

Date: 15<sup>th</sup> December, 2017

To  
The Manager  
**Compliance Department**  
**BSE Limited**  
Corporate Service Department  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Mumbai - 400 001

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, 1<sup>st</sup> December, 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](http://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**<sup>®</sup>  
The original since 1864  
TRIBHOVANDAS BHIMJI ZAVERI LTD.

CIN No : L27205MH2007PLC172598

Regd. Office: 241/43, Zaveri Bazar, Mumbai - 400 002. Tel.: +91.22.3956 5001, Fax : +91.22.3956 5056.

11th Floor, West Wing, Tulsiani Chambers, Free Press Journal Road, Nariman Point, Mumbai - 400 021. Tel.: 022 30735000 Fax : 022 30735088

[www.tbztheoriginal.com](http://www.tbztheoriginal.com)





**Tribhovandas Bhimji Zaveri Ltd.  
Earnings Conference Call  
December 1, 2017**

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**Moderator:** Good evening, Ladies and Gentlemen. I am Lizann, the moderator for this conference. Welcome to the Q2 FY '18 Earnings Conference Call of Tribhovandas Bhimji Zaveri Ltd. organized by Dickenson Seagull IR. At this moment, all participant lines are in the listen-only mode. Later, we will conduct a question and answer session. At that time, if you have a question, you may please press '\*' and '1' on your telephone keypad. Please note that this conference is being recorded. I now hand the conference over to Mr. Nilesh Dalvi. Thank you and over to you, Sir.

**Nilesh Dalvi:** Thanks, Good Evening everyone. On behalf of Dickenson Seagull IR, let me Welcome you all to the Earnings Call of Tribhovandas Bhimji Zaveri Ltd. for the second quarter and first half of FY '18. Today, we have with us management led Ms. Binaisha Zaveri, Whole-Time Director and Mr. Saurav Banerjee, Chief Financial Officer. Now, before we get started, I would like to remind you that our remarks today might include forward-looking statements and the actual results may differ materially from those indicated by these forward-looking statements. Any forward-looking statements that we make on this call today are based on our assumptions as of date and we undertake no obligation to update these statements as a result of new information or future events. I would now invite Ms. Zaveri to make her opening remarks. Thank you.

**Binaisha Zaveri:** Good Evening everyone. I would like to welcome you all to discuss the earnings of Tribhovandas Bhimji Zaveri Ltd. for the second quarter and first half of the financial year 2017-18. We recorded stable revenues during the first half of the Financial Year 2017-18. The strong sales momentum witnessed in the first quarter continued into the second quarter as well, however, the sales got impacted post August 23, 2017, when a notification was issued under the Prevention of Money Laundering Act that mandated the Gems and Jewellery industry sector to ask for and collect KYC details from customers for every purchase above Rs 50,000 and report all such transactions. This year, the festive season started in September

which was severely impacted because of this notification. Post the notification being revoked in the first week of October, sales has picked up and we have performed better during October and November.

We expect the momentum to continue for the ongoing wedding season leading to an improved performance in the second half of this financial year. While we recorded lower sales in the second quarter, gross margins increased from 15.5% to 16.4% driven by higher diamond growth margins and a higher share of diamond jewellery sales. We maintain our operating cost under control. Our finance cost declined 30% on a year-on-year basis and a blended cost of debt further declined to 6.9% as we procured a higher percentage of gold through the gold-on-loan model. The share of gold-on-loan increased from 59% at the start of the year to 65% in September. The Kalpavruksha scheme continued to gain traction and the total collection under the scheme increased from Rs 52.6 crores in March to Rs 71.5 crores in September '17.

The company recently opened three exclusive small-format stores across different malls in Mumbai. These stores are positioned to focus on trendy design and attractive price points for younger audience. The company relocated its Churchgate store to a larger format store on Marine Drive in Mumbai. We also opened our fifth franchisee store in Bhopal, Madhya Pradesh. Overall, we have added 11,500 square foot of retail space in the first half of FY '18. We are now present across India with 37 stores in 27 cities and in 11 states, over a retail area of 1,14,500 square-foot. I would now like to hand over the call to our CFO, Mr. Saurav Banerjee, for a quick overview on financial performance during the quarter. Thank you.

**Saurav Banerjee:**

Good Evening everybody. Before we get into the Q&A session, just the key highlights of the second quarter and the first half of '17-18, total income from operations Q2 FY '18 Rs 326.16 crores down from Rs 447.30 crores for Q2 FY '17, YOY percentage declined up 27%, gross profit in rupee terms Rs 53.51 for Q2 FY '18 vis-a-vis Rs 67.60 crores for Q2 FY '17 down by 21%, gross margins improved from 15.11% to 16.40%, EBITDA down from Rs 23.65 crores to Rs 11.92 crores, EBITDA margin declined from 5.29% to 3.66%, PAT Rs 7.89 crores declined to 0.80 crores for Q2. For H1, total income from operations Rs 775 crores vis-a-vis Rs 772 crores in the previous year first half, gross profit Rs 115.76 crores vis-a-vis Rs 123.26 crores, gross margin for H1 declined from 15.97% to 14.95%, EBITDA declined from Rs 41.39 crores to Rs 31.66 crores, EBITDA margins down from 5.36% to 4.09%, PAT down from Rs 10.13 crores to Rs 6.63 crores. We can begin the Q&A session now.

**Moderator:**

Thank you. Ladies and Gentlemen, we will now begin the question and answer session. We will take the first question from the line of Zain Iqbal from Alfa Infesco. Please go ahead.

**Zain Iqbal:**

Thank you very much for the opportunity, Sir. My first question to you is can you tell me how do you bill your customers for the making charges, is it on per gram basis or can you just throw some light on it?

**Saurav Banerjee:** You can say, yes, it is on per gram basis only, it is a percentage that we charge on per gram basis, I mean it is there on the invoice.

**Zain Iqbal:** What is the debt breakup as of today between gold on lease and actual borrowing?

**Saurav Banerjee:** Total debt reported as on September 30<sup>th</sup> is around Rs 600 crores, out of which about Rs 304 crores is gold on lease and the balance is the normal CC limit debts.

**Zain Iqbal:** How are you going to reduce your actual borrowings considering that you have to invest in your own stores going forward?

**Saurav Banerjee:** In terms of expansion, the focus is to expand through the franchisee route which is an asset light model, although it is not that we are never going to add our own stores, but 75% to 80% of our expansion plans in the near-term future and medium-term future is through the franchisee route where we do not really have to invest in the inventory, there is a very, very negligible investment that is required from the company's account, so in that sense there is not a huge requirement of funds for expansion in terms of opening stores. Debt reduction, of course, the endeavour is to keep on increasing the gold-on-loan. If you see it is the gold-on-loan which is currently at around 65% up from about 56% earlier, so a major or a significant part of our debt is through the gold on loan model and in terms of reducing the CC limit liabilities and the improved cash flows will take care of that, so that is how the loan will be controlled.

**Zain Iqbal:** Sir, I see your gross margins in gold going down from 12% to 11.1%, why is that?

**Saurav Banerjee:** Gross margins if you look at the Q2 numbers have improved on an overall on blended basis. Gold margins can go down sometimes because of some impact of prices although on an overall basis prices have been steady it has not been very volatile. There are areas where we need to do tactical discounts because of which the gold margins can get impacted and also because when we keep on opening franchisee stores, there is a margin sharing that happens that also impacts the margins of our both gold and diamond, but yes, if the franchisees have a larger share of gold inventory, then the margins will get more impacted on the gold front.

**Moderator:** Thank you. The next question is from the line of Kewal Shah, an Individual Investor. Please go ahead.

**Kewal Shah:** I see our same-store sales growth is negative whereas the whole industry is moving in positive direction, so could you please throw some light on that?

**Saurav Banerjee:** Same-store sales growth has been negative for the first half, which is true. What we are doing to address is that you might have seen that we have come out with advertising campaign which is also a brand building activity as well as renewed customer enforcement for us. There

have been TV campaigns for both wedding and for the discretionary purchase lightweight jewelry which we have done and we also are doing the BTL activities on the ground level wherein we talk to the customers and ensure that they come into the store, the walk-ins improve, conversion improves, and thereby we would like to address the same store sales degrowth that has happened. Some of it obviously has happened because of the Prevention of Money Laundering Act which was suddenly introduced just before the festive season and it has impacted our sales quite severely. We were of the view that the Q2 numbers would have looked far more robust had the PMLA impact not come in. The PMLA was started on around 24<sup>th</sup> of August and was enforced till about 5<sup>th</sup> or 6<sup>th</sup> of October thereby one of the major festivity which is Dusheera and the lead up to Dusheera and Navaratri and Dusheera days were severely impacted as far as we are concerned. If you recollect that the clause that the PMLA had was that anything which is above Rs 50,000 needs to have a KYC norms fulfilled. Since our ticket size is relatively higher than the industry, the impact of PMLA has probably hit us harder than some of the other players, however, I am given to understand and there are several media reports that the entire industry has had a 50% decline in revenues during that time, so it is not quite correct that the entire industry is moving ahead, we have different view on that.

**Kewal Shah:** For the second half, can we expect these numbers to go positive?

**Saurav Banerjee:** Yes, absolutely you are right. We have already started the second half on a much stronger footing. The months of October and November have recorded fairly good level of sales particularly October which is the buildup towards Diwali and we expect that for the next four months, we should be able to record much better performance for the second half.

**Kewal Shah:** My second question is on inventory days, could you tell me what would be our inventory days currently, roughly?

**Saurav Banerjee:** In terms of inventory turn, generally we are recording about 2.2 times inventory turn for gold and for diamond about 0.8 or 0.9 is the current inventory. It is expected to increase further in the second half, probably we can look at 2.4 to 2.5 in gold and one turn in diamond for the second half.

**Kewal Shah:** Can you give any target for blended inventory days or inventory turns?

**Saurav Banerjee:** The mix of these two turns is the blended turn, for example, if we were to be at around 1.7 inventory turn on a blended basis for the company, then on an overall basis it should improve to somewhere close to about 1.8 or 1.9 as far as the blended turn is concerned for H2.

**Moderator:** Thank you. The next question is from the line of Anuj Gupta from Perfect Research. Please go ahead.

**Anuj Gupta:** Sir, as new generation seems to be moving away from jewellery we have been present in the wedding jewellery space, how are we dealing with the shifts and any views for the same and also are we looking at any non-wedding jewellery segment or fashion jewellery that we can shift to?

**Saurav Banerjee:** I did not hear the entire question, but I have understood what you are asking. Let me inform you that traditionally TBZ has always been the front-runner as far as wedding jewellery is concerned, it has been the first choice brand for wedding jewellery and over a period of time, we have sort of made our name in that space as the first preferred brand. However, that does not really mean that we do not have the range of casual wear or small ticket or daily wear items or what you may have referred to as fashion jewellery. We do have a complete range of those products. They are doing quite well in our stores, we have the set of customers who are probably more interested in looking at daily wear, lightweight jewelry, small ticket items particularly on the diamond front and if you have noticed that we have taken up that as a major strategy, we have been opening smaller stores, we have recently opened three stores in the mall and more particularly these stores have been opened to cater to such customers i.e. the younger generation, who you know frequent malls, who visit malls much more often and are quite I would say comfortable in looking at these jewellery and buying them, so it suits their pocket, it suits their taste and preferences in terms of design, in terms of the manner in which they use the jewellery, which is on a regular or a daily basis for office wear or for evening wear, party wear not necessarily the wedding occasion, so we have that full range and we are doing pretty well in that area, without really I would say diluting our concentration on the wedding space.

**Anuj Gupta:** Sir, the question of the shift of mindset for new generation from buying jewellery specifically and going for travelling and taking experience over there?

**Saurav Banerjee:** There is a share of wallet which you probably are referring to which is with the changing times, I think there is a lot more on the plate for an individual or an youngster or somebody who has started earning, however, as far as jewellery is concerned, it still holds a very special place particularly in the hearts of the Indians as we all know that we are very fond of jewellery be it gold or I would say diamond is a relatively newer phenomenon, but that is there and I really cannot comment whether somebody would be more interested in travelling. I think those industries are also growing and the jewellery industry is doing everything that they can. There is a lot of walk-ins that we see, we have the highest rate of conversion in the industry and that I think, I have seen that most of the jewellers are opening new stores in various other cities and they are also growing, so is TBZ. It clearly proves that jewellery is here to stay and the interest in buying jewellery or the share of wallet as far as jewellery is concerned remains intact probably on the rise.

**Anuj Gupta:** Sir, another question what is the unique differentiated point from other standard peers in the market that we are offering?

**Saurav Banerjee:** We have always been known for the design that we have been able to offer to our customers, I think TBZ has been lauded and has been complimented for the types of design, the new collection that we have been introducing over the years. We ensure that we look at the design differentiation wherein we score over the other companies. We have our own design team which is quite a strong one, which is led by the senior most people in the organization and in that sense we have always been a differentiator in terms of design. We have initiated several things in the past, we have been pioneers of the Dohra collection which basically means that a huge piece of jewellery which is essentially purchased for wedding can later on be broken into two to three smaller pieces of jewellery and on their own accord on a standalone basis, those jewellery also can be used on regular occasions or for evening wear or may be relatively smaller occasions, so lots of things that has been done by TBZ industry which have been followed by others and that is where we have been able to differentiate ourselves. The other thing that I should talk about is that all our stores cater to all sorts of designs that are available in India whether you are from the North, East, South, or West, if you are reside in a particular city which has a TBZ store, you can go there and you will find designs from each corner of the country which you can select and you can purchase, so we cater to the cosmopolitan crowd without ever diluting the local preferences of the people who are originally from that town. I think that is also a differentiator as far as we are concerned.

**Anuj Gupta:** Sir, we need a lot of inventory in terms of jewellery at our own stores or at franchisee, so how do we deal with the risk of obsolescence of the design, so if the sale has failed, do we melt it and realize new designs or anything else we do with that?

**Saurav Banerjee:** You are probably aware that we accept old jewellery, we have given the choice to the customer, they can come back and exchange their old jewellery, so if somebody can come back with their old gold or old diamond jewellery and whatever processes are there, those processes are followed and they are always welcome to purchase new designs from us, so I think the obsolescence is not really a matter of concern, we have a pan India operation in any case, one can move around the jewellery from a store to another or from one region to another in case it is a slow-moving item and as I said as far as customers are concerned, if they are looking at newer designs or if they want to exchange and go for something new, then we have the offer at any given point of time, so the customer is assured that he or she can come back and we are there for them, and as far as we are concerned, as I said we keep on introducing newer collections. We ensure that we run with the times, we do not fall back on the changes or on the preferences of the customer.

**Anuj Gupta:** Sir, I am sorry but actually my question was regarding that if inventory is aged and there is a shift in the trend?

**Saurav Banerjee:** That is what I explained that yes, if it is a slow-moving item, if we categorize or if there is an ageing issue with the inventory then as I said it has moved around in the same region from

stores to store with the intention of finding a customer for the same. If it does not so happen then we move it around to another region and even if that does not happen, one can always give tactical offers, which are attractive enough for the customers, so those steps are always taken. We do not really need to as you are saying that melt the jewellery or break it or something like that, that is probably a very, very rare thing that may happen.

**Anuj Gupta:** Sir, last question, so in the real estate sector, RERA has almost made it impossible for the smaller builders to work, in our sector with the state of government regulation, do we see any shift happening from one organized players or will they coexist?

**Saurav Banerjee:** Yes, definitely, we can clearly see the shift happening from unorganized to organized sector particularly because of the introduction of so many regulatory measures, for example, hallmarking becoming compulsory, you know earlier PAN card issues, excise duty, which was a precursor to GST. I think the norms, the tracking mechanism, the control mechanism, that is being exercised or introduced by the government has been quite stringent in the recent past and we can clearly see that there will be difficulties and there are already difficulties for the unorganized sector or the mom-and-pop shops which were probably doing business in a easier way, I would say and we can see that there is a shift which is gradually happening towards the organized sector and that is how it is going to intensify in the future as well.

**Moderator:** Thank you. The next question is from the line of Anil Tulsiram from Contrarian Value Edge. Please go ahead.

**Anil Tulsiram:** Sir, during 2011 to 13 on average we did around 250,000 per square feet, I think currently there are around 170,000 per square feet, so do you think going forward say over next three to five years, we can reach again 250,000 per square feet, and if yes, what would be the demand drivers and what are the steps you are taking to increase this?

**Saurav Banerjee:** As far as statistical data is concerned, yes, you are absolutely right in what is stated. There is always the endeavour to increase, go up from where we are to where we were at some point of time, but there are changes in the environment. We also are looking at lightweight jewellery, we are looking at various other things which is changing with the time. One cannot be 100% certain as to what we will achieve in terms of sales per square feet. The focus is on inventory turn, we have clearly mentioned in the past that inventory rationalization and inventory turn has been our focus. It will continue to be our focus once we are able to achieve that on a consistent basis, then the results will be there for everybody to see in terms of per square feet sales being improved. Also when we open new stores particularly as I have explained earlier that we are looking at expanding through franchisee stores, they will take a little bit of time for them to settle down because those stores are being opened in Tier-1, Tier-2 cities which have a good market, but not like a cosmopolitan sort of a marketplace. Secondly, whatever time they need to sort of breakeven and mature, that time is required to be given to them. Once that happens then the sales per square feet will definitely improve.



**Anil Tulsiram:** Sir, earlier you commented that we will gain share from unorganized sector, so what I understand is we operate in premium segment, our ticket sizes are about one lakh for diamond and I think around 80,000 to 90,000 for gold, so really face any competition from unorganized sector, when I say unorganized sector, I mean, people who are not selling Hallmark jewelry and not paying any taxes?

**Saurav Banerjee:** Those things are thing of the past or at least we would like to believe that they are thing of the past in the sense that Hallmark has become compulsory now across the country. There is a regulatory mechanism in place, taxes of course as we know that we are now in the GST regime, so if somebody is still selling non-Hallmark jewellery or not paying taxes then I can only wish them all the best. As far as we are concerned, we can clearly see a shift. It is not about ticket size at all, it is about what the customer prefers, so given a level playing field which is where we are operating now, a customer we believe that will want to buy a branded piece of jewellery from a TBZ store rather than go to a mom-and-pop shop knowing fully well that what they pay for their money, they may not be getting in terms of purity or in terms of excellence in design or in various other qualitative measures, so given a level playing field, the advantages that an unorganized player were able to pass on to customers because of the manner in which they were operating will not be there any more, if I am getting an opportunity to where a TBZ brand jewellery, why not I will go for it because as far as design is concerned, as far as purity is concerned, trust is concerned everywhere a branded product will score over an unorganized sector's product.

**Anil Tulsiram:** Sir, September 2016 was a soft quarter in which our same-store sales growth declined by 5%, this quarter we reported almost 29% decline and going by the commentary, if I assume July and August were flat sales, then September we had to virtually report nil sales to report a 29% decline in sales, so I am just not able to reconcile the number, where exactly this huge decline has happened?

**Saurav Banerjee:** I am not able to quite understand what exactly you mean, but I will still try to answer your question. Let me put it this way, the Q2 for this financial year has been impacted to a certain extent initially because of the GST being introduced from July 1<sup>st</sup> as we all know, so there was this buildup of pre-GST sort of I can say a *halla-bullah* or whatever you call it, some sort of an excitement and lot of customers have purchased in June in anticipation of GST coming in and whatever they feared would be the operational difficulties or maybe it may impact the customer, so that feeling was there and to a certain extent some of our July sales has gone into June. Secondly, post that as I said that we had planned a manner in which we wanted to address the quarter as far as top line is concerned, but unfortunately that plan or that strategy got impacted, I would say adversely because of the introduction of PMLA which was not quite expected at that point of time and hence it definitely dented the top line that we were looking at, that is the major impact that we have seen from 23<sup>rd</sup> or 24<sup>th</sup> of August till about 6<sup>th</sup> of October, let us say for this discussion up to 30<sup>th</sup> of September including Dusheera

which was on 30<sup>th</sup> of September, there was a major decline in the sales because customers were reluctant or not willing to comply with the KYC norms.

**Anil Tulsiram:** Sir, last question from my side, firstly if KYC is the main reason, sooner or later it will come back in some form, if the competitors, your listed competitors, I can name them Titan, PCJ, they recorded a high double digit growth, they also faced KYC problems, they also faced GST problems, but they reported double-digit sales, so is there anything with our customers profile which is much more fearful of KYC requirement?

**Saurav Banerjee:** I think customers are generally fearful of KYC requirement for whatever reasons they believe in. All the players and every name that you have taken have also very clearly mentioned that PMLA has adversely impacted their sales. I just mentioned a short while ago that even there were clear media reports that the overall industry had a decline of almost 50% sales and that is why the industry represented to the government, so when the industry is representing to the government then a Titan or a PC Jeweller was not part of that representation, surely they were part of that representation and hence the government has taken that into account and they have withdrawn PMLA although yes, they have done it temporarily. They have also assured that PMLA will be probably reintroduced with a different set of norms or different set of rules, which we do not know at this point of time, so this is one thing which we should take into consideration. As far as Titan and PC Jeweller are concerned really I am not the right person to mention how they have grown or why they have grown, but I can tell you that as far as our customer profile is concerned being having a slightly higher ticket size, a very large percentage of our sales or invoicing is above the 50,000 mark, so when customers refuse to part with their KYC norms, then certainly TBZ will get more impacted than a Titan or a PCJ as far as I am aware although I am not an expert on those two companies.

**Anil Tulsiram:** Let me just put the same question in a different manner, is it fair to say July and August were normal, so on year-on-year basis say for at least flat and the entire impact was there in the September, is it a correct statement?

**Saurav Banerjee:** July and August, let me explain to you in the previous financial year we had major tactical scheme running in July and also in August, so that showed up the sales quite a bit in those months although we took a hit on the margins because of the tactical scheme. Now in this year, we had planned that July and August will be let us say for normal sales, whatever happens and September we were looking at a tactical scheme because of the festive season which was there in September, which is basically Navarathri and Dusheera and then followed by the buildup towards Diwali, so that is what was planned, that did not quite go that way because as I have just explained to you about whatever happened on the money-laundering front and that definitely impacted our plans to a great extent, but that does not mean that there has been nil sales in September, I mean that is probably a bit of a difficult statement to quite understand.

**Moderator:** Thank you. The next question is from the line of Tanmay Sharma from Jefferies. Please go ahead.

**Tanmay Sharma:** Sir, my question is do you have a record of the profile of customers that you cater to, like how they have changed post-demonetization , suppose for example, pre-demonetization percentage of consumers who were maybe from business background or not salaried class, how they have moved as far as consumption is concerned in your stores?

**Saurav Banerjee:** The answer is yes, we do have a profile of all the customers who visit our stores, existing customers, new customers, customers who sign up for the Kalpavruksha scheme, so various data profiling is done as far as customers are concerned and they are updated from time to time and they are also contacted by the company on various festive and various other personal occasions as well, so that they can celebrate that with TBZ, so yes we do that and whatever changes that we observe that has been fed into the system so that the sales team and the marketing team can rely on that and take some judgment call. As far as demonetization is concerned, it is now one year back it happened. The major shift that happened because of demonetization was more on the mode of payment rather than the customer I would say because as you know there was a shortage of cash and there were several other constraints for few months and we could clearly see a shift in the manner in which the plastic money, credit cards, debit cards, and bank transfers were used as far as mode of payment is concerned, that was definitely a major I would say shift in the customer behavior I would say.

As far as a businessmen and salaried class of people or anyone else is concerned, yes, again on a very overall basis, if we were to take a long-term view then, yes, there has been a gradual shift. There are many more salaried class customers who buy TBZ jewellery or who are fond of TBZ and who has become regular customers for us, so in that sense, the overall kitty has grown. I would not say that somebody had come and replace someone else, but I would say that the overall pie has grown and we have had more salaried class employees or young women or people who have just started the professional career and that is because we have increased our range of products, we have introduced lightweight jewellery, we have introduced small-ticket items particularly on the diamond front which have been doing fairly well and that is how this change in customer profiling has happened. Secondly, as you are aware, we have also opened stores through franchisees relatively smaller towns and places where TBZ was not earlier physically present, so that also has added to our customer profile.

**Tanmay Sharma:** Sir, in jewelleryes which are above two lakhs, are you witnessing any reduction in ticket sizes from a same profile of customers, earlier if they used to buy a higher ticket size, so above two lakhs has there been a change in the overall ticket size?

**Saurav Banerjee:** The way to look at it is that who is coming into purchase for what occasion, I would put it that way, so if somebody is walking into make a wedding purchase or a family is coming into, they



will have a much larger budget and their requirements or their preferences will be a different sort of jewellery, which is more suited to a wedding occasion and there the two lakh bucket or even maybe higher than two lakhs does not really matter because they are the reason for buying that piece of jewellery is different from somebody who is buying on a discretionary basis, which is let us say one lakh piece of jewellery or 75,000 or something like that. I would not really say that there is a shift or there is a increase or decrease, but I would rather say that it depends on what occasions in their family that they are trying to cater to as far as jewellery purchase is concerned, but suffice to say that yes, as far as overall ticket size is concerned, there is a very huge percentage which is above 50,000, I come back to this because that is important for us whether it is above one lakh mark or two lakh mark I would say not that important.

**Moderator:** Thank you. The next question is from the line of Aditya Joshi from Anand Rathi Securities. Please go ahead.

**Aditya Joshi:** Sir, my question is regarding the light jewellery that we talked about earlier, so what are the price point that we are looking to enter in this and what would be the margin profile for this thing?

**Saurav Banerjee:** Lightweight jewellery basically we have ensured that we cater to every pocket because we do not want anybody to go back disappointed, so we have jewellery, which is probably starting at about 10,000 or onwards and right up to the full range of jewellery. As far as lightweight jewelry is concerned probably it is from say 10,000 to something like 75,000 to 80,000 in that sort of a range. Mostly, you will find those jewelleries which are in diamond. Of course, there are gold jewellery also but, I would say that preferably we are seeing that customer preference for diamond jewellery as far as these types of purchases are concerned.

**Aditya Joshi:** Sir, what would be the margin profile for the same, so it would be similar to the higher ticket size items or would be bit less than that?

**Saurav Banerjee:** Margin profile will be more or less same, there is no change in margin profile because that is a different matter altogether. In terms of let us say, if we were to categorize the various types of jewellery that TBZ offers talking of gold, even in gold we have plain gold, we have standard gold which is studded with many precious stones and then we have diamond jewellery, but margin is dependent on what is the category, the wider category of jewellery that is sold, so I think margin profile will be same. Of course, there will be some jewellery which is extremely intricate in its work, in its design and then that will have a higher margin because the labor will be slightly higher than normal plain, simple sort of a jewellery.

**Aditya Joshi:** Sir, my next question is regarding, do we have our own online store?

**Saurav Banerjee:** We do not have our own online store, but we are present in the marketplace.

**Aditya Joshi:** We do sell it on Amazon, correct?

**Saurav Banerjee:** We are there on Amazon, on Flipkart, and on Snapdeal.

**Aditya Joshi:** Sir, do not you see that jewellery company like you should have their own store, because any other customer will be relying more on your dedicated stores as compared to Amazon or other players?

**Saurav Banerjee:** The answer is yes, definitely we are looking into that and we have had discussions internally. At some point of time at an opportune moment definitely we shall have the online stores or the web-based products which will be selling purely and really under the TBZ name, however, I may hasten to add that even that itself on the marketplace model, it is essentially TBZ, the guarantee and everything else, the customer support and whatever else that we promised to a customer sales, it is our promise, it is just a marketplace where the jewellery is sold, so Snapdeal or Amazon or Flipkart does not add any value to the product, it is entirely TBZ's product.

**Moderator:** Thank you. The next question is from the line of Anil Tulsiram from Contrarian Value Edge. Please go ahead.

**Anil Tulsiram:** Sir, my question is since 2008-09, if I take the average 2017, we have been generally in the range of 3500 to 4000 kgs in terms of gold and for diamond maybe around 40,000 to 50,000 carat, whereas the number of stores has increased from 14 to say currently now 30, even if I take up to 2016, so what is the reason that in terms of volumes we have not been able to increase, so is it that the customers just whatever the new stores have happened, they have cannibalized the sales of existing stores and we have not been able to get the new customers, what exactly has happened?

**Saurav Banerjee:** Not quite so because we have opened stores in newer places in newer cities and so cannibalization would not really have happened in that sense, so for example when we have opened stores, it has been periodical, there was a phase where we have opened about 12 to 13 stores on the trot and then there has been gap and then again we have opened some stores and now recently we have opened mostly franchisee stores, couple of our own stores as well, so there has been some sort of a gap and there was no cannibalization at all, that is not the reason. Yes, it takes time for a store to completely mature, so I would rather attribute it to store maturity phase, number one. Number two, there have been sometimes regulatory measures taken by the government which have impacted the progress of the company for whatever reasons, I mean I will not go into details, but we have seen instances of gold loan, the 80:20 regime gold loan being withdrawn, customer deposits rule being changed, excise duty imposition, GST not so much probably, demonetization certainly, PMLA very recently, so while these are measures which a government takes for various purposes, it is not looking at

the jewellery industry as such, but it has impacted, so I would rather attribute it to that, but cannibalization I would not say really.

**Anil Tulsiram:** Sir, apart from the listed players and the known players from South India, who are the other competitors in the geography in which you operate?

**Saurav Banerjee:** Mostly, we are present in most parts of the country probably not so much present in the North I would say where we are looking at increasing our presence, so as far as our competition is concerned, it begins with the local jeweller, every city has its own strong and well entrenched local jewellery who has been the favorite of the local crowd for a pretty long time, so the competition is really from that jeweller whoever it may be, every city has that. Secondly, the regional players they are also competitors, they have good brands, well-known brands and finally the national player, so it is not a question of whether a company is listed or unlisted. In the marketplace, it does not matter so much whether you are listed or unlisted, it matters what type of customer profile you have and what type of products you are selling and who prefers what, so competition everybody is a competitor and we look at it that way.

**Anil Tulsiram:** Sir, it is now almost I think a year where at least two franchisees operating almost for a full-year, so can you give some update as to how the inventory turns have been there and what sort of sales they are doing?

**Saurav Banerjee:** The franchisees have been doing well. Probably took a little bit of time for the franchisees to really settle down, but the franchisees who have been operating for more than one year now are doing pretty well, their turns are similar to the turns of the company, in fact I would say for example a Patna store is doing extremely well as far as gold is concerned, the other stores are also settling down. The two stores that have been in operation for a reasonable period of time are Dhanbad and Patna, both of them are doing well. Patna is doing particularly well I would say. The other stores are I would still say relatively new Ranchi, Jamnagar and very recently Bhopal, so they are still in the settling down phase or I would say the breakeven sort of a phase, difficult to really talk much about their performance probably unfair, but as I said Patna is doing particularly well, Dhanbad is doing reasonably well both in terms of inventory turn, in terms of customer profiling and also in terms of increasing or improving their product mix, so I think that is the heartening thing.

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

**Nilesh Dalvi:** Thank you everyone for joining us today for the call.

**Moderator:** Ladies and gentleman, on behalf of Dickenson Seagull IR, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.