

Date: 13th May, 2016

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 Wednesday, 4th May, 2016. A copy of Transcript of conference call held with the Investors/ Analysts is enclosed herewith and the same has also been put up on the Company's Website at www.tbztheoriginal.com.

We request you to kindly take the same on record.

Thanking You.

Yours faithfully,
For Tribhovandas Bhimji Zaveri Limited

NROza



Niraj Oza
Head Legal & Company Secretary & Compliance Officer

Encl: as above



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www.tbztheoriginal.com



**“Tribhovandas Bhimji Zaveri Limited Q4 FY 2016 Results
Earnings Conference Call”**

May 4, 2016

**MANAGEMENT: MR. SHRIKANT ZAVERI (CMD)
MR. SAURAV BANERJEE (CFO)
MR. DIVYESH SHAH (HEAD RETAIL BUSINESS)**

Tribhovandas Bhimji Zaveri Limited
Fourth Quarter FY16 Results Conference Call
May 04, 2016

Moderator: Good afternoon, ladies and gentlemen. I am Lizanne, the moderator for this conference. Welcome to Fourth Quarter FY16 Results Conference Call of Tribhovandas Bhimji Zaveri Limited organized by Dickenson Seagull IR. At this moment all participants 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 '1' on your telephone keypad. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Ammeet Sabarwal. Thank you and over to you, sir.

Ammeet sabarwal: Thank you Lizanne. Good afternoon everyone. On behalf of Dickenson Seagull IR let me welcome you all to the Earnings Call of Tribhovandas Bhimji Zaveri for the Fourth Quarter and full year ending FY16. Today we have with us the management led by Mr. Shrikant Zaveri – Chairman & Managing Director; Mr. Saurav Banerjee – Chief Finance Officer and Mr. Divyesh Shah – Head, Retail Business. I would now invite Mr. Zaveri to make his opening remarks. Thank you and over to you, sir.

Shrikant Zaveri: Good afternoon to everybody. Dear Investors, I take this opportunity to thank everyone present here today for taking time out and joining us for the fourth quarter and full year FY 16 conference call. During the fourth quarter we continued with our efforts to rationalise inventory, reducing our diamond inventory, this helped us in generating positive operating cash flow during the quarter. We also kept our operating costs under strict control and the interest cost for the quarter declined by 6% primary due to effective rationalisation of diamond inventory and rising advance under the Kalpavruksha scheme which led to improved liquidity resulting into lower utilisation of bank limits. In addition we also benefited from a drop in interest rates. Recently the government has introduced a regulatory measure to apply a 1% excise duty on jewellery sales. There was agitation by the gems and jewellery industry in protest against the regulatory measure during the month of March which impacted our operations as we lost a major portion of our sales for the month of March. However, even in this challenging environment we were able to improve our gross margins by 363 basis points to 17.4% on the back of favourable gold demand mix and lower discounting.

Looking forward to the next financial year we are optimistic of improved performance and expect to see growth in the jewellery sales on the back of sales from re-launch Kalpavruksha scheme, expectations of a good monsoon helping rural demand, longer wedding seasons and

improvement in discretionary sentiments. We expect improving operating margins as higher sales should result in positive operating leverage.

We are focused on continuing with the addition of stores through a mix of company-owned stores and franchisee stores to achieve our long-term target of reaching 1.50 lakhs sq. ft. in the next three years. The expansion would be predominantly asset light through the addition of franchisee stores. We have already launched our first franchisee store in Dhanbad, Jharkhand and have signed two more franchisee agreements for stores in Ranchi, Jharkhand and Jaipur, Rajasthan.

With this I would like to hand over the call to Mr. Saurav Banerjee, our CFO to brief you on the financials and operational highlights for this quarter. Thank you.

Saurav Banerjee:

Good afternoon everybody, just a snapshot of the financial numbers. I will first mention the Q4 numbers and then the full-year numbers. For Q4 the total income from operations was 305.16 crores vis-à-vis Q4 FY 15 of 463.01 crores. The gross profit earned for Q4 was 53.09 crores vis-à-vis 63.73 crores for Q4 FY 15. The gross margin recorded was 17.40 vis-à-vis 13.76 for Q4 FY 15. EBITDA was a (-0.73) crores vis-à-vis 24.94 crores for Q4 FY 15 and PAT reported was (-17) crores vis-à-vis 18.49 crores for Q4 FY 15. For the full-year numbers the total income from operations stood at 1654.78 crores vis-à-vis 1934.20 crores for FY 15. Gross profit 235.27 crores vis-à-vis 264.11 crores for FY 15 and EBITDA was 39.56 for FY 16 vis-à-vis 74.84 for FY 15. The EBITDA margin was 2.39% for FY 16 vis-à-vis 3.87% for FY 15. Profit After Tax for FY 16 was a negative of 23.13 crores vis-à-vis 26.04 crores for FY 15. Thank you. We can begin the Q&A 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 Abneesh Roy from Edelweiss.

Abneesh Roy:

My first question is this sector sees huge changes in terms of regulation and many other unforeseen circumstances but still if you see your margins in FY 16 have been under tremendous pressure, so how do you see margins panning out in FY 17, what are the steps you are taking, sales-wise also now think should be better. What are you seeing in terms of margins going ahead?

Saurav Banerjee:

Your point is well taken and we have addressed these points during the year of 2015-2016 itself in terms of various significant steps that have been taken particularly concerning inventory, so there has been a significant rationalisation of the inventory particularly on the diamond front and that process continues it is not that it is over but significant achievement has already been made during the year. Once this is completely done during the current year 2016-2017 it will lead to a complete rationalisation of the diamond inventory, it will release cash into the system and the liquidity position will improve considerably, it will bring down

the debt cost because the limits utilisation, the bank limits will be utilised in a much more discretionary manner and overall the impact will be greater in terms of the right blend of inventory going into the market for the customers, that is one area that we are concentrating on. Similarly we are concentrating on a much better product mix. We are aware that we are very strong on the wedding front which is essentially a compulsion buying and more of gold jewellery is sold rather than diamond so we have been equally concentrating on improving the design differentiations and bringing in the best of the designs, the most innovative designs into the market. I think these are some measures on the inventory front which will improve the inventory turns.

In terms of finance cost we are completely committed to going higher and higher on the percentage on gold on lease. We have seen that there has been a general increase during this year itself which got a little bit hampered due to the lack of sales during the month of March related to the agitation but I think overall in FY 2016-17 we will find that the improvements will be there from the current levels. We should be able to go up to approximately anything between 70-75% of procurement through gold on lease. Once we do that then naturally the finance cost comes down further. It is currently at an average of 7.83% on a blended basis. We expect that to further improve during 2016-2017, aiding in improvement of profitability and margins. These are some of the measures that we have taken to improve our operating profitability. Looking at expansion going into 2016-2017, we have already announced that we have signed two more agreements for franchisee stores. The franchisee stores are an asset light model. There is no need to invest on the inventory front from the companies end and hence the expansion can happen without a huge investment coming in from the company. That also should be able to improve the overall sales and the operational efficiencies that we should be able to get from the addition of franchisee stores.

Abneesh Roy:

My next question is revenue per sq. ft. if I see last four years its falling every year and I am seeing this is not just for TBZ I see this for other players also. In your case obviously a huge expansion has also impacted. So now where do you see this number? So essentially how the expansion plans are both in terms of franchisee and your own and in your current stores how do you see the productivity, so sales per sq. ft. do you see this rebound now happening from the Rs. 175 number?

Divyesh Shah:

If you look at this year's numbers the sale is for only 11 months compared to the vis-à-vis last year 12 months. If I include the last year March sales then more or less our sales per sq. ft. was consistent and it has not de-grown year over year and we believe going forward basically with the Kalpavruksha being back now, we are hopeful that the Kalpavruksha in next 1 or 2 years will grow to the same 20-22% of the overall sales. So we believe that percentage of sales should increase.

- Abneesh Roy:** Could take us through your Kalpavruksha scheme versus the peak earlier, pre-regulatory change, how much it was and now where do you see it settling? How is the customer feedback, consumer behaviour, anything you want you can do to augment it? Obviously 25% of net worth that is an issue, so just take us through the scheme part?
- Divyesh Shah:** In 2014-2015 which was the last year before the regulatory changes came in force our overall revenue what we had generated was 22% of the total sales through this plan.
- Abneesh Roy:** Absolute number was how much?
- Divyesh Shah:** 200 crores advances was there which has got settled and also customers tend to buy about 42-43% more so about roughly Rs. 280 crores, that trend is continuing even now. So now 200 crores advances which was there on March 2014 and there was some additional instalment we have received during 2014-2015 year, so absolute numbers are 22% of the 1934 crores that was the Kalpavruksha sale which we have recorded in 2014-2015. In 2015-2016 this sale was completely absent. We have started the new Kalpavruksha plan in the month of June which is the fag end of May and first week of June, so the way plan has picked up and now we are enrolling almost like 2000 members per month, which is witnessing growth month over month. We believe that in the next two years we will reach to the same level of 20-22%.
- Abneesh Roy:** And franchisee and expansion per sq. ft. and number of stores how much is it?
- Divyesh Shah:** We are planning to add at least 6 franchisees in a year and roughly the store size will be about 3000 sq. ft. and couple of company owned stores so basically we are planning for 20,000-25,000 sq. ft. on a year one and year two, so we believe that in next three years we will easily reach to 1,50,000 or we will cross that milestone of 1,50,000 sq. ft.
- Abneesh Roy:** Here you will own the inventory or who will own the inventory?
- Divyesh Shah:** Our entire franchisee model is a FoFo model, Franchisee Owned, Franchisee Operated where entire inventory will be bought outright by the franchisee from the company, so there will be no debtor on the book. This is a cash and carry model where inventory payment will be paid upfront before we deliver or dispense the inventory to the franchisee.
- Moderator:** The next question is from the line of Vikram Kotak from Crest Capital. Please go ahead.
- Vikram Kotak:** Actually I have a question which Abneesh asked but I want to have little more detail on the point of franchisee versus owned stores. Since you started the franchisee stores for last quarter or so how is your experience in franchisee stores in terms of sales, training? I know you people want to do more franchisee and asset light work but do you think it will also lead somewhere to reduce your own stores from existing level and focus more on franchisee? I

mean to say that suppose you have own stores today, will you convert that into franchisee also? And what's your experience and how do you see this is going to pan out over the next 2 to 3 years?

Saurav Banerjee:

In terms of franchisee expansion at least we have found the experience to begin with has been very encouraging, the franchisee store that is currently operating in Dhanbad, of course, it's not that it has seen a very long operation. It's just a few months old but the initial signs have been encouraging and the store is picking up, its doing brisk business in terms of sales and gives us a lot of reason to believe that going forward we have chosen the right path of expansion. As Divyesh said that it's a first sale straightaway made to the franchisee on the back of advances so there are no debtors, the inventory is in the books of the franchisee so we do not have to invest in the inventory. In terms of training which you mentioned a complete training is being given and has been given to the franchisee in question in Dhanbad. Training is being provided right from even before the franchisees were started so that they got familiar with the manner in which the jewellery retail sales are being done. There is a complete hand holding. We have actually had senior management people from our office who have been stationed in the franchisee for the first six months on a day-to-day basis so that everything can be overseen, all the selection of inventory, every other matter which can be a bit of an impediment for a new person has been highlighted, has been taken and they have been given the right guidance. And we have found that there is a seamless transfer of experience from the TBZ personnel to the franchisee personnel. So that has been a very wonderful experience for us and going forward we are very confident that the same module if it is well replicated it should yield good results for us. In terms of owned stores we are not saying that we will not open owned stores we shall certainly open owned stores as and when the right time arises in the right places. We are only saying that the majority of the expansion will be through franchisee model.

Vikram Kotak:

What is the debt level you are expecting in the next 15 to 18 months on your book? Today the debt level has gone up little bit in this quarter but do you see this debt level will remain same with the higher sales or you will need more working capital because now it's more franchisee model so actually your debt levels will come down. What's your view there on the debt side? And second question maybe for Divyesh this question that whatever the loss of sales happened in the month of March are you seeing that pent-up coming in the month of April and you can see a very good quarter on April to June adding the one month of sales of March and hence you will have this quarter four months of sales?

Saurav Banerjee:

I will address the debt level question first. As you have said that in the current quarter in the Q4 the debt level has increased to a certain extent, yes it has, primarily because there was absolutely no cash flows or very little cash flows during the month of March and in a scenario where some of the expense or number of expenses are actually sort of fixed in nature and not

really variable, you have to keep on incurring those operating costs and on a cash flow front it puts a little bit of pressure on the cash flow, so the debt level was naturally likely to go up. Secondly we have always reported our gold on lease part of the borrowings also as overall debt which is valued on a mark-to-market basis, which led to the Gold loan value rising up as a result of rise in gold prices. Going forward in this current year, in 2016-2017 we are absolutely certain that we should be able to control the debt levels much more effectively barring any unforeseen circumstances of course and will that the gold on lease part of the debt will start going up little more from what it is now but the actual CC limit utilisations will start coming down.

Vikram Kotak: So basically even if the sales growth happens I think the net debt will be controlled.

Saurav Banerjee: Net debt will be controlled and the biggest advantage of that is that the debt cost will be controlled further and further. There will be an improvement; there will be a reasonable amount of saving on the debt cost which will have a direct impact, a positive impact on the profit margins.

Vikram Kotak: The third question was on the sales side Divyesh if you can answer that?

Divyesh Shah: First 10 days of April were still uncertain. From 11th April, onwards we have seen the demand has improved. In last 20 days of April we have seen the demand improving and we have seen a lot of pent-up demand has come up and we believe now next 10 days is more crucial because Akshaya Tritiya is there, the festival, so I believe people will come and spend during those times, so we are waiting for that next 10 days and we are seeing that lot of bookings have started across all the stores, so we are also hopeful that we should have four months sales in the three months this quarter.

Moderator: We will take the next question from the line of Atul Mehra from Motilal Oswal Asset Management. Please go ahead.

Atul Mehra: Just one question on gold on lease, so over the FY 16 we have seen only a marginal improvement in the gold on lease proportion from 56% to about 60% so why has there been this marginal improvement only in terms of the proportion of gold on lease?

Saurav Banerjee: Let me explain. I would not really say that it's a marginal improvement. Initially at one stage we were at the levels of 49-50% then it rose to 55-56% then we have touched levels of 63% and then now it has just come down from 63% to approximately around 60%. That is primarily again unfortunately also related to the scenario in March wherein the repayments were constantly happening as per the due dates but since there was no sales happening there was no chance of taking inventory or procuring inventory through the gold on lease model. So once there is a one-sided movement on gold on lease the percentages will tend to drop. So

there has been actually a marginal drop during this quarter. As I explained we had gone up to 63% and we were expecting that going forward we shall be able to even further improve on that percentage but unfortunately the March agitation came in between but we are pretty sure that now that the sales of back to normal conditions within the next few months we should be able to go not just up to 63 but beyond it also.

Atul Mehra: So when do we really get towards say 100%?

Saurav Banerjee: One should also remember that procurement can happen only if it is required. So there is a requirement of an inventory then there is a procurement which is linked to it. So the first step is the requirement, second step is procurement and the third step is how we procure it which is through the gold on lease model. So given the manner in which we are expecting the year to pan out I think by the time we reach Q2 or somewhere in Q3 probably we should be able to be close to the maximum limits that we can utilise through a gold on lease model.

Atul Mehra: Which is?

Saurav Banerjee: Which is approximately around 72-73%, maybe couple of percentages here and there

Atul Mehra: So you can't go above that because of.....

Saurav Banerjee: There is no requirement to go above that because we also have the old gold which comes into our stores regularly which is exchanged across the counters, so in a sense that's also an inventory which is procured by the company. So since we are getting that inventory on an average of anything between 24-26% to that extent the actual requirement comes down to around 74-75, so that 74-75 becomes a 100% in this case and suppose we are at 60 or 63 today so we have to just increase it up by about 12-15%, that's what I meant.

Atul Mehra: So what you are saying is about Q2 or Q3 is when you achieve.....

Saurav Banerjee: Yeah probably Q3. Q2 I am not very sure but Q3 certainly.

Atul Mehra: During this quarter specifically because of the price increase in gold you have also had an inventory in terms of a hedging loss as such. So if we were to look at say the expansion in the gross margins for you in gold that would have also been because of inventory gains because at the offsetting end you had hedging loss which is reported below the line?

Divyesh Shah: For our inventory valuation, we are following weighted average method that is there is no immediate gain or loss. So as and when you purchase outright it gives you an impact on the overall base inventory. So there are some mathematical models we have worked out where if the gold price gain is about 12% to 15% in a year then your inventory valuation change by 1%

or 2%. And again it's just two months, the actual gold prices started rising from January. So right now still we haven't seen that large impact. Again 60% of the inventory is on lease where it is linked to the mark to market so 60% inventory is not going to gain any gain out of it so only 40% inventory which you weigh it on a weighted average method. So it's not because of the inventory gain largely what we have done last year as we are speaking continuously that we are rationalizing the inventory and also we are focusing on improving gross margin. So if you look at gold gross margin is improved by 200 basis points also diamond gross margin is improved by about 400 basis points. So overall rationalizing more or less we are very close to the last phase of it. So overall whatever the discount we have offered which we have reduced it now so it is at best to improve the gross margin.

Atul Mehra: If you look at your franchisee plan for instance, so what will be the economics for us in that case? What is the kind of arrangements we plan to have with the franchisees?

Divyesh Shah: Franchisee will bear the store operation cost as well as they will own the inventory and we will provide them the training. Also we are handing over the brand, also we are providing the designs which are right for the market and complete marketing and branding will be done by the brand. So these basic commercial costs are there. If you look at from the P&L perspective, you might see the gross margin come down when we have more and more franchisee but EBITDA will improve because entire expenses below the gross margin and before EBITDA is completely borne by the franchisee.

Atul Mehra: You will be charging them the royalty or percentage of sales, how will be the commercial?

Divyesh Shah: No. I will just give you an example, suppose my margin is 17% or 20% on the product so we give them discount of the margin. So upfront when they will book some sort of gross margin in our P&L.

Atul Mehra: So it will pass in terms of part of the inventory you will sell to them?

Divyesh Shah: Correct.

Atul Mehra: During this year in terms of overall cost structure if you were to look at it, employee cost is something which stands out overall about 16%-17%. This has been more of headcount addition oriented or you've seen some amount of general inflation.

Saurav Banerjee: No, there is no headcount addition. It's more of as you rightly mentioned, probably you know one can say that it is inflation linked. So mostly it is normal increments and some variable incentives that have been paid as and when it was coming up. So that's the way it is. There are also some provisions which have been made for various gratuities and retirement benefits. Sometimes the actual valuations are done in such a manner that one has to either

right back some provisions or make some additional provisions. So it is mostly these things but there have been no increase in headcount in any of the functions across the company. In fact there has been a bit of rationalization in terms of efficiency levels and general focus on automation, improvement of the ERP systems. So, on the contrary we are focused on those things.

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

Yash Agarwal: So taking over that gross margin question, your gross margin is primarily due to internal initiatives according to you so this should be sustainable at this level for the next year?

Saurav Banerjee: Absolutely sustainable in fact as we of have all seen that there is a significant improvement in the gross margin in the Q4 and going forward also we are very sure that the initiatives that we have taken which we have explained in some of the earlier conversation. We should be able to go ahead with that more and more current year and we are pretty sure that the gross margins will improve.

Divyesh Shah Only I will add that currently almost like 99% of the revenue is generated through company owned stores. So gross margin what you see is generally for the company owned stores sales but when we will open franchisee so our franchises sales we might see the margin will drop but EBITDA will improve because all the other expenses is borne by the franchisee.

Yash Agarwal: I wanted to assess the impact of this PAN norms, so for the first two months have you witnessed any sales de-growth or SSG de-growth or how much is your overall sales the RS.2 to Rs.5 lakh that bucket sales?

Divyesh Shah: I will explain it in another way. More than Rs.2 lakh in gold jewelry category sales is 17%. Also of which near about 7% is more than Rs.5 lakh which is already under the regulatory purview of PAN card, ECS and all the other things. So now beginning 2 to 5 lakh is about 5% to 6%. What we have seen, generally people those who wanted to buy from a trusted jeweler they don't just run away because they need to show PAN card. Initially they showed some resistance but after 15-20 days we found that everyone is providing the PAN card details. As far as diamond jewelry is concerned where 28% sale is more than 2 lakh out of it about 11% is more than 5 lakh so question of 17%. But again if you look at the diamond jewelry the product itself is not, customer cannot identify from a naked eye that which quality of diamond has been used. So largely consumers always trust branded jewelry or a reputed jeweller where they are buying and where they are going to get a resale out of the product. What we have seen people are providing PAN card so we haven't seen the large impact of the PAN card so on above 5 lakh, impact has been miniscule. In Rs 2 to 5 lakh range, also we haven't seen that kind of significant resistance from the customer.

- Yash Agarwal:** For the franchisee store that you have opened in November, what is the current productivity level in terms of sales per square foot that you all are achieving there how is it vis-à-vis your targets basically?
- Divyesh Shah:** We have started in November and March was almost the store was closed. Four months cannot be an indication to tell you that what will be the first sales. Let us see the couple of more quarters performance and then we can comment.
- Moderator:** The next question is from the line of Sanjay Singh from Axis Capital. Please go ahead
- Sanjay Singh:** Just a clarification, you said diamond more than 5 lakh was how much percentage?
- Divyesh Shah:** About 11%.
- Sanjay Singh:** On the franchisee thing, is it easy to get a franchisee because traditionally the kind of inventory which is required for a store would be really close to at least, even if you look at 50 crores store, if you look at 15 crores, 20 crores inventory, so how easy or difficult it is to get a franchisee then? Even traditional Titan was not able to attract franchisees quite easily.
- Divyesh Shah:** Let me tell you probably our experience in jewelry is more than Titan. We are 151 years old brand and secondly, we are not very ambitious about opening too many numbers of franchisees in a year. We are looking for about 5 to 6 franchisees a year and which we found that initially when we started looking for franchisee in the cities we found a very positive response. More than 700 people responded, out of which we have filtered down and we have closed about 4-5 locations. Currently also we have a list of the franchisees who are on a queue for the newer market which we are going to open for this year. I believe especially in tier II and III cities it's a similar kind of inventory model 3000 sq ft space with the Rs.20-22 crores inventory model. There are quite a lot of good reputed families there where children have grown and now they want to settle down in newer businesses. There are enough such families available. I believe to open 6 to 8 franchises even will not be a challenge in a year.
- Saurav Banerjee:** Also just to add to what Divyesh said that these groups or individuals or the companies, firms that we are talking about are all highly experienced in their own right in some other retail business or a customer facing business. So they are people of the right profile, the right background, the right experience. We have not had as Divyesh said too much of a difficulty in identifying the right people. We have obviously followed a very stringent process, the background checks and everything has been done through very reputed internationally renowned firms. We have taken the necessary precautions but I think we have found the right people.

- Moderator:** We will take the next question from the line of Rahul Agarwal from VEC Investment. Please go ahead
- Rahul Agarwal:** On the inventory rationalization side, is that completely done or you think first quarter fiscal 17 will also have some kind of discounting being done and therefore getting the inventory right?
- Divyesh Shah:** There is some small portion is left but I believe that portion doesn't require to provide a large discount to liquidate those inventory which has been left now. So, we have already completed 90% of the job, so I don't feel that it will impact on margins further.
- Saurav Banerjee:** Inventory rationalization does not necessarily mean discounting. That is not really to be linked with each other. Inventory rationalization can be done in various other ways and discounting is a tactical way. So it's two different things.
- Rahul Agarwal:** The March number reported is 1126 crores, will that be flat for the year assuming more franchisee stores is and that's why no entry with the real inventory where you think it can go down from here?
- Divyesh Shah:** First of all I will tell you that the March month, our sale was very small. That's the reason you find the inventory is still lying in the system. Second is our 60% gold inventory is on gold and lease which is valued based on the mark to market. Suppose we have taken gold on lease at the rate of Rs. 25 lakh for a one kg and if today price goes to 31 lakh then 6 lakh additional margins will be paid to the bank and that lease inventory will be valued at 31 lakhs. So tomorrow suppose the gold prices will go to Rs.35 or Rs. 40 lakh a kg then overall inventory will go up but of course the company owned inventory will not go up but your lease inventory valuation will go up.
- Rahul Agarwal:** It's more about the value here.
- Saurav Banerjee:** So in absolute terms actually we have been able to rationalize or I would say other words reduce the inventory to significant extent going forward. Going forward also we will also be keeping a close eye on that.
- Moderator:** The next question is from the line of Mahendra Jain from Way 2 Wealth Security. Please go ahead
- Mahendra Jain:** How many showrooms we have our own like Zaveri Bazar and Santacruz I know it's under company? And second thing inventory of 1100 crores in gold and diamond, so where is this all inventory like, our own showroom only?

- Divyesh Shah:** That is the weighted average price of gold which we are booking in our books for 40%. Currently out of 30 stores, 29 stores are owned by the company. The property of the three stores we own, one is Zaveri Bazar, second is Punjagutta and third is Surat Store, Santacruz store is also on lease. So our inventory is lying in these 29 stores and also we have our manufacturing unit and also processing centers where do we outsource the whole jewelry manufacturing from third-party so there we issue gold in advance and we provide them the design, so entire inventory is distributed in all those places. As far as weighted average is concerned right now I think they are not ready to state the weighted average would probably we can take it after call.
- Mahendra Jain:** How we can eat unorganized sector, are you really spending on research on the designing and all these things because in the market now it's a tough competition like lightweight jewelry, so how we take like R&D?
- Divyesh Shah:** This is a complete process which we do every month, every quarter. We also do a lot of good discussions with the customer target profile and all. This is a regular process. So when we say we are fully focused to differentiate our brand from the other brand on designs and quality and service, so definitely we are very much focused to understand the changing trend, changing consumer behavior which will help us to develop new designs which we can provide them with and which we can sell in our stores.
- Moderator:** The next question is from the line of Aditya Iyer from Dimensional Security. Please go ahead
- Aditya Iyer:** The entire data in your margins over the past 3 to 4 years, so what amount of it is one because of discounting and second because of changing your inventory levels which as you mentioned would be lower? From the discounting what level is driven by changes in competitive pressure versus your inventory rationalization program? The second question would be if you could just explain the unit economics for a franchisee outlet better. The 17% gross margin to be made with about 9% to 10% overheads beyond that how does the unit economics for a franchisee works out?
- Divyesh Shah:** Probably let me reply you the first one, traditionally we always used to offer discounts on annual basis about roughly 2% to 2.5% to the customer on for entire year basis. This is a mix of both technical and non-technical period. Last year because we wanted to rationalize the inventory in some of the additional inventory which we had built up to start company owned stores which we had to liquidate so discounting increased from 2.25 which has impacted on the overall gross margin for the first three quarters. In fourth quarter, we were more or less over with the additional inventory which we supposed to liquidate so the margins have gone back up in both the categories. As far as franchisee overall business issues are concerned I should we should take it off line because today we are discussing about Q4 results and also the annual results. So franchisee business model we can share with you separately.

Moderator: The next question is from the line of Ravi Jain from Two Point Capital Management. Please go ahead

Ravi Jain: This 1% excise duty levy and the PAN card norms, what is the relative impact for organized players and unorganized players? Have unorganized players got a relative advantage as compared to organized players because of these two?

Divyesh Shah: It is very difficult to say but you need to understand that why people are buying jewelry from a trusted and branded player because of the transparency and especially studded jewellery sale is increasing in both the categories gold and specially in diamond which is not as transparent as the plain gold jewelry which you can put it under caratometer and you can see the purity of the product. I believe people will not shy away from the branded players just because they have to disclose the PAN card. Second as far as the excise is concerned, it's applicable for the entire industry and what we have seen from last 15-20 days when we have started passing on to the customer, customer is not shying away they are ready to pay. And nobody is discussing about why you are charging 1% excise. First two months of the year we haven't seen any impact on jewelry brands who are buying jewelry between Rs. 2 to Rs. 5 lakh.

Moderator: We will take the next question from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: Based on all the regulatory changes in terms of PAN, excise duty and the Hallmark, do you see organized players and specifically TBZ gain market share near term? I know medium-long is positive but near term what's going to happen?

Divyesh Shah: Abneesh I believe Hallmarking which is mandatory which will definitely positive for all the branded players because now there is the clarity as far as quality is concerned what the single store mom-pop jeweler who will sell and the branded jeweler which is selling Hallmarking jewelry from quite a long time. So definitely we believe that there should be some clarity which will help us that customer today was shying away and wanted to buy jewelry with the lower making charges, of course will not be able to buy because somebody is selling Hallmark jewelry that costs manufacturing would be higher or greater than branded jewelry player. As far as PAN card is concerned we believe that still it's a long time. Still organized sector can manage like the way they were managing it earlier. Some of the research data is talking about all those things. Excise which is compulsory and mandatory for everyone those who are having the transactions of more than Rs. 12 crores annually, so I believe more or less everyone will fall under excise and everyone is going on to pass it to the customer so that will also bring some sort of clarity between branded and non-branded player.

Moderator: We will take the next question from the line of Roshni Devi from Cogencis. Please go ahead

- Roshni Devi:** I want to ask how is demand seen for Akshay Tritiya, I mean there was a lot of pent up demand people have expected but hasn't lived up to expectations the buying free orders before the season?
- Divyesh Shah:** Traditional way we used to see that people used to come out and start booking advances about 10 to 15 days back before the Akshay Tritiya so similar trend we are seeing at the ground level. But this weekend will be very critical and very important because this time Akshat Tritiya is falling on Monday before the weekend of Saturday and Sunday. We need to wait before we see that yes the demand is very positive or flat.
- Roshni Devi:** Have the booking started this year 10 to 15 days like previously or is it a bit lower this time?
- Divyesh Shah:** It's more or less same.
- Moderator:** The next question is from the line of Mahendra Jain from Way 2 Wealth Securities. Please go ahead
- Mahendra Jain:** The net worth of the company is around 465 crores, so out of that 25 crores is tangible asset and all. so does this mean 360 crores or 350 crores is liquid asset like gold or diamond?
- Saurav Banerjee:** The net worth comprises of the balance sheet items so you can just break it up and see. The details are already provided.
- Mahendra Jain:** It is there like 465 crore is our net worth equity plus reserve out of that 100 crores is like tangible asset and all, I just want to ask like the whole market cap of the company is almost equal to the net worth, is it like that?
- Saurav Banerjee:** The market cap is dependent on several factors as we are aware, so it's a number which moves. I would say the net worth is something that is shared and we are aware that as we have mentioned about 460 crores odd. So that is the number I would say more efficient or more reliable number. Market cap as we know is a function of several things which cannot be held at one point of time.
- Mahendra Jain:** But right now in this model of business this is a liquid asset that's all, we have liquid assets like gold and diamond.
- Saurav Banerjee:** Yeah.
- Mahendra Jain:** It is cash like.
- Moderator:** Ladies and gentleman that's a last question. I would now like to hand the floor over to Mr. Ammeet Sabarwal for his closing comments.

Ammeet Sabarwal:

Thank you everyone for taking time out and attending the Q4 and full-year FY 16 conference call for Tribhovandas Bhimji Zaveri. We Dickenson Seagull IR manage Investor Relations for the company. Our coordinators are there at the end of the presentation. Please feel free to get in touch with us in case of any further queries or data points required on the company. Thank you.

Moderator:

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