Tribhovandas Bhimji Zaveri Limited
Q4 FY 2019 Earnings Conference Call Transcript
May 16, 2019

Moderator: Good Evening, Ladies and Gentlemen, I am Tanvi, moderator for this conference. Welcome to the Q4 FY 2019 Earnings Conference Call of Tribhovandas Bhimji Zaveri Limited organized by Dickenson IR. At this moment, all participants are in 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 touchtone telephone. Please note that this conference is being recorded. I would now like to hand over the floor to Mr. Nilesh Dalvi. Over to you, sir. Thank you.

Nilesh Dalvi: Thank you, Tanvi**.** Good Evening, everyone. Let me welcome you all to the Earnings Call of Tribhovandas Bhimji Zaveri Limited for the Fourth Quarter and Full Financial Year 2018 - 2019.

Today, we have with us management represented by Ms. Binaisha Zaveri -- Wholetime 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 day 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 would like to welcome you all to the Earnings Call Tribhovandas Bhimji Zaveri Limited for the fourth quarter and full financial year 2018 - 2019.

The financial year 2018 - 2019 has been an eventful year for TBZ, as we expanded our presence and enter into key jewelry markets with our made-in stores in Noida, Ludhiana, Bengaluru, and Lucknow.

Traditionally these cities have been large jewelry markets and we have opened our own large format stores to cater to the diverse consumer demand in the city.

Further, these stores will also aid a hub-and-spoke model as we plan to add new stores in the nearby emerging Tier-I and Tier-II markets.

Overall, we added five new stores last year taking our total store count to 42 stores with a retail area of 1,23,219 square feet spread across 30 cities and 14 states may making TBZ - The Original a truly national jewelry brands. We remain committed to meeting my expansion targets of 1,50,000 square feet of retail area over the coming two years and further penetrate our current markets while entering new markets with high potential.

Coming to our fourth quarter performance, we witness a decline in sales on a year-on-year business primarily due to no contribution into Q4 from Gudi Padwa Festival, which occurred in April 2019 compared to March 2018.

Last year in the fourth quarter, we would also receive higher redemptions under the KP scheme compared to this year. Lower sales elevated operating and finance cost due to new store additions in the second-half of the year led to lower profitability. We are confident to perform better in the coming year as we see improved customer attraction in all our stores.

While we know that the new stores added last year will take the usual time to mature, since we saw our presence in larger jewelry market. We are hopeful of making meaningful contributions to our sales in the coming year.

With our continued efforts to strengthen TBZ brand recall and presence, we have been consistently investing in marketing activities. Recently we appointed Sara Ali Khan as TBZ's new brand ambassador. Sara Ali Khan will feature on several brand campaign endorsing TBZ original across India. We recently launched Sitara, an affordable jewelry collection range with Sara Ali Khan catering to today's modern women.

We have also launched Pretty Little Thing, a contemporary diamond jewelry collection for the millennial. Both of them receiving good response from customers.

The new financial year has begun on a positive note, with highly consumer demand in the month of April and May. With the continuing new store additions and marketing initiatives, we are confident of delivering and improved financial performance over the coming year.

Our major focuses will be on robust sales growth and keeping our operating expenses under strict controls.

I would now like to hand over the call to our CFO, Mr. Saurav Banerjee for a quick Q&A Session. Thank you.

Saurav Banerjee: Good Evening, everybody. We can begin the Q&A Session now.

Moderator: Thank you, sir. We will now begin with the Question-and-Answer Session. If you have questions please enter "*" and "1" on your touchtone telephone and wait for your turn to ask questions. If you would like to withdraw your request, you may do so by pressing "*" and "2". Participants you may enter "*" and "1" to ask a question. we will wait for question queue to assemble. We have first question from the line of Prasad Hajariwala, he is an individual investor. Please go ahead.

Prasad Hajariwala: So you have mentioned the reasons for lowest revenue,is no contribution from Gudi Padwa this year and it is falling in April I just want to know how much sale we generate on a single of Gudi Padwa ?

Saurav Banerjee: Yeah, I shall let you know, Gudi Padwa this year on a single day, we have done about Rs. 15 crores of sale.

Prasad Hajariwala: Last year, how much it was?

Saurav Banerjee: Last year it was a slightly lower number of around Rs. 13 crores.

Prasad Hajariwala: **W**e have a sales of around Rs. 30 crores, Another thing is we have added almost four stores since last year from April 2018 to January 2019, and we expanded 10,000 more square feet available for the sale . So according to me Gudi Padwa reason, Is not valid .

Saurav Banerjee: I am not sure if you are referring to the same store sales growth or not. But in case you are then the same store sales growth is defined as the existing earlier stores that we have had and without taking into consideration the new stores and the Gudi Padwa amount or reference is in connection with that. So when we compare apple-to-apple on a same store sales growth basis, if we were to you know, take a reference of the Gudi Padwa and do the necessary adjustments then actually from FY 2018 to FY 2019 there is a growth of 2.5% approximately on the same store sales growth. So what we are referring to…

Prasad Hajariwala: Do you have any franchise sale in last year in this quarter?

Saurav Banerjee: Yes, franchise stores are part of our stores, I mean, they are just franchise but overall they are part of our stores, no franchise stores have been added.

Prasad Hajariwala: So that is what I am asking that because we had a difference of Rs. 30 crores of sales, or difference from last year to this quarter, I am taking out this Rs. 15 crores out of this Gudi Padwa…

Saurav Banerjee: The last quarter to this quarter difference is Rs. 15 crores as far as I remember and know. Last year we had Rs. 433 crores, this year we have done Rs. 415 crores. So it is about Rs. 17 crores - Rs. 18 crores.

Prasad Hajariwala: Let us take out Rs. 15 crores sales of Gudi Padwa, So the number should at least match last year's revenue which increased our retail square foots,

Saurav Banerjee: Ye, so that is what we have said that there is impact of Gudi Padwa and also we talked about KP sales having been matured at that time. And these are the two reasons for which the sales to be lower. At the same time, we have also mentioned that same store sales growth has actually been higher by 2.5% which I just now described. So, when we are talking about store sales then we are referring to these two factors. If you are talking about company level sales, then there is a corporate sale which also is included, which is also a part of the total overall revenue. However, the corporate sales are dependent on orders which are placed with the company. Hence, there is no consistency that can be maintained. So since, they are order defined, it is likely to vary from time-to-time.

Prasad Hajariwala: Right. So is there any corporate sale incurred last year quarter?

Saurav Banerjee: Yes, every year there are corporate sales, in every quarter there are corporate sales, but as I said, they are not consistent, they are not like store sales because you do not have customer walking in, they are purely based on specific corporate orders that we may or may not receive.

Prasad Hajariwala: Okay. So on an average what kind of quantum per year?

Saurav Banerjee: It can range from anything between Rs. 70 crores to Rs. 100 crores.

Prasad Hajariwala: Okay. corporate sale means I did not understand to where we are selling it like a wholesale client?

Saurav Banerjee: Yes, we sell to corporates who place orders with us for gold coins and various similar products. They buy from us in bulk.

Prasad Hajariwala: Okay. All right. And last year you see very much focused on franchise, opening franchises, Which we have not seen any new franchise store has been open, What is your take on it?

Saurav Banerjee: Yes, the reason is that, as far as the focus is concerned and the intention that is fully there. However, if you look at the cities that wherein, we have opened a store and as we just mentioned, that the company thought it more prudent to open own stores in these cities. Most of them are absolutely brand new markets for us for example, be it Noida or Bengaluru (Bangalore) or Ludhiana or Lucknow, these are brand new markets for TBZ, brand new regions for TBZ and hence, it was thought prudent and right to open company owned stores initially. Later on, when we add more stores in the same region or the same state or nearby area, then those stores can be franchise stores or may not be but for those stores, the franchise stores will be more apt. So, the hub-and-spoke model will work fine and a franchise stores will get the support of a large flagship kind of store which the company has already opened in these new markets. So it was a clear strategy and that is why it was done that way.

Prasad Hajariwala: So this year we will see more franchise stores,?

Saurav Banerjee: We are likely to yes, we are likely to add more stores which will be a mix of franchise and company stores.

Prasad Hajariwala: So is there any target for revenue generation of at least upto two years what kind of revenue we can see. We are currently negative 1,600 to 1,800 in past 5 years, right. So there is no uptick in the same. Is there any target to improve the sales to more than Rs. 2,000 crores in next two years. Is there any internal target for the same?

Saurav Banerjee: No, certainly the company is driving for the goal and we are likely to achieve. So if we were to look at from a square feet point of view, there also is a target that we would like to reach around 150,000 square feet. In terms of revenue growth, if you were to ask me then most certainly we are looking at a minimum of 20% growth in this year and if we were to add new stores, then the contribution of those stores is also coming.

Prasad Hajariwala: So in the FY 2020, we can see 20% of growth in revenue?

Saurav Banerjee: Sorry, can you please repeat?

Prasad Hajariwala: In FY 2020 we can see 20% growth in revenue?

Saurav Banerjee: In this financial year, I am talking about this current financial year.

Prasad Hajariwala: So FY 2020, right? That is what I am asking. FY 2020, right?

Saurav Banerjee: Yes.

Prasad Hajariwala: So we can see 15% to 25% or 20% plus?

Saurav Banerjee: If you look at a range it can be 15% to 20%. But I think, we would be quite happy with 20%. But yes, I mean as a range 15% to 20%.

Prasad Hajariwala: Okay. Another question, how much is our advertisement cost last year?

Saurav Banerjee: Advertising cost is more or less in line with what happened last year. In terms of actual numbers it will be around Rs. 40 crores to Rs. 45 crores of advertising costs. Very similar advertising costs were incurred last year too. So we have kept it at the same level.

Prasad Hajariwala: And what about further plan like FY 2020 - FY 2021, will there be any increase into this cost or we are going to be in this range probably?

Saurav Banerjee: For current year, yes, we do have a budget for advertising and the manner in which we would like to spend it. Basically, the media vehicles that we prefer to spend it on. So there is definitely a budget. As a thumb rule, we have always said that is around 2% of the top-line. But again, as we all know, that it is more of a variable cost. And it depends on the market conditions, on the strategies that the company adopts. also the need of a particular specific time period, where in a certain kind of advertising or marketing campaign needs to be done. So because of these reasons, there is no fixed cost attached to it. And it is something which is more of a variable kind of cost

Prasad Hajariwala: There must be a range. Is the range is between 45,000 to 55,000?

Saurav Banerjee: Approximately in that region.

Moderator:: Thank you. We have the next question from the line of Rohith Potti from Marshmallow. Please go ahead.

Rohith Potti: So sir you have given it in the presentation itself that we have tripled our store size over the last 6 years, I believe. But over the same time period, it looks like the gulf between us and the market leader has just increased. Where do you think strategically and operationally the leader is ahead of us? And what do you think we need to do? So, I understand that we are doing the front as a hub-and-spoke model and we are increasing our store size, etc. But there is some difference if we are able to clock such tremendous growth in numbers while we have not been able to so far, could you…?

Saurav Banerjee: Yes, so, I will, probably restrict my discussion to what we are planning and what we are doing, while I am aware of what the market leader is doing but, you know, you will appreciate that I will not be able to comment much on that. But yes, as far as we are concerned we are completely focused on increasing the footfall. The customers that that walk into the store so the walk ins or footfalls as we call it and that is the basis of generation of revenue. We are focused on that we are doing whatever it takes in terms of communication with the customers, clear communication, not ambiguous communication, whether it is a tactical offer, or it is about our brand, or about our product or about our collection. That is what is the strategy, to communicate clearly to invite customers from all walks of life, a complete range of products to suit every pocket, not necessarily only the high ticket ones, but the low ticket everyday wear kind of jewelry and also the full range right up to the weddings, weddings collections that we have had all the time. We are communicating with customers who have been to TBZ loyal, communicating with customers who would like to you know, try out TBZ as a brand and also the uninitiated customers who are the first timers making a serious jewelry purchase. So, in this context, about we have also observed that once we are able to do that which we are doing then the conversion factor has always been a quite a strong point. So the selling skills of our frontline staff is adequate enough and expert enough to do a nice good conversion, we have a very high percentage, about 70% to 80% conversion ratio and which should give us the right kind of growth in terms of top-line. So I think that is, that is the focus area clearly, in terms of products also, as I said that we are focusing on the entire range, we do not want to be restricted to a particular category or to a particular region. That is why we have added new stores in new regions where we were hitherto not present. I would say a strategy to ensure that there is growth. We are adding stores which you can clearly see which should help us to increase the revenue numbers and also add number of customers who walk into the store. So I think these are the measures the right kind of inventory mix. Focus on ensuring that gold and diamond are both easily available greater focus maybe on diamond affordable diamond range of jewelry that we have introduced, various new collections that we have introduced recently. So all these measures have been taken to ensure that there is steady and more, I would say dynamic growth in terms of as far as TBZ is concerned.

Rohith Potti: Thank you for the answer, I have been following the business for the last two years - three years. We have been increasing the store count for quite a long time right now. But the revenue growth has not come so far. And on the expansion bid two questions, do you think is it reasonable to pause on the growth and focus on optimizing the stores that you have already set-up, number one on the store front. And second one, rather than go to locations where you have no presence, is it reasonable, using the capital to establish the hub-and-spoke model in the existing locations where you already have strong presence, which would provide brand awareness, provide more cash flows, which you can then take to new locations?

Saurav Banerjee: Yes, I have understood your point. So to answer the first one, if you look at over a larger horizon of four to five years, then I would say that we have been steady in increasing the store count. I would not say that we have been hurried into a store count or we have just added stores left, right, center. You will clearly observe that there is a very steady increase in number of stores. And it is only in this year if I may recall that we have added five new stores one after the other, which we thought was necessary to increase our footprint in the domestic market which promises a lot. The areas where we have gone, we are confident that we will be able to do well. Initially yes, every store takes whatever little bit of time to settle down. Even if we open new stores in markets where we are completely, well versed and present, it will still take a little bit of time for a new store to really settle down. So, for example, we have opened a new store in Pune, Pune is an existing market for us. We already had two stores in Pune. But the city has expanded beyond its original limits and it was found necessary to add a third store. So it is not that we are only looking at virgin markets from TBZ's point of view, we are also looking at markets where we are clearly present and there are opportunities there and we have that into consideration, you will find that we shall certainly be opening you know, few stores in, in markets in the western region or in the eastern region where we already have a few stores. So, so that is one. Secondly, we have observed from our experience, that hub-and-spoke model works well. And it also enables the franchise stores to be considered more positively. If we have a larger store, which is run by the company. The franchisees themselves prefer that if there is a larger flagship kind of store, it becomes easier for them to operate, so that I would say a better attraction from their point of view also. Sorry, what was your second question? If you can just…

Rohith Potti: So my second question was, if you basically leverage….

Saurav Banerjee: Yes, I think you were talking about consolidation of the existing stores…

Rohith Potti: Yes. So the growth in existing market?

Saurav Banerjee: Yes, absolutely. The point is well taken and it is already happening. So, the growth as I said, there are two ways to look at it. And that is what I was briefly explaining, same sales growth is a very good indicator. I am not saying that we have done exceptionally well on that front but at the same time, that is a very important focus area. So same store sales growth with will continuously ensure that we consolidate the markets wherein we are present, generate better cash flows, which can be used for further expansion. At the same time, it is important that one add new stores as I said that the domestic Indian market has a lot more to offer.

With the development of the Tier-II - Tier-III cities with the culture that prevails nowadays within the younger generation, the socio economic structure, we find that we can easily add new customers, aspirational players who are looking at big brands or you know well known brands will prefer to move away from mom and pop stores and become customers for the branded products. So I think that advantage should not be lost and that needs to be tapped and that is what we are aiming to do.

Rohith Potti: Okay, thank you. I understand what you mentioned so the reason I would like to hear your opinion on this particular point. from my understanding, the supplier in the south is doing quite well because he focused on one particular area where the brand is very well known. And because of stores are so close to each other the inventory which are slow moving can be transferred to the stores from where they can go. So, the brand travels better in the region where you are probably originating plus it allows for better inventory management leading to higher cash flows which probably then gives the used to slowly expand your existing geography with for TBZ in Maharashtra. So I mean in the next leg of growth that is coming, is the plan to grow in virgin geographies as you said, the problem with virgin geographies like Ludhiana and Bengaluru (Bangalore) and probably other geographies around Ludhiana, but if there is some jewelry which is not selling in Ludhiana, the logistic costs of taking it back and putting it another place and probably the jewelry might not travel to another state because the design is local to one place, all that creates, basically blocks the capital, which can be used in future. So, is the next leg of growth going to come in again in your virgin geographies or is it going to come in the existing hub stores that you had set up and basically spokes to that you are going to setup around.

Saurav Banerjee: Okay. So, yes, again I understand your point and it is a valid thing. What I would like to say is that yes, as far as adding more stores in the near future, we are already looking at areas where we are present. We are looking at,the greater part of Mumbai for example, Ahmedabad, (Kolkata) Calcutta these are all existing markets for us. Another one is Hyderabad. So, these are clearly existing markets for us where we think that we can add stores. At the same time, we will definitely continue to look at other areas, other markets, who have the necessary potential and you know, there is a point where certain things need to begin. So, when I open a store in Bengaluru (Bangalore) whether I open in this year or next year or 10 years down the line, it will be the first time for us. So there is always the first time and that needs to happen, every company with due respect, have their own strategies. If you look at TBZ, in a way, it is a regional player as well as a national player. So if you look at Maharashtra Gujarat, we are very-very regional and we have a fair number of stores in these two states, which is comparable to maybe you know, the company that you mentioned from south. At the same time, we are also a national player, like some of the other players who are doing very well on the national front. So right balance needs to be maintained and as I said, it is a business strategy. It is left to the companies, some companies saying that it is adequate enough to concentrate on a particular region and do well. In terms of logistics, it is a miniscule cost. And nowadays, as you know, it does not take too much time to move, you know, products or goods from one city to another. We also have regional hubs. And we also have, our supply chain manager from regional places, regional cities. So it is not necessary that everything needs to compulsorily come back to Mumbai or some such city, we can do it locally as well. So, I think you know, we are fairly conscious of this thing. And we are ensuring that time is not too much lost in, in transit as you were probably you know understanding.

Moderator: The next question is from the line of Anand Mundra from My Temple Capital**.** Please go ahead.

Anand Mundra: I wanted to basically understand how does our franchise model work like that we guarantee our franchise partners, how much ROE do they make or what is the margins that they get? Is the inventory from them? What is the breakeven time which we promise to them?

Saurav Banerjee: Okay, Mr. Anand and I will very briefly touch upon, you will appreciate we have spoken about this in the past and we are very happy to discuss it, you know maybe offline once again whenever you have the time most welcome. Very-very quickly. franchise model is an asset light model, which means that the inventory is completely purchased in advance through an advanced payment mode by the franchisees or investment in inventory and 50% of the CAPEX is done by the franchisee; 50% of the CAPEX is done by the company. Franchisee operates on a margin sharing model. So, whatever is the overall margin, it is a shared in a particular ratio with the franchise. All operating expenses, accepting advertising and marketing are catered to buy the franchisee for example, manpower cost or any other, admin, electricity, rent, etc. etc. advertising marketing being a corporate kind of overall national costs is owned by the company. All other costs are owned by the franchise. So, in brief that is how the franchise operates.

Anand Mundra: How much do they make on their equity what is their return on equity and I mean, how much is their breakeven time to become profitable?

Saurav Banerjee: Okay. So, in terms of the store profile, it is absolutely same as any other stores. So a company owned store and a franchise owned store profile wise, in terms of time, a gestation time, breakeven time, is exactly the same. No change from a customer's experience point of view absolutely the same, décor, everything else is the same. So other details as I said you know I would be happy to share when we meet or maybe on some other day, I just want to touch upon because this is a franchisee model. We have actually discussed many times and we will be happy to do that again you would appreciate if we can do it on another day.

Moderator: Thank you. The next question is from the line of Ibrahim Iqbal, individual investor. Please go ahead.

Ibrahim Iqbal: I wanted to know the inventory breakup between gold and diamonds in value and also volume, how many karats of diamond and the kilo tons of gold?

Saurav Banerjee: I can give you percentage break-up, I can share that with you. So let us say if the percentage break up will be about 60% - 40% kind of breakup, but you will appreciate that inventory is something which is movable, which does not stay at one place. So, depending on a particular season, a festival or the preference of a particular market, inventory levels will keep on changing within itself. So sometimes the diamond inventory may move up a little bit, gold inventory may move up at another time. But on an overall thumb rule kind of broad base, it is around 60 - 40 ratio.

Ibrahim Iqbal: 60 is your gold?

Ibrahim Iqbal: 60 in terms of value is your gold inventory?

Saurav Banerjee: Gold and 40 diamond. As I said it can be seen by 65 - 35; it can be 55 - 45 as the case may be depending on the time of the year.

Ibrahim Iqbal: Sir, how do you value the diamond inventory?

Saurav Banerjee: The diamond inventory is valued on specific cost and weighted average. So if it is a jewelry than its specific cost, if we lose diamond it is weighted average. Gold also is weighted average.

Ibrahim Iqbal: Weighted average, okay. Second is on your ad expenses. So, this year, you have spend close to 2.2% of the top-line rate on ads, right, which is close to Rs. 40 crores So, I just wanted to understand what all mediums do you employ in terms of allocating this sum to advertisements, where all due is pending.

Saurav Banerjee: Yes, understand. So the media spending that we normally use most print and outdoor, we also use TV quite a bit as and when we think that it is required for example, last year we have done TV but this year, maybe we will not do that much of TV so. So it depends on again, you know, what we think is the best media vehicle for that particular campaign or for that particular time period. But in terms of space, yes, used print, which is one of the major media vehicles that we use, outdoor again is a major one. We use TV very specifically from time to time. We use radio for the surround effect all through the year. And we use the internet to a certain extent and we do a lot of BTL activities, which are very specific to customer basis or groups of customers. So that also is part of our marketing campaign. So very recently we have…

Ibrahim Iqbal: Okay. In terms of value how much did you spend on print and TV in this year?

Saurav Banerjee: Print and outdoor will be the largest percentage I do not have the exact number right now. But you can say that the larger percentages will be print followed by outdoor followed by TV when we use it, of course, it is a very expensive medium and then radio and the rest of it more or less in that order.

Ibrahim Iqbal: Okay. And sir, this year, what are you planning to spend on and advertisements?

Saurav Banerjee: So, you know, one thing that I would like to mention Is that we have brought Sara Ali Khan on board for our campaign very recently and we have signed her for campaign for TBZ for some collections and also for very specific advertising campaigns for collections like Sitara and various other collections that we have launched. It is a brand building as well as collection oriented steps that we have taken. And we are very hopeful that with her coming on board and representing TBZ, we think that it will do a world of good in terms of the marketing campaigns and the message that goes out to the customers and the connect that there is with this celebrity.

Ibrahim Iqbal: Okay. Sir, this year you mentioned you open five new stores, right? So I just wanted to know if they are your company owned stores or they are franchise ? The break up between company and franchise?

Saurav Banerjee: All of them are company on stores, the five stores that we have opened are all company owned stores.

Ibrahim Iqbal: And sir, what does the CAPEX for these five stores?

Saurav Banerjee: Per store CAPEX will be around Rs. 1 crores to Rs. 1.5 crores approximately on an average. Depending on the size of the store again, it is completely dependent on size. So if it is a large format store, it is about Rs. 1.5 crores may go up to Rs. 2 crores and if it is a small format store, then around Rs. 1 crores - Rs. 1.2 crores something like that.

Ibrahim Iqbal: Okay. And sir, what is the payback period which you have internal target for these five stores, in general what is your payback periods in terms of targets?

Saurav Banerjee: You know I would say that in terms of breakeven, cash breakeven is around, nine months to one-year time and then onwards, we look at a store. A store maturity, generally takes about 3 years, 2.5 years to 3 years’ time.

Ibrahim Iqbal: And sir, how do you define maturity, sir?

Saurav Banerjee: Maturity when it starts performing to its optimum capacity? That is what I would say that is how we would define a store which is completely mature and settled down.

Ibrahim Iqbal: Do you have a target like inventory turns?

Saurav Banerjee: We have an inventory turn. So in terms of gold we have an inventory turn of around 3; then in turns of diamond over 1; and if you look at blended turn around 2. So these are the turns that the company looks at.

Moderator: Thank you. The next question is from the line of Abhishek Jain from BP Equities. Please go ahead.

Abhishek Jain: Actually, I have joined late, so if you have answered, you can repeat. Sir, one thing I want to understand is basically what should be the driver for a company like us to go ahead because when we see our competitors are growing by 20% - 25% - 15% jewelry growth. And we are just kind of flat kind of taking in terms of SSG also. How you see going forward our strategy should be the kind of brand we are having and how we are going to leverage to attract young customers? Because what I see low-end jewelry we are still struggling. And second, sir, what is the online platform? And third thing, we have been associated with one of the movies So, what is it a one-time cost and it is going to come in Q1 or it was there in Q4?

Saurav Banerjee: So the first thing is that actually I spoken about it but I will quickly repeat. The focus is on growing the customer base through the process of walk in generation. So basically the communication from the advertising, marketing strategy through which we communicate to the customers to come to the store. One is that the TBZ the brand itself is very strong brand. Second is that the design differentiation that we offer, which is in comparison to the other competitors. The third is obviously the trust they can put on a brand like TBZ which is, which is having a great legacy. The fourth is that the range of products to suit every pocket, whether it is somebody who has just started earning or just started doing some kind of job or somebody who is well settled in life or somebody who is buying something for their next generation. So it is for all generations, the age group can begin from say 20 odd and go up to whichever age one can think of. So I think full range no ambiguous statements, direct communication be it an offer, be it a collection, be it promise and direct communication to customers. What we say is what we offer that is that is the motto. walk into the store, like a product, buy it and go home. And I think that is what works. That is what we are focusing on. You have already seen that we are adding stores so the geographical growth will come from that, new markets will come from that. We have tried out several things to attract the younger generation . For example, we have introduced products collections like Pretty Little Things, we have talked about affordable diamond jewelry, We have talked about Sara Ali Khan, who has come on board, who represents the new generation. We have talked about having mall stores which are primarily having, small ticket daily wear diamond item. So it is focusing on the impulsive purchase. So I think, we are doing various things to attract the younger generation, keeping in mind that our strength, our inherent strength of wedding collections also. So we are not losing focus on that. That is how I think we will be able to grow further from where we are today. In terms of specific you had asked about movie, yes, there was a tie up with movie called Kalank, which was very recently released. The cost of which was incurred for the tie-up has already been spent and has been accounted for in the year gone by in the last financial year.

Abhishek Jain: Okay. One more thing, sir, what we are doing to increase our online presence or are we doing something because when we see our competitor, they are doing CaratLane and other things right now? what is our status? And second sir, and I have understood your thing, I am just trying to understand what can be the key driver which can attract the younger generation to our brand because in the legacy, we have very good clientele. Because now what I see is basically the young generation who is going to have the easy diamond low-ticket item and here the brand recognition or maybe like you need to have some kind of trust so what you are doing which makes young generation enter into your store right now?

Saurav Banerjee: Yes. So it is basically communication, we need to communicate which is what we are doing, unless we communicate we will not be able to reach out to the younger generation which is what we are doing, whether it is through the advertising marketing platform or through the kind of products that we are offering or through the price points that we are offering today, through the collections we are offering today through the representation that we have now on board in terms of young celebrity likes our Sara Ali Khan. I think, these are all very clear indicators where we as a company or as a brand, we are reaching out to younger customers. You talked about online presence, we are present online although that is not a very huge or very significant area of revenue generation for us. But we are present on the marketplace online platforms. And we do sell range of products from there. We may wish to enhance our presence in the near future. CaratLane, I am not sure because they are now opening brick and mortar stores. So, I do not know what indications they are giving but whatever it may be there strategy. That is up to them.

Moderator: Thank you. We have a question from the line of Abhishek Jain from BP Equities. Please go ahead.

Abhishek Jain: Okay, just a last question, what will be our long-term margin? Right now, our gross margins are around 14% and EBITDA margin is around 4%. How you manage envisage in longer period of time, what should be the sustainable EBITDA margin going forward? Second thing, when we see the diamond as a percentage of jewelry has reduce on Y-o-Y basis, which is I believe we have impacted some kind of rough margin. So what should be share of diamond jewelry going forward, what you see going forward? And SSG growth, how to bring back SSG growth?

Saurav Banerjee: Yes, so SSG growth actually I touched upon in fair amount of detail. But I will answer the GP margin and EBITDA question first. In terms of sustainable margin gross profits angles, yes, currently we are at 14 odd and I think we are looking at 15 plus to begin with, you know one at a time. So, I would not say 17 - 18 and all that. I would say that the first step for us is to be at say around 15.5 or so, and if we can do that will itself make a very huge significant difference. And then we can look at strategies to move on from there towards 16% - 17%. Similarly, once the GP margin moves to those percentages, the EBITDA margins is are also likely to shift primarily because most of the operating expenses are fixed in nature accepting the marketing advertising costs. So we will probably be looking at 5.5 odd percent in EBITDA. And we will be probably aiming at 6% but to begin with again 5.5% is what we are looking at. In terms of I think these as far as margins are concerned, I would like to say this and what else was your question? Yes, diamond. So yes, we have also observed that, yes, the product mix between gold and diamond has been slightly skewed towards gold. But again, you know, it is a market thing. It is not that, we consciously move towards gold or something like that we have had a fair amount of diamond sales. In terms of percentage, I would say we have had 76 - 24; 75 - 25 kind of percentages for a fairly long period of time in the recent past. But very recently, we have seen that there is a shift, maybe because of certain reasons, customers sometimes, you know, buy things which suits their tastes and preferences. It is not a permanent thing. It is a moving thing. And it is a temporary thing. It just happens that way, there are markets which prefer gold and maybe those markets have been much more active than markets where diamond. were generally active in the early years. So, it is a short-term phenomenon and I think it will again start moving it keeps on moving that way. So, I would not suggest that we look at you know from a product mix point of view would not suggest to look at a quarterly kind of a number or we should look at a more yearly and longer-term number.

Abhishek Jain: Two more questions. Sir, how much time will it take each as we have added five new stores in FY 2019. How much time will take one store to get into breakeven? Second…

Saurav Banerjee: So as I said is about 8 months to 12 months in that range.

Abhishek Jain: Okay. And second, how much is the consumer spending going on in the present cities we are doing right now and how the recent Gudi Padwa and Akshaya Tritiya sales were there?

Saurav Banerjee: Yes. So, in both, the festivities, I think the visitors are quite well Akshaya Tritiya. Very particularly we have demonstrated almost 30% growth from last year. So it is very heartening. In that sense both the festivals have gone well for most particularly Akshaya Tritiya which is a more national kind of festival day, so that did well and that is a good beginning for the new financial year.

Abhishek Jain: How is the consumer behavior right now? are people spending ?

Saurav Banerjee I think, again, if we look at very short-term time trends then it is very difficult to say if you look at Akshaya Tritiya, we have sold more than Rs. 50 crores on a single day. So, again, if we look at those numbers, then I suppose the consumers are really spending. you can see across the industry, there are large buying which is happening. I have just now shared a fairly, important number with you. So, yes, the spends are happening. But one cannot say that every 12 months the spends will be same,

Abhishek Jain: Okay, one more question, sir, the finance cost has increased this year right now from 7.9% from 7.1%, what should be the sustainable finance costs going forward, sir?

Saurav Banerjee: This year, as we have already spoken, we have added several stores and naturally the investment in inventory has to come out from somewhere and two avenues are either we carve out from our own existing inventory or we fall back on the on the limits that we have and then we utilize this. So, utilization of limits has been higher for a longer period of time. That coupled with slightly higher interest rates, which we have had to bear has led to a higher finance costs this year. In terms of cost of debt, blended cost of debt, I think has also gone up from around 7.1 earlier to about 7.8 - 7.9, so which is which is a good jump. In terms of actual numbers I think it is about Rs. 7 crores increase for the full year. So, this will of course start coming down once the store starts stabilizing and the cash flow start getting better generated, faster generated from these stores. Definitely the finance costs should start coming down to a certain extent.

Moderator: Thank you. The next question is from the line of Rahul Jagwani from SKS Capital. Please go ahead.

Rahul Jagwani: Yes. Sir, I just want to check where are these higher salaries payable to promoters. I mean, last year, we have got some resolution. I just wanted clarification on that.

Saurav Banerjee: Yes, so as I have explained earlier last year and later also that these are just enabling resolution and they are dependent on certain percentage or certain levels of profitability. So they will be enabled only when those profitability are reached. Once again, I repeat that we will just be enabled, which does not mean that they are payable, they will just be enabled theoretically. So, the manner in which it operates is that there are requirements as per regulations and laws that we need to pass resolutions as when the time comes on an appropriate time and take necessary approval from the shareholders which has to be done.

so these are regulatory requirements, which need to be followed. But that does not mean that those salaries are actually being paid.

Rahul Jagwani: Okay. And that is applicable for the 20%. commission also.

Saurav Banerjee: Yes, that is applicable to every single payment that which has got a particular regulation and section that is followed. And the secretarial team ensures that, you know, we are not out of those regulations at any given point of time.

Rahul Jagwani: Okay. And just one more question. Earlier you were targeting 20% revenue growth this year. so what makes you suddenly so confident ? What has changed?

Saurav Banerjee: So it is a continuous effort to ensure that you know there is a revenue growth as I explained to you over this call for the last half an hour or so, that you know, we have taken several steps, which we think that are the right steps to ensure that there will be a same store sales growth which will be a higher and a more attractive percentage than what it is today. And also, we have added new stores. So those new stores will start contributing plus we shall be adding further new stores as and when the time appropriate time comes. So these three broad based, I am saying that these three measure should definitely contribute to a revenue growth.

Rahul Jagwani: Sir, these new stores had a cash breakeven of one year ensuring that the SSG reported being better based on the new stores we probably would have opened two years ago or something?

Saurav Banerjee: No, the new open this year, the first new store, which was Noida was opened in the month of August. And then and in fact, some of the stores.

Rahul Jagwani: No, I am talking about new stores which probably would have been opened two years ago should have contributed better right by now.

Saurav Banerjee: No, there were no new stores. There were franchisee stores which were opened earlier. But yeah, so only one store or two stores were opened and mostly franchise stores.

Moderator: Thank you. That was the last question of this session. I now hand the floor over to Mr. Nilesh Dalvi for closing comments. Please go ahead.

Nilesh Dalvi: Yes, thank you, everyone, for joining us today for this call. In case of any further questions, you can get in touch with us, write back to us. Our coordinates are provided in the presentation. Good evening and thank you.

Moderator: Thank you. We conclude this conference. Thank you for joining us and you may now disconnect your lines.