

Date: 19th August, 2016

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, 5th August, 2016. 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 & Compliance Officer



Encl: as above

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**“Tribhovandas Bhimji Zaveri Limited Q1 FY 2017 Results
Earnings Conference Call”**

August 5, 2016

**MANAGEMENT: MR. SHRIKANT ZAVERI (CMD)
MR. SAURAV BANERJEE (CFO)**

Tribhovandas Bhimji Zaveri Limited
Q1 FY2017 Results Conference Call
August 05, 2016

Moderator: Good evening ladies and gentlemen, I am Vikram, moderator for this conference. Welcome to the 1st Quarter FY2017 Results Conference Call of Tribhovandas Bhimji Zaveri Ltd., organized by Dickenson Seagull IR. At this moment all participants are in listen-only mode. Later we will conduct a question and answer session. At that time if you have any question, please press '*' and '1' on your telephone keypad. Please note this conference is recorded. I would now like to hand over the floor to Mr. Nilesh Dalvi. Over to you Sir, thank you.

NileshDalvi: Thank you Vikram. Good evening everyone and welcome to the Earnings Call of Tribhovandas Bhimji Zaveri Limited for the 1st Quarter Financial Year 2016-2017. Today we have with us the management led by Ms. Raashi Zaveri, Whole Time Director, Ms. Binaisha Zaveri – Whole Time Director and Mr. Saurav Banerjee – Chief Finance Officer. Before we get started I would like to remind you that our remarks today might include forward-looking statements and actual results may differ materially from those contemplated by these forward looking statements. Any forward looking statements that we make on this call are based on our assumptions as of today and we undertake no obligation to update these statements as a result of new information or future events. I would now invite Ms. Raashi Zaveri to make her opening remarks. Thank you and over to you, Ms. Raashi.

Ms. Raashi Zaveri: Good evening everyone. On behalf of the Board Directors and the management of the company we extend a very warm welcome to all of you to the conference call of Tribhovandas Bhimji Zaveri to discuss the financial results of the 1st quarter of financial year 2016-2017. During the quarter ended 30th June 2016, in particular in the month of April, the company's business was impacted due to continuing country wide agitation by the Gems and jewellery industry. The business operations took some time to stabilize and in the view of the discussions between the trade and the government representatives which culminated on 26th July 2016 by the way of an assurance of a government notification to that effect. This impacted revenues and profits for the company. Accordingly, the financial results of the current quarter on are not strictly comparable and the financial results for the same period in the previous year.

Our operating performance during the quarter displayed encouraging signs of improvement. Blended gross margin increased by 235 basis point to reach 17.8% on the back of higher gold jewellery margins and higher share of diamond jewellery sales. Higher gross margins coupled with effective control on operating cost helped us to increase our EBITDA margin by 157 basis

points to 5.6%. The re-launch of the Kalpavruksha scheme continued to gain traction and contributed to Rs 41 crores of sales during Q1. Going forward we are very positive of about our business and growth prospects. We expect to see a gradual uptake in the jewellery demand. On the back of good monsoon leading to the revival of rural demand, the implementation is 7th pay commission, stable regulatory environment and extended wedding season. These positive tailwinds should lead to an improved sales traction upcoming festive and wedding season. We have recently signed up for franchise agreement in our upcoming franchise store in Patna, Bihar. We remain focused on expanding our presence to additional of both company owned and franchise stores in the future. With this I now hand over our call to Mr. Banerjee, our CFO to brief you on the financial and operational highlights of the quarter. Thank you.

Saurav Banerjee: Good evening everybody, Saurav Banerjee here. I will first give you a snap shot of the Q1 numbers Q1 FY2017 compared to Q1 FY2016. Total income from operations Rs 326.02 crores versus Q1 FY2016 of Rs 415.93 crores a dip of 21.62 %. Gross profit recorded at Rs 58.12 crores vis-à-vis Rs 64.38 crores for the previous year 1st quarter a dip of 9.72%. Gross margins improved from 15.48% to 17.83%. EBITDA improve from Rs 16.58 crores to Rs 18.13 crores and in terms of percentage improved from 3.99% to 5.56%. Profit after tax of Rs 2.48 crores vis-à-vis previous year 1st quarter Rs 2.72 crores, a decrease of 8.82%. PAT margin of 0.76% vis-à-vis earlier year 1st quarter 0.65%. I welcome the question answer sessions now.

Vikram: Thank you Sir, ladies and gentleman we will now begin the question and answer session. We have a first question from the line of Digant Haria from Antique Stock Broking. *Please go ahead.*

Digant Haria: Yes, my question pertains to the profitability of the stores which have been opened after 2012. So I think we are opened roughly around 14 new stores. For just wanted to know that have they reached EBITDA breakeven levels or they are PAT positive, where do we stand in terms of these new stores?

Saurav Banerjee: Well, all the stores that we have opened which we have termed as new stores all recorded profit and of course they have broken even long time back. So on a normal average it takes about 6 to 8 months for a new store to breakeven on a cash basis and hence all our stores have recorded profit since their inception.

Digant Haria: Okay, but then we have steadily seen the margins, the EBITDA margins and all the return ratios significantly declined after 2013. So at least that tells me that the sale there is not as good as our older stores. Sir so what plan do we have in terms of either do we wait for the demand to revive or do we shut down some stores which may not be profitable or which may not be at the locations which seems right?

Saurav Banerjee: Okay, so to explain to you further while you know the stores have recorded profitability and also broken even quite some time back. In terms of complete maturity of a stores it takes

approximately 4 years for a store to mature and that is why you will find that there is a growth which happens on a store and it may not be comparable to the older stores in terms of the finest of the performance but the performance will kick in on in terms of the maturity being attend after about or within 4 years. In terms of future expansion, in terms of future growth for the same stores we see no reason for any store to be shut down there is absolutely no logic or no reason which is there for a store to be shut down. In fact, we are very confident that with the steps that we have taken in terms of inventory rationalization, in terms of the cost control measures that have been taken into account, in terms of improvement of the product mix better skew towards diamonds, in terms of design differentiation and in terms of man power training and planning. These stores are going to perform even better than what they have been doing so far and that is the way to go forward.

Digant Haria:

Okay thanks for this. Second question is on this inventory rationalization part, since the last 2 quarters we have been taking about inventory rationalization. Sir can you just give some color of how are you going about doing it and second is by doing this inventory rationalization what levels of inventory can we expect, currently we are at around Rs 1163 crores of inventory diamond plus gold all put together, with the same number of stores what levels can we look at after this inventory rationalization program is over?

Saurav Banerjee:

To very quickly touch upon what we mean by inventory rationalization, first that you would have noticed that some of the new stores that we have opened in the recent past namely you can talk about Bandra or even earlier Jamshedpur and then the franchise store of Dhanbad. They have all been opened with the same level of inventory so whatever inventory was required to populate these stores were carved out of the existing inventory. So I think that is the first measure, a very significant measure that we have taken towards inventory rationalization. Going forward also we are shortly on the verge of opening another franchise store in Patna and going forward further when we open the next few stores either by way of franchise mode or own store. We will be firstly carving them out of the existing inventory and only if required will the new inventory be procured.

The second step that we have taken towards the rationalization is to ensure that the inventory that we have on the stores which are probably relatively old goes to a cycle and moves from one store to another and one region to another and only when the cycle is complete and yet not sold then only it is taken as a stock which is sort of dead stock. So we have a plan where it moves through all the stores, all the location and most of the time it is found that during this shuffle and movement the inventory finds the right market and the right customers and are sold off, that the second step towards inventory rationalization.

The third step is that we have ensured that the incentives that are given to our sales staff, the front desk people who are actually interacting with the customers we have ensured that they are incentivized and they are rewarded for better performance and accordingly they have been

giving special training and the incentives have actually helped in ensuring that they able to sell the inventory that is probably going through a slightly slower circle. In terms of gold and diamond, we have ensured that the inventory has been right size to a great extent. However the exercise is not yet over and you will find that some of the current rationalization exercise will be done in this year also. It has been done to a certain extend in the 1st quarter and in the forthcoming quarters. This rationalization process will be completed.

Particularly in terms of diamond, we have been able to reduce the inventory significantly by about 16 to 17 % which is a good reduction which has actually ensured that there are cash released in the system and also I said right sizing of inventory has happened.

In terms of gold, we have found that is not really required to reduce the inventory because it can lead to, I would say inadequate design display and offerings to the customers. So we look at the display requirements for a store, for which TBZ is well known which is wedding centric and when we are looking at wedding centric jewellery we need to offer to the customers a wide range of designs to choose from. So that they go home satisfied and make good purchase. Keeping all these things in mind, whatever rationalization is required has been done and as I said, further efforts will be made during this current financial year and we shall ensure that there is further right sizing. In terms of the value of inventory that you see it is because of the increase in the gold price in this 1st quarter, there was an increase of almost more than 10 % during this quarter and it is primarily because of that reason that you will find that the value in terms of rupees is more or less same as the last quarter.

- Vikram:** Thank you Mr.Haria. We have the next question from the line of Rukun Tarachandani from Kotak Asset Management. *Please go ahead sir.*
- Rukun Tarachandani:** The diamond jewellery has seen a decline in margins in this particular quarter. What was the reason for the same?
- Saurav Banerjee:** Diamond jewellery has seen a decline in the margins primarily because as you are aware there was an agitation because of the excise duty imposition for the entire month of March and also during part of April when there was about 13-14 days of agitation in the month of April. Now what has happened is that because of these customers have stayed away and it took some time for the situation of the business to stabilize and we wanted the customers to come back to the stores we wanted to ensured that there are good walk-ins and good customer interaction and we have offered necessary tactical discounts particularly in diamonds to ensure that there is a customer interest which is revised, after a long period of agitation. That is the reason why because of these discounts the gross margins have been affected and you have found a lower margin. Going forward I think we shall be able to improve the margin substantially in case of diamond also and hence the blended gross margins are likely to improve further.

- Rukun Tarachandani:** Right and in terms of gold apart from the inventory that is on gold on loan, is the rest of the inventory completely un-hedged or are you also hedging it through some other mechanism?
- Saurav Banerjee:** Okay, so as you rightly said the inventory which is through gold on loan has a natural hedge and as a policy we have been hedging our exposed, rather I would say exposed inventory on MCX, so that is the policy that we have adopted and from an accounting point of view we follow the Accounting Standard-30.
- Rukun Tarachandani:** Okay, so because of that hedge, have you seen any hedging losses this particular quarter?
- Saurav Banerjee:** No, there was a hedging loss last financial year, but so far we have not witnessed any hedging loss, also because of the gold prices on the rise there is no question of hedging loss happening and we will take it as it comes. Gold price is a very volatile factor, it is very difficult to predict which way it will go. So we keep a very tight watch on gold prices, we take the experts views from the commodity experts who advise us from time-to-time and internally also as I said on a daily basis we keep a watch on the gold prices.
- Rukun Tarachandani:** Right, so this 57% is the unhedged or the portion which is not on gold-on-loans, is that completely hedged through MCX or do you hedge a portion of it and at what price would it be hedged?
- Saurav Banerjee:** Okay, as a policy as I said that we do hedge on MCX, we have an option to hedge on the international platforms also. So we are looking at those options we would like to explore whether that gives us a better risk assessment of the gold commodity as such. So I think that is the way we have gone forward, that is the policy of the company.
- Rukun Tarachandani:** Okay and the same-store sales growth that you report on slide-7 has seen a drastic reduction. I think part of it is because the stores were largely not operating during April but any assessment on what that number would be simply comparing the 2 months that the stores were operational?
- Saurav Banerjee:** Okay, so the same-store growth that we have witnessed has of course gone down but if you look at this there is one more slide that we have on page number 11 where we have done some sort of simulation that had it been a normal month of April, then we would have probably recorded an increased sale of about Rs 70 to Rs 80 crores in the month and we take that into account then I think there is no concern. I would like to believe that it is more often aberration which was external to us, which was not within our control. In that sense and going forward since the normalcy has been restored unless something extraordinary comes up, I do not see any reasons for the same towards sales growth to come back and to show an improvement.

- Rukun Tarachandani:** Right and one last question. Any one time sales to the franchises this quarter, I think whenever your franchises opened you sell them the inventories. So has there been any sort of those sales which will probably be a one-time sale?
- Saurav Banerjee:** This quarter there has been no one-time sales simply because we have not opened the new franchises this quarter. Our first franchise was opened in the month of November last year and one-time sale was recorded and again as I said going forward very soon we are likely to open the next franchise which is in Patna, Bihar and then again there will be a one-time sale which will be against 100% cash advance received from them and then of course there will be the replenishment sales as we go along.
- Vikram:** Thank you Sir. We have a next question from the line of Dixit Doshi from Whitestone Financials. Please go ahead.
- Dixit Doshi:** Sir I just have one question, to my understanding currently we pay 1% VAT and excise is 1% and the GST panel had suggested the rate in anywhere between 2% to 6%. So can you just throw some light that will the organised player will be able to pass on the hike in rate to the customer or they will have to absorb it due to the competition from the unorganised players?
- Saurav Banerjee:** As you know VAT is always chargeable on the invoice and so in that sense it is passed on to the customer. Excise duty which has been imposed recently has also been passed on to the customer at 1%. Going forward, GST is around the corner but I would caution you to be, to wait and watch what really happens in terms of percentage of GST because nobody is sure about the rate.
- Dixit Doshi:** Yes but my worry is that if it will be in the range of 2% to 6%, let us say on the higher side let us say if it comes to 4%-5% or 6%, then do you feel that unorganized players will have an upper hand?
- Ms. Raashi Zaveri:** Import duty has also risen from 1% up to 10% and the consumer absorbed that price rise. So you know I do not think there should be a challenge when government implements GST, I think consumers who want to buy branded jewellery will be able to absorb this price also.
- Dixit Doshi:** Okay and just one question. In your slide, you have shown that the gross margin in your pure gold sale jewellery has risen from 11.5% to almost 15% that might be because of the rise in the prices of the gold. So what would be the sustainable gross margins in gold jewellery?
- Saurav Banerjee:** As far as gold price increase is concerned it is widely understood that these prices will sustain for a reasonable period of time going into the future. We are given to understand and we can observe that price of gold is sustainable at least for the time being. There may be one or two small corrections here and there, but generally speaking it will hover around these prices for

the next few months. So as far as rise is concerned right now that is how it is, in terms of the other impacts on margins I think that is much more important when we sell more of gold studded jewellery. Then we get a better margin because studded jewellery for gold has a better margin and of course on an overall basis you will have seen that the diamond products mix has improved. Diamond obviously has much better gross margin compared to gold whether it is plain gold or studded gold. So it has been the endeavor of the company to ensure that we give the best of the designs on the diamond front to the customers who are willing to purchase and if we can improve the product mix further for diamond, then there is absolutely no concern as far as the blended GP is concerned. So either way, whether we look at it from a price perspective or from an offering to a customer, we shall obviously ensure that we make the best of the margins at the same time customer gets his value for money.

Vikram: Thank you Mr. Joshi. We have a next question from the line of Yashraj Singh from CRISIL. Please go ahead.

Yashraj Singh: My question is mostly related to the gold demand in India. So we have seen that in this quarter the gold imports have basically halved as compared to the previous quarter. So what is your take on this? Do you see this trend continuing and what is your take on that overall demand in India?

Saurav Banerjee: Overall demand in India will always sustain. India is known to have a preference and the liking for gold and gold jewellery and this has sustained for many hundreds of years. An Indian customer will not change in the near future or even in distant future. This is the way we are and we shall always prefer to possess gold in whichever form either in the form of coins or in the form of jewellery or whatever it may be. So in terms of gold going forward, I think demand will certainly sustain whether the imports go up or down, I am sure that the customers will continue to have a liking for the gold. In terms of immediate year we are looking forward to very important wedding season starting from the third quarter which is the long wedding season which goes well into the next financial year. That coupled with festive seasons we see absolutely no reason for the gold demand to fall. Infact we are expecting it to go up substantially over the year and also coupled with the favorable monsoon that we are already witnessing, the 7th Pay Commission, OROP and various other favorable events will help revival in the consumer sentiments and the rural demand shall be revived substantially. So, as far as demand is concerned absolutely no concerns even if the prices are stable at the point at which they are, we are expecting that the demand for gold will not come down.

Moderator: Thank you Mr. Singh. We have a next question from the line of Rahul Agarwal from VEC Investments. Please go ahead.

- Rahul Agarwal:** First question was on the credit rating. So obviously we had a down grade in July which is not very big but my sense was to understand the average cost of debt which you have mentioned is about 8 % for the first quarter, is it likely to go up for the year?
- Saurav Banerjee:** Yes, the down grade has happened as we also know and there are reasons which the rating agency has to downgrade a particular company but as far debt cost is concerned we are monitoring it very closely and we do not see any good reason for the debt cost to go up just because there is downgrade. Currently it hovers around 8% on a blended basis. It is likely to stay that way for probably couple of quarters and it will steadily come down simply because the more we do gold on loan and we increase the gold on loan percentage vis-à-vis the direct borrowings from CC or WCL limit we shall be able to control and reduce the debt cost substantially. Even when you compare the previous year's 1st quarter with this year 1st quarter you will find that there is a reduction in the finance cost.
- Rahul Agarwal:** I understand that, what I was asking is, is there change in the interest on the debt as of now?
- Saurav Banerjee:** No, there is no change in the interest on debt in fact most of the banks have actually reduced their interest cost towards us in the past few months.
- Rahul Agarwal:** Okay, got it. Secondly a related question on the lease gold which you just mentioned, so any specific intentional reason of getting it down from March levels?
- Saurav Banerjee:** No, in fact the intention is to increase it further and further. We were earlier at levels of 63%-65% based on gold-on-loan but what has happened is because of the strike which is happened in the month of March and also to a certain extent in the month of April, the sales were impacted. So when the repayment happens I do not get a replenishment because it is not required and the inventory movement is restricted then the gold on loan percentage starts coming down. Now that the thing is happened and we can see better traction from the customers and as I said that with onset of good monsoon and various other factors we should be able to restore the gold-on-loan percentage to its earlier levels and going forward we should be able to improve upon it.
- Rahul Agarwal:** Got it and lastly on the tactical discounts when was the discount scheme launched in Q1, when was it started because my sense is I was seeing the ads around the city in Mumbai in July. So just want to understand when did it start from?
- Ms. Raashi Zaveri:** The tactical discount that was given in the first quarter was at a store level, they were not advertised and they were to customers at a BPL level, the customers were given SMSs and were personally to the stores to provide incentives to them to ensure that the diamond sales are revived and also incentives were provided to the employees of the company so as to push diamond sales.

- Rahul Agarwal:** I understand and so what was the advertisement regarding that in July which was I guess that was again more on diamond and on the making thing, right?
- Ms. Raashi Zaveri:** Yes, so that are the planned tactical campaigns that we have at the year for discounting diamond jewellery, that is there each year.
- Moderator:** Thank you Sir. We have a next question from the line of Devang Patel from Quest Wealth. Please go ahead.
- Devang Patel:** Sorry I joined the call a little late and if I am repeating my question but sir the last quarterly call that we had, you remained very upbeat on the Q1 prospects driven by pent up demand of 1.5 months' strike. So how come that even despite 10% gold price inflation we were down about 20% to 23% top line? Secondly how many franchise stores are operational? I believe you signed 4 franchise agreements but how many are actually operational and what is the per square foot sales that you have been achieving in these stores. That is the second question and the last question is on other expenditure. We have seen a dramatic decline. So how sustainable is this and what has led to this decline?
- Saurav Banerjee:** To begin with customer demand as I informed that there was the agitation which was there in March continued in April also for about 13-14 days and there after the business operations took some time to stabilize because there were was still a lot of ambiguity regarding excise duty. On what it will be charged, how it will be collected, how the assessment of the same will happen whether the officers from the department will have to come over to the store or to the manufacturing unit and there were lot of questions in the minds of the jewellery industry. The association that represents the industry were in continuous talks with the government and it took a while for both parties to come to some sort of conclusion and finally there was a notification issued by the government on 26th July. So effectively one can say that although technically the stores opened and one can say that there was business which was happening, in terms of actual stability took a while longer for the stores to come back to complete normalcy. Also what happens is when customers find that the stores are closed for certain period of time in this case, almost 44-45 days and that too there are news that there as an agitation or there was some sort of unfortunate incidents or stone throwing, then customers are not too keen to come to the store. I mean they will obviously not want to risk anything just to come to a store. So they will wait and watch and only come when everything is completely settled and it is like a safety first tactics which are very understandable from a customer point of view. When we were in the earlier quarter we never expected that the agitation will continue for such a long time and we obviously did not know that the government and the association will take pretty long time to come to terms with the situation. I think these are the factors which have contributed to a muted customer response and also the overall sentiments have now started improving. People have been talking about a good monsoon and expecting a good monsoon for a pretty long time and people are expecting that something good is going to

happen then they will rather wait for the good thing to happen than react earlier and so that is why we are saying that now that there is a good monsoon, there is a 7th pay commission which has come in, various other factors, there is a revival of the rural demand which is definitely going to happen. We are confident that the customer sentiments will come back and then the stores will perform relatively better. I think these are the reasons that I can attribute to a not so encouraging sales in the 1st quarter. As far as franchisees are concerned we have opened one franchise in November which is in Dhanbad. After that we have not opened any franchise, we are on the verge of opening the second franchise store in Patna. We have signed overall 4 agreements. So one is already operational. The second one is about to open and the 3rd and 4th are likely to open in the forthcoming quarter and after that more will follow in the pipeline.

Devang Patel:

So how many stores are we going to open as own stores this year, any plans?

Saurav Banerjee:

On an overall basis what we aim to do is currently we are approximately on 98,200 square feet and we would like to expand it to at least 1,50,000 square feet, I would say level that we would like to reach and cross. This will happen in the next 3 financial years, so on an average you can say about 17,000-18,000 or may be 20,000 square feet of expansion that we are planning for financial year. So out of which about 75%-80% will be through the franchise route and balance will be through own stores. The last own store that we had opened is Bandra which was opened in last year on Dussehra.

Devang Patel:

And sir this fiscal year any plans are there to open any own stores?

Saurav Banerjee:

We are contemplating but we have not taken the final call. Let us see how the things progress and our first focus is on franchise stores which is what we have adapted and as you can see as I told you just now that we are on the verge of opening our second franchise, two more agreements are already signed and should happen quickly enough and then more to follow. But yes if we find that there is an opportunity to open that store we will certainly take a call on that.

Devang Patel:

Sir my question on other expenditure which has seen a steep decline. So what has led to it and how sustainable this number is?

Saurav Banerjee:

So up to EBITDA level the two major expenses that the company has, one is of course on manpower and other is on advertising and marketing cost. The other expenses are relatively smaller. So if you look at other expenses it includes advertising and marketing and various other expenses which are miscellaneous in nature, repairs and renewals, electricity, rent, etc., we have done a cost control measure across the company which has yielded some good results. Advertising and marketing we have been very conscious about using that tool very judiciously so that we get right results from advertising campaign or marketing campaign and not just do

it for the sake of, just flashing everything all over the place. So I think this has led to a reduction in the other expenses and that we should be able to sustain that going forward.

Devang Patel: It is basically led by reduction in advertisement, is it?

Saurav Banerjee: I would not want to use the word reduction or increase, I think that as I described we have a judicious way of looking at advertising campaigns or the ATL or BTL activities and I would say that we ensure that there is an optimal use of advertising tool, that mechanism that is there to promote the brand, to promote interest in the minds of the customers and to show case our designs and offerings that we have. So I think that have to be used judiciously and if we do that then we can get the best benefits out of it without overspending I would say.

Devang Patel: So is it safe to assume that one off issues regarding the excise and from the government side are over and for the next 9 months we should be able to grow at a healthy rate?

Saurav Banerjee: Yes it is safe to assume unless something else comes up which no one is aware of but otherwise yes, I think those one off issues have been taken care of?

Moderator: Thank you Mr. Patel. We have the next question from the line of Jinesh Sheth from Areti Services. Please go ahead.

Jinesh Sheth: My question is related to same store sales growth, although a part of it has been answered but we have seen other players reporting same stores sales growth more or less flattish to marginally positive. So just wanted to understand where is the disconnect?

Saurav Banerjee: Well, I would not say that there is any disconnect or anything like that. As I said that the company is continuously taking efforts to ensure that inventory is right size and the right kind of inventory, the right kind of design and that most contemporary designs that customers are looking forward to, are available in all stores. That is an ongoing exercise of course, a substantial part of it is already done and there is no disconnect as such. I think it is just that there have been turbulent times, the customer demand has been low. If you look at the per customer ticket sale then that has been fairly constant in fact there is a marginal improvement. If you look at the ticket size of diamond there is an improvement from Rs 130,320 to about Rs 135,849 and in gold also it is more or less at the same level. So with these statistics in place I think there is no real concern. I think once the customer sentiments are completely revived and they are confident to walk in without any volatility in the gold prices or without any other external disturbances, the same store sales growth should be back.

Jinesh Sheth: How much growth are we seeing this year?

- Saurav Banerjee:** I would not be able to make any forward looking statements, in that sense what I can only say is that we have seen a consistent improvement in the gross profit margin, we should be able to actually sustain and then probably improve up on them and we are also ensuring that the productivity per square feet increases within next few quarters and that should improve the overall profitability of the company.
- Jinesh Sheth:** So the gross profit margins that we have seen in this quarter, these are likely to sustain. These are something structural?
- Saurav Banerjee:** Yes, they are well planned, well strategized and even if you see a reduction, even that is a strategy on a very short term basis because of inventory rationalization that I have already explained on the call. So going forward yes, they are absolutely structured and they should be able to sustain.
- Moderator:** Thank you. We have a next question from the line of Digant Haria from Antique Stock Broking. Please go ahead.
- Digant Haria:** Sir I understand that we are quite upbeat for this year's sales because of the good monsoons, the strike getting over and the gold price going up, but do we have a plan B in place that let us say these sales growth does not come in and we end up with a loss because of our high costs and slow moving inventory at stores?
- Saurav Banerjee:** You know every prudent company always prepares for a bad day. But I would like to quickly add that, last year the losses that we have seen were not particularly because of the performance of the company in any way. The full month shut down in a retail industry has its own repercussions. So I think you know probably there is no reason to believe that, that should happen again. But as far as we are concerned I think we have taken all the necessary steps; we have prepared ourselves well both in terms of inventory, in terms of product mix, in terms of sales staff, manpower training, in terms of franchise expansion mode that we have taken into account which is an asset light model, which does not require huge investment or probably does not require virtually any investment from the company's end; we have looked at the inventory; we have looked at the cost controlled measures; we have looked at controlling the finance cost to the best of our ability; we have looked at increasing the gold-on-loan percentage. I think all these measures should be able to ensure that there is a substantial improvement in the performance. So we are certainly not thinking of any reversals or losses and that is far away from our mind.
- Digant Haria:** Alright and just to clarify you said 20,000 square feet per year is what we target for the next 3 years, out of which 80% would be through franchise route right?
- Saurav Banerjee:** Yes, 75%-80%.

- Digant Haria:** And then one data point on the Kalpavruksha scheme like what is the total outstanding or the total customer deposits that we have in that scheme now?
- Saurav Banerjee:** So currently we have around Rs 53 crores which are there in the KP scheme. Going forward I think we should be able to increase it substantially further. We are adding almost 5000-6000 customers per quarter and that too in a quarter where there was loss of days in terms of stores being closed. So I think we should be able to add more number of customers on a quarterly basis going forward.
- Digant Haria:** And then lastly on the design front, we have primary been a wedding jeweller and increasingly amongst the youth we find that the preference is shifting from very large high value jewellery to a may be a little small at Rs 35,000 to Rs 60,000 kind of jewellery, so how are we planning to tap this particular part of the demand?
- Saurav Banerjee:** To begin with TBZ traditionally and even as on date is holding a prime position, a top position in the wedding space, so we are known for the wedding designs and the wedding offerings that we have and the customers prefer the TBZ brand for their wedding purchases. Similarly, on festive occasion also TBZ has probably the top of the mind recall. At the same time, we have taken cognizance of the fact that there is a requirement that we cater to the customers who are more interested in the daily wear segment, probably the casual jewellery, the light weight, small ticket items and we are having that range, the complete range of those jewellery as well and we have seen that fair amount of demand has been sustained on that type of jewellery also. So our store is well equipped to cater to all sort of customers, be it customer who is coming in for small ticket or casual jewellery, light weight purchases or be it more you know I would say heavy weight wedding related purchase or an occasion related purchase. So we already ensured that we address that situation and give the opening to the customers accordingly.
- Moderator:** Thank you. We have the next question from Rishab from Enam Holdings. Please go ahead.
- Rishab:** Can you give me the breakup of the ad expense in quarter and in Q1FY16?
- Saurav Banerjee:** So this quarter the ad expenses were around Rs 8.5 crores vis-à-vis about Rs 14 crores for the previous year's 1st quarter.
- Rishab:** And what kind of ad expense are you are trying to maintain for the rest of the year?
- Saurav Banerjee:** As I said we look at the situation, the customer demand, the festive occasion and the wedding season ahead of us but on an average as a thumb rule we try to maintain a percentage of anything between 2%-3% of the top-line as our ad expenses.

- Moderator:** Thank you. We have the next question from Vibhor Kumar from Temasek Holdings. Please go ahead.
- Vibhor Kumar:** Can you once again explain why in the current environment the gold loan or leasing has come down drastically and the old gold has actually increased in absolute amount please?
- Saurav Banerjee:** So there are basically 2 reasons, one is of course that when you have no activity happening in the store because of the strike, the inventory will not move but at the same time gold-on-loan is a loan which is to be repaid within 180 days, so there are those due dates when the gold-on-loan has to be repaid and the banks position squared out. So there we cannot default. No company can default on that and so when the gold loan repayment is happening, however the inventory is not being procured through the gold loan because there is a slow down or non movement of inventory because the stores are not open. The gold-on-loan percentage will actually start coming down. The other reason is that when the gold prices are moving up as we have seen in the 1st quarter and also in fact right from January the gold prices have been moving up steadily particularly in the 1st quarter, then there is a tendency of the customer to come back with their old jewellery, old gold that has to be accepted because that is an unique offering that we have for our customers on a loyalty based effort. When customers come to us we accept the old gold and they of course they exchange it for some different type of jewellery. So which means the procurement of gold is happening through that channel. So when an old gold is already coming into the company and there is no gold going out of the company because of whatever reason in the same basis, in the same I would say in a balanced manner at the same time the gold-on-loan the maturities have to be honored. So this type of a situation can arrive. This is only a temporary situation which is external to us as I described to you and over a period of couple of quarters we should be able to increase the gold-on-loan percentage substantially.
- Vibhor Kumar:** Just continuing on that there is approximately over Rs 100 crores increase in own old gold, this is an inventory, how is this inventory being funded. I do not see increase in current liabilities or how would you find this Rs 100 crores of increase of old gold in the business.
- Saurav Banerjee:** So this is as I said when old gold comes into the system we do not need to fund it because it is exchanged for newer designs. So it is against sales. So it is like some sort of barter, of course it is recorded through an invoice and it is a proper sale. So it is not that anybody is really paying for that gold. So funding is not happening in that case.
- Moderator:** Thank you. We have next question from Gautami Desai from Chanakya Capital. Please go ahead.
- Gautami Desai:** Could you just throw us some light on how is the mix of wedding versus non wedding moving for you as well as for the industry and my second question is what would be the percentage of

customers who are buying worth more than Rs 2 lakhs from you and what would be the impact of the pan card requirement about Rs 2 lakhs?

Saurav Banerjee: As far as wedding versus non wedding is concerned for TBZ it is approximately 70% of our sales are wedding oriented.

Gautami Desai: Is it moving like in other direction, from past 2-3 years?

Saurav Banerjee: It can vary a little bit here and there. One can say probably 65%-70%.

Gautami Desai: So I am sure that lot of it must be more than Rs 2 lakhs considering it is all wedding?

Saurav Banerjee: Not exactly, if you look at our ticket size you will find that for gold the average ticket size is around Rs 84,000-85,000 and for diamond it is around Rs 1,30,000-1,35,000. So as far as pan card and Rs 2 lakhs and all those Limits are concerned we have not seen any major impact on TBZ sales. TBZ customers are prudent enough to follow the law of the land.

Moderator: Thank you Ms. Desai. Ladies and gentlemen, that was the last question. I would now like to hand the floor back to Mr. Nilesh Dalvi for closing comments. Over to you sir.

Nilesh Dalvi: Thank you everyone for attending to this call. Dickenson Seagull IR is managing investor relations for TBZ. So in case of any further questions you can get in touch with us or also with the management. Thank you.

Moderator: Thank you. Ladies and gentlemen, with that we conclude this conference. Thank you for joining us and you may now disconnect your lines.