

Date: 26<sup>th</sup> November, 2019

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

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

Dear Sir / Madam,

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

The Company had organized a conference call with the Investors / Analysts on Friday, 8<sup>th</sup> November, 2019 at 4.00 p.m. (IST). 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

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**Tribhovandas Bhimji Zaveri Limited**  
**Q2 FY 2020 Earning Conference Call**  
**November 08, 2019**

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**Moderator:** Good evening, ladies and gentlemen. I am Ali, moderator for this conference call. Welcome to the Q2 FY20 Earnings Conference Call of Tribhovandas Bhimji Zaveri Limited, organised by Dickenson World IR. At this moment, all participant lines are in a 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 Ms. Manasi Bodas. Thank you and over to you, ma'am.

**Manasi Bodas:** Thank you, Ali. Good evening, everyone. Let me welcome you all to the earnings conference call of Tribhovandas Bhimji Zaveri Limited for the second quarter of 2019-2020. Today we have with us management represented by Ms. Binaisha Zaveri – Whole-time Director, and Mr. Saurav Banerjee – Chief Financial Officer.

Before we get started, I would like to remind you that our remarks today might include forward-looking statements and actual results may differ materially from those contemplated by these forward-looking statements. Any statements 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. Binaisha to make her opening remarks. Thank you.

**Binaisha Zaveri:** Good evening, everyone. Welcome to the earnings call of Tribhovandas Bhimji Zaveri Limited for the second quarter of 2019-2020. Our constant focus on offering innovative jewelry designs, attractive customer offerings, increased advertising and marketing initiatives taken in the last quarter helped us to drive footfalls and ensure healthy conversion into sales during the quarter, despite a sharp increase in gold prices. During the quarter, we launched multiple gold and diamond collections across India, under the brand name Moha, Sunshine, and Divya. In addition to that, we launched various festive campaigns featuring our brand ambassador Sara Ali Khan.

Coming to our second quarter performance, we recorded a 12.5% same-store sales growth, driven by an increased footfall in our stores and higher consumer buying. Improvement in the sales of our diamond jewelry, facilitated by a favorable product mix, helped us to achieve overall sales growth. There was also a positive customer response during the quarter for gold

jewelry and we believe that these persistent activation efforts will lead to increased sales in the coming quarters. The start of festivities towards the end of the second quarter witnessed an improved customer sentiment for gold and diamond jewelry. Going forward, we are confident of delivering improved financial performance. Our major focus will be refining our product mix and also to keep our operating expenses under strict control. With our continued efforts to strengthen the TBZ brand recall and presence, we have consistently been investing in marketing activities and introducing trendsetting collections.

I would now like to hand over the call to our CFO, Mr. Saurav Banerjee for a quick overview of financial performance joining the quarter. Thank you.

**Saurav Banerjee:**

Good evening, everybody. Saurav Banerjee. I shall first read out the key highlights of Q2 FY20 financial numbers and H1 FY20 financial numbers. First the Q2 numbers. Total income from operations Q2 FY20 stood at Rs. 393.20 crores vis-à-vis Rs. 345.66 crores with a Y-o-Y growth of 13.75%, gross profit Rs. 54.50 crores for Q2 FY20 vis-à-vis previous quarter Rs. 53.14 crores, a Y-o-Y growth of 2.56%. Gross margins 13.86% blended, and for Q2 FY19, 15.37% blended. EBITDA, Rs. 21.74 crores vis-à-vis Rs. 15.78 crores. EBITDA margin 5.53% vis-à-vis 4.56%. PBT Rs. 1.26 crores vis-à-vis Rs. 2.56 crores. PBT margin 0.32% vis-à-vis 0.74%. PAT Rs. 0.85 crores versus Rs. 1.71 crores.

For the first half, that is H1 FY20, total income from operations Rs. 822.97 crores vis-à-vis Rs. 756.59 crores, a Y-o-Y increase of 8.77%. Gross profit, Rs. 120.41 crores vis-à-vis Rs. 114.35 crores, a Y-o-Y improvement of 5.30%. Gross margins, 14.63% vis-à-vis 15.11%. EBITDA Rs. 47.44 crores vis-à-vis Rs. 29.65 crores. EBITDA margin 5.76% versus 3.92%. PBT Rs. 6.22 crores versus Rs. 4.60 crores, a Y-o-Y improvement of 35.22%. PBT margin 0.76% versus 0.61%. PAT Rs. 3.94 crores versus Rs. 3.02 crores. PAT margin, 0.48% vis-à-vis 0.40%.

We can now begin the Q&A session.

**Moderator:**

Thank you. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Sharda Kumar, an individual investor. Please go ahead.

**Sharda Kumar:**

My question is for Ms. Zaveri. Is there some area of operation of the company in which she is more knowledgeable compared to the CFO?

**Binaisha Zaveri:**

The CFO handles, like any other CFO, the financials of the company. I personally look after HR and retail store expansion.

**Sharda Kumar:**

I just want to know, why is it that we fail to get a single answer from Ms. Zaveri on any of the calls? I mean, if she is knowledgeable about at least one or more...

**Binaisha Zaveri:** most of the questions are of the financials of the company and the CFO answers on most occasions.

**Sharda Kumar:** No, but all the questions are not regarding the financials, right?

**Binaisha Zaveri:** Okay. So, if any questions are directed towards me, I will definitely answer them.

**Sharda Kumar:** But I haven't heard in any of the calls, I guess, for previous five or six con-calls not a single question was answered by you.

**Saurav Banerjee:** So, the way we organise the call is that I, as the CFO, would like to answer all the questions of the investors or the individual shareholders or any of the other participants on the call. So, I am aware of all the necessary details about the company, although I am specialised in the financial function, on an overall basis as the Chief Financial Officer, I am aware of the functioning of the company. And all the functions that happen within the organisation. So, as a team, it has been decided that I shall represent the company on these calls. And that is why the questions are asked to me and I answer them. But at the same time, it's not that no one else can answer those questions. It is definitely possible for all the senior management, including the Whole-time Directors to answer the questions if they are put forward. But as I said, it's just a convenient arrangement.

**Sharda Kumar:** My specific question was that you have got to justify the salaries that the Promoters take, right? You can't just keep having the solid performance that you have had, and the Whole-time Director just coming and reading out the quarterly numbers and not

**Sharda Kumar:** Just one more point that I wanted to say was, it would be great if the Promoters align their interests with their minority shareholders. Because as you can see, the market is disproportionately punishing companies that have not been coming up to investor expectations. So, my just humble suggestion would be that if the Promoters could also align their interests with the minority shareholders. It seems whatever the performance of the company might be, the Promoters in anyways get their salaries, which is a disproportionate amount of the net profit of the company. So, what is left for the minority shareholders?

**Saurav Banerjee:** Okay, very quickly, just to assure you. The promoters are completely devoted to the performance of the company. And at all-time are striving at their highest and the best level to ensure that the company performs better. And you would have seen that there are areas where we have clearly shown improvement over earlier quarters or earlier periods of time. And I can assure you that everybody in this company, mostly the Promoters as well as the senior management and the employees are all aligned towards just one goal, which is to improve the performance of the company so that the investors and shareholders also get benefited by it. So, rest assured that the effort and every other thing that is done in this

organisation is towards that one goal. And the entire team, led by the Promoters, is devoted to achieving those goals.

**Sharda Kumar:** Just last follow-up. Wouldn't it be better if some part of the Promoter compensation is also related to the performance of the company?

**Saurav Banerjee:** See, I can maybe have a discussion with you separately on managerial remuneration. But suffice to say that this is the minimum remuneration that is paid to the Director as per the Companies Act and whatever rules and regulations are attached to it. So, there is nothing more that is being paid. And the Directors are also putting in all the effort, and hence, I do not think there's any unjustified salary, which is being paid to them.

**Moderator:** Thank you. The next question is from the line of Prashant Hazariwala, an individual investor. Please go ahead.

**Prashant Hazariwala:** Sir, I am checking out this Ind AS 116 effect, what would be our EBITDA margin?

**Saurav Banerjee:** Without the impact of AS 116?

**Prashant Hazariwala:** Yes.

**Saurav Banerjee:** Just one second, I will let you know. Meanwhile, let me also update you that AS 116 is now mandatory and hence all the numbers of all the organisations will have to have the impact of AS116. But just to answer your question...

**Prashant Hazariwala:** Actually, I want to compare it with last year.

**Saurav Banerjee:** So, it's the EBITDA, which gets most impacted because of AS 116 adjustment. And for the quarter 2019-2020, the EBITDA number stands at Rs. 14.5 crores, without the AS 116 adjustment. And for the half year, it stands at Rs. 33 crores without those adjustments. So, in terms of percentages, it is near about 4%.

**Prashant Hazariwala:** Actually, in the present thing I saw that maybe we compare it from this year to next year, EBITDA comparison, we have taken care of the thing, right? Is it completely decided on the present this one?

**Saurav Banerjee:** Yes, it is there on the presentation. We have put a note on the presentation. Plus, the AS 116 has been completely well explained in the investor presentation on slide number eight. So, if you go to slide number eight, you will find all the details. Plus, there are two suitable notes, which have also been put on the presentation in the relevant pages.

**Prashant Hazariwala:** Another question is, our turnover has increased, right?

**Saurav Banerjee:** Yes.

**Prashant Hazariwala:** And on the other side, The share of diamonds increased to 25.4%, right?

**Saurav Banerjee:** Yes.

**Prashant Hazariwala:** But our EBITDA remains the same.

**Saurav Banerjee:** Can you kindly repeat the last sentence?

**Prashant Hazariwala:** Our revenue has increased by 13%, 14%, right?

**Saurav Banerjee:** Yes, correct. Clear.

**Prashant Hazariwala:** And the share of diamond jewelry has increased from 20% to 25%, right?

**Saurav Banerjee:** Yes.

**Prashant Hazariwala:** Then what is the reason for stagnancy in EBITDA margins?

**Saurav Banerjee:** So, EBITDA margins, let me explain to you. As you know...

**Prashant Hazariwala:** Actually, when I am looking at this on a quarterly basis, it has decreased from 4.6% to 4%, right?

**Saurav Banerjee:** Yes, agreed. So, can I explain the reason?

**Prashant Hazariwala:** Yes. Okay.

**Saurav Banerjee:** So, the reason is simply that the economic condition in India has been quite muted and it has been a bit of a downturn across all industries. On top of that, the gold prices have substantially moved up very sharply in the last few months. So, for example, if we were to take the gold price as on 1st April and the gold price as on 30th September, for the first half-year basically, the net increase is almost 17% to 18%. And there have been times where it would have been touching more than 20%, 25% also, on certain days. So, under those circumstances, the retail jewelry industry has to still come out and serve the customer to ensure that the footfalls are adequate, and the customers are serviced in the best possible manner. To do so, obviously, there have to be some tactical offers or some attractive offers for the customers to come and do their purchases and ensure that they get the best out of the market, even in the worst of conditions on an overall basis. That has been done by TBZ, it has read the pulse of the market, it has understood the requirement of the customer. And to that extent, tactical offers being, I would say, relatively higher for this quarter, the EBITDA

margins have dropped. So, the GP margin has dropped and hence the EBITDA margin has also consequently dropped.

In any case, as we all know, for the retail jewelry industry, the second quarter is generally the weakest quarter. So, if I were to take the three factors, historically the weakest quarter, on top of that a weak economic condition in the country; and thirdly, the big impact of gold prices, which has deterred a lot of people from coming out and buying their jewelry and deferring their purchases. So, it is a combined effect of all these that would have resulted in tactical offers being given, and rightly so. And hence, that has resulted in a relatively lower GP percentage, which has resulted in a relatively lower EBITDA margin. There is no other reason. And this is a factor, which will automatically be taken care of in the next quarter, that is the current third quarter, and going forward in the fourth quarter.

**Prashant Hazariwala:** So how was Diwali?

**Saurav Banerjee:** Diwali was very good. In fact, the run-up from Navratri to Diwali, we have done exceptionally well. On an overall basis, there has been a growth of almost 17% to 18% that we have recorded on a YoY basis.

**Prashant Hazariwala:** Yes, the growth of top-line is okay, but what about the bottom-line? It is not reflecting in bottom-line. Actually, when we see related parties, they have done profit of Rs. 4 crores and related party transactions have been around Rs. 4 crores, Rs. 5 crores. It is almost neck to neck.

**Saurav Banerjee:** I am not sure, which related party transaction you are referring to.

**Prashant Hazariwala:** You guys have uploaded it on the website. Another thing is, I am a shareholder for the last three years and I am attending almost every con-call. Every time you guys give excuses for not performing, not only this quarter but every quarter you have some excuses. I want to see some good things so that we can figure out that you guys have done better, and all the shareholders will be simply happy.

**Saurav Banerjee:** Can I explain to you further? I am not able to understand, maybe you can call me separately and explain to me what you meant by related party transactions of Rs. 4 crores. However, in terms of Diwali and the run-up, which I was explaining to you, we have had a volume growth as well as a value growth. It is not possible for me to spell out the actual numbers because this is for the next quarter. But as I said, that there has been a 17% increase in the performance on a Y-o-Y basis, which is quite commendable, keeping in mind the situation in the economy and the marketplace.

**Moderator:** Thank you. The next question is from the line of Zain Iqbal from Alpha Invesco. Please go ahead.

**Zain Iqbal:** I have a couple of questions. So, I wanted to know how many franchisees did you open in the first half? And how many do you plan to open in the remaining months of this financial year?

**Saurav Banerjee:** Okay. In the first half, we have not opened any franchisees. As you are aware that the market conditions have been very muted, and the customer sentiments have been overall low. So, this is probably not the right time to open new stores because then the store will take a relatively long time to settle down. So, we are already having concrete plans for opening new stores as well as franchisee stores in the future, which we shall do as and when the conditions improve and are ideal for new store opening. So statistically speaking, no stores were opened in the first half. If at all, we are looking at opening a store, it will be in the last quarter of the year or maybe in the first quarter of the next financial year, purely depending on the market conditions.

**Zain Iqbal:** And how much of the sales in the first half has come from the franchisee? And what was the number last year, year-on-year sales to franchisee percentage?

**Saurav Banerjee:** For the full year of last year, the franchise sales were about Rs. 100-odd crores. And for the first half, the same number is around Rs. 30 crores to 35 crores.

**Zain Iqbal:** And why is it low, sir?

**Saurav Banerjee:** Let me also further explain, that generally in the retail jewelry industry, the second half of the year is stronger in terms of top-line performance, because there are a lot of festivities and the wedding season. Generally, on a thumb rule basis, one can say that it's about the 30:70 or 60:40 kind of ratio in favor of the second half of the year. So, the performance for the franchises has been at par, they are not below par. And we expect that they shall be able to equal their performance for the last financial year, if not better.

**Zain Iqbal:** Okay. How much gold did you sell in this first half, if I have to understand the year-on-year revenue growth of 8% - 8.2%. What is the volume growth and what is the value growth?

**Saurav Banerjee:** Yes. So, in terms of percentage, the increase on a quarter-to-quarter basis has been 12.5% on a same-store sales growth basis. Out of which, the gold has increased by about 7% and the diamond increase has been about 40%.

**Zain Iqbal:** So, this is the value growth, right?

**Saurav Banerjee:** This is the volume growth and there is also a value growth in terms of gold prices, the impact of gold prices is also there.

**Zain Iqbal:** So, volume growth in gold quarter-on-quarter is 7%?

**Saurav Banerjee:** Approximately 7% and diamond is about 40% quarter-on-quarter.



**Zain Iqbal:** 40% volume growth for the diamond?

**Saurav Banerjee:** Yes.

**Zain Iqbal:** And how did you achieve this 40% growth in the diamond?

**Saurav Banerjee:** Our advertising and marketing efforts have been consistently focused on promoting the diamond category of products that has borne fruit in this quarter. Earlier also there have been better performance, but particularly in this quarter, we have seen that the efforts that we have put towards the sale of diamond have resulted in better footfalls and conversion towards diamond jewelry, which is one factor that is emerging out of our strategic input. The other factor probably has more to do with gold prices itself. It has always been observed that whenever gold prices start going up, the customers prefer to buy diamond jewelry. So, it's a combination of both, one is the gold prices and the fallout of that; and other is the effort that the company has put to make conversions towards a diamond jewelry being purchased, the advertising and marketing campaigns, and the message that goes out to the customer to try and purchase the product of TBZ, which are in the diamond category.

**Zain Iqbal:** Sir, can you give guidance on the full-year gross margins, EBITDA margins?

**Saurav Banerjee:** Normally we do not give any guidance as such. But looking at the trends, if we were to look at the same store sales growth that we have already achieved in the first half, and particularly in the Q2, I think we should be able to maintain that kind of growth for the next two quarters as well. So, on an overall basis, probably the year will show a double-digit sales growth. I think that's all that I can say at this point without giving you 100% confirmed guidance because I think will not be the right thing to do.

**Moderator:** Thank you. The next question is from the line of Wahisdanwala from Care Ratings. Please go ahead.

**Participant:** Yes, so we have been reading that in the recent quarters there has been a fall in bank lending towards this sector. So, I would like to know whether this has improved or are there still any restrictions on the same?

**Saurav Banerjee:** Okay. I will answer you generally and specifically. Generally speaking, yes, it has been brought to our attention that for the smaller players or the unorganised sector, they have probably faced a few challenges in getting bank finances. The degree of difficulty of getting bank finance has definitely gone up in terms of the documentation or the creditworthiness, the checks and balances that the banks have put or maybe outright refusal to give further credit. That has been observed. But for the listed players on the well-known brand, like TBZ, I do not think that there is a major challenge in getting bank finances. What we have seen, of course, is that the banks have become much more wary, the documentation has certainly gone up,

the question and answers and the meetings or discussions are more frequent than what used to happen earlier. So those measures definitely the bank has taken, and rightly so.

**Moderator:** Thank you. Our next question is from Zain Iqbal from Alpha Invesco. Please go ahead.

**Zain Iqbal:** One last question. Any plans to reduce debt further? And if yes, then by how much?

**Saurav Banerjee:** If you have observed, we have already succeeded in reducing our debt levels by about Rs. 50 crores, Rs. 55 crores. So, if you look at on a Y-o-Y basis, then you will find that earlier we were having debts of above Rs. 600 crores and right now it has been brought down to Rs. 550 crores. So, the endeavor of the company is to reduce the debt levels and improving our cash flows from right-sizing of the inventory, that entire cycle the company has been able to clearly demonstrate. Going ahead, the endeavor will definitely be to reduce debt. But it depends on the strategies that the company adopts in terms of expansion or holding on to the number of stores. So, it all depends on how the market situation pans out. But as I said, we have already been able to clearly demonstrate a substantial reduction in the debt level.

**Moderator:** Thank you. The next question is from the line of Prashant Hazariwala, an individual investor. Please go ahead.

**Prashant Hazariwala:** Sir, this quarter, like these six months we have regenerated very good cash flow, around Rs. 95 crores something like that. How did this happen? I just wanted to know what kind of steps we have taken for it.

**Saurav Banerjee:** So, as I was explaining during the last question, we were able to right-size or downsize the inventory to a fair extent, in both gold and diamond. We have continuously reduced the diamond inventory for several quarters now. And over the last one year or one and a half years, the reduction has been more than 30% in terms of diamond carat volume. In gold, as well, we have been able to reduce about 20% to 25% in terms of volumes again. So, that has actually freed up some kind of cash flow into the system, and thereby our cash flows have improved. Also, whenever there are higher sales, naturally the collections improve, and that also contributes to the overall improvement of the cash flow.

**Prashant Hazariwala:** And what is the gold and diamond turns these six months vis-à-vis the last six months?

**Saurav Banerjee:** Diamond turn will be around 1, and gold will be in the range of around 2.4.

**Prashant Hazariwala:** What about last year?

**Saurav Banerjee:** Last year the diamond turns were less than 1, it was around point 0.8 to 0.9. And gold was about 2.3, almost same, 2.2 to 2.3.

**Moderator:** Thank you. As there are no further questions, I now hand the conference over to Ms. Mansi for closing comments.

**Manasi Bodas:** Thank you, everyone, for joining us today for this call. In case of any further question, you can get in touch with us. Our coordinates are provided in the presentation. Good evening. And thank you.

**Moderator:** Thank you very much. Ladies and gentlemen, that concludes today's conference call. Thank you for joining us. And have a great day.