



Tribhovandas Bhimji Zaveri Limited
Results Conference Call”
May 21, 2014

Moderator: Good day ladies and gentlemen. I am Karuna, moderator for this conference. Welcome to the fourth quarter and full year FY14 results conference call of Tribhovandas Bhimji Zaveri Limited organized by the Dickenson Seagull IR. At this moment, all participants are in the listen-only mode. Later, we will conduct question and answer session. Should you need assistance during the conference call, please signal an operator by pressing * and then 0 on your touchtone phone. Please note this conference is recorded. I now would like to hand the conference over to Mr. Nilesh Dalvi. Over to you Mr. Dalvi. Thank you.

Nilesh Dalvi: Thank you Karuna. 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 FY14. Today we have with us the management led by 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. We will commence the call with opening remarks from the management. Following which, we will have the floor open for interactive question and answer session. I would now invite Mr. Zaveri to make his opening remarks. Thank you and over to you Mr. Zaveri.

Shrikant Zaveri: Good evening to all of you. Dear investors, I would like to thank everyone for taking out time and joining us for the fourth quarter and full year FY14 results conference call. At the outset, let me take this opportunity to thank all our valued stakeholders and dedicated employees who have been associated with our company. We take great pride in sharing with you that we have successfully completed 150 years of an exciting journey. Over these years, we have established ourselves as a preferred choice for customers in the wedding segment recognized for the exquisite gold and diamond jewellery designs. On this special occasion, our board of directors has recommended a special dividend of 7.5% to our shareholders in addition to the 15% dividend we announced for FY14.

Talking about the company's performance during the year, we reported stable operating parameters despite a challenging business environment, marked by the economic slowdown, persistent high inflation, weak consumer sentiments, and unfavorable regulatory environment leading to subdued jewellery demand. Under these difficult operating conditions, the company remained focused on growth in sales by keeping operating costs and debt within acceptable limits. The company took judicious decision to go slow on store expansion and focus more on improving the performance of the existing stores through better same-store sales, customer footfalls, and steady margins. While ensuring sufficient gold supplies at all existing 27 stores, the company remained determined on its stimulating customer demand by introducing appealing jewellery designs, tactical discounts, and innovating marketing strategies. We have successfully navigated through one of the toughest times seen over the last decade and have emerged stronger to gain from the improving economic scenario in the coming year. We remain committed to invest our future through calibrated expansion of our domestic operations with improved product offerings, innovative jewellery designs and trained sales team which will help us replicate our strong performance benchmark in all stores across India. With this, I would like to hand over the call to Mr. Prem Hinduja, our CEO to brief you on the financials and operational highlights for the fourth quarter and full year of FY14. Thank you.

Prem Hinduja: Thank you and good evening friends. Before I touch upon the financials of the company for the year and for the quarter, let me just briefly take you to the overall business environment. GDP growth as we all know was less than 4% in FY13-14

which is now expected to go up to 6% in the next 12 months and 7.5% in the next 18 months as per report of certain reputed agencies like Crisil. Whilst there were negative consumer sentiments last year, the feel good factor has already set in as we all know and hopefully very soon positive consumer sentiments should also set in. Policy paralysis hopefully which was the thing of the past with a change in the regime with the stable majority which will have a free hand to take positive measures and therefore provide our business with the better environment both in terms of expansion and profit. Anti-industry measures taken by the previous regime in the past severely impacted business. These measures including hike in import duty on gold to an all-time high of 10% and introduction of the 80:20 scheme took curb the supply of gold into the country and even the stoppage of the gold loan scheme which was hardly being used by 4% of the industry. Hopefully, all this should change for the better.

Now to briefly touch upon the financial highlights of the company for FY14. The company reported stable operating performance during the year despite facing a challenging business environment, marked by economic slowdown, persistent high inflation, weak consumer sentiment, and unfavorable regulatory environment leading to subdued jewellery demand during this period. The total income from operations grew by 10% year-on-year to 1,824 crores. The total income for Q4 was flat at 447 crores. The gross profit for FY14 stood at 308 crores and PAT was at 55 crores.

The dividend declared during the year and was briefly touched upon by the Chairman was 22.5%. The board of directors having recommended the same in the board meeting which concluded day before yesterday which includes 15% as normal dividend and 7.5% as special dividend for the completion of 150th year of the organization. The payment is subject to approval of the shareholders in the ensuing annual general meeting. If one were to see the total income from operations in FY14 was 1,824 crores versus 1,658 crores in FY13, an increase of 10% year-over-year. The gross profit was 308 crores versus 313 crores minus 1%. The blended gross margin for FY14 was 16.9% versus 18.9% in FY13. The EBITDA was 133 crores versus 148 crores in the previous year, 133 crores being 7.3% vis-à-vis 8.9% in FY13. The PAT was at 55 crores which is 3% of the topline against 85 crores during the previous year which was 5.1% of the topline. The earnings per share at 8.25 for FY14 as compared to 13.02 in FY13. Total dividend per share remaining the same at 2.25 for this year as well as the previous year. The only difference being the normal dividend being 1.5 and 0.75 as a special dividend during the year.

If one were to look at the quarter 4 performance, the total income from operations was 447 crores as compared to 447 during the previous year, corresponding previous quarter which was flattish. The gross profit was 66 crores as compared to 87 crores which is minus 23%. The EBITDA was at 32 crores as compared to 45 crores which is minus 28% and the PAT was 12 crores versus 25 crores which is minus 53%.

The company opened two stores this fiscal, one in Gandhidham and the other at the Udaipur to take the total number of stores to 27 being present in 21 cities across 8 states. The company reported stable operating performance during the year despite facing a challenging business environment, marked by economic slowdown, persistent high inflation, weak consumer sentiment, and unfavorable regulatory environment leading to subdued jewellery demand in this period. Under these difficult operating conditions, the company remained focused on growth of sales while keeping operating costs and debt within acceptable limits. The company took a judicious decision to go slow on store expansion and focus more on improving the performance of the existing stores through improved same-store sales, customer footfalls and steady margins. The company has successfully navigated through one of the toughest times seen over the last decade and has emerged stronger to gain from the improving economic scenario in the coming year. While ensuring sufficient gold supplies to all the existing 27 stores, the company remains determined on stimulating customer demand by introducing appealing jewellery designs, tactical discounts and innovating marketing strategies. We remain committed to investing in our future through calibrated expansion of our domestic operations with improved product offerings, innovative jewellery designs and trained sales team which will help replicate us our strong performance criteria in all our stores across India. Thank you gentlemen. With this, I leave the floor open to question and answers.

Moderator: Thank you very much sir. Ladies and gentlemen we will now begin the question and answer session. First question is from the line of Jaisinh Suchak from JM Financial. Please go ahead.

Jaisinh Suchak: Just couple of questions. On the fourth quarter, the gross margins have dropped in case of gold and diamond. Especially in case of gold, it is down from 14 odd percent to 10.3%. The specific reasons for the same would be?

Shrikant Zaveri: As I had mentioned in my speech, basically there was a sharp dip in the demand and today morning if one would have read the press reports, it is very much there in business standard particularly there was a 26% drop in demand for gold jewellery during the fourth quarter and obviously we were also one of the companies which were impacted. Now to overcome this, the company had to go tactical and there was no way, but to offer discounts and this was the primary reason why our gross margins went down from 14% during the previous quarter to 10%.

Jaisinh Suchak: Sure. In case of diamond, the drop from 34-33 is just one-off or?

Shrikant Zaveri: Even in case of diamonds, basically diamond is more of a discretionary purchase. Now what happens is in case of a downward sluggish demand that gets impacted in a severe way. So there also, we have to go tactical to some extent to get that demand back into the system.

Jaisinh Suchak: Okay sir, are we already started seeing some feel good impact of the thing happening on the consumer behavior. Have we been noticing that after the quarter?

Shrikant Zaveri: Basically the feel good factor which I had mentioned in my speech is just set in. I think just last week we got the results and I am sure all of you gentlemen also be feeling in the air just as we are feeling, but yes to be translated on ground reality, it would take its time but we are all hopeful that it will happen sooner or later. I would say rather sooner than later that this will translate into a positive consumer outlook and the consumer sentiment has to start improving.

Jaisinh Suchak: On the employee expense front, there was a sharp reduction. What would be the reason for that and how would you think this will shape going forward?

Shrikant Zaveri: On the employee front in the fourth quarter, of course there has been some reduction. In the salaried records, there were some people who had left and of course we had some write backs of certain provisioning which were made, compulsory provisioning which are made towards gratuity etc. that was one of the reasons. Secondly, the payroll cost also includes the director's remuneration who also took a shave and a cut and that is all reflected in the employee costs you are seeing coming down in the fourth quarter.

Jaisinh Suchak: By going forward, this trend will continue or it will be back to the normal levels of earlier.

Shrikant Zaveri: By going forward as long as the turnover keeps on increasing, obviously as a percentage of the turnover, the payroll costs will remain steady or it will keep on coming down.

Jaisinh Suchak: But this is one-off quarter?

Shrikant Zaveri: Yes, this is one-off quarter.

Jaisinh Suchak: The gold lease model we were doing with the PSU bank, so what percentage of inventory has it been scale up? So we have spoken about it being, it can go up to 25% of requirement. So at what level are we now?

Shrikant Zaveri: As on 31st March, it was 21%. As of today, it was almost nearer to 25%.

Jaisinh Suchak: And 25% is what we can see it going to..

Shrikant Zaveri: Yes, that is the cap based on the working capital limits set up by the bank, but yes at the same time, we are **17.23** with them in case we can get an additional limit from them which goes fully towards this gold loan model, we will certainly take it and at the same time, let me just and we had also started talking to some other banks and especially the banks with whom we were dealing earlier on the gold loan and they have also offer to give us this gold on lease, but may be a slightly higher cost than 5%, but all the same it is still advantages because it is lesser than 12% which we would be using under the normal cash credit and secondly we were not be taking any price risk of the inventory once we go on to the gold lease model.

Jaisinh Suchak: So are we started using that with the existing banks?

Shrikant Zaveri: With the existing banks certainly which is the PSU banks. I am talking on other banks which we are getting into the system very soon and with whom we are in the process of negotiations as of now.

Jaisinh Suchak: availability of gold this is not a problem for us.

Shrikant Zaveri: Absolutely not.

Jaisinh Suchak: Sir last question is you spoke about the store openings to be at two this year which happened in FY14. Expansion plans still remain intact. So can you just give us some flavor on how this year will shape up the store openings?

Shrikant Zaveri: The way we are looking at, we are all waiting. Of course there are a few stores which we had mentioned in our earlier concall also that which are ready to open and they are open fact . We are just waiting for the consumer sentiment to improve which hopefully will happen very soon. So may be from the third quarter onwards, we will start on our expansion and we will certainly take it forward because we are committed as per our original plan to go up to 57 stores and 150,000 square feet. Only the timelines have got shifted, but certainly yes once this whole process sentiment improves, the whole process will get accelerated at our end.

Moderator: Thank you. We have next question from the line of Pratik Biyani from Standard Chartered. Please go ahead.

Pratik Biyani: Sir you are going to share with us your hedging plan. Last quarter you said that you will possibly share it in the forthcoming quarter. So anything that you can share right now?

Prem Hinduja: See we started our hedging in fact in the last quarter and we were hedging our inventory with MCX and basically we are taking expert advice of certain agencies who advise on this matter and even going forward the company is committed to hedging because it is the ultimate **going to be 20.11**. The purpose being to protect our inventory and this is the instruction from our board of directors which we are going to follow and we are keeping a complete continuous watch on the situation and of course we are doing this hedging and going forward also the same will happen until we have a situation we are back to gold lease model like the good old days.

Pratik Biyani: So sir what percentage of our inventory let us say is hedged as of today?

Prem Hinduja: See as of 31st March, I can tell you basically 60% of our inventory was hedged, but in the hedging process, maximum you can do up to a period of 2 months because that is the liquidity which is available on the local commodity exchange and then you have to unwind your position and take fresh positions. So this is an ongoing process because normally one would not hedge the entire quantity on the same day, one slowly builds up the position, starts unwinding as you come closer to the 2-month period. So that keeps on happening and even as of now that is happening, we are in the process and

that is a continuous process which is going on. But let me assure you that the company is taking odd steps to protect its inventory from any volatility in the system.

Pratik Biyani: So sir if you can share a bit on more detail on hedging. Is it possible for you to hedge in the international market one and is not hedging on MCX margin dilutive because at least the forward contracts of gold in MCX were trading at a discount as far as I remember a couple of months back, it was trading at 4%-5% discount. So first, are we planning to hedge in international markets and second, is it really margin dilutive to hedge on MCX?

Prem Hinduja: To answer your first question, yes we are looking at that option. In fact there also, we have engaged certain agencies whom with we are talking right now who can help us get us through the process and get the RBI approval because one requires the RBI approval and in our preliminary discussions with them, we have been assured that is feasible and secondly of course there will be certain advantages and we have been told on hedging on the overseas commodity exchange which we will be certainly looking at. The only difference being that when you are hedging on the overseas exchange, one has to do the commodity portion and the currency portion separately number one and secondly one has to engage international brokers which is accredited to that particular commodity exchange. Yes, we are looking into all those aspects very seriously and going forward if we find that advantages, we will certainly exercise that option.

Pratik Biyani: And sir on MCX, do you think the discount which you are just trading at right now for the whole forward contracts is hurting our margins slightly?

Prem Hinduja: Not really much because if one were to see, the overall cost comes to around 2% on an annual basis. Taking into account your active cost of your margin deployment and other fees, etc., which you pay which will be around 1% and if you want to take this into aspect, but yes, you have a situation of volatility from day today that one has to live with to look at the greater advantage of protecting overall inventory values if there were to happen a sharp fall in the price of gold.

Pratik Biyani: So overall cost on hedging on MCX is around 2%.

Prem Hinduja: Around 2%.

Pratik Biyani: Sir one more question on your gold deposit schemes, your Kalpavruksha as well as the other gold deposit schemes. As per the new company's act which has come in to force in the month of April, there are some restrictions that they have imposed on any such deposit schemes which has to be restricted to some percentage of your net worth if there is any form of return involved. Some players have already stopped those schemes for the time being. What is our view on that and are we still continuing with that?

Prem Hinduja: We are in constant alert with our legal advisors on this and based on legal advice which is still continuing. In the interim period, we have stopped all our schemes which are more than 12 months. To just give you a brief background, under the Kalpavruksha scheme, we had earlier schemes which were at 18 months, 24 months also and then few months back, we had introduced a scheme of 10+1. We are continuing with the 10+1 scheme. The other scheme which is more than 12 months, we have stopped right now. As far as the gold about the scheme also, again acting on the same legal advice. In the interim period, we have stopped accepting any further gold under the gold deposit scheme. We are just waiting for the final opinion to come from this legal advisor and then we will take a final call, but yes in the meanwhile the company has taken out precautions to make sure that it is not violative of any of the laws. But also to add to that, prima facie we have been told that as per the definition of deposited on the new Company's Act, we may be permitted to continue with gains which are less than 12 months.

Pratik Biyani: So it has to be less than 12 months for sure.

Prem Hinduja: Yes and which in case we had started the scheme and which was a big coincidence because we were not aware about this law coming into force, but we had started the scheme a few months back which was restrict to just 10 months.

Moderator: Sir, there seems to be disconnection from the participant's line. We shall take up the next question that is from the line of Percy Panthaki from IIFL. Please go ahead.

Percy Panthaki: I was just working on one hypothesis and all my questions related to the following assumption. So I am assuming that for the next couple of years, there would be no change in the regulatory environment, but there would be an increase in the demand and demand would sort of after being depressed for almost 1.5 years would revive. So I just wanted to understand the impact of this kind of a scenario on your company. So if you could please apply these two assumptions to the following questions. So firstly I wanted to understand that under such a scenario, what would be your expansion plans in FY15 and FY16 if you see the demand recovery?

Shrikant Zaveri: I will put it this way that if there is a demand recovery assuming for the time being which of course, I would not subscribe to an assumption pardon me because we are all very optimist on this front, but assuming yes for a moment that all other factors remain the same. The most important thing in any business is a consumer demand. Now if that comes into picture if my consumer is ready to buy, again let me put it hypothetically at Rs. 6,000 a gm, so what is the problem for me. I am here to sell, I will sell. That is the most important thing. In this business or any business, nothing is more important than sales, sales and sales. As far as the expansion is concerned as I mentioned a few minutes back, we are committed to expansion. We are committed to reaching 150,000 square feet and as and when the situation arises, we will take the right call and we will go accordingly.

Percy Panthaki: So but would you not be able to give an idea if you see the demand recovering, how much time it would you take to reach that 150,000?

Shrikant Zaveri: Very difficult to give the timeline absolutely. It is a difficult time yes, but we will try and take advantage of every positive situation which is in our favor and take it forward along those lines.

Percy Panthaki: So what are the factors which you would consider which would sort of go into your decision making of how fast and how much to expand?

Shrikant Zaveri: I would say since you had mentioned that all the other factors remaining negative.

Percy Panthaki: Not negative, I am saying a status quo on all regulatory factors, but the demand improving.

Shrikant Zaveri: So the demand improving assumes that even at a higher duty of 10%, people are willing to buy fine. So that is okay. Nobody has come and ask me till today that how much element of duty I am paying into the price. So second is the 80:20 scheme. There again, we are finding that although it is coming, the gold is coming one slight premium is going on and on, but availability is never a challenge, it is freely available. Third is a little bit of a challenge about the gold lease scheme because there what happens is basically certainly my working capital requirement goes up, my cost of capital goes up. So there again what all happens, of course my margins get squeeze, my PBT gets squeeze, my PAT gets repeat all those and probably I may have to have some additional debt also on the books if I have to expand as vigorously as the way I want to. That could be something of a challenging factor as to where to balance the same.

Percy Panthaki: Fair enough. Sir also my second question again under the same assumption was what kind of same-store sales growth do you think you can clock assuming that the recovery is starting and towards the second half of FY15, the recovery will be fully visible. Under that assumption, what kind of same-store sales growth do you think you can clock into second half of FY15 and into FY16 going ahead?

Shrikant Zaveri: Again very difficult to answer and again let me I can only refer to back to what we did 5 years back on 7-12, but let me just tell you that is not a benchmark, but just for the sake of information, we did 8% growth in gold and 28% in diamond year-over-year from 2007-2008 to 2012-2013.

Percy Panthaki: That is same-store sales or total?

Shrikant Zaveri: That was same store, yes and I am talking about in volume.

Percy Panthaki: So volume level 8% is what you have done.

Shrikant Zaveri: We had done. Going forward, yes very difficult.

Prem Hinduja: 8% in gold and diamond jewellery has grown by 28%.

Percy Panthaki: Sir next question I wanted to understand again on the same assumption. What kind of operating leverage do you have? So assuming this 8%-10% kind of same-store sales growth is there. At a store level, do you have rough thumb of rule that for every 10% SSG at a store level, your EBITDA margin would expand by so many basis points?

Prem Hinduja: There is no such thumb rule, but I can tell you that we have done in FY13. We have done operating margin of about 10%-11% at the store level and going forward also that can be sustained, but of course here the challenge would be at that point of time we were taking advantages of gold lease model. So my PBT and PAT by percentages got much better and going forward again, it will be very difficult. As far as the operating margins are concerned, of course if the expansion takes place if you are saying that the demand is there, obviously more or less 90% of my costs at the store level are fixed and they are not going to rise in the same proportion as my sales are rising. So obviously I can take advantage of that operating leverages and right now we are at about 7%-8% operating margin which easily can go up to 9%, 10%, 11% also. I am talking about the operating margin, I am not talking about the PBT because then the question of finance cost will come in.

Percy Panthaki: Right. Sir my last question is the impact of store expansion on your financials and financials I will break into P&L and balance sheet. On P&L as I understand it obviously your new stores will be low margin in the initial period and they will pressure your sort of margins overall, but you will have a margin expansion in your existing stores if sales go up. So one is I wanted to understand the interplay between these two factors. Will the margins on the company level go up or will it come down in a scenario where you written back to your expansion plan targets?

Prem Hinduja: Moreover they should neutralize each other.

Percy Panthaki: They should neutralize each other and on the non-store expenses, if you are basically increasing your store infrastructure. Will you need to spend a lot on corporate overheads etc. and will that actually sort of pressure the margins or you think not?

Prem Hinduja: Corporate overheads not certainly because we are more or less geared up at the back end as far as the expansion is concerned taking in this account of 57 stores in 150,000 square feet. As far as the CAPEX is concerned, as we have already said and which is there in the presentation also that we require for our large store we require 2 crores, then for a small store we require 80-85 lakhs. So that is the CAPEX portion and other than that is of course the working capital which is for the inventories.

Moderator: Thank you. Next question is from the line of Saurabh Pant from SBI Mutual Fund. Please go ahead.

Saurabh Pant: The first question I had, can you share the same-store footfall growth for FY14?

Divyesh Shah: This is Divyesh here. I think the breakup is not available right now, but if you look at last year we have only added couple of stores. So what we have seen overall footfall has largely degrown in gold coin segments, but if you look at my jewellery sales in volume which is almost flat for the same-stores and overall jewellery in volume has grown by 18% and diamond which has seen a marginal degrowth of 2%. So more or less the footfall for jewellery has grown compared to the previous year and diamond was more or less flat, but of course gold coin, we have seen the footfall decrease of about roughly 35%.

Saurabh Pant: It is fair to assume there has been a marginal growth in footfall for the same-store also?

Divyesh Shah: I am talking about same-stores.

Saurabh Pant: In that case, why is the same-store sales growth negative because footfalls have gone up and your liquid size has gone up?

Shrikant Zaveri: If you look at the second and third quarter where the negative numbers was in almost double digit which has come down to almost a single digit negative number on the Q4 and overall year if you see for the same-stores, the volume as in gold jewellery has declined by only 2% where if you look at few of the interviews which has been published in the newspaper that the overall industry has seen a degrowth in jewellery segment to about 30%-40%.

Saurabh Pant: Fair point, I am talking for the full financial year. So if you look at 14 over 13, there seems to be a 7% growth in your footfalls. In fact 8%, but if you take the conversion into account it is 7%. Now it is fair to assume that there has been some growth in the same-store footfall also.

Shrikant Zaveri: Right.

Saurabh Pant: Plus your ticket sizes have gone up for gold by about 3 odd percent and diamond for about 5 odd percent. In that case, there should be a same-store sales growth and not a degrowth.

Shrikant Zaveri: That is what I was saying that the gold coin as a segment has a larger degrowth and largely the footfall is reduced to purchase the gold coin. So if you look at my larger degrowth in the same-store has come not from jewellery, from gold coin and my gold coin segment has degrown by almost 30% compared to the previous year.

Saurabh Pant: In that case, should not that be covered in your ticket size. Your ticket size would have reduced to that extent right?

Shrikant Zaveri: I think ticket size as indicated couple of things, but it is very difficult to say that exactly how the ticket size has grown up, but if you look at last year, overall sentiment was so low that we have seen largely the compulsive buying was happening at the shop floor and largely the compulsive buying driven by the wedding occasion. So if you sell more of a wedding jewellery compared to the casual jewellery sales in ratio, so automatically you will see the ticket size or average bill value will go up.

Saurabh Pant: I will take it offline because I was taking footfall growth as a proxy for number of bills.

Shrikant Zaveri: Sure.

Saurabh Pant: So I will take it offline may be. The second question I had was the fall in employee cost. Can you just give the contribution of the three reasons that you mentioned.

Shrikant Zaveri: Basically the exact percentage, we would not be able to tell you, but the reason remained the same. Percentages we can tell you separately how much is the percentages. As I mentioned in the earlier conversation that the reasons were basically we had write-back of certain provisioning, we had made **leave 38.05** off few

of our employees at the attrition level and there was some sort of haircut which was done in the director's remuneration. Percentage wise, we can share it with you separately.

Moderator: Thank you. Next question is from the line of Pratik Biyani from Standard Chartered. Please go ahead.

Pratik Biyani: Just a follow up on that sir. The deposit schemes, what percentage of sales has it contributed in FY14. Your advances are around 8%, but I am sure customer would be buying more than that advances.

Shrikant Zaveri: Basically yes, the advances as of 31st March under the Kalpavruksha scheme was about 145 crores versus 99 crores during the previous year and there was 2 crores under sold **(Inaudible) 38.55**. As far as the percentage of sales is concerned, about 5% I would say.

Pratik Biyani: Only 5% of your sales.

Shrikant Zaveri: Yes, you see because we started this somewhere in 2010 and then slowly it has been growing and now we have all these hiccups coming up and ultimately we had a plan originally of taking this scheme up to 7%-10% of our topline may be next year, but as I mentioned again in my conversation that Prima facie it appears that the scheme which is less than 12 months may be allowed to continue. We are just waiting for the final outcome of our opinion. Only the balance which in any case....

Pratik Biyani: There is also one more clause in that act which says that any sort of return is also not permissible and that will be counted as a deposit.

Prem Hinduja: Basically we are not giving a return. With this one, we are giving 10+1, it is given in the form of a discount. It is not a return. It is not an interest per se which we gave. There we give in the gold deposit scheme, we give a return per se where we give 5% at the end of 360 days, but in this case it is not a return. Even if you read our terms and conditions, it is not a return basically.

Pratik Biyani: In this case essentially I pay for 10, what is the scheme dynamics is it?

Prem Hinduja: Basically if you pay for 10 months, 10 equally installments, one installment will be given to you free, but that will be in the form of a discount on your sales. This could be reflected in your sales invoice.

Pratik Biyani: You categorized it as discount rather than....

Prem Hinduja: Yes.

Pratik Biyani: Just one more clarification on your gross margins. Now you have been mentioning that your gold coin sales has reduced significantly. So your mix at least was favorable versus last year. Why that your gold margins in this quarter has fallen significantly? So is it largely because of discounts or there could be some....

Prem Hinduja: It is largely because of discounts.

Pratik Biyani: No inventory losses, etc., nothing of that sort.

Prem Hinduja: Absolutely not.

Moderator: Thank you. We have next question from the line of Aksh Vora from Raj Financials. Please go ahead.

Aksh Vora: I just wanted to know the status on gold lease scheme. So have we started with the scheme or what is the status currently?

Shrikant Zaveri: As far as the old gold lease scheme is concerned, the status is the same that is stopped by the government, but the gold lease scheme which we are enjoying with the PSU banks which is from the domestically collected gold from the various temple that is continuing where we have a cap of about 25% by virtue of being limited to our working capital limit that we are continuing and we are continuing enjoying it on the same terms and conditions as we were doing with our old gold lease scheme which we were enjoying with Bank of Nova Scotia.

Aksh Vora: So what would be the interest cost on the same?

Shrikant Zaveri: Total cost is 5.5% and it is for a period of 180 days. So 5.5% is per annum. The credit is available up to 180 days.

Aksh Vora: And it is only available for 25% of your working capital.

Shrikant Zaveri: Because it is limited to the working capital limit I enjoy with the bank because this particular bank does not give to each and everybody. It gives only to existing clients and limits to the extent of the working capital facility enjoyed by the respective clients with the bank.

Moderator: Thank you. Next question is from the line of Amit Purohit from Dolat Capital. Please go ahead.

Amit Purohit: Just on gross margins for this quarter, there is some purchase of finished products and that is also negative number. So just wanted to understand how does that happen and despite of that, the gross margin is down.

Shrikant Zaveri: The purchase of traded goods is basically as we sell our products. We either get them manufactured or we also buy readymade products and trade with them. The whole purpose being that we buy traded goods because they want to give that extra flavor of design to the ultimate customer. So those traded goods which you find, purchase of traded goods are nothing but purchase of readymade jewellery. So which we keep in our stores and we sell them.

Amit Purohit: So you have return that to the suppliers, is that what you..

Shrikant Zaveri: No, not really. It is basically in working out the cost of goods sold, it is a negative figure which is in comparison with the previous year, previous reporting period figure.

Amit Purohit: How does it become a negative? When you buy it from a supplier, how does it become a negative?

Shrikant Zaveri: That is not negative as far as the buyer is concerned, but it is negative in totality of working out the total costs of goods sold because you had raw material purchases, then you have other purchases and this is a minus figure from that. So if you see in totality, you work out the cost of goods sold this will have to be minus.

Amit Purohit: I am not able to get it, probably I will take it offline.

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

Nilesh Dalvi: Thank you Karuna. Dickenson Seagull IR is managing Investor Relations for TBZ. In case of questions, please feel free to reach me at nilesh.dalvi@dickensonir.com for more information about the company. I once again thank you for joining the call. Thank you.

Moderator

Thank you sir. Ladies and gentlemen this concludes your conference for today. Thank you for your participation and for using Chorus Call Conferencing Service. You may now disconnecting your lines. Thank you and have a pleasant day.