

Date: 26th November, 2020

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 Wednesday, 11th November, 2020 at 4.30 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.

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

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TRIBHOVANDAS BHIMJI ZAVERI LTD.

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Tribhovandas Bhimji Zaveri Limited
Q2 & H1 FY21 Earnings Conference Call
November 11, 2020

Moderator: Good evening ladies and gentlemen, I am Ayesha, moderator for this conference. Welcome to the Q2 & H1 FY20 Earnings Conference Call of Tribhovandas Bhimji Zaveri Limited organized by Dickenson World . 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 this conference is being recorded. I would now like handover the floor to Ms Manasi Bodas. Over to you, ma'am. Thank you.

Manasi Bodas: Thank you. Good evening everyone. Let me welcome you all to the earnings call of Tribhovandas Bhimji Zaveri Limited for the second quarter and a half year of '20-21. Today we have with us the management represented by Ms Binaisha Zaveri – Whole Time Director, Mr Saurav Banerjee – Chief Finance Officer.

Before we get started, I would like to remind you that our remarks today might include forward-looking statements and actual results may differ materially from those contemplated by the forward-looking statements. Any statements we make on this call today are based on our assumptions as on date 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. I welcome you all to the earnings call of Tribhovandas Bhimji Zaveri Limited for the second quarter and half-year results of FY20-21. Thank you all for sparing your valuable time and joining us here today.

As we all understand the unprecedented pandemic has altered consumer sentiments and behavior. Despite this period of great uncertainty we at TBZ have quickly adapted to these changes and have created the right environment for our customers to select and buy Jewellery of their choice through various well-thought-out marketing and sales-oriented initiatives, always keeping in mind the safety of our customers and employees be accorded the highest priority. After the nationwide lockdown which disrupted the first quarter of FY20-21 was gradually lifted, the company was able to gather momentum within a relatively short span of time and receive the very positive response from customers during the second quarter resulting in an encouraging performance that augurs well for the rest of the financial year. We

took the frequent upsurge of gold prices in our stride and offered our consumers our unique brand of Jewellery collections at affordable prices that were very well accepted by them.

Our overall profitability improved significantly during the 2nd Quarter whilst we continued to drive cost efficiencies. Judicious manpower rationalization, measured & effective marketing strategies, rent waivers & concessions negotiated prudently, automation & constant review of operating costs helped to achieve improvement in margins. With a sustained focus on Inventory rationalisation and strengthening of cash flows on one hand and respecting the expectations of our business partners ie the vendors & suppliers, on the other hand, the Company has been able to strengthen its Balance Sheet. The company constantly communicated with customers through numerous campaigns with the use of influencer marketing strategies to allay their fears around store visits and encourage them to plan their visits by appointments and video interaction, use of digital brochures, video shopping and offering a completely digital Kalpavruksha, that is our Jewellery purchasing plan resulted in greater revenue opportunities being created and realized. Consumer sentiments have improved during the ongoing festive and wedding season which shall help deliver a strong performance during the rest of the financial year. Our approach focusing on consumer-friendly tech intervention, attractive Jewellery buying options and a well-trained and motivated sales team has led to TBZ being able to take advantage of the pent up demand as well as reach out to a larger customer base, both physically as well as digitally.

Before we open the floor for questions and answers I would like to wish everyone a very happy and prosperous Diwali. With this, I would now like to hand over the call to our CFO Mr Saurav Banerjee for a quick overview of our financial performance during the quarter. Thank you.

Saurav Banerjee:

Good evening everybody. First, I will take you through the key highlight of Quarter 2 and the first half of this financial year.

I will first read out the summary numbers for Quarter 2 FY21 vis-à-vis Quarter 2 FY20 and then I should read out the H1 number; total income from operation Rs 273.17 crores vis-à-vis Rs 393.2 crores for the previous quarter last year, a drop of around 31%. Gross profit in absolute value, Rs 58.1 crores vis-à-vis Rs 54.5 crores, an improvement of 6.61%. Gross margins; these are blended margin 21.27%, vis-à-vis 13.86%, EBITDA Rs 40.9 crores vis-à-vis Rs 21.82, EBITDA margins 14.97% vis-à-vis 5.55%, PBT Rs 22.08 crores vis-à-vis Rs 1.29 crores, PBT margin 8.08% vis-à-vis 0.33, PAT Rs 14.515 crores vis-à-vis Rs 0.89 crores. PAT margin 5.18% vis-à-vis 0.23.

For the H1; the total income from operations are at Rs 352.63 crores vis-à-vis Rs 822.97 a drop of around 57%, gross profit at Rs 66.79 crores vis-à-vis Rs 120.41 crores, a drop of around 44%. The gross margins at 18.94% vis-à-vis 14.63%. EBITDA at Rs 32.45 crores vis-à-vis Rs 47.45 crores, EBITDA margin 9.23% vis-à-vis 5.77%. PBT at Rs -3.69 vis-à-vis Rs 6.24, and PAT at Rs 5 crores vis-à-vis a Rs 3.96 crores. So these are the summary numbers. We can now go ahead with the Q&A session.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Harsh Shah, an individual investor. Please go ahead.

Harsh Shah: When you mentioned about the inventory rationalization in the presentation, so is it Jewellery inventory or our own gold inventory?

Saurav Banerjee: This is Jewellery inventory, so when we talk about inventory for the company it comprises of all inventory which is gold or diamond, platinum, jadau, all these things are included in the inventory and then we talk about the rationalization of the same when we're talking about all the inventory that we have.

Harsh Shah: As you mentioned that the company has not adopted any new gold on loan. So, what does it mean if we can just specify that?

Saurav Banerjee: Yes, so normally when the gold inventories procured the company procures it through the gold on loan model which is available from the various banks in the consortium. In this case what we meant is that the gold that we have been able to sell by way of Jewellery, wherever we have felt that replenishment of that gold was not required because we wanted to keep the inventory at a reasonably lower level and ensure that it meets the kind of demand that is prevalent in the marketplace to match the demand and the inventory that is there in the company. We have taken a step of not procuring gold inventory to the gold on loan model and doing it only to the extent required for the day to day selling to happen. So, the inventory levels at the stores have been maintained at an adequate level for the customers to select their Jewellery, range of inventory is there for them to choose from. But anything that we thought that was in excess or was slow-moving and then which was sold off was not replaced in a great hurry and that is how the inventory procurement through the gold loan has been kept at the minimum level required.

Harsh Shah: Just one last question, what will be the normal course of our inventory turnover going forward?

Saurav Banerjee: Normally in a steady-state situation, the inventory turn as far as gold is concerned is anything within 2.5X to 3X for the company and for a diamond it is around 1- 1.1 -1.2 in that range. going forward we should get back to those levels and in fact, we are expecting that those inventory turns will start improving further because there is a pent-up demand in the marketplace. A lot of customers would like to buy Jewellery for either their personal occasions like weddings or any other festive occasions or important occasions in their family. So, we expect that we should be able to do better inventory turns going forward.

Moderator: The next question is from the line of Hitendra Chawla, an individual investor. Please go ahead.

Hitendra Chawla: I just want to know your margins this quarter are up because some of your inventory or a large part of your inventory would be valued at a lower price since that's the way inventory is

valued. So, these gains in margins are for how long or what kind of impact you can see in the coming quarters or that's question number one? Number two now with the marriage season going on and a lot of weddings which were kind of postponed or headed back are now happening even though we got smaller kind of gatherings. But still, there is anecdotal evidence that families are still buying Jewellery for these weddings. So, what kind of impact do you see in the business going forward compared to previous years or what kind of footfall and sales do you expect this quarter and next?

Saurav Banerjee:

To answer your question on margin, yes, it is true that the margins are relatively much higher than what they normally are and the gold price impact is there which is a decisive factor to determine margin. But it is not just gold price, it is also the product mix. We have been able to maintain a very healthy product mix between gold and diamonds that also contributes to the overall blended margins. Going forward in this financial year, we are of the view that for some more time these high gold prices will sustain itself and probably may not be really increasing or galloping away at the same time we should be seeing higher gold prices in the short term kind of a situation. What happens thereafter remains to be seen because as we know gold is a very volatile commodity. It is easily impacted by any world event, anything that happens anywhere in the world and it has an impact on gold. It is difficult to really get or even be fairly sure of what's going to happen. But even as a steady-state we have been earning blended margins of around 15% earlier and we expect that going forward in this financial year we should be able to keep the GP margins at around anything between 17% to 18% perhaps. Going forward it is possible that it may come down to a certain extent. This is as far as the margin is concerned. As far as demand is concerned you mentioned about weddings and various other occasions. We have seen quite a spurt in demand. as the days go by with each passing day the footfalls as well as the eyeballs or the digital interactions that we have on the online platform have increased substantially. Customers have been coming out and buying Jewellery which was pent up, lots of weddings as you said were postponed or cancelled and which have been reinstated or they are happening now or they are going to happen in the coming days. That coupled with the big festive seasons the lead up to Dussehra itself and again the lead up to Dhanteras and Diwali which is just around the corner. That has ensured quite an increase in demand which we have seen in terms of whether it is footfall or whether it is the conversion into actual revenue that is very visible. We are pretty sure that the trend will continue for the rest of the financial year.

Hitendra Chawla:

But compared to last year what percentage we would be in terms of revenues or what do you expect in this quarter?

Saurav Banerjee:

If we were to consider the entire financial year, suppose we consider '20-21 the entire financial year then as we are all aware that we lost almost the entire Quarter 1. So, Quarter 1 as we have explained earlier it was effectively just for 15 odd days. The stores started reopening in the month of June, by the time they actually reopen and settle down and all the local restrictions were listed by the government, state governments and the local authorities, the

Quarter 1 was almost over. So, we effectively got just 15 days. The loss of revenues in Quarter 1 cannot be really replaced because that is gone. Hence there always will be a shortfall. If I were to compare with the last financial year there will be that shortfall but otherwise, I think the situation has started improving quite a bit. We do not expect to be anywhere near the last year numbers

Hitendra Chawla: But I want more of quarterly numbers rather than full one year.

Saurav Banerjee: Quarterly numbers as you can see in this quarter if I were to compare with Quarter 2 of last year, the numbers are down by about 30%-31% and for the half-year it is down by 57%. Now it will be very difficult or almost impossible to make up these numbers but going forward for Quarter 3 and Quarter 4, we expect to be somewhere close to the numbers that we achieved last year. We have seen that in October itself the numbers have been very encouraging. We have done very well in the month of October, November again is likely to be a fairly robust month for us. After that December to March should be a normal scenario. I'm not saying 100% normal but close to normal, near normalcy is what expected.

Hitendra Chawla: If I may ask the high margins that you got because of lower inventory cost or the same margins are also expected in this quarter and next?

Saurav Banerjee: Yes. I will refer to October, if October is a good indication then we have recorded pretty high margins in October. Going forward naturally there will be dip in the margins. The dips will be gradual but as I said that since the margins are already very high even small dip will keep it much higher than what we used to earn earlier.

Hitendra Chawla: I am taking a bit more time but just want to understand in the industry, one doesn't know industry-level data but in terms of market share is that some sort of a gain from smaller jewellers who may not be operating at your scale, is there some trend where other industries are seeing some consolidation? Is there any evidence of such a thing happening in this industry?

Saurav Banerjee: Very true. Consolidation is happening and the organized sector is gaining market share. The 'mom and pop stores' that already I would say finding difficulty or strife in operating as they used to do earlier. So even before the COVID-19 appeared on the scene and lockdowns and other store closures happened, there was a definite indication that 'mom and pop shops' or 'single stores' were finding it difficult to continue the manner in which they were earlier operating. It is not that it will happen just in the last few months, but it has been happening for I would say at least one-and-a-half years now. It is a gradual process. It cannot happen overnight. But what has happened is that the whole thing has got hastened because of the unfortunate COVID incident and the resistant lockdown the 'mom and pop stores' are finding it difficult to operate in the manner in which they use to earlier and market share has definitely shifted to the bigger and the more organized player. It's not just because of these impediments

but also the customers and the consumer trend is more aligned towards branded Jewellery. I think there is a clear shift where customers want to enjoy or want to avail or want to wear Jewellery which is from the bigger names which are branded. And this trend is visible in the smaller towns, the relatively smaller towns because the aspirations of those customers have come to the forefront and they are now willing and ready to what should I say experience the more well-known brands and also because of the reach. Most of the organized companies like TBZ or any other, they have been able to reach out to these markets which were the two slightly probably out of the reach or maybe not having enough focus. So that is also one of the reasons. So it's not just 'mom and pop shops' that is there of course but in a very different way the consumer sentiments, the market behavior the customer choice and preference everything has ensured that the organized sector has gained a substantial share.

Moderator: The next question is from the line of Ronak Kataria from Growth Financial Solutions. Please go ahead.

Ronak Kataria: I have a couple of questions, so firstly just wanted to ask, have we shut down any stores during this quarter, if yes how many and in which location? And secondly or what is your sales mix or break up between pure gold Jewellery and gold coins?

Saurav Banerjee: In terms of store closure yes, we have closed two stores. One was Jamnagar in Gujarat which was originally a franchise store and it was a very small store and because of personal reasons, family reasons the store had to close. That was at the franchise end. The other store that we have closed is Aundh in Pune. So, we do have stores in Pune, other stores that are operating in Pune and we decided to close this one store in Pune. So, these are two stores that we have closed in this quarter. Sorry, what was your next question?

Ronak Kataria: The sales mix between gold coins and pure gold Jewellery.

Saurav Banerjee: Gold is categorized in further buckets as well. We have gold coins, we have plain gold Jewellery and we have studded gold Jewellery and gold coin share is the lowest one. It will be in the range of about 4% to 5%, a maximum of 6%. Plain gold Jewellery in this quarter which is Quarter 2 has had the highest share in terms of sales or in terms of the demand from the customers which is about 65% to 70% and the balance is the studded gold Jewellery. This is the break-up.

Moderator: The next question is from the line of Roshni Devi from Cogencis Information Services. Please go ahead.

Roshni Devi: I just wanted to ask has the share of plain gold Jewellery increase from last year because you said it's 65% to 70% now, so how much was it during Q2 and H1 last year?

Saurav Banerjee: It has increased to a certain extent, last year the share was lower at about 50%-55%. This year we have seen particularly in Q2 we have seen a greater demand for plain gold Jewellery. And it has as I mentioned it is hovering around 70%.

Roshni Devi: Has there any similar change in the pattern for gold coins?

Saurav Banerjee: Gold coins, no, gold coins once upon a time about several years back the gold coin percentage used to be higher at about double-digit 10%-11%. But later, we have seen a shift in consumer pattern of buying and the mindset that earlier people used to buy gold coins from an investment point of view, not really from a Jewellery point of view. But the last few years have clearly shown us that consumers or customers are more interested in buying Jewellery for the purposes of buying and wearing Jewellery. It is a purpose-oriented mindset rather than an investment-oriented mindset. One can understand that and appreciate because after all its gold Jewellery, so if one were to invest whether it's gold or gold Jewellery it's one and the same thing, it's priced at the same level. Why not use it, wear it, feel happy about it and at the same time retain it. That is the shift that we have clearly seen. That is why the purchase of gold coins percentage has dropped from around 9%-10% to somewhere around 4% to 6%.

Moderator: The next question is from the line of Nilesh Gopani from Gopani Securities. Please go ahead.

Nilesh Gopani: What is the net debt of the company as on September '20?

Saurav Banerjee: It is around 472 crores.

Nilesh Gopani: One more question is about the controversy going around the brand ambassador of the company, so has it hurt any sentiment or brand image of the company?

Saurav Banerjee: No Madam.

Moderator: The next question is from the line of Minal Sabnis from Sabnis Financial. Please go ahead.

Minal Sabnis: I think last time on the Q1 call, you mentioned TBZ was thinking of expanding the online platform and gaining more market share or generating more revenue on that front. What is the update on that? I may have missed the answer if you have already answered this because I joined the call late.

Saurav Banerjee: No, let me answer you are not missed it. First is yes, I think it is much more visible and as a concerted focus, effort on the online platform. What we have done is primarily two things because the need of the hour was that, one is that it's being used for communicating effectively and constantly with the customers giving them assurances that they can continue to buy or they can continue to select or interact with TBZ frontline, the sales team and marketing team in their efforts to choose and buy Jewellery online. So, what we have done is we have established video conferencing facilities, booking appointments through the videos, the online

brochures, visiting a store online and having a look at the range of Jewellery that we have. And also the communication which is very important in today's time that safety is at the top of the mind of this company and anybody who wants to visit the store or who wants to buy Jewellery is assured that he or she is completely safe and there's no chance of getting infected by the virus. That was an important thing which we have achieved, and which has been very well appreciated by the customers of TBZ. The other thing that we have done which again has been successful is that we have completely automated or the KP process.

Minal Sabnis: What process?

Saurav Banerjee: Kalpavruksha scheme of buying Jewellery which is the EMI based theme of buying Jewellery.

Minal Sabnis: So that can be done online as well?

Saurav Banerjee: Yeah. Completely online, right from enrolling, paying your EMIs or looking at your balances, interacting with the frontline team and also once it matures then you can select your Jewellery online, you can discuss with the store staff and then you can decide what to buy.

Minal Sabnis: I have a minor doubt on that if I could interrupt you. You mentioned that the sales or display of Jewellery happens via video call or conferencing. So how does that take place? Is it an employ at the store showing the Jewellery as if I already sitting right in front of him at the store or is that there are a special catalogue and a special place somewhere where there are only dedicated employees doing only online display?

Saurav Banerjee: No, it is not like that. We do have a catalogue, as I said there is an online catalogue or a brochure which one can browse through. At the same as I said the stores have been opened from June onwards the stores are all open and our employees are there at the stores. They are operating from the stores. So, if somebody wants to interact with them, somebody wants to have a look at the Jewellery and that is also possible. So, these both the things that happened.

Minal Sabnis: That's what I was coming to because compared to other apparel or any other retail good Jewellery or gold, silver, diamonds expensive stuff, there is more friction into buying that online I believe. '

Saurav Banerjee: Yes.

Minal Sabnis: I am impressed by how you are overcoming this hurdle. My next question is on the similar lines because if you can overcome that hurdle effectively that you can display a gold on-screen instead of depending on a person travelling to the store and sitting in front of you. Then I think that can drive up to go to cost optimization. I think we have closed two stores in this quarter, so would you be open or planning to close a few more stores since this online traction is

generating well and that it can probably sustain beyond the pandemic scenario. So, what are your thoughts on that?

Saurav Banerjee: While I appreciate your question and also the thoughts that you've shared with us, as you rightly said that finally all said and done the preferred method of buying as far as the customer is concerned is to go through that look and feel kind of an experience and then buy Jewellery. We must remember that because of certain events that have happened in the recent past like the pandemic and the virus spreading rapidly and the danger of infection the company is found a way to deal with it. So, there was a problem, which was a kind of a hurdle. And the company has come out with a solution to overcome that hurdle and give this unique experience to the customers. So that is going to stay, and we shall try and improve upon that or our outreach on the digital platform will keep on increasing. However the traditional method of displaying and buying Jewellery where people come with the entire family, for example, if somebody is having a wedding, the tradition in India is that they all come to the store and they sit around, discuss among themselves and then they select whatever Jewellery they want to. It is like a team effort which happens. So that must be respected and that must be continued. When we close a store, we are not closing it because we want to go online. That is not the real reason for closing. We are closing a store because we may be looking at the economics of that store. The dynamics of that store whether it is required or whether there is any compelling reason for that store to be closed now. I think those are the real reasons, but it must be a really good mix. The traditional, the brick and mortar stores are there, and they will remain. And whenever we get an opportunity, we shall expand also on that line at the same time TBZ will make its presence...

Minal Sabnis: So just to add up add something here. Are we planning on these lines that if the customer cannot come to the store, are we taking the products to the customer so that we have a small skeleton or satellites sales staff who are available on call to take a certain amount of Jewellery to the customer's home and they can buy it on the spot themselves?

Saurav Banerjee: Yes, we are doing that. We are doing that. That is happening and that's...

Minal Sabnis: How is the response to that?

Binaisha Zaveri: I think it is good and so far, we have tried different strategies, they all worked out very well in our favor.

Moderator: As there are no further questions, I now hand the conference over to Ms Manasi Bodas for closing comments.

Manasi Bodas: Thank you, everyone, for joining us today for this call. In case of any further questions get in touch with us, our coordinates are provided in the presentation.

Moderator:

Thank you. On behalf of Tribhovandas Bhimji Zaveri that concludes this conference. Thank you for joining us and you may now disconnect your lines.