is there. So operational efficiency is there, what I am talking I mean we will be able to deliver this 400-500 crores of retail sales. And as far as I'm seeing the numbers that I've quoted with the square feet that we have, I think it's 100% achievable and it is already happening in the industry.

Rajesh Singla: How much are we generating right now from this retail store? And this 400-500 crores can be expected by FY26?

Harit Zaveri: 400-500 crores, I think by FY26-27. By FY27 we should be able to do it. But yes year-on-year we should be able to see a growth of around 30%-35%. I think within the matter of 3 years we should be easily able to double it from this year onwards. And last year we had sales of around 138 crores.

Rajesh Singla: And one more thing, one more question on that. So, you recently raised 100 crores from the IPO and I was going through one of your videos on YouTube. So, there you mentioned that you probably will raise 100 crores of debt as well. So that gives you fund capacity of around 200 crores and which will cover at least to double your sale from the current level. So, if I look at your working capital numbers, so you need probably 156 crores kind of working capital. So, 200 crores additional funding should more than double your current sales. So, when can we expect the full utilization codes which you currently have and can we expect the FY26 to show the results of 100% utilization of the funding which you have raised recently?

Harit Zaveri: Correct. I think the equity fund should be 100% utilized by the second quarter of next financial year and the debt fund should be again utilized once we get the limit sanctioned and when it is approved. I think the fueling this industry the whole industry starts from the month of July till February 15 or February end. Then it slowly diminishes at least in the north, east and west region. The south has Akshat Tritya in it. But generally, yes, we will be able to see the spike in the sales from the start of the season, I think in the month of July. And 100% equity will be utilized by the Quarter 2 of the next financial, that is FY25.

Rajesh Singla: And any plan to have one more retail store in the next couple of years like by when you're expecting to add another retail store of the similar size?

Harit Zaveri: So we are 100% focused on the manufacturing side because right now there is 40% of the retail in India is organized and only 15% of the retail manufacturing is organized. So right now, the demand that we are seeing from the organized retailer is quite strong. I think these are the low hanging fruits and we are aiming to become the topmost player in the occasion segment of the jewellery industry. So, in which right now also 80% of the volumes that we do are in the manufacturing side and we are sure shot focused on that. And with these funds coming in, with the debt funds coming in we are going to expand that thing and the disparity is very heavy. There is only 15% who are catering to 40% of the organized retailers and I think we are the player in that category. So, we are focused in the manufacturing segment also. While the expansion in retail has to go on continuously, I think we are at the right pace right now. Let us understand the top line, let us reach the top line in whatever years that we have planned. I think we should be able to continue with the same ratio of 20:80. But this is the time when manufacturing if really focused upon can deliver strong results.

Rajesh Singla: So maybe just last question to summarize. So based on the numbers which you have spoken so far so it looks like 400-500 crores of kind of retail revenue by FY27 and probably 300 crores kind of revenue or maybe 400 kind of revenue from the rest of the business driven by the IPO money and maybe one more fundraising until FY27. So FY27 could be kind of 800 crores kind of revenue we can expect.

Harit Zaveri: Yes, that is what we are expecting.

Rajesh Singla: In terms of margin, should we expect the further improvement in margin given the change in product mix or you think that the product mix will remain same, the segment mix will remain same as we move forward despite the fact that you are focusing more on the manufacturing side. So, should we see that you would be able to maintain 13%-14% kind of EBITDA margin going forward or we can expect further improvement from here on?

Harit Zaveri: I think the figure, the business in which we are in there can be various products or various kind in which we sell the products. It can be in terms of services, it can be in retail, it can be in wholesale. But as a company what we really look at is or what we are sensitive in is if we are getting Rs. 100, are we able to generate Rs. 20-25 from that. So, return on equity or return on capital employed is what we are sensitive. And if you are asking about the return on equity and capital employed, I think we should be able to maintain the track record that we have.

Moderator: We have the next question from the line of Prateek Bhandari from Aart Ventures.

Prateek Bhandari: So just a couple of questions from my side. As you stated that you are focusing on manufacturing and the retail would simultaneously grow as well. So out of your total revenues, how much is the contribution coming from manufacturing in terms of revenue?

Harit Zaveri: In terms of revenue things can differ. But revenue when you understand our balance sheet the component of volume is more critical. Because services only the labor part gets actually on the top line of the balance sheet. So generally, we have done 600 kg last year in terms of services, the labor income might be just let's say 10 crores or what, the top line might indicate just 10 crores. But that is a very huge component and that actually does not make us a company who is producing top line of 280 crores or odd. But if you see it from the right perspective, we are a company which does a business of 550-600 crores because the service thing is not getting accumulated on the top line. So now to answer your question, we are 100% focused in manufacturing. The value is entire, from retail to manufacturing is what we are actually having. But because of the disparity in the market that is 40% of the retailers are organized and 15% of the manufacturing is organized. I think these are the low hanging fruits and we should really try and get that thing as fast as we can. I think 80% we are into manufacturing, 20% we are into retail and the proportion will continue in the same manner.

Prateek Bhandari: Where do you see the top line at the end of this year and for the next year?

Harit Zaveri: This year I think reasonable top line of around 340-350 crores, that is something that we should be achieving. And by next year or next to next year, the 2 years the top line can vary according to product offerings. I might produce products which are high margin products or which are low margin products. That is different. But let's talk about in the next 2 years we are planning that we should be able to double the balance sheet. I think from the PAT of 22 crores that we had in the fiscal '23, we should be able to make a pat of around 40 crores in terms of FY26 or so on. So, return on capital employed and return on equity should be consistently seen. And the industry season starts from the second quarter of every year. So, the spike should come from the second quarter should be very critical and Quarter 2 and Quarter 3 of fiscal ‘25 is actually critical. So that will actually say that if are we in line because this year I can say that yes, we are in line with whatever we have said. Around 350 or 340-350 crores of turnover and the PAT also should go on the same trend. But next to next year, ‘26 we should be able to completely utilize the balance sheet size raising the debts and everything. So, a balance sheet of 200 crores if it's generating 22 crores PAT, balance sheet of 400 crores that is 100 crores of equity plus 100 crores of debt, should be able to generate the similar level. The trend should continue.

Prateek Bhandari: So you mean to say that by FY26 the PAT would be somewhere between 42 to 44 Cr, right?

Harit Zaveri: Correct. So that is what we are expecting.

Prateek Bhandari: And what kind of PAT we are expecting by the end of this financial year?

Harit Zaveri: But we will have the same trend. The trend will continue. Let's say we are having an Rs. 18 or 19 kara of PAT in nine months. I think you can easily understand the trend, what is going to happen in the coming three months.

Prateek Bhandari: And do you have any CAPEX plans for the upcoming 2 years?

Harit Zaveri: Currently, we have enough capacity as far as the equity right now what is getting funded or the debt which is getting funded. But we certainly want to scale ourselves because the opportunity is there to scale. We are looking for scale and we are looking for the right time to get ourselves invested in the CAPEX things. So yes, we are looking forward for having a handsome facility of around 6 to 10 tons. But again, that requires the correct timing. That requires a right kind of because that would again require a very heavy working capital. So as of now whatever we have raised plus the debt we have raised, we have got an infrastructure to generate returns from that. But as far as the vision of company goes it looks 100%, we are in for scaling. So, in that perspective yes the CAPEX might happen but I cannot exactly tell you pinpoint and tell you when but it is in the mind of the management.

Prateek Bhandari: And I could see from your balance sheet that the borrowings have—certainly if I compare from March 2021 to somewhere at the present moment it has—ranged from 60 crores to more than 100 crores. So, what kind of the finance cost in terms of percentage what is your finance cost since the interest has also climbed up?

Harit Zaveri: There are short term borrowings and there are long term borrowings. The retail unit that we had taken a long-term borrowing, purchased that unit. We have taken a long-term borrowing of 19.5 Cr. The property is in the name of company only. Both the properties are owned by company. The registered office also is in the company name and the retail showroom is also in the company name. So that is one of the reasons. Otherwise, if you minus separate that thing it will be from 60 to 80. And if you see the 3 year or 4-year record, it was 50 crores when the gold rate was Rs.

30,000 and it has just increased to another 30 crores. That actually says that in terms of kgs we have not increased the debt to the level that the gold price has increased and that actually we were having a good opportunity in the market to grab the market and all. But bankers have their opinion that we can increase only 20%-25%, the bankers go quite conservative in terms of increasing debt. The company should have—given this kind of figures or given the business that we have and the opportunity we have we should have—been able to raise more debt. But around finance cost has remained the same. Yes, we have got an impact of 1.36 crores this year because of the long-term debt that we had increased and no equity funds coming in. I think the equity funds are in resources of employees have been already pulled. I think you can easily see that there's a 37% rise in the employee cost. That is because of new and good employees getting in the company for the future expansion to happen. Easily the balance sheet will be able to show you that all the infrastructure and the costs that are being built up. Next year or next 2-3 years you will be getting the result of it. The debt I have already told you the reasons. If you consider 50 crores also 150 kg was my debt according to the rate of 30,000. If you just rate double the rate of 60,000 my debt has actually reduced in terms of kgs.

Prateek Bhandari: And as you stated that retail showroom of approximately 10000 sq ft size is capable of generating a revenue of 400 to 500 in between that range and from other businesses you will also be generating revenue which will be in the range of 300 crores. So, do you mean to state that by financial year '27 your revenue would be ranging somewhere between 800 crores?

Harit Zaveri: Correct.

Prateek Bhandari: And just the last question from my side. What kind of margins we are expecting for this year and the next year?

Harit Zaveri: The margins are I'll tell you quite subjective. The right question could have been what are the volumes that you're looking for? So, if the volumes are consistent with the same product category, the margins is just a derivation. Return on capital employed or return on equity is what we are actually aiming for. Generally, we don't aim for the top line also. We can sell a low margin product and get the top line. We can sell anything but return on Rs. 100 if we put then Rs. 20-25 should be made, that is the general philosophy of the company. With the same product category and all yes, the top line can go to the levels that we have actually spoken. And I think the services business will grow at its own good pace. The retail and the wholesale business will grow quite strongly. The wholesale business will grow much more faster in the coming 2 financial years. So, these three things combined we should be able to deliver whatever we have said. Fundamentally the company should be able to generate the same capital of return on capital employed ROCE and ROE and in Fiscal '26 or so.

Prateek Bhandari: So the figure that is stated for your volumes last year was approximately 1060 kgs, right?

Harit Zaveri: Correct.

Prateek Bhandari: So where do you see this to be growing in the next year?

Harit Zaveri: So, the next year it should be in the range of 1600 to 1650 kgs.

Moderator: The next question is from the line of Rajesh Singla from VTG Capital Services LLP.

Rajesh Singla: Regarding this ROCE and ROI whatever you are talking about, so in this should we think about—you currently have a—significant amount of unused capacity, so your manufacturing capacity is already operating at 35%-40% and your retail showroom is also having significant amount of unused capacity. Shouldn't we think about that, this ROCE will also expand as we move forward to a larger number of revenue growth because 400-500 crores from the same store which you currently have. That should also boost your ROCE going forward as compared to 21%-23% what we had in the last couple of years?

Harit Zaveri: This could have been right if the major investment of the business would have been in the asset class of it. But because in our case we are into a high working capital company. So, the whole capital, the huge deployment of capital is there in the working capital zone that is stock and inventory. The infrastructure to facilitate the growth is 100% there. But just because of the un-utilization of the infrastructure being present it is difficult to understand that will it lead to an increase in ROCE. ROCE generally I can say that if you talk about the asset turnover, the asset turnover surely will be better going forward because it will be the same kind of investment and with the same kind of retail store, we are able to generate much more kind of revenue. So, asset turnover can improve. For ROCE to improve I think inventory has to be looked upon because we are invested into inventory and that is where we actually get our returns.

Moderator: Thank you. At this time, we have no further questions. Ladies and gentlemen, I would now like to hand the conference over to Mr. Harit Zaveri for closing comments. Over to you sir.

Harit Zaveri: Thanks investors for asking questions and as the words have been stable. Whatever I have committed, whatever the company has committed I think we are looking forward for that kind of growth in the coming couple of years and hence forward. The market has given us faith and with that kind of results coming in, on a one sure note I can say that whatever has been said and whatever has been committed would be delivered and we are upon it. Earnings call and the annual results are the right way that a management can get in a conversation with the investors or who are the interested people. But apart from any of this I think there has been a lot of words said and spoken in and across media and to the investors already. These are the same words; these are the same results. So yes, we are upon our words and the company will show results in the coming 2 fiscal years or so. Thanks a lot for the interest and if anyone has got any other queries, they can 100% mail to the company for any further queries that they have. Thank you.

Moderator: Thank you on behalf of RBZ Jewellers Limited. That concludes this conference. Thank you for joining us. You may now disconnect your lines.