Date: 11th May, 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 Thursday, 4th May, 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

tbz®
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Tribhovandas Bhimji Zaveri Limited
Q4 FY 2017 Earning Conference Call
May 04, 2017

Moderator: Good evening, ladies and gentlemen. My name is Mallika, moderator for this conference. Welcome to Q4 FY 2017 Earning Conference Call of Tribhovandas Bhimji Zaveri Limited organized by Dickenson Seagull IR. At this moment, all participants' lines are in the listen-only mode. Later we will conduct a question-and-answer session. At that time, if you have a question, please press '*' and '0' on your touchtone telephone. Please note that this conference is recorded.

I would now like to hand the conference over floor over to Mr. Nilesh Dalvi. Thank you and over to you, sir.

Nilesh Dalvi: Thank you, Mallika. On behalf of Dickenson Seagull IR, let me welcome you all to the Earnings Call of Tribhovandas Bhimji Zaveri Limited for the Fourth Quarter and Full Year 2017.

Today we have with us from the management led by Ms. Raashi Zaveri -- Whole-time Director; Mr. Saurav Banerjee -- Chief Financial Officer; and Mr. Rajeev Sagar -- Head (Retail, Operations).

Before we get started I would like to remind you all that our remarks today might include forward-looking statements and actual results might differ materially from those contemplated by these statements.

Any statements that we make on this call today 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 to make her opening remarks. Thank you and over to you.

Raashi Zaveri: Good evening, everyone. On behalf of the management I would like to welcome you to all to discuss Tribhovandas Bhimji Zaveri Limited for the Fourth Quarter and Full Year Financial 2016-2017.

Talking about our fourth quarter performance while the economic activity has been gradually recovering from the demonetization impact, the jewellery sales displayed healthy momentum driven by an extended wedding season and higher redemption under our Kalpavruksha Scheme.

The benefit of lower revenue base from last year's fourth quarter was partially offset by gradual recovery in sales post-demonetization. We recorded an overall same store sales growth of 15.2% in the fourth quarter which has shown encouraging trend on quarter-on-quarter basis.

Looking at the entire year we are happy to know that FY 2017 has been a year marked out by operational efficiency and improved profitability.

On this encouraging backdrop, we maintain a positive outlook for the coming financial year. We believe that GST will create a level playing field for the jewellery industry along with the government's digital/cashless push. It will benefit the organized jewellery retailers like TBZ which shall be able to increase their market share.

On our store expansion effort, we recently opened two franchise stores: one in Ranchi, on 29th March; and the second one in Jamnagar, Gujarat on 23rd April. We also renovated and re-launched our existing store in Vijayawada on 25th April offering a larger retail space of 6,200 square feet compared to an earlier 2,300 square feet. We are now operating 33 stores which includes four franchise stores; spread over a total retail space of over 1,09,000 square feet. We further plan to add more franchise stores in FY 2017 and we continue to maintain our near-term target of reaching 1,50,000 square feet of retail space.

With this, I now hand over to Mr. Banerjee.

Saurav Banerjee: Good evening. I will begin with synopsis and highlights of the Q4 number and also the full year. First, I will read out the Q4 number.

Q4 FY 2017 net sales Rs. 384.07 crores vis-à-vis Q4 FY 2016 Rs. 305.07 crores; Y-o-Y growth of 25.90%. Gross profit in rupee terms Q4 FY 2017 Rs. 55.76 crores vis-à-vis Q4 FY 2016 Rs. 53.09 crores Y-o-Y increment of 5.02%. Gross margin in Q4 FY 2017 14.51% vis-à-vis Q4 FY 2016 17.40%. EBITDA in rupee terms in Q4 FY 2017 14.68 vis-à-vis Q4 FY 2016 a negative of 0.73. EBITDA margin is 3.82 for Q4 FY 2017, negative of 0.24 for FY 2016. PAT Rs. 5.64 crores for Q4 FY 2017 negative of Rs. 17 crores for Q4 FY 2016. PAT margin 1.47% for Q4 FY 2017 negative of 5.57% for Q4 FY 2016.

The full year numbers, net sales Rs. 1,699.82 crores in FY 2017 vis-à-vis Rs. 1,654.31 crores for FY 2016, Y-o-Y growth of 2.75%. Gross profit Rs. 248.38 crores vis-à-vis Rs. 235.27 crores Y-o-Y growth of 5.57%. Gross margin FY 2017 14.61% vis-à-vis 14.22% for FY 2016. EBITDA Rs. 72.16 crores for FY 2017 versus Rs. 39.56 crores for FY 2016, a growth of 82.42%. EBITDA margin is at 4.24 for FY 2017 versus 2.39 for FY 2016. PAT of Rs. 18.53 crores for FY 2017 vis-à-vis a negative of Rs. 23.13 crores for FY 2016 a growth of 180% PAT margin 1.09% for FY 2017 a negative of 1.40% for FY 2016.

We can now begin the question-and-answer session.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the Question-and-Answer Session. The first question is from the line of Prasanna Pathak from Florintree. Please go ahead.

Prasanna Pathak: Sir, just wanted to understand, what is the contribution of Kalpavruksha Scheme for this quarter?

Saurav Banerjee: Kalpavruksha Scheme has always been a major contributor in terms of not only generating the customer interest in the business and also for the up selling that happens. Okay, for the full year there is a contribution of Rs. 118 crores for the full year and for this quarter it is about Rs. 30 crores, which has been contributed from the KP maturity that has happened. In terms of advances we have collected approximately Rs. 59 crores for the full year.

Prasanna Pathak: Okay. And in terms of the new franchise store that we have opened in Ranchi, so what was the upfront revenue recognition that we have done for this particular quarter?

Saurav Banerjee: See, on an approximate Ranchi store has picked-up the first initial inventory of approximately about Rs. 20 crores and since the store has opened on 29th March, so there were just three days of actual sales in terms of replenishment sales. So, the full year impact will be seen in this financial year.

Prasanna Pathak: Okay, perfect. And sir, if we look at our gross margin for the quarter that has come down despite the average ticket size going up in both gold as well as diamond, so have we offered some kind of discounts for the...

Saurav Banerjee: When we compare with last quarter, if we are comparing Q4 FY 2016 there was a phase there was this excise duty disruptions and what happens is that in a normal business pattern we do offer tactical discounts during festivities and during some special occasion. So, that has happened in this quarter but whereas in the last quarter there was no possibility of doing any such things because the business was disrupted for substantial period of time. But if you look at the gross margins on an overall average basis for the full year you will find that it has been pretty consistent at around 14.5% - 14.6%.

Prasanna Pathak: Okay. Perfect. And sir, in terms of initiatives to kind of cost reduction initiatives in terms of bringing down the inventory and fixed cost reduction. So, going ahead is there scope for taking this further or like we have kind of reached kind of peak in terms of cost reduction initiatives?

Saurav Banerjee: No, there is no peak actually. We keep on looking at cost efficiencies, we look at better methods of procuring something which is value adding, we look at increasing the productivity in terms of man power in terms of automation. So, absolutely, the cost efficiency measures will continue, there is no such thing as a peak thing. Inventory rationalization, we have done substantial bit during the last FY, our efforts will continue and we will keep on looking at the inventory level and as and when required the rationalization will continue and we shall maintain the right sized inventory in our stores. So, in both counts the efforts will continue and you will see the outcome of those positive efforts coming out through the numbers.

Prasanna Pathak: Okay. And on advertising and promotion expenditure, so what kind of percentage to sales are we targeting for FY 2018?

Saurav Banerjee: I would say on a steady state basis the thumb rule is that one can look at anything between 2.5% to 3%. So, I think we will try and be within that range. But again, it depends on the consumer sentiments, the manner in which the market is operating and the newer markets that we are going to enter in this year. So, there are various criteria which will sort of determine what sort of advertising and marketing spends we have including whether we would like to do more of an ATL activity or BTL activity. But as I said, as a thumb rule it is a range between 2.5% to 3%.

Prasanna Pathak: Okay. Perfect. And sir, if you look at the same store growth, I mean it has been around 15% roughly. I mean, what are the adjusted same store growth because same quarter last year there was some disruption, right? So, if you adjust for that disruption I mean, how would we kind of look at this quarter's same store growth?

Saurav Banerjee: I will answer in two parts, one is that if you look at again, the steady state numbers across the financial year then you will find that the same store sales growth has seen an upswing on a constant basis, so while the same store sales were not probably to our liking but throughout the year we have seen a constant increment in those number and that is how the trend has been. In terms of adjusted, it is difficult to say because there are various factors which come in for example, last year there was this excise duty disruption. But again, this year we had the demonetization which has hit the industry and then it took gradual bit of time for the industry and for the company to settle down. So, sometimes these are factors which sort of mitigate each other and it is difficult to say. But on overall basis the same store sales growth has been clearly seen and has recorded and that is a good sign for the company.

Prasanna Pathak: Right. But if we look at the full year same store growth, I mean it has been (-2.1%). So, in FY 2018.

Saurav Banerjee: Yeah. But if you look at quarter wise same store growth you will find that there is a clear increase in the percentage...

Prasanna Pathak: Yeah, from Q2 we have seen some kind of an uptick.

Saurav Banerjee: It is a substantial increase. If you look at the increment, it is a very substantial increment. So, in numbers it may give a slightly different picture.

Prasanna Pathak: Sure. So, we expect I mean for FY 2018 to be in the double-digit range, or it will be like in higher single-digit number for FY 2018, I mean based on the current trends?

Saurav Banerjee: I think, if I talk about the range because statistics should be range bound, I think we will be doing something in the range of say the high single-digit to double-digit same store sales growth.

Moderator: Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: Sir, if you could share your assessment on what kind of improvement in inventory turns is possible, that is first question? Second, if you could share your outlook on what kind of gross margin improvement if any is possible?

Saurav Banerjee: Yeah, okay. In terms of inventory turns, this has been the constant focus for the company and no different, in fact we will probably be focusing even more strongly on inventory turns in the current financial year in 2017 - 2018. So, as we know in terms of a standard inventory turn and acceptable inventory turn for gold it is in the high I would say 2.8 to 3.5 range on an average will be considered to be a fairly decent inventory turn. In terms of diamond 1 is a decent inventory turn. The company will strive to maintain these levels of inventory turn. There is a distinct possibility that we look at even higher inventory turn but I think on an overall basis on an average anything between 2.8 to 3.3-3.5 should be the target. And in terms of diamond around 1, a little more than 1, may be 1 to 1.2, depending on which store, which market because every market has a different behavioral pattern from the customers, so that is something that we will continuously focus on.

Pritesh Chheda: 1.7x currently, so this target of yours do you achieve in what time frame?

Saurav Banerjee: I am talking about the next financial year.

Pritesh Chheda: So, from 1.7x that we see today which is like a Rs. 1,000 crores type inventory...

Saurav Banerjee: Yeah, I think you are talking about the blended inventory turn while I mentioned the distinct inventory turn for gold and diamond. So, more or less the same thing you were referring to the blended inventory turn.

Pritesh Chheda: So, what is the inventory of diamond in this Rs. 1,000 crores inventory?

Saurav Banerjee: The numbers can be shared offline.

Pritesh Chheda: Okay. If you could give the blended target.

Saurav Banerjee: In the presentation, you will find that we have clearly indicated a percentage break-up of gold and diamond inventory.

Pritesh Chheda: What would be your blended target for inventory

Saurav Banerjee: As a thumb rule I would say 60% is generally gold and 40% diamond, give and take few crores here and there. In terms of gross margin as I said, I was just answering the earlier question that if you look at the overall FY 2017 numbers, you will find that has hovered around 14.5% - 14.4% in that range which is a decent gross margin. Gross margin is impacted by several factors primarily because of the product mix, so if we have a more healthy product mix skew towards diamond then we can easily improve the gross margins which is of course, one of the aims of the company. Going forward, one can look at a gross margin of anything between to 15% to 16% on a steady state full year basis.

Pritesh Chheda: Sorry, how much?

Saurav Banerjee: A range of 15% to 16%, on a company level full year basis.

Pritesh Chheda: Okay. And what kind of expansion all your expansion are franchised now?

Saurav Banerjee: Not necessarily. What we have said is that 75% to 80% of our growth plan will be through the franchise mode of expansion. However, we are very open to inaugurate new stores for the company own stores, so it will be a mix and match of both with distinct flavor of the franchise stores.

Pritesh Chheda: Lastly, I just want to check when you reach a blended inventory turn of 2x let us say based on 2.8 for gold and 1 for diamond at what pace would you draw down your debt?

Saurav Banerjee: If you look at our debt numbers it has already been reduced substantially. You can refer to the presentation, the details of the numbers are there. So, I think the debt has been reduced substantially because of very successful inventory rationalization plan that we have done and cash has been released in the system. There is always scope for further reduction which we

will aim for in 2017 - 2018 also and one must also add that our overall debt comprises of the pure debt and also the gold loan amount. So, that is how the overall debt number is there.

Moderator: Thank you. The next question is from the line of Rohit Pothy from Marshmallow Capital. Please go ahead.

Rohit Pothy: So, I was wondering more on the franchise economics given that this is going to be a major source for expansion going forward but I understand how it make sense for TBZ, I was wondering what are your terms and the economics for the franchise what is the breakeven period for them and when can they achieve good returns on equity and capital if a franchise opens a store. And I was also wondering if you could give us the exit barriers from a franchise point of view because what stops a franchise from stopping their dealing TBZ and going with some other competitor? So, if you could give me an answer on this will be great.

Saurav Banerjee: Yeah, sure. Typically, the franchise model that we have adopted is an asset light model, so there is no investment by the company in inventory and a very-very negligible investment in terms of CAPEX. So, for the company it is a win-win situation in the sense that one does not have to really invest heavily, at the same time one can reach out to various cities in the country and increase our total coverage and also improve our overall economies of scale. So, when we do a franchise expansion, the top-line increases, we do share a bit of the margin but the EBITDA percentages starts improving and the profitability of the company improves substantially over a period of time. So, that is in a nutshell the advantages of having a franchise mode of expansion. From the franchise's point of view, I think the biggest plus is that they are aligning or they are tying up or shaking hands with very-very well known trusted reputed brand like TBZ, I think that is the biggest criteria which the franchise looks at. So, while technically and theoretically one may say yes, there can be an exit and all that. But a franchise comes into the fold and the company shakes hand with the franchise due to various different reasons and not for the reason of looking at an exit route. That is just a theoretical possibility. Of course, we have a watertight agreement which has been drawn by a reputed law firm in India. So, from a legal point of view both sides are very well protected. But I do not think we should look at a franchise from an exit point of view. In terms of return of their equity or the money that they put in, I think over a period of four years they are likely to get a very handsome return ranging from anything between 16% to about 30%.

Rohit Pothy: Okay, thank you. That was a very detailed response. I was wondering that we had opened our first franchise in Dhanbad in November 2015 I believe and I think we are around 15 months - 16 months since that period and I know we have been faced by multiple problems but I just wanted to get a sense of how the performance has been for that franchise over this period.

Saurav Banerjee: Well, I think on a overall basis the franchise business has started picking up very well. Dhanbad yes, was the pilot project you can say a learning curve for both parties, the franchise as well as TBZ. But along the way we have added Patna which has done pretty well, we have

recently opened Ranchi, Jamnagar, many more to follow. So, I think on an overall basis, if you look at the age of the franchise model for TBZ, it is still a fledgling sort of business for us and I think it is not yet time to really start analyzing how a franchise business is doing. At the same time let me hasten to add that we are probably lining up about six franchises to eight franchises which will be added in this financial year. And I think, by the end of this year one can really start analyzing and looking at the performance of a franchise store. Today, I would say it is still a little bit of an early day for franchise. A franchise store is very similar to a TBZ store. There is really no difference from a customer experience point of view, it is a TBZ store and it will be so in future also. So, in terms of economics, in terms of breakeven, it is very much similar to a TBZ store.

Rohit Pothy: Perfect. Is there a time period during which I mean TBZ and this franchise are locked with each other may be for five year or six years where they are not allowed to go ahead and go out of the agreement, is there some sort of that...

Saurav Banerjee: There is no lock-in period and it is deliberately not being kept because we are absolutely certain that when a franchise decides to be a part of the TBZ fold they would have already taken those things into consideration and they would have found that TBZ is their preferred partner for doing business.

Rohit Pothy: Okay, so that makes sense. Thank you, sir. So, just looking at the historic performance of the company till 2012 it was wondering period and I mean according to what I have here the per store sales of gold was around 250 odd kilos and the per store sale of diamond was around 3.8 kilo carats. Since, 2012 the industry has been faced by multiple issues and I think per store of gold sales as well as the diamond sales have come down considerably. So, is this the number the management looks at and do you see this number going from what around 140 kilos of gold - 150 kilos of gold and 1.3 kilo carats of diamond - 1.4 kilo carats of diamond right now. Do you see it going up and where do you guys see that number growing and also over the medium-term what gross margin and EBITDA margins are something which you will be comfortable with?

Saurav Banerjee: I just spoke about the inventory turn, the focus is completely on inventory turn for us and that will explain how much gold or how much diamond is sold during the year. So, instead of looking at absolute numbers like in terms of kgs and carats, I think we should start looking at the inventory turns and as I explained to you that we are targeting a range of 2.8 to 3.5 for gold and 1 to a little over 1 for diamond and then one can always do the calculations around that and see what it translates into in terms of volume or such value numbers. But suffice to say that if we focus and which is what we are doing on the inventory turns mentioned by me then I think every store will align to that on an overall basis.

Moderator: Thank you. The next question is from the line of Gaurav Jogani from Prabhudas Lilladher. Please go ahead.

Vishal Purohit: I have two questions here. One is, any changes in terms of the pre and post-demonetization you are seeing in terms of the buyers profile or their buying pattern? And the second question is what is your expectations on the GST for this sector because there is a lot of debate as to where the customs duty or the GST rates or the making charges are likely to be for the jewelry sector?

Saurav Banerjee: Yeah. So, in terms of demonetization, I think of course, 2016 - 2017 demonetization was definitely an experience for all of us and pre-demonetization the business was doing extremely well particularly in the month of October, we have seen and we have spoken about it in the Q3 ConCall that we did exceptionally well in October, of course there were several festivities, the wedding season was upon us. And however, after that in November the demonetization happened and it was more of a shock thing I think for everybody including the customers and it took some time for the entire industry as well as the customers to settle down. Post that, in the month of December and going forward in Q4 there has been a gradual pick-up there has been a rebound. Although it has not been a very sharp one, it has been very-very gradual. But I think things are coming back to normal I would say. So, in terms of demonetization, yes, for short while there was a major impact, very severe impact and then a gradual sort of increment, customer sentiments coming back and the industry trying to settle down once again. However, I think now you know the demonetization impact or effects should be behind us in the current financial year and hopefully we do not have any more shockers. In terms of GST, yes we are also part of that big debate that is going on a little bit known a lot to be known. In terms of rates, the rates have not been announced but we are given to understand that they will be let me say customer friendly rate. On an overall basis, the view of the company is that GST is good for the country and for the industry on an overall basis. It is very good for the organized sector and on a net-net basis, I think there will be more positives then negatives for TBZ.

Vishal Purohit: Thanks, Saurav. But I think, my question was on terms of the demonetization, are you seeing in terms of any changes in the buyers' profile meaning what kind of buyers are coming in pre and post or even their buying patterns from the ticket sizes or the kind of jewelry or the investment demand and looking here as a complete outsider to the industry...

Saurav Banerjee: I understand. So, in terms of buyer behavior, I think we did not see much change in terms of what they would like to purchase, I think that is very clear that there will be a demand for jewelry instead of coins and also you know the mode of payment, the mode of payment would have shifted from cash sort of cash centric payment, if I may say so to plastic money or bank mode of payment. So, that has been the significant change as an effect of demonetization which is a very good thing and for the organized sector once again, I think if the payments are being made through the plastic money or bank mode it augurs well for the organized sector. That is a very significant change that we have clearly seen and as I said that coin sales have taken a bit low and has been adequately replaced by a higher jewelry sale. I think, that is about all, I would not say that there is a very huge difference in the buying

pattern of a customer from a design selection point of view or a brand preference point of view.

Vishal Purohit: Right. And also would it be right or would it be absolutely unfair in terms of trying to extrapolate the quarter four, the growth in terms extrapolating for the next two quarters before really the festive season really peaks in?

Saurav Banerjee: No, I think every quarter has its unique feature and as I said that Q4 was also to a certain extent impacted because of I would say aftermath of demonetization not exactly out of the woods I would say in terms of normal business in Q4. Q1 and Q2 will be very different because Q1 would have already had Akshaya Tritiya which is one of the biggest festivals for the jewelry industry. It has gone very well for our company. Going forward, Q2 the fag end of Q2 we have Dussehra this year it is in Q2. So once again, I think that should be a good quarter for us plus the wedding season which is a long one which continues as we speak and it is going right up to end of June or early July. So, Q1 and Q2 will have those benefits. So, I think they will not be like Q4. They will be substantially different.

Moderator: The next question is from the line of Prasanna Pathak from Florintree Advisors. Please go ahead.

Prasanna Pathak: Sir, just wanted to understand how this compulsory hallmarking of jewelry going on and what is the status there and how it is going to impact organized players like us?

Saurav Banerjee: So, I will answer in two parts. As far as TBZ is concerned all our jewelry has always been hallmarked. So, for us it was compulsory as per our own standards right from day one and we were the first one to introduce hallmark jewelry and that is why one of the reasons why TBZ has always been the most trusted brands in the market. As far as the industry is concerned and more so for the unorganized players, I think mandatory hallmarking is definitely creating a level playing field between the unorganized and the organized sectors and I think, those players who have probably done business in a slightly different way may be bordering on ethical values will find it difficult and it will be a challenge for them to come to terms with mandatory hallmarking sort of environment.

Prasanna Pathak: How is this getting monitored I mean, all the sales are currently, I mean, it has to be compulsorily hallmark or there is a timeline?

Saurav Banerjee: Yeah, so in terms of legalities, in terms of the law or in terms of rules and regulation, no jeweler can sell any jewelry or any gold jewelry unless it is hallmarked. So, if somebody does so then he is going against the law of the land let me put it that way. And the administrators and regulators have set-up various measures or methods in which the tracking of jewelry which is hallmarked or not hallmarked can be done.

Prasanna Pathak: Okay. This has started from 1st of April, right?

Saurav Banerjee: It started from September actually.

Prasanna Pathak: Okay. Because I was reading that 1st of April it is going to be compulsory.

Saurav Banerjee: From last year September.

Prasanna Pathak: Okay, fine. Perfect. And sir, on this Jamnagar franchise which we opened in April, so, what is the kind of upfront revenue, is it going to be similar to the Ranchi that we opened or it is a bigger format in Jamnagar?

Saurav Banerjee: In terms of size yeah, more or less may be square feet here and there but not really a huge difference, Jamnagar, Ranchi is a bigger city then Jamnagar certainly. I mean Ranchi is state capital so that way. But in terms of the dynamics of the store yeah, probably a little different, a little smaller store in Jamnagar. But on an overall basis, the manner in which they will operate will be the same.

Prasanna Pathak: Right. So, around Rs. 20 crores - Rs. 25 crores would be the revenue.

Saurav Banerjee: Slightly lesser than. No, Rs. 25 crores would be a large format store. So, Jamnagar is not a large format store. It will be lesser than Rs. 20 crores.

Prasanna Pathak: Lesser than Rs. 20 crores, right. So, sir, in this presentation you have mentioned around I mean we are targeting around 1,50,000 square feet in the near-term. So, what exactly near-term means, I mean is it going to be FY 2018 or it is going to be next two quarters like I mean what kind of?

Saurav Banerjee: We have spelled out in the previous financial year that we would like to go ahead of the 1,50,000 square feet mark in three financial years approximately one cannot be absolutely, accurately based in these matters. But three financial years including the current one, so which is 2017 - 2018, 2018 - 2019, and 2019 - 2020 this is what we are referring to.

Moderator: Thank you. The next question is from the line of Digant Haria from Antique Stock Broking. Please go ahead.

Digant Haria: I just wanted to know that Rs. 20 crores inventory which the Ranchi franchise has stacked up, is it recognize the sales in the current quarter for us?

Saurav Banerjee: Ranchi sales has been recorded in fourth quarter, yes, Q4.

Digant Haria: Okay. So, that Rs. 386 crores would have Rs. 20 crores sold to the Ranchi franchise, right?

Saurav Banerjee: Yeah.

Digant Haria: Okay. And when did the Jamnagar franchise start?

Saurav Banerjee: Jamnagar franchise started on 23rd April.

Digant Haria: Okay. So, it is this quarter, okay.

Moderator: Thank you. The next question is from the line of Yash Agarwal from Crest Wealth. Please go ahead.

Yash Agarwal: Adding on to that franchise question in FY 2017, what was the total sales to franchise?

Saurav Banerjee: It was close to around Rs. 80 crores.

Yash Agarwal: Rs. 80 crores in total and FY 2016?

Saurav Banerjee: FY 2016 was a very minuscule because there was just one store which was opened in FY 2016. But I said, there are two stores opened in FY 2017.

Yash Agarwal: Okay. So, now we are at four franchise stores, right?

Saurav Banerjee: We have currently four franchises.

Yash Agarwal: And 30 of own stores?

Saurav Banerjee: 29 own stores plus 4 franchise stores; 33 stores.

Yash Agarwal: Okay. And I had a question on these other expenses, so they are down by about Rs. 30 crores on a full year basis of FY 2016 to FY 2017. So, what has led to this and how sustainable this is?

Saurav Banerjee: If we look back in the previous financial year we had a hedging impact and in terms of accounting standards one has to account for it in the other expenses. So, a part of that reduction is because of that hedging negative impact that was there in the previous financial year and apart from that there will be miscellaneous expense which would have moved and some of them would have been also contributing to the overall cost rationalization.

Yash Agarwal: How much was the hedging loss last year in FY 2016?

Saurav Banerjee: It was around Rs. 10 crores; Rs. 9.5 crores.

Yash Agarwal: Okay. And a question on tax rate, so what tax rate will you pay in FY 2018?

Saurav Banerjee: FY 2018 will be a full tax year for us, I mean assuming that there will be profits it will be a full tax year for us.

Yash Agarwal: All right. So, 33 odd percent that is.

Saurav Banerjee: Yes

Moderator: Thank you. The next question is from the line of Shekhar Singh from Excelsior Capital. Please go ahead.

Shekhar Singh: Just wanted to this thing say like 2012 - 2013 we use to be at around Rs. 55 crores - Rs. 80 crores profit after tax number, now we have come down significantly. Now, if we have to go back to that 2012 - 2013 level what are the steps that the company is taking just to reach those levels?

Saurav Banerjee: Okay. When we have been talking to the other callers I have mentioned that one of the very major decisions or strategies that the company has adopted has been the franchise mode of expansion. And as I said that one of the benefits of that is that when we build up on a franchise route then we start enjoying the economies of scale, the top-line grow substantially obviously I mean we will have to have several franchises in the fold not just two or three. But when we have set out to do that then we have those top-lines. In terms of cost or the overheads hardly anything because all the overheads or the running of a franchise store is all being handled or being paid for or accounted for by the franchise. So, it does not come in the books of TBZ. So, the EBITDA margin starts improving and it flows into the profit line straight away. So, I think this is one of the reasons why profitability should improve substantially in the near future. The second one as I have talked about is the inventory rationalization that we have gone through which has released very-very substantial cash in to the system and because of which our borrowings have come down quite a bit the finance cost has come down, you would have seen that on a full year basis it has come down from Rs. 55 crores to Rs. 50 crores. So, once again these are numbers which will flow through in to the PBT line straight away. So, I think these are two very significant steps along with the improvement in terms of cost efficiencies, in terms of the efficiencies from a productivity point of view, sales incentives that have been released to enhance the sales processes by the frontline staff and improvement in the product mix by focusing on diamond and I would say popularizing it as a category of jewelry because in terms of margins diamond have given us approximately three times greater margins than gold. So, I think a combination of all this can ensure that we are back into the higher profits as you have mentioned which we have achieved in the past.

Shekhar Singh: Sir, more question like you mentioned that the asset turns for gold you are targeting somewhere in the range of 2.8 to 3.3 and for diamonds say around 1x.

Saurav Banerjee: Yeah.

Shekhar Singh: And if we take the 60-40 ratio which you have given, so in a best-case scenario. The asset turns can go to 2.2 roughly, it cannot change from 1.7 to 3 or 3.5 that cannot happen.

Saurav Banerjee: That is a blended turn.

Shekhar Singh: Yeah, correct, blended turn.

Saurav Banerjee: 2.2 are our blended turn. I think you are referring to blended turn.

Shekhar Singh: Yes, correct, the blended turn.

Saurav Banerjee: That will always be lower than gold turn. Asset turn for the company will be substantially higher than diamond turn but substantially lower than gold turn.

Moderator: Thank you. The next question is from the line of Tushar Sarda from Athena Investments. Please go ahead.

Tushar Sarda: I wanted to understand this inventory turn you said 2.8 for gold, is that correct

Saurav Banerjee: Yeah, I mean that is a range bound thing, it is very difficult to pin point and say that this is what it will be. Primarily because India is a huge market and every city and every region behaves a little differently.

Tushar Sarda: No, I am asking in the context of this business model that you have given on page 29 of the presentation where store working capital you have shown us Rs. 28 crores and I think in some other slide you said that out of that 70% is gold and 30% is diamond. So, Rs. 20 crores will be gold and 30% meaning Rs. 8 crores I diamond, right?

Saurav Banerjee: Yeah, okay I mean a business model...

Tushar Sarda: So, I am just trying to compare so, if Rs. 20 crores is gold and you said 2.8 times the store turnover comes to around Rs. 65 crores - Rs. 70 crores for a 2,000 square feet store.

Saurav Banerjee: Okay, sir let me clarify that model that has been given in the investor presentation is an indicative model.

Tushar Sarda: No, that I understand. I am just trying to understand because the difference in turnover is quite substantial. So, if was minor I would but the difference seems to be...

Saurav Banerjee: So, we can explain offline. But a business growth is always driven on what happens in the current scenario and a business model is just to give a flavour of how it may happen.

Tushar Sarda: Yeah, that I understand. So, my question was, you have given here the overheads, this is store operating margins of 11% in that same slide. So, what is your corporate avoided and absolute numbers for the current year and how would they change going ahead?

Saurav Banerjee: So, we have reported a gross margin of say 14.6 and you know our EBITDA is 4.2 or 4.3 the move down from the gross margin to EBITDA is the overhead. In terms of the major overheads it will be manpower cost, advertising marketing and...

Tushar Sarda: No, that I understand that is at the store levels. So, there will be some corporate overheads also, right?

Saurav Banerjee: I am talking about the company level. So, yes, there will be corporate over heads in terms of the man power which operates out of the corporate office that is there. I mean essentially that will be the overhead and...

Tushar Sarda: No, I am trying to reconcile this store operating margin of 11% with the reported EBITDA margin of 4%. So, is your corporate overhead is 7% of turnover currently, will that be correct or would that not be a correct assumption?

Saurav Banerjee: You know, I have explained to you that there are corporate overheads in the corporate office in Mumbai and that will account for a certain percentage. We can probably discuss offline and understand the exact number.

Moderator: Thank you. The next question is from the line of Rohit Pothy from Marshmallow Capital. Please go ahead.

Rohit Pothy: So, just wanted to touch this upon again margins. So, historically we have done around 17 percentages - 18 percentages of gross margins and around 8 percentage - 9 percentage of EBITDA margins. So, where do we see the number going over the medium-term provided things are I mean, we do not see any even shock events like last year?

Saurav Banerjee: While we cannot make forward-looking statements, but on a steady state basis, I think currently let us say we are at about 14.5% in terms of blended gross margin and one can improve upon those gross margins to somewhere between 15% to 16% in one financial year's time. I have talked about a growth for let us say two to three financial year and along the way we should be able to further improve the gross margins. As far as EBITDA margins are concerned, we can look at a steady state number of approximately anything between 5.5% to 6.5% in the very-very near-term basis and beyond that we can look at 7% to 7.5% of EBITDA margin.

Rohit Pothy: Okay, understood, sir. That helps. So, I just wanted to understand a little more on how are you thinking in long term about Kalpavruksha Scheme. If I remember correctly 2014 - 2015

we have contributed around 20% of the sales. I guess it is around 8% - 9% of the sales right now where do you see that number going? Do you see the number increasing to that level or how do you see that?

Saurav Banerjee: Yeah, more certainly, we are pretty sure that the numbers will come back to those levels, if not more. KP is a clear focus area for the company and there is a strategy, there is a marketing plan in place which we are following rigorously and you know it is just that KP and similar such schemes across the industry had to be withdrawn as a knee-jerk to some of the regulatory changes that happened in the company deposits area, so they had to be modified suitably and reintroduced. So, once that has been done and you know the flavor is back. We see no good reasons for KP to bounce back completely and as you have rightly said that there should be a very substantially contribution not just from the KP redemption but also from the up selling that happen. So, in terms of up selling one can look at 50% to 60% of up selling when KP redemption takes place. So, all that straight away goes into the top-line.

Rohit Pothy: Okay, so that is nice. And so, I just wanted to understand the footfall numbers if I may post demonetization how has it been on a same store basis? I mean have you seen increase footfalls in certain stores or how has that trend be?

Saurav Banerjee: Yeah, so the immediate impact of demonetization obviously was a drop in footfall but along the way they have increased substantially in the last say about four months or five months I would say and there have been some say regional festival, smaller festival along the way. So, that has also helped in increasing the footfall. It is not that the customers were disinterested in buying jewelry, it is just that as you have just that it was a bit of shocker for everybody. So, once that settled down I think the footfalls have started coming back. The wedding season has continued all these months. There have been festivals coming along the way like Gudi Padwa or celebrations like Valentine's Day and so on and so forth, so the footfalls have been picking up since then.

Moderator: Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: Sir, this year how many franchises are going to commission?

Saurav Banerjee: We are looking at six franchises to eight franchises for this financial year. Out of it one we have opened in Jamnagar in April.

Pritesh Chheda: Okay. And when you sell to franchise at what gross profit it is sold, gross profit margin?

Saurav Banerjee: There is an overall margin sharing that we have and it is also not something that is the same standard across all franchises because the markets are different but suffice to say that there

is a margin which is shared with the franchise. When a franchise purchases the jewelry, he pays 100% advance and after that the inventory is in his books.

Pritesh Chheda: So, when he pays the 100% advance, the profit gets booked in your book, right?

Saurav Banerjee: Yeah, I mean the top-line, yes. The top-line gets booked and accordingly the margins get booked.

Pritesh Chheda: So, I was looking at that, so if your company level gross profit margin is 14.5% when you sell to franchise it will be less than that because...

Saurav Banerjee: It will be less than that; definitely it will be less than that.

Pritesh Chheda: It will be less than that. My second question is the other costs obviously have come down from Rs. 130 crores to about Rs. 110. Would you have thought as to this cost can be reduced by let us say in year one how much and in year two how much further, since you said that there is scope for cutting?

Saurav Banerjee: Yeah, yes. Okay, one cannot talk about exact numbers but I would like to put it in a slightly different way we have looked at improving productivity, we have look at cost effective measures, we have looked at automation in a very-very big way. We are in the process of upgrading our ERP system. So, I think these measures will certainly contribute to further cost efficiency but it is very difficult to give you a exact number. But I think on an overall basis when one looks at the results of the quarter then you will see that those cost efficiencies will be coming through.

Pritesh Chheda: Sir, I did not understand what cost efficiencies? Does it mean that you would generate more sales possibly out of the same cost?

Saurav Banerjee: Yes, exactly, that is what. Yes, more profitable sales out of the same cost.

Pritesh Chheda: It does not mean reduction in absolute number?

Saurav Banerjee: It can mean reduction in absolute numbers also.

Pritesh Chheda: But what it is for you in your one, is it reduction or it is...

Saurav Banerjee: See, it always to be always a combination of both. There will be certain reduction in the sense if I negotiate some vendor rates better than is an absolute reduction.

Pritesh Chheda: Okay. And lastly, you were responding to some question on hedging gain or loss, is there any number in 2017's P&L? And how does...

Saurav Banerjee: No, there are none.

Pritesh Chheda: Now there is nothing?

Saurav Banerjee: No.

Pritesh Chheda: And can you just tell what is the absolute corporate overheads incurred by the company?

Saurav Banerjee: Absolute corporate overheads in the...

Pritesh Chheda: These are overheads other than your retail operations or your manufacturing operations.

Saurav Banerjee: If you wish you to we can have a separate discussion on that, we can share some numbers with you.

Pritesh Chheda: Okay. Do you have any ballpark in your mind?

Saurav Banerjee: No, I have all the numbers but we can always look at it offline.

Moderator: Thank you. We will be taking the last question from the line of Kunal Vora from BNP Paribas. Please go ahead.

Kunal Vora: Sir, I wanted to understand, get your thoughts on the online strategy, like how much contribution do you have from online, what platforms are we selling on and like how is the average ticket size on online jewelry sales?

Saurav Banerjee: So, we have tie-up with major market place players like Flipkart, Amazon and Snapdeal and we have been with them for reasonable period now. But however, I should hasten to add that, that is not something which contributes substantially to our top-line. In terms of ticket size, it will be in the range of an average of say about Rs. 8,000 to Rs. 9,000 basically small ticket item light weight jewelry that is being sold online and it is good beginning, in terms of not just the sales but also some sort of marketing also happens along the way because we can reach out to customers where we are not physically present and there is a delivery mechanism in place which is being administered by the market place operator. So, that way I think the TBZ brand and the name spreads across the country without we being physically present.

Kunal Vora: What is the margin sharing which you have?

Saurav Banerjee: There is no margin sharing as such. There is some fee that we pay to the market place operator.

Kunal Vora: Okay. Second question sir, assuming GST rate is slightly high say instead of currently like say around 2% is what you pay. 4% to 6% if that the rate, so do you think it will hurt the organized players, you think tax revision will be very difficult and they can organize despite the tact arbitrage might not be able to flourish and have you seen any shift of market share like I have the unorganized guys hurting now post demon or like we are back to normal?

Saurav Banerjee: Okay, I will first to the GST bit. While we are still not sure, we are not aware rather what is the rate that is going to be for the jewelry sector but there are indication that you know currently as you know let us say we are at 2%, 1% of VAT and 1% of excise duty and we are given to understand from the unofficial sources that the tax rate for jewelry in GST will be somewhere around these numbers. It is very difficult for us to say because nobody clearly knows, no announcements have been made. If it is so, then I do not think there is any cause for concern. However, if it is marginally higher, normally it passes on to the customer and there can be a small reaction somewhere or the other but overall things will always settle down. So, from a customer's perspective also no big alarm; from the company's perspective no alarms at all, GST is welcome and in fact, we will be able to get the benefits of input tax credit in a more substantial manner than before. So, I think we are pretty okay with and we look forward to GST being implemented.

Kunal Vora: Okay. And are you seeing any shift of market share, is there any way to determine if there is some shift of market share?

Saurav Banerjee: You know in India the unorganized sector is still so large that even if there is a shift in market share which must be happening from unorganized to organized, the shift will be very small percentage and it will take a pretty long time for anything substantial to be recorded, so for example, the unorganized sector is currently probably at 90% or 91% of the total jewelry sector and the organized players in the minority if I may say so. So, if the shift happens it will take fairly long time for it to be really noticed and recognized. As well as the regulatory I would steps that the government is taking, yes, the unorganized sector will find it very difficult to cope with them unless they take the right measures to fall in line and it will be yes, difficult for them to do business as they have been doing in the earlier times.

Kunal Vora: Sure, great. Just last question, like you are talking about lowering the inventory, so how are you going about it? Like what are the inefficiencies that you are trying to address, if you can share that?

Saurav Banerjee: So, we are looking at, again it is a function of inventory turn, we are looking at the store inventory, we are rightsizing it, we are looking at each and every store and finding out if there is a slow-moving item, how to liquidate those stocks, how to move them around from one region to another and various other measures probably design differentiation. So, all these things have been done and rationalization has already taken place the inventory numbers have come down substantially in terms of value by 9%, in terms of volume by almost 16%. So,

the results are there for us to see. Going forward we will follow the same path and you know we will increase the inventory turns, we will ensure that slow moving or non-moving inventory does find a place to come out of the store and get into the market place.

Moderator: Thank you. Ladies and gentleman, that was the last question, I would now like to hand the conference over to Mr. Nilesh Dalvi for his closing comments.

Nilesh Dalvi: Thank you everyone for joining us for today's call. In case of any further questions, you can get in touch with me at nilesh.dalvi@dickensonir.com. So, thank you and have a good day.

Moderator: Thank you very much members of the management. Ladies and gentlemen, on behalf of Tribhovandas Bhimji Zaveri Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.