Tribhovandas Bhimji Zaveri Limited
Q4 FY15 Results Conference Call"
May 14, 2015

Moderator: Good evening, ladies and gentlemen. I am Lizanne, the moderator for this conference. Welcome to Fourth Quarter FY15 Results Conference Call of Tribhovandas Bhimji Zaveri Limited organized by Dickenson Seagull IR. At this moment all participants are in the listen-only mode later we will conduct a question and answer session at that time if you have a question, please press '*' and '0' on your telephone keypad. Please note this conference is recorded. I would now like to hand the floor over to Mr. Nilesh Dalvi. Thank you and over to you, sir.

Nilesh Dalvi: Good evening everyone. On behalf of Dickenson Seagull IR let me welcome you all to the Earnings Call of Tribhovandas Bhimji Zaveri Limited for the fourth quarter and full year Financial Year 2015. Today we have with us from the management Mr. Shrikant Zaveri – Chairman & Managing Director; Mr. Prem Hinduja – Chief Executive Officer; Mr. Saurav Banerjee – Chief Finance Officer and Mr. Divyesh Shah – Head Retail Business. Before we get started I would like to remind you all that our remarks today might include forward-looking statements and actual results might differ materially from those contemplated by these statements. Any forward-looking statements that we make on this call 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. Now I would like to invite Mr. Zaveri to make his opening remarks. Over to you, sir.

Shrikant Zaveri: Thank you, Nilesh. Good evening everyone. Dear investors, I take this opportunity to thank everyone present here today for taking time out and joining us for our fourth quarter and full year FY15 results conference call. At the outset we are happy to inform you that our board of directors have recommended a dividend of Rs. 1 per equity share of Rs. 10 each translated into a total dividend of Rs. 66.7 million or a dividend payout of 26% during FY15 with a reported PAT of Rs. 260 million.

Financial year 2015 was an eventful one for the Indian economy. The new government initiated several key policies, measures and reforms to accelerate growth and overcome structural bottlenecks in the economy. Revival of growth, lower oil prices and stable Indian Rupees, lower headline inflation and efficient control over current account deficit and Fiscal deficit were some key positives for the year. With these macroeconomic tailwinds in place we hope to see a strong pickup in consumer discretionary demand in FY 2016.

Talking specifically about the fourth quarter of the year we witnessed sustained sales momentum which has gained traction during the third quarter. The onset of the wedding season in November 2014 and an improved YoY performance on auspicious occasions enabled us to maintain healthy sales at the TBZ stores. We hope to see an improved performance in the coming quarters backed by several macroeconomic positives as mentioned earlier and industry tailwinds in the form of the removal of 80-20 regulations, reinstatement of gold metal loans and improving consumer sentiments.

Going forward with improving customer demand, easing of gold supplies and availability of gold metal loan the company is committed towards expanding its physical presence and reach pan India. Going forward the company is in the process of adopting an asset light franchise model for the store expansion. This will be executed by partnering strategically with capable and passionate entrepreneurs who will uphold the reputation and trust of the TBZ brand. Furthermore the company is also venturing into the e-commerce model and will focus on building and enhancing its online presence by collaborating with the country's leading e-commerce portals.

This model provides us with the global platform to showcase our jewellery designs and capitalize on the enormous potential that the rapidly growing e-commerce market has to offer. With this I would like to handover the call to Mr. Prem Hinduja, our CEO, to brief you on the financial and operational highlights for this quarter. Thank you, all.

Prem Hinduja: Thank you and good afternoon friends. I will just begin first with the key highlights on the operational performance of the company for the quarter and full year. For this quarter the company has done a turnover of Rs. 463 crores as compared to Rs. 445 crores during the corresponding quarter last year; a jump of 4%. The gross profit has been Rs. 64.67 crores which is 14.0% of the topline as compared to Rs. 66.44 crores for Q4 of FY14 which was 14.9%.

The adjusted EBITDA have been Rs. 30 crores for this quarter which is 6.5% as compared to adjusted EBITDA of Rs. 32 crores in last quarter of last year which was 7.2%. The PAT is Rs. 18.5 crores which is 4.0% of the topline and the corresponding PAT for the quarter last year was Rs. 11.7 crores which was 2.6% of the topline. Now coming to the full year performance the topline for the full year has been Rs. 1,934 crores as compared to Rs. 1,818 crores for FY14 a jump of 6.4%. The gross profit has been Rs. 267.8 crores which is 13.8% of the topline as compared to Rs. 308.5 crores for FY14 which was 16.9% of the topline.

The adjusted EBITDA is Rs. 83 crores which is 4.3% of the topline for this year as compared to Rs. 133 crores which is 7.3% as of last year. The PAT is Rs. 26.0 crores for this year which is 1.4% of the sales as compared to Rs. 55.1 crores which was there last year which was 3.0% of the topline. Coming to the balance sheet the shareholder's funds are Rs. 465.6 crores for this year end as compared to Rs. 447.6 crores last year. The loan funds are Rs. 578.7 crores for this year as compared to Rs. 568.0 crores last year and the total source of funds is Rs. 1,047 crores as compared to Rs. 1,022 crores last year. The net block has increased from Rs. 95.6 crores to Rs. 109.3 crores and the inventory which was Rs. 1,111 crores last year is Rs. 1,113 crores this year. The total net current asset is Rs. 921.7 crores as compared to Rs. 904.7 crores last year.

With this I thank you all and leave the floor open for question and answer session.

Moderator: Thank you. We will now begin the question and answer session. The first question is from the line of Aniruddha Joshi from ICICI Securities. Please go ahead.

Aniruddha Joshi: Just wanted to check with you what is the SSG for Q4 and also what is the inventory on lease at the end of March quarter?

Prem Hinduja: The inventory on lease as of March quarter end was 51% of the inventory. As of now that percentage has increased to 55% and gradually this percentage of gold on lease will keep on increasing and hopefully in the next two quarters we should be fully on gold on lease except old gold so there will be no need of hedging any portion of our inventory on the MCX. Now as far as the SSG is concerned I will hand over to my colleague to answer this.

Divyesh Shah: I think it is good news for the company and probably for all of us that company has witnessed double digit volume growth in fourth quarter following the third quarter. So our volume growth for gold jewellery has been 15% and diamond jewellery 14% on year-over-year basis. Last year we were little tactical to achieve the overall volume growth; this year without being tactical we have achieved a volume growth of double digits in both gold and diamond jewellery. Gold coin is still under depression so I have seen a negative growth of about 7%.

Aniruddha Joshi: Gold coin is minus 7%; gold jewellery is 14% revenue growth?

Divyesh Shah: Yes. Diamond jewellery is 14% volume growth.

Aniruddha Joshi: These are the volume growth rates. Can you also indicate the SSG in volume as well as value for Q4?

Divyesh Shah: I am talking about Q4 only so volume I have already told you because of which gold price is lower by about 11% compared to the previous quarter of 2014. The value growth in gold is about 4% and diamond is about 13%.

Aniruddha Joshi: And just wanted to check with you what is the tax rate for FY16 that we are looking at?

Prem Hinduja: The tax rate will remain the same because this is a full taxpaying company so it will remain the same. Normally one third of our profit is go in tax.

Moderator: Thank you. The next question is from the line of Rahul Agarwal from VEC Investments. Please go ahead.

Rahul Agarwal: I had a question on the gross margin. If you could give a direction as in over last 5 years we have seen considerable drop in gross margin and EBITDA margins. If we look at 3 to 5 year picture can you draw down certain specific reasons why are the gross margins not improving even after you are seeing a healthy volume growth? Last quarter you mentioned you had certain discount schemes because of which the gross margin corrected but if you could help us understand FY17-18 view, how do you expect the business to do well in terms of margins from here on?

Prem Hinduja: Gross margin is basically a function two. One is of course the level of discounting which you just mentioned and last two years we have been seeing things pretty bad so we had to do discounting. And this last year the first two quarters were pretty bad. Now if you see the third quarter onwards there is an improvement particularly in the discretionary portion of the demand. So the level of discounting kept on reducing so when we held the blended gross margin of 13% in Q1 and Q2 of Fiscal 15 that improved to 14% in the last two quarters. And the second function is of course the product mix because normally diamond jewellery gives almost 3X the gross margin what you get on gold.

So the more we increase the percentage of diamond jewellery sales which is the focus of the company going forward that will also help us in improving the blended gross margins. As far as to specifically answer your question as to how the company looks going forward, the company is working on both the fronts. One is of course the external macro factors which we have seen of the demand reviving which means the need for discounting will keep on reducing over a period of time. And given next two to three quarters we can see that the level of discounting should come back to normal.

And as far as improving the product mix is concerned and focusing more on diamond jewellery sales this effort is also continued on the part of the company and that will also help us to improve the overall gross margins of the company. So both these factors are positive going forward and I think we should see normal gross margin level very soon in the near future.

Rahul Agarwal: So to take this question forward has the discounting stopped or is it relatively lower like say second half of FY15 versus first half of FY15?

Prem Hinduja: I think of course on quarter-on-quarter you have seen the gross margin improved so that shows that the discount has reduced and hopefully we believe that now the discretionary spent has bounced back and the growth is restored. Probably going forward also there is a plan to reduce the discount further. So definitely we are looking forward for improvement in the gross margin and probably over next couple quarters we believe that we will reach to that same old age margin which we have seen in the past.

Rahul Agarwal: Why I was bit concerned here is because third quarter there was a significant recovery in gross margins but again fourth quarter there is a 40 bps drop. Now I understand your fourth quarter diamond sale mix is a bit lower but if I look at diamond and gold sales mix, you have sold more diamond jewellery versus gold year-on-year for the entire year. So how does that explain the drop in gross margin on year-on-year?

Prem Hinduja: Probably we were very much aggressive on discounts because what we have understood is that if natural footfalls growth is not coming to the store, then discounting becomes necessary. However, we have now reduced the overall discount percentage and we have no plans to offer more aggressive discounts or reduce our making charges going forward. So we believe that the margins will restore and probably next couple of quarters you will see that impact.

Rahul Agarwal: So essentially when we had an era wherein we were doing about 18% to 19% that is what is the intention of the company to go?

Prem Hinduja: That is what the intention and target is internally.

Moderator: Thank you. The next question is from the line of Palani C from Florintree Advisors. Please go ahead.

Palani C: So in terms of your store expansion I recall that you had quite a big plan earlier then somewhere around the last 18 months because of the gold restrictions and lower consumer demand you had sort of reduced it down. Now that you are seeing growth coming back would you be able to put in an exact timeline? I know that you are targeting something like 20,000 square feet a year for three year. Can you put an exact timeline to whether you are ready roll it out immediately going forward or whether you are still waiting and watching?

Prem Hinduja: No, are not still waiting and watching and basically now most of the headwinds are gone as we just mentioned. So we are very much on with our plans and we are committed to 150,000 square feet in the next 3 years which means approximately 20,000 square feet every year. So from now onwards and this will be again a mix of both predominantly franchise stores which is an asset light model where the inventory will be on the book of the franchise which will help us grow faster without putting much pressure on the capital requirements of the company. So we are very much committed and we have moved forward quite a bit on the franchise model. So I think we should see visibility on the ground in the very near future. Of course we cannot tell you the exact dates because of SEBI restrictions but I can assure that you will see that visibility very soon. And we have gone quite far ahead in communicating with the potential franchisees, meeting them and coming to some sort of understanding. So I think if not this quarter, in the next quarter you should certainly see our stores very much on the ground both franchise as well as company owned stores.

Palani C: Sir, how has been the response from the franchisees itself considering that it is a recent thing that you have launched?

Prem Hinduja: The response is very good. In fact to just take you back when we put an ad about two months back we had more than 600 enquiries and then we went through a filtering process with the help of E&Y who was helping us in this whole process and we filtered it down to about 60. Now basically we just require 6 franchises every year which means 18 franchises for the next 3 years and we have a plate of about 60 potential franchises waiting for us and we are interviewing each one of them; meeting them individually and again of course after further filtering down the number will come down.

The response has been very, very good for the simple reason that all these people want to get associated with this brand and they see lot of advantage for being associated with this particular brand. And in fact the response has been so overwhelming that we ourselves initially were taken a back to the fantastic response we have got.

Moderator: Thank you. The next question is from the line of Rahul Metkar from Marwadi Shares & Finance. Please go ahead.

Rahul Metkar: Sir, currently about 51% of your inventory is gold on lease. Now if you could give the breakup of the rest in terms of say exchange of old jewellery and purchase from bullion traders?

Prem Hinduja: Basically 28% as of now is the exchange of old jewellery.

Rahul Metkar: Sir, does this exchange happen at market price or at a discount?

Prem Hinduja: If they exchange the jewellery it is at market price for the gold content and of course the customer loses on the making charges. But then we also levy 5% service charges.

Rahul Metkar: And sir, when you are purchasing from bullion traders is there any premium or sort of markup that you have to pay to the bullion trader vis-à-vis the gold price from MCX?

Prem Hinduja: No, the premium has altogether disappeared; there was some sort of premium prevailing at the time when the 80:20 was enforced. Now that the 80:20 is not there, there is a free flow of gold available and secondly, we have stopped buying from bullion traders altogether. Now we only process from banks or it is the old gold which we get in the exchange. These are the only two sources which we are tapping.

Rahul Metkar: So about the rest 20% that you are sourcing say apart from the exchange that is primarily from banks?

Prem Hinduja: It is primarily from banks.

Rahul Metkar: And there is no margin that the bank charges?

Prem Hinduja: Absolutely, see because the question of premium arose when there was a demand and supply mismatch which does not exist now.

Rahul Metkar: So it is primarily at the rate of MCX gold price?

Prem Hinduja: Yes, it is more or less.

Rahul Metkar: Sir, if you can share the broad making charges that you paid to your vendors on your gold jewellery?

Divyesh Shah: Basically we do not share the cost structure and all the other things.

Rahul Metkar: A broad range?

Divyesh Shah: See our minimum making charges start from 10% of the gold price to 35% of the gold price. Our average making charges what we realize selling gold jewellery is about 18% to 19% of the gold price.

Rahul Metkar: That is what you charge to your customers?

Divyesh Shah: Right.

Rahul Metkar: I want to understand what could be the range that you would be paid to your vendors?

Divyesh Shah: I am sorry Rahul, probably we will not be able to share that with you.

Rahul Metkar: Sir, my next question is since you do mark-to-market on the gold lease so say whatever inventory of gold that is there as on date as in March so if we just divide by the gold price then we should be able to get the quantum of gold in grams, right?

Prem Hinduja: Yeah, roughly. But basically the mark-to-market is always about 110% of that because the collateral which one provides through the bank is 110% of the value of gold.

Rahul Metkar: And sir, since you follow a weighted average method for your gold inventory valuation how does gold lease impact your weighted average calculation?

Prem Hinduja: See basically the value of the gold is always taken into account in the inventory and like normal purchase it is factored into when calculating the weighted average.

Rahul Metkar: I think you are including the gold lease inventory in your weighted average calculations?

Prem Hinduja: Obviously we have to because on the other side of the balance sheet we are also showing it as part of our liability.

Rahul Metkar: No, but since you are doing a mark-to-market how do you mark-to-market daily?

Prem Hinduja: See mark-to-market daily is only for the purposes of bank. So when you are offering them say a collateral in the form of a bank guarantee that bank guarantee has either to be moved upwards or move downwards but the actual calculation comes in is figured only when you convert that loan into a purchase.

Rahul Metkar: So only when it is converted into a purchase is when it is incorporated in our weighted average calculations?

Prem Hinduja: Yes, it is originally calculated and it gets adjusted only at the time of the final purchase.

Moderator: Thank you. The next question is from the line of Amit Mantri from Hornbill Capital. Please go ahead.

Amit Mantri: My question was to try and understand the impact to the PAN card disclosure norms on both the company and overall industry, what are your thoughts on that?

Prem Hinduja: See as far as the PAN card norms are concerned we are waiting for the final details to come. Now as far as the impact is concerned let me tell you one thing that our average ticket size for gold is less than a lakh even as of today and for diamond it is little more than a lakh. So going forward of course the endeavor of the company will be to also try and see the diamond part where we can focus more on everyday wear and all that where ticket size is slightly less than one lakh. And let me also tell you one more thing that even when 5 lakhs PAN card limit was started, there was an initial pain but later it got settled down.

So even in this case if and when it is imposed in what terms and conditions it is going to be imposed, we are not yet aware until the rules are framed and they are brought off. If and when it is imposed there could be some initial challenges but yes, over a period of time it will settle down. Number two; let me also tell you that even amongst our existing customer base the moment towards purchase through the plastic card is increasing. Earlier our average purchase from plastic card used to be 16% which has moved up to 18% last year and in the month of April this year it has touched 25%. So this shows an indication that the consumers themselves without anybody telling them are becoming more and more conscious and they are ready to use the official means of making purchases which is a very big booster for players like us who want to remain above board and follow all the norms and rules and regulations.

Amit Mantri: And what portion of sales above Rs. 1 lakh would be cash based and what would be card based?

Prem Hinduja: Roughly at present about 48% is above Rs. 1 lakh but then again that will also include the Rs. 5 lakhs threshold which we have as I have mentioned that the PAN card is already compulsory about two years back.

Amit Mantri: So above Rs. 5 lakhs would be how much and above Rs. 1 lakh to Rs. 5 lakhs?

Divyesh Shah: I think the numbers are not upfrontly ready so probably right now all those details we will not be able to tell you upfrontly. Probably we will take your query off the call.

Moderator: Thank you. The next question is from the line of Poorna Venkatesan from Jefferies. Please go ahead.

Poorna Venkatesan: Can you provide us an update on the installment scheme and also if you could tell us what is the impact on sales that you are seeing?

Prem Hinduja: See the installment scheme which we had earlier was stopped last year because of the compulsions of the new companies bill and of course that did had an impact both in terms of sales and cashflows because there was an outflow of redemptions during last year and the closing balance as of 31st March was about Rs. 61 crores. So we have re-launched the scheme this year taking into account the new rules and regulations and the new scheme is of course 9 months plus the bonus of 0.75 months and I think we should see the sales impact coming in somewhere at the fag-end of the fourth quarter of FY16.

Moderator: Thank you. The next question is from the line of Harit Kapoor from IDFC Securities. Please go ahead.

Harit Kapoor: I just had few questions. Just wanted to know your same store sales growth in FY15 has been about 4%. Just wanted to understand from a demand perspective firstly, how April and May have panned out how Akshaya Tritiya has been for you? And secondly, what is your outlook on same store sales growth for FY16?

Divyesh Shah: Hi, this is Divyesh here. I think it is too early to talk about the whole year but let me tell you like 4% is the value growth but volume growth was in double digits and I think gold price more or less has increased in April and May. So probably our volume growth might be very close to the value growth what actually we are going to deliver. But I think that overall April month was quite positive; Akshaya Tritiya had seen more than double digit growth.

So I think overall environment was quite positive and literally we have seen lot of discretionary spends at the store so basically all gifting in casuals where the uptake has increased. So I think the overall indication is positive but let us see how the overall quarter specifically May and June progress and then probably we will be in a position to say it in more detail.

Harit Kapoor: On FY16 also I just wanted to know what is the CAPEX plan and our plans on how many stores we are going to open and within that how many will be owned and how many will be franchisees?

Prem Hinduja: As I mentioned right in the beginning that we are looking at our growth to 150,000 square feet in the next three years which is going from 91,000 square feet which is approximately 60,000 square feet in the next 3 years. On an average 20,000 square feet per year. So we are not talking in terms of number of stores but rather more in terms of retail space. Now of which predominantly I think almost about three-fourth is going to come from the franchise model where there will be no investment from our side. For the balance 25% which may be about two or three stores the investment may be from our side. But there also we will try to make judicious use of our existing inventory and existing internal accruals to fund the growth and also the fact that we are moving from own inventory to gold on lease where there is an upside. Right now we are at 55% so that will also help us release cash flow into the system which will help us to meet the CAPEX requirements of our company owned and managed stores.

Harit Kapoor: On your discounts that you had spoken about that they have started to come off just wanted to understand what was the nature of these discounts in third quarter and fourth quarter and what level are those discounts coming off?

Prem Hinduja: This discount was offered on making charges because we do not have a concept that we offer discount on the MRP so may be this discount was on making charges and slowly and gradually we are bringing it down. So now on the fourth quarter very least amount of discount we have offered and going forward it will come down basically and then probably the margin will improve.

Harit Kapoor: And just wanted to understand the Rs. 61 crores which is the Kalpavruksha scheme this is from the old scheme, right?

Prem Hinduja: Yeah, this is from the old scheme.

Harit Kapoor: So over the next two quarters possibly this will be wound down?

Prem Hinduja: Yes, next two to three quarters but that is the same time since we have re-launched new scheme that will keep on giving us inflows.

Moderator: Thank you. The next question is from the line of Apurva Shah from Dimensional Securities. Please go ahead.

Apurva Shah: Sir, can you just clarify the change in depreciation policy and this is the one time of Rs. 9.2 crores is of what period and what will be the run rate going for on quarterly basis?

Prem Hinduja: See basically there was a change in the Companies Act so the new Companies Act all the assets have to be aligned to the useful life of the asset and that is why earlier we were following at a written-down valuing our fixed assets calculating the depreciation. Now we have moved to the straight line method because this is more in alignment with the useful life of the asset. Now for us it has given a onetime gain of Rs. 9 crores of course this is the accumulation of the past.

Apurva Shah: Of what period, sir?

Prem Hinduja: It could be accumulation of several years like from the time when we were having these assets and they have grown over a period of time. So this is a onetime gain it could have been the other way round also but for us it has worked out gain. Let me also tell you that 90% of the industry uses the straight line method of valuing the depreciation. We were one of the few who were following the WDV method which we have now switched over to the new method in complying with the new Companies Act.

Apurva Shah: And another question is for Divyesh. Hi Divyesh, just wanted to understand like if we look at our footfall conversion for last five years, in last three years conversion is coming down. So there might be two reasons – slowing economy and the other one might be opening of new stores. So can you break it up to understand more rigorously how could we understand how our new stores are progressing?

Divyesh Shah: We have changed the overall calculation method of the footfall and conversion. Earlier what we used to do is suppose you have 10 customers in a day and if 5 buy outright from our store and 2 customers give advance for the future purchase we used to consider them as a converted customer. So my conversion was 70%. Now if the same customer is walking again to collect the product for which they had paid advance, on second day also we were counting them as walk ins and again conversions. So what we did now we are only calculating the customer who are buying outrightly as a converted customer, those who are paying advance are considered to be a walk out and we will consider on the next day when they are coming to collect their deliveries as a walk in and conversion. So that was the only reason why our conversion has came down from the previous years.

Apurva Shah: But in the presentation it is apple-to-apple comparison or like the deviation is because of what you mentioned it?

Divyesh Shah: It is not apple-to-apple comparison.

Moderator: Thank you. The next question is from the line of Rahul Jain from IIFL. Please go ahead.

Rahul Jain: Any advertising and promotional activity plans for the year say on FY16?

Prem Hinduja: So basically the same TV commercials are going on and all that. Yes, we come out with this from time-to-time like last year also we had. So this year also we are going to have this TV commercials coming out in addition to our normal TV advertising and promotion.

Rahul Jain: And any impact on advertising as % of revenue?

Prem Hinduja: Not certainly because we make sure that overall the percentage of our advertising and marketing costs remains between 2.5% to 3% of the topline. So even if we do TV advertising we make sure that we remain within that ball park figure.

Rahul Jain: And sir, what is the footfall conversion for FY15?

Divyesh Shah: I think it is already given on the presentation Rahul, so if you can just look at the Slide #22.

Rahul Jain: And sir, can you throw some light on extraordinary items which is for Rs. 8.7 crores?

Prem Hinduja: Basically the extraordinary item was about the depreciation which we talked of which is the one time gain.

Moderator: Thank you. The next question is from the line of Manish Poddar from Motilal Oswal Asset Management. Please go ahead.

Manish Poddar: I just had a question actually. The ticket size is going down and our promotional intensity is increasing, does that mean that the demand environment is still very sluggish?

Divyesh Shah: If you look at ticket size then you have to look at it from the two perspectives. One is your volume based ticket size and second is the value based. So now of course on value side the ticket size of gold has gone down marginally by about 4.5% but if you look at from volume side the ticket size has improved by about 5%. So compared to previous year the gold price is reduced by about 11% that has impacted the ticket size. It is not about volume uptake; volume uptake has still improved.

Manish Poddar: The Kalpavruksha scheme which we had, how much would have been the impact on our revenue growth for this quarter?

Divyesh Shah: The Kalpavruksha scheme was a very small amount of revenue. We started the scheme in 2008-09 and for us it was about 5% to 7% of revenues.

Manish Poddar: And how much is the revenue contribution from individuals who spent more than Rs. 1 lakh to Rs. 5 lakhs on jewellry items?

Prem Hinduja: More than Rs. 1 lakh sales per invoice is about 48% which also includes more than Rs. 5 lakhs sales which we are doing under the regulatory requirement of PAN card.

Manish Poddar: And any update on the debt levels, where do we see them the year down the line?

Prem Hinduja: The debt level will remain more or less the same and even as of now the debt level includes 51% gold on lease. So effectively if you remove that our gearing is just 0.6:1. And if you include the gold lease it is 1.2:1, so we do not see much of a change in the debt level. The endeavor of the companies will be to work under these arrangements.

Moderator: Thank you. The next question is from the line of Harit Kapoor from IDFC Securities. Please go ahead.

Harit Kapoor: There are just a couple of follow ups. Just wanted to understand on this franchise bit are we already figured out as to what is the model that we are going to follow with the franchise in terms of whether there is a minimum guarantee commission, or an outright sale, etc., or is that still in the pipeline?

Prem Hinduja: Still we are working on it and I think once it is declared and focused we will get back to you.

Harit Kapoor: And on the gold lease part you said you will be fully on gold lease in the next two, three quarter, is there a challenge in terms of the rate of interest that you are paying for this gold lease vis-à-vis what you were doing may be two, three years back when the erstwhile gold lease was there?

Prem Hinduja: No, it was a challenge up to the time 80:20 was there but after the 80:20 has been removed now that is no longer a challenge. It is the same rate of interest what they used to charge in the good old days.

Harit Kapoor: So your interest rate of 5.5% to 6.85% which you had given in the presentation is pretty similar to what you used to do earlier as well?

Prem Hinduja: Yes.

Harit Kapoor: When will we be talking about our franchisee strategies in little more detail how long it will take there?

Prem Hinduja: We are still working and discussing with them so no details will be out right now.

Moderator: Thank you. As there are no further questions, I would now like to hand the floor over to Mr. Nilesh Dalvi for closing comments.

Nilesh Dalvi: Thank you Lizanne. Thank you everyone. Dickenson Seagull IR is managing the investor relations for TBZ. Feel free to reach me at nilesh.dalvi@dickensonir.com for any further information about the company. I once again thank you everyone for joining the call. Thank you and have a good day.

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