

Date: 18th August, 2017

To,
The Manager
Compliance Department,
National Stock Exchange of India Limited
Exchange Plaza, Plot No. C/1,
G Block, Bandra-Kurla Complex,
Bandra (East), Mumbai - 400 051.

Dear Sir / Madam,

Re: **Tribhovandas Bhimji Zaveri Limited. Script Code & ID: 534369 / TBZ**
Sub: **Transcript of Conference Call with the Investors/ Analyst**

The Company had organized a conference call with the Investors/ Analysts on Friday, 4th August, 2017. A copy of Transcript of conference call held with the Investors/ Analysts is enclosed herewith and the same has also been put up on the Company's Website at www.tbztheoriginal.com.

We request you to kindly take the same on record.

Thanking You.

Yours faithfully,
For **Tribhovandas Bhimji Zaveri Limited**



Niraj Oza
Head - Legal & Company Secretary



Encl: as above

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Tribhovandas Bhimji Zaveri Q1FY18 Earnings Conference Call

- **Moderator**

- Good day ladies and gentlemen and welcome to the Tribhovandas Bhimji Zaveri Q1 FY `18 Earnings Conference Call hosted by Prabhudas Lilladher Private Limited. 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 the conference call please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Amnish Agarwal from Prabhudas Lilladher Private Limited. Thank you and over to you sir.

- **Mr. Amnish Agarwal – Prabhudas Lilladher Private Limited**

- Hi everyone. I welcome you all to this conference. We have with us Mrs. Binaisha Zaveri who is the Director of TBZ, and Mr. Saurav Banerjee who is the CFO. Now I hand over the call to Binaisha for her opening comments. After that Mr. Saurav will take over.

- **Mrs. Binaisha Zaveri – Director, TBZ**

- Good evening everyone. I would like to welcome you all to discuss the earnings of Tribhovandas Bhimji Zaveri Limited for the first quarter of the financial year 2017-18. FY 17-18 has begun on an encouraging note with strong growth in revenues and profitability in the first quarter. The first quarter revenues and PAT reported in this year have been higher compared to Q1 FY '17, Q1 FY '16 and Q1 FY '15. We see this as a positive trend which we hope will continue in the current year. The first quarter witnessed robust jewellery demand backed by a prolonged wedding season which continued till June 2017. The new collections launched the high customer acceptance. While our gold sales increased by 33% and diamond sales displayed a strong growth of 58%. The share of diamond jewellery increased from 23.8% in Q1 FY '17 to 27.4% in Q1 FY '18. The gross margins in diamond jewellery also increased from 28.4% to 30.7%. We generated an overall sales growth of 28.7%. The gems and jewellery industry has welcomed the 3% GST rate which will have a neutral tax impact and will create a level playing field benefiting organised jewellery retailers like TBZ. We had prepared ourselves well with all systems and processes in place for ensuring a smooth implementation of GST. We maintain a positive outlook for the current year. We will continue our focus on increasing jewellery sales with a healthy mix of diamond jewellery.
- Our Kalpa Vriksha Scheme has been gaining traction and we shall focus on further increasing our KP enrolments in the coming year. We are working on new and exciting jewellery designs to be launched in the upcoming festival season and wedding season.

Overall we should continue to keep our operating overheads under control so that higher sales translates into increased operational profitability.

- Coming to our store expansion we opened our fourth franchisee store in Jamnagar Gujarat on 23rd April 2017. We also renovated and relaunched our existing store in Vijayawada in April 2017 offering a larger retail space of 6200 square feet. We are now operating 33 stores including four franchisee stores spread over a total retail space of 108948 square feet. We further plan to add a few more stores on franchisee basis as well as our own stores in FY '18 and we would continue to maintain our near term target of 1,50,000 square feet retail space.
- I would now like to hand over our call to Mr. Saurav Banerjee our CFO for a quick overview on financial performance during the quarter. Thank you.

- **Mr. Saurav Banerjee – CFO, TBZ**

- Good evening. I'll give you a synopsis of the Q1` FY '18 numbers and along with that the Q1 FY '17 numbers for comparative reasons. Total income from operations, Rs 448.29 crores vis-à-vis Rs 324.52 crores, a YoY growth of 38.14%. Gross profit Rs 66.53 crores vis-à-vis Rs 56.58 crores, YoY increase of 17.59%. Gross margins 14.84% vis-à-vis 17.43%. Ebidta Rs 19.74 crores, vis-à-vis Rs 17.74 crores, a YoY growth of 11.27%. Ebidta margins 4.40% vis-à-vis 5.47%. PAT Rs 5.83 vis-à-vis Rs 2.25 crores. PAT margin 1.30% vis-à-vis 0.69%.
- We can now go ahead with the Q&A session.

- **Moderator**

- Sure. Thank you very much. We will now begin with the question and answer session. Participants who wish to ask questions may press * and 1 on their touch tone telephone. If you wish to remove yourself from the question queue you may press * and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen we will wait for a moment while the question queue assembles.
- We have the first question from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

- **Mr. Pritesh Chheda – Lucky Investment Managers**

- Sir what explains the drop in your gross profit margin both QoQ and YoY? And second how much of sale you would have done to franchisee? Because Jamnagar got opened it seems in the quarter. So how much of franchisee sale would have happened? And what is the gross margin in franchisee sale business?

- **Mr. Saurav Banerjee – CFO, TBZ**

- In absolute terms as you can see the gross profit has increased by 17.59%. Gross margin has dropped because in Q1 FY '17 we had the advantage of gold price increment which was recorded in Q1 FY '17. So across the industry one has observed that gross margins have generally dropped in Q1 FY '18 in comparison. If you look at our gross margins over the last several quarters then except Q1 FY '17 we have mostly recorded GP margins in the range of 14.5 to 15%. So that way I think the GP margins have been fairly consistent over a

reasonable period of time. As I explained it is mainly because of the gold price and also in this quarter in Q1 FY '18 we had some tactical offers which were not there in Q1 FY '17. So combination of these two reasons have resulted in the margins dropping to a certain extent.

- **Mr. Saurav Banerjee – CFO, TBZ**

- Your second question is franchisee sales for Q1. Franchisee sales were approximately about Rs 34 crores for Q1. Franchisee margins as I have explained in the past that we share the margins with the franchisees. So whatever your gross margin, a part of it is shared with the franchisees.

- **Mr. Pritesh Chheda – Lucky Investment Managers**

- So it has to be lower than that 15% right if you do a franchisee?

- **Mr. Saurav Banerjee – CFO, TBZ**

- Yes if it is a franchisee sale it is somewhat lower than the 15%.

- **Mr. Pritesh Chheda – Lucky Investment Managers**

- Okay. Will it be a less than 10% number?

- **Mr. Saurav Banerjee – CFO, TBZ**

- Yes we can get into the details. It depends on various factors. There is no set model as such. We change from market to market. It can differ and there will be different margins for gold and diamond. So but yes it will be lesser than what we sell to the normal customer.

- **Mr. Pritesh Chheda – Lucky Investment Managers**

- Okay. Lastly just what is the grammage growth that you would have seen and second, what is your outlook on the SSG part?

- **Mr. Saurav Banerjee – CFO, TBZ**

- So the grammage growth is around 39% and for gold, and for diamond it is around 61%. As far as SSG is concerned we have reported a growth of about 28.7%.

- **Mr. Pritesh Chheda – Lucky Investment Managers**

- What is the outlook on SSG?

- **Mr. Saurav Banerjee – CFO, TBZ**

- The outlook we maintain as positive. We should be able to look at the similar type of growth in the forthcoming quarter. However there was a slightly lower base for Q1 FY '17. So that also has led to a substantial growth in SSG. But even if we take away that factor over the past few quarters again we have seen a very positive growth in SSG and it will continue to happen in the rest of the three quarters for this year.

- **Mr. Pritesh Chheda – Lucky Investment Managers**

- Okay.
- **Moderator**
- Thank you. The next question is from the line of Rahul Agarwal from VEC Investments. Please go ahead.
- **Mr. Rahul Agarwal – VEC Investments**
- Good evening. I had two questions. First, if you could give some sense and direction of how the July to September quarter is moving. And for the full year fiscal '18 how would the top line and gross margins trend in gold and diamond.
- **Mr. Saurav Banerjee – CFO, TBZ**
- So far the second quarter we have seen the month of July it has been a normal month for us. As far as Q2 overall is concerned you know it should be a very good quarter for us considering that Dussehra is in Q2 this year which normally goes into Q3. So the build-up to Dussehra and also the month of August looks positive to begin with. So on an overall basis we are quite sure that we will be able to register growth in Q2 as well. And we are expecting the margins to improve further. And in terms of full year again you know the sort of growth that we have already indicated in the past, we are pretty sure that we should be able to achieve that growth both in terms of top line and in terms of EBITDA and PBT.
- **Mr. Rahul Agarwal – VEC Investments**
- Okay. And secondly will these tactical discounts stop? My understanding was because we had some kind of old inventory and we wanted to liquidate that and I think it's been almost 6 months since the inventory is quite stable. But it seems to me that gold gross margins just don't recover from where they used to be. I understand there have been a lot of hiccups in the last 2 years which you have been handling. But is that fair to say that 13% to 15% range could be like a new normal for the company in terms of blended numbers versus what it used to be earlier?
- **Mr. Saurav Banerjee – CFO, TBZ**
- No. Firstly tactical schemes are something that will happen and can happen in a given situation. And just based by the very definition of tactical schemes one needs to offer schemes based on various factors. One of them being the competitive scenario in the industry. If you look around, you will find that most of the players including some of the biggest names offer tactical discounts virtually throughout the year. I think in that sense TBZ is a little more selective than some of the others. But I would not say that tactical schemes will stop. In fact they will be given out to the customers from time to time. And it's a part of the sales and marketing strategy. So that's going to happen once in a while as I said. In terms of gross margins 13%-15% I would not say is the new normal. What I meant is that we have been reasonably consistent instead of going down and up all the time. We have been consistent with our margins. But going forward we are pretty confident that we should be able to report better margins than say 15%. So we can look at margins in the range of 16-17% which is very gettable and we should be able to do it. It's only a matter of time before we report those margins.
- **Mr. Rahul Agarwal – VEC Investments**

- But Saurav my feeling is essentially the gold margin doesn't really recover right? So whenever there is a shift in favour of diamond your blended margins are better. But the gold margins just don't seem to recover.

- **Mr. Saurav Banerjee – CFO, TBZ**

- No it's not so. Firstly since you mentioned diamond and I was also going to briefly touch upon it, the moment our diamond share increases which has increased actually in the recent past and should be increasing further, the overall margins will increase. Now as a company we should also look at the overall margins and not just the gold margins. Not that we want to neglect gold margins in any way. But an overall margin is probably more significantly important in terms of contributing to the bottom line. So that is there. Secondly gold is as we all know I mean that gold is a commodity which is having a little bit of a restriction in terms of prices, in terms of the manner in which it behaves compared to diamonds. So gold is something where we have to respect those considerations which are prevalent in the economy. And based on that the margins will come out. But again as I said that once we are able to ensure that the discounts are not given as you are saying all the time then the gold margins can definitely improve up to 11-12%. Should not be a difficult thing to do that. So I would not say that it is going to be constantly hovering around what it is today.

- **Mr. Rahul Agarwal – VEC Investments**

- Right. But well in that case the competition will continue to behave how it's been behaving for the last 12-24 months right? So they'll continue to offer discounts. And in that response we have been doing that as well to maybe grow faster than what we have been doing in the history. But in that sense then how does that recover? Because competition won't behave differently right?

- **Mr. Saurav Banerjee – CFO, TBZ**

- No in fact you know if you look at some of the competition and without naming them you will find that they have been very consistent in offering discounts throughout the year. We have been fortunately a little more inconsistent in offering tactical offers. So I think we will keep it that way. It's not that we are directly responding to competition. I am just saying that if you look at a scenario prevalent in the industry, you will find that there are players who are offering discounts almost throughout the year. So it's difficult to say which one is the real price point. From that point of view I am saying this.

- **Mr. Rahul Agarwal – VEC Investments**

- Alright okay, alright. Thank you so much.

- **Mr. Saurav Banerjee – CFO, TBZ**

- Thank you.

- **Moderator**

- Thank you very much. Before we take the next question we would like to inform participants that in order to ensure that the management is able to address questions from all participants in the conference please limit your questions to 2 per participant. The next question is from the line of Anil Rayaka from Tradelink Exim. Please go ahead.

- **Mr. Anil Rayaka – Tradelink Exim**
- Good afternoon sir. Congrats for the good set of numbers.
- **Mr. Saurav Banerjee – CFO, TBZ**
- Thank you.
- **Mr. Anil Rayaka – Tradelink Exim**
- I wanted to know that what is the plan for the franchisee for the next 9 months and for the next 1 year. Basically for the next 2 years what is the plan? How many franchisees you are planning to open and how many more stores are you going to open?
- **Mr. Saurav Banerjee – CFO, TBZ**
- You know as far as franchisees are concerned, the target is to open anything between 6 to 8 franchisees in this current financial year and the same number in the next financial year as well. So far we have opened one franchisee in April. There are several others coming up. We are just preparing the stores and in some cases the agreements are being signed. So basically I would like to say work in progress. And by the time this financial year ends you will get to see that we have about 6 to 8 franchisee stores up and about operating. Similar numbers for the next financial year as well. In terms of own stores we are also going to open own stores in the near future and you will come to know when the stores are ready and when the announcements are made. In terms of a percentage breakup probably it will be around 75:25. 75% of our expansion through franchisees, 25% through our own stores. On an overall basis as we have already stated that our next target is to achieve 1.50 lakh square feet, which we should be able to achieve in about 2-3 financial years including this current financial year.
- **Mr. Anil Rayaka – Tradelink Exim**
- It means the franchisees will be 6 to 8 and our own stores will be 2-3.
- **Mr. Saurav Banerjee – CFO, TBZ**
- Approximately yes.
- **Mr. Anil Rayaka – Tradelink Exim**
- What kind of investment is required for our own stores?
- **Mr. Saurav Banerjee – CFO, TBZ**
- Own store depends on the size of the store and the market. But on a thumb rule basis it will be around Rs 25- Rs 35 crores depending on the size of store and the market
- **Mr. Anil Rayaka – Tradelink Exim**
- Okay. One more question sir. Basically our inventory as what I understand, as we open more franchisees our inventory should go down?
- **Mr. Saurav Banerjee – CFO, TBZ**

- Inventory?
- **Mr. Anil Rayaka – Tradelink Exim**
- Yes.
- **Mr. Saurav Banerjee – CFO, TBZ**
- Yes. You see inventory will not go down because of franchisee stores I would say because franchisees are purchasing the inventory outright from us from day one. But yes we have done an inventory rationalisation process. We have spoken about it in various forums. That has obviously yielded some good results for us particularly in the diamond part of the inventory. We would like to continue with those efforts. However it is not always possible to reduce inventory substantially in a given time frame. So one has to do it judiciously. One needs to maintain a certain level of inventory in the stores for the benefit of the customers. So when we are maintaining some sort of an inventory it is only because we want to give customers a wide range of designs and products and categories to choose from. So we would not want a customer to feel sort of short changed in terms of not having enough inventory in our stores. So those considerations are also there. It is not just a financial or a working capital consideration. But yes on an overall basis the rationalisation effort will continue throughout this year as well.
- **Mr. Anil Rayaka – Tradelink Exim**
- I'll come back in the queue.
- **Mr. Saurav Banerjee – CFO, TBZ**
- Thank you.
- **Moderator**
- Thank you. The next question is from the line of Chanchal Khandelwal from Birla Mutual Funds. Please go ahead.
- **Mr. Chanchal Khandelwal – Birla Mutual Funds**
- Hi my question is on the inventory. You have roughly 59.3% inventory as gold on loan. The remaining amount is the inventory you own. The 40% of the inventory is owned by you.
- **Mr. Saurav Banerjee – CFO, TBZ**
- Yes
- **Mr. Chanchal Khandelwal – Birla Mutual Funds**
- So what is the plan for this 40% of the inventory going forward? That's my first question. And second is on the debt part. You have Rs 551 crores of debt. So is the gold on lease also put as a debt or how do you account for it?
- **Mr. Saurav Banerjee – CFO, TBZ**

- So I will first explain the debt part of your question and then go on to the inventory part. So yes the overall debt includes the gold on loan and currently it's about Rs 270 crores. So generally that's the sort of trend you can say about 50 to 60% of our debt has been gold loan. So if we were to take away gold on loan then our actual debt would be around Rs 270 crores. So this is as far as debt is concerned. As far as your inventory breakup is concerned yes about 59% is on gold on lease currently. But in the past we have been able to go up to about 63 to 65%. We should be able to do that again. Theoretically we can go up to even 70-75% but only thing that prevents us from doing so and we don't have any complaints about that is because there is an old gold factor which comes in and there are customers whom we have made the promise of taking the old jewellery in lieu of more contemporary designs. So that ranges from anything between 25 to 35%. On a given day we have seen that it goes up to 40-45% as well particularly if the gold prices are on the increase. So if we were to take that into account then accordingly the gold on lease percentage will keep on varying from time to time. So that is generally how you can say the breakup of gold inventory happens.

- **Mr. Chanchal Khandelwal – Birla Mutual Funds**

- So at any point in time you will maintain 40% gold on books and 60% roughly will be the gold which will take on lease.

- **Mr. Saurav Banerjee – CFO, TBZ**

- Yes I mean as per today's trend. But as I said in the past we have been able to go up to 63-65%. We should be able to do that. And if the old gold is reduced for whatever reasons, then we can go up to 70% as well.

- **Mr. Chanchal Khandelwal – Birla Mutual Funds**

- Okay. Just one more question here. In terms of the expansion plan now how much fund will be required for the expansion for next 2-3 years?

- **Mr. Saurav Banerjee – CFO, TBZ**

- See as I explained, when we are opening franchisee stores then there is no investment that is required. Virtually no investment that is required from our end. When we are opening our own store it depends on the size of the store. So for example if we were to open a smaller size or a medium size store then the investment is around Rs 20-25 crores, which includes inventory as well as capex. And if it's a very large store then that can go up to Rs 30-35 crores. So if we were to open say 2 stores per year, I am just giving you an example then that's the kind of capex that is required overall.

- **Mr. Chanchal Khandelwal – Birla Mutual Funds**

- Lastly just one last question, how much percent of your sales is through gold return basis? Your gold exchange scheme or gold return basis?

- **Mr. Saurav Banerjee – CFO, TBZ**

- Old gold is anything between 25-35%. So that's the kind of gold return.

- **Mr. Chanchal Khandelwal – Birla Mutual Funds**

- Have you seen any increase in the last 2-3 quarters in gold return?
- **Mr. Saurav Banerjee – CFO, TBZ**
- No we have not seen any increase. Normally the increase happens when there is a gold price rise. So at one point of time we have seen it going up to 45% as well. It happened I think in Q1 last year or thereabouts. But later on it has streamlined a little bit because the gold prices have also started coming down. So on an average we have seen about 25-30%. As I said on a different sort of a day it can go up to 45%. 40-45%.
- **Mr. Chanchal Khandelwal – Birla Mutual Funds**
- The reason I am asking is that Titan if it is 45% and last 2 quarters has been very high on gold exchange scheme.
- **Mr. Saurav Banerjee – CFO, TBZ**
- Okay. I think they specifically run some schemes which are targeted towards gold exchange. So probably because of that they must have reported.
- **Mr. Chanchal Khandelwal – Birla Mutual Funds**
- Sure. Thanks. Wish you all the best sir.
- **Mr. Saurav Banerjee – CFO, TBZ**
- Thank you.
- **Moderator**
- Thank you. Before we take the next question a reminder to our participants that you may press * and 1 to join the question queue. The next question is from the line of Anil Rayaka from Tradelink Exim. Please go ahead.
- **Mr. Anil Rayaka – Tradelink Exim**
- Sir I want to know that because of GST many standalone jewellers are shifting to franchisee store of a well-known brand. So are we seeing a trend like this?
- **Mr. Saurav Banerjee – CFO, TBZ**
- I will first have to explain that you know as far as our franchisee partners are concerned, we as a company, as an internal policy we would prefer to have partners who are not from the jewellery background. So in our case this probably is not relevant because even if they were jewellers standalone jewellers in the recent past and want to become a franchisee partner, then as far as we are concerned probably not the kind of partnership that we would like to have. This is just an internal policy and no disrespect towards anyone.
- **Mr. Anil Rayaka – Tradelink Exim**
- And what is the rate of interest in own our loans and lease hold?
- **Mr. Saurav Banerjee – CFO, TBZ**

- So the blended cost of debt currently for us is around 7.5%. It has come down from around 8%. If I break it up then on a CC limit currently it will be around 11-11.25% depending on particular banks. We have got 7 banks in the consortium. And as far as gold on lease is concerned it's approximately hovering around 3%.
- **Mr. Anil Rayaka – Tradelink Exim**
- 3%?
- **Mr. Saurav Banerjee – CFO, TBZ**
- Yes approximately.
- **Mr. Anil Rayaka – Tradelink Exim**
- Okay. Including hedging cost?
- **Mr. Saurav Banerjee – CFO, TBZ**
- Yes including the collateral cost I would say yes.
- **Mr. Anil Rayaka – Tradelink Exim**
- Okay. And sir any online business you are doing?
- **Mr. Saurav Banerjee – CFO, TBZ**
- We are present on Snapdeal, Flipkart and Amazon. It's more of a pilot project or an experimental sort of a thing. Not really – no great contributions. But we would like to experience, learn from that and probably the next step will be to have our own online presence.
- **Mr. Anil Rayaka – Tradelink Exim**
- So any plan? What is the experience till now?
- **Mr. Saurav Banerjee – CFO, TBZ**
- The experience has been quite interesting I would say. It's a learning curve as I said for us. And yes when the time is right then we'll definitely have our own online store.
- **Mr. Anil Rayaka – Tradelink Exim**
- You've made some dividend policy sir?
- **Mr. Saurav Banerjee – CFO, TBZ**
- Dividend policy it's something that is decided by the management and you know it's discussed in the board.
- **Mr. Anil Rayaka – Tradelink Exim**
- No, percentage is distributed, any policy just like that?

- **Mr. Saurav Banerjee – CFO, TBZ**
- We don't have a fixed percentage. It depends firstly on the results how the company performs. Also looking at the scenario within the system and outside. And if we were to do a plough back of profits, then all those considerations normally are taken into account.
- **Mr. Anil Rayaka – Tradelink Exim**
- One more last question, this number of franchisees in last 4 years you have done only one-one per year. So are you sure we will be able to do 6-8 franchisees this year?
- **Mr. Saurav Banerjee – CFO, TBZ**
- So firstly you know not last 4 years I would say. It's basically that we had Dhanbad which was our first franchisee which was opened in the year 2015. And then last financial year we have opened 3 franchisees. One in august which is Patna and then in March which is Ranchi and then in April we have opened Jamnagar. So it's 4 franchisees. But definitely we shall be opening several more franchisees which are upcoming.
- **Mr. Anil Rayaka – Tradelink Exim**
- Thank you, thank you sir.
- **Mr. Saurav Banerjee – CFO, TBZ**
- Thank you.
- **Moderator**
- Thank you. Before we take the next question we would like to remind the participants once again that you may press * and 1 to join the question queue. The next question is from the line of Aditya Joshi from Anand Rath. Please go ahead.
- **Mr. Aditya Joshi – Anand Rath**
- Yes good afternoon sir.
- **Mr. Saurav Banerjee – CFO, TBZ**
- Good afternoon.
- **Mr. Aditya Joshi – Anand Rath**
- Sir I just missed one point regarding the grammage growth for diamond jewellery. Can you please repeat it?
- **Mr. Saurav Banerjee – CFO, TBZ**
- Yes grammage growth for diamond jewellery is about 61%.
- **Mr. Aditya Joshi – Anand Rath**

- Okay Sir. And sir what will be our plans for TBZ Ria going ahead? Any specific plans to expand on Ria?
- **Mr. Saurav Banerjee – CFO, TBZ**
- Yes so there is a focal effort on that front also. And you will see some increments happening in that space of jewellery as well.
- **Mr. Aditya Joshi – Anand Rathi**
- Okay sir thanks a lot sir that's it from my side.
- **Mr. Saurav Banerjee – CFO, TBZ**
- Thank you.
- **Moderator**
- Thank you. Participants who wish to ask questions may press * and 1 on the touch tone telephone. The next question is from the line of Gaurav Jogani from Prabhudas Lilladher. Please go ahead.
- **Mr. Gaurav Jogani – Prabhudas Lilladher Private Limited**
- Sir thank you for taking my question. Sir I wanted to know that considering the gross margin that we have, and as the competitive scenario is increasing in the industry as a whole, so what would be our focus? What is the focus strategy for gross margins?
- **Mr. Saurav Banerjee – CFO, TBZ**
- I would take a cue from what you said. Actually the focus is on multiple fronts. Customer acquisition is obviously the biggest focus that one can have because that is how the brand rises forward, the company goes forward. We obviously want more and more customers to experience the TBZ, selling the customer experience that TBZ provides to them. So customer acquisition is the focus and we are all the time working towards that in terms of educating the customer, welcoming them and giving them that unique experience, the design differentiation that we provide to them. In terms of numbers or in terms of internal focus yes volume growth, inventory turns, very big focus area for us. Obviously because value is basically a function of volume in many cases, so we are looking at volume growth all the time. Focusing on inventory turn. Looking at how quickly one can move the inventory around. So yes these are the focus areas for us.
- **Mr. Gaurav Jogani – Prabhudas Lilladher Private Limited**
- Okay. And sir the next question is since the wedding season was strong for this particular quarter and I think going ahead this particular year would have lesser number of wedding season days basically. So what would be our strategy because we have a higher share of wedding jewellery overall.
- **Mr. Saurav Banerjee – CFO, TBZ**
- Yes.

- **Mr. Gaurav Jogani – Prabhudas Lilladher Private Limited**
- So like how do we plan to navigate ahead in such a scenario?
- **Mr. Saurav Banerjee – CFO, TBZ**
- Yes okay. So you know in terms of wedding dates, they vary from year to year. But as far as the budget generally what we have seen is that those who are having a wedding in their family they have a budget which they go by. So that happens and since the reporting happens on a quarterly basis it's very difficult to align the reporting numbers with a wedding date because that just can't happen. But on an overall basis there will be some overflow and underflow all the time as far as wedding dates are concerned. However the company continues to focus on various other areas as well, so we are definitely focusing on discretionary purchases that are made by the customers. We have a complete line of jewellery for the daily wear, for people who are probably just getting initiated into the industry or into TBZ. So there's a full range of products and designs for the working women, the first time earners, the well settled employees or the businessmen or whoever it may be. So it's not that we are over-dependent on wedding season or number of wedding days. Plus there are festivities which we also focus very heavily and I think we pride ourselves in saying that if it's a festive occasions whatever may be in TBZ is there for the customer. So it's a multi focus as I said. It's wedding. It's the daily wear, the discretionary purchase. The lightweight jewellery, the small ticket item and the festive wear as well.
- **Mr. Gaurav Jogani – Prabhudas Lilladher Private Limited**
- Okay. And sir can you also help us with what would be the breakup between the purchases by the new customers and the old retained customers that we have? Any broad percentages that you can help us out with?
- **Mr. Saurav Banerjee – CFO, TBZ**
- Well, I don't have exact numbers right now. But I would like to believe that about 20-25% probably 30% odd comes from the new customers who come into the store and then they repeat themselves. So for example we have a Kalpa Vriksha Scheme so they get initiated. They pay their EMIs and that's a loyalty program. So they stay on with TBZ. And the word spreads around and we get more and more customers from that new base I would say. So in recent times we have seen that the new base has increased from say about 20% odd to 30-32%. So which is a very encouraging thing for us.
- **Mr. Gaurav Jogani – Prabhudas Lilladher Private Limited**
- Okay. Thank you so much sir.
- **Mr. Saurav Banerjee – CFO, TBZ**
- Thank you.
- **Moderator**
- Thank you. The next question is from the line of Rahul Agarwal from VEC Investments. Please go ahead.
- **Mr. Rahul Agarwal – VEC Investments**

- Hi thanks for the follow-up. Just a smaller question on the tax rate. Is the benefit from the earlier losses all over because this quarter looks like a full tax paid?
- **Mr. Saurav Banerjee – CFO, TBZ**
- Yes, the benefits have been utilised. So for this year and this quarter particularly we are back to the full tax rate.
- **Mr. Rahul Agarwal – VEC Investments**
- So fiscal '18 will be on marginal tax right?
- **Mr. Saurav Banerjee – CFO, TBZ**
- Yes.
- **Mr. Rahul Agarwal – VEC Investments**
- Okay, thank you.
- **Moderator**
- Thank you. Before we take the next question we'd like to remind participants once again that you may press * and 1 to join the question queue. The next question is from the line of Roshan Patnaik from Edelweiss Asset Management. Please go ahead.
- **Mr. Roshan Patnaik – Edelweiss Asset Management**
- Congrats for the excellent results. My first question is in terms of the customer segments what percentage of the sales do you see coming from wedding and seasonal purchases and what percentage do you see coming from discretionary purchases?
- **Mr. Saurav Banerjee – CFO, TBZ**
- Okay fine. Thank you first for congratulating and encouraging us. As far as the wedding and discretionary purchases are concerned, over the last several years generally it has been hovering around 65-35% odd. But however as I said the focus on discretionary purchases has been there and we have been very conscious about it without letting go of our premier position in the wedding category. So in the recent times we have seen about 60-40 sort of a range which actually means that we are increasing our customer base and we have been able to influence or we have been able to attract new customers who necessarily may not be getting married or probably do not have a wedding in the family but they still prefer to go for a TBZ brand of jewellery.
- **Mr. Roshan Patnaik – Edelweiss Asset Management**
- Okay. In terms of the discretionary purchases do you see do you have any growth rates that you have seen over the last 3 years vis-à-vis to the wedding and seasonal purchases?
- **Mr. Saurav Banerjee – CFO, TBZ**
- Yes. You know if you look at the history of the jewellery consumption in India you will see that earlier jewellery was generally purchased for weddings or very big such occasions. But

along the year it has come down to a certain extent because of the discretionary purchases have increased. The purchasing power has increased in the common man's pocket. So we have also experienced that same thing. As I said that probably if I go back 10 years, the ratio would have been 80:20 or something like that. Whereas in the last few years we have seen a 65:35 and currently we are seeing a 60:40 sort of a trend. So that's the type of changes that have happened in the customer front.

- **Mr. Roshan Patnaik – Edelweiss Asset Management**

- Has our company measured the growth rates in both the segments? I am talking about the growth rates.

- **Mr. Saurav Banerjee – CFO, TBZ**

- Yes, growth rates are generally measured in both the segments yes.

- **Mr. Roshan Patnaik – Edelweiss Asset Management**

- Okay. And in terms of discretionary purchases will the company be interested to launch new sub-brands such as Ria that the other analyst had mentioned? Do you plan to launch anything like what Titan had done with reference to Zoya?

- **Mr. Saurav Banerjee – CFO, TBZ**

- So you know I'll break it up into two parts. Firstly, that you know we do introduce several of our collections from time to time. I would not say that it's a sub-brand but collections are introduced into the market for the benefit of customers to give them the latest trends of jewellery. So that is being done regularly by TBZ. As far as sub-brands are concerned, it is more of a strategic call. And you know along the way perhaps we may be open to look at it. But as of now as on date no such plans immediately but as I said it's more of a strategic thing.

- **Mr. Roshan Patnaik – Edelweiss Asset Management**

- Okay thank you, thank you so much.

- **Mr. Saurav Banerjee – CFO, TBZ**

- Thank you.

- **Mr. Roshan Patnaik – Edelweiss Asset Management**

- Thanks.

- **Moderator**

- Thank you. Participants who wish to ask questions at this time may press * and 1 on their touch tone telephone. The next question is from the line of Amnish Agarwal.

- **Mr. Amnish Agarwal – Prabhudas Lilladher Private Limited**

- Hi sir, a couple of questions from my side.

- **Moderator**
- Mr. Amnish Agarwal from Prabhudas Lilladher, please go ahead with the questions.
- **Mr. Amnish Agarwal – Prabhudas Lilladher Private Limited**
- First, if we look at say the market leader in organised sector, Titan has declared the numbers. So their focus seems to be clearly going after say volumes. And they seem to be giving some sort of quantity based discounts when it comes to buying the wedding jewellery because they want to increase their presence in wedding jewellery which is you can say one of the biggest segments in TBZ. So is there some kind of a competition building up among the organised players on the wedding jewellery side which would say which has a potential to pressurise margins in the gold jewellery segment in the coming quarters.
- **Mr. Saurav Banerjee – CFO, TBZ**
- Okay I'll answer it slightly differently. Firstly obviously a company which is probably I would say less strong in some sector will want to become stronger. So Titan is probably doing something like that. And every company will do something like that. Everybody will want to increase their presence and strength in an area where they are probably you know let's say second best, let's put it that way. The other thing is that as far as competition is concerned, I think it's difficult to say whether there will be direct competition. I would say that it's the customer who decides which product or which brand is more suited to their taste and which brand has greater trust factor or a legacy from the past. So I would not say that it's a competition amongst organised players. It's just that everybody is trying to build their own space and their own line of customer follow-ship which is happening. In terms of competition we have actually experienced that more of the competition comes from local players and regional players. So probably that can be defined as more of the competition in the true sense of the term. But as far as wedding space is concerned you've also rightly said, TBZ is well-entrenched and we do not want to give up an inch. We will obviously hold on and increase our base and if the competition is doing something we are wary of that but we would not really want to worry about that.
- **Mr. Amnish Agarwal – Prabhudas Lilladher Private Limited**
- Okay. My second question is on the franchisee stores. You have opened one this quarter and you have indicated 6 to 8 more in the coming 2-3 quarters. So can you take us through what is the states for example in how many of them we will be adding in Q2 and Q3 and what is the different stages? For example how many are in the construction stage, how many are at the signing stage, can you give some colour on that?
- **Mr. Saurav Banerjee – CFO, TBZ**
- Okay so as I said 6 to 8 was the number out of which you can say one is done. So you may reduce by one. But basically in the next 3 quarters as I see it we should be able to open about probably about 5 stores or so. In terms of quarters it is very difficult to indicate exact numbers. But I think you know suffice to say that we should be able to open our 5 odd stores definitely in the next 3 quarters.
- **Mr. Amnish Agarwal – Prabhudas Lilladher Private Limited**
- Okay thanks.

- **Mr. Saurav Banerjee – CFO, TBZ**
- Thank you.
- **Moderator**
- Thank you. Anyone else who wishes to ask a question at this time may press * and 1 on their touch tone telephone. Participants who wish to ask questions may press * and 1.
- As there are no further questions I would like to hand the conference back to the management for any closing comments.
- **Mr. Saurav Banerjee – CFO, TBZ**
- I would like to thank everyone for joining us for today's call. In case of any further questions you can write back to us and we will get in touch with you. Thank you and have a good day.
- **Moderator**
- Thank you very much. On behalf of Prabhudas Lilladher Private Limited that concludes this conference. Thank you for joining us ladies and gentlemen. You may now disconnect your lines.