Operator: Good afternoon, everyone. This is the fourth day of the Bharat Connect Conference. I welcome you all to the call of RBZ Jewellers Ltd. Today, from the management side, we have Mr. Harit Zaveri, JMD. Before I hand over the call to management, I will outline the flow of the event. We will first start with a brief introductory remark from management, followed by a Q&A session. Over to you, sir.

Harit Zaveri – JMD: Hi. I think I am visible on video. Is my video visible?

Thank you all, and thank you, Ariyant, for having me at this conference.

We have recently opened our first store outside the city, in the city of Surat, and we are currently receiving a warm and pleasant response. Basically, RBZ is a B2B and B2C player. We are a manufacturer now transforming ourselves into retail. Last year, we closed retail at around 408 crores, and this year we are opening four stores, of which two are large-format stores and two are mid-format stores.

With the store that we have inaugurated in Surat, I think Q3 would be quite substantial for us. We would really want all our efforts to be deployed in the right way, and I think the journey will be exciting. We are looking forward to this year resulting in a favorable outcome.

A lot of effort has gone into creating the store. The store has a different approach to consumer behavior. Once you actually see it, you will want to understand why we are different and why we are confident about transforming ourselves from B2B to B2C. We believe that we are bringing some newness and freshness to the industry, and once you visit the store, you will be more confident about this.

The store was inaugurated by Vicky Kaushal. Certain engagements involving celebrities will help the brand over the long term. We are investing in the brand, and we are making every effort to have the right team at the company level. I believe that having a young team, in the age group of 32 to 40, really helps the company grow over the long term.

After this store, the next one is Rajkot, which we expect to open before Diwali. The dates will be finalized within this week at the latest.

Regarding the B2B side, I think we have delivered a fair performance, with good growth in Q2 and also in Q1. However, it is an exciting phase for the company, as the transformation is taking place. We are seeing that whatever we had imagined is now taking tangible form, and I see a lot of opportunity to scale. There is a lot of opportunity, and we are building a high level of seriousness around brand building.

Because of our manufacturing capabilities, we have a very good hold on costs. We understand the product line better than other players, and therefore our product offerings are more suited to retail. There can be many questions and comparisons with established corporates versus a new entrant. However, we would really like those questions to be answered once investors have a physical presence at the store and see for themselves what is actually happening at the ground level, how we have developed the Surat store, what vision we are trying to put forward in terms of consumer

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behavior, and how we are attracting demand.

This is a brief overview for investors to understand what RBZ Jewellers is and how we are shaping up in the near future. That is all from my side. I will be glad to answer any other questions.

Operator: Thank you very much, sir. Any participant who would like to ask a question may raise their hand or put it in the chat box. The first question is from Rohit. Please go ahead, sir.

Rohit: Hi, sir. Can you hear me?

Harit Zaveri – JMD: Yes, Rohit, I can hear you.

Rohit: I have two or three questions. My first question is: why is this transition from B2B to B2C becoming a majority of our business operations? Going forward, what ratio of revenues do you expect from B2B and B2C? Regarding the new stores that you are opening, including the one in Rajkot and the other one that has already opened, when do you expect them to reach maturity?

Harit Zaveri – JMD: You have essentially combined two or three questions into one. Let me answer why we are transforming. I think it is a very relevant question.

Rohit, there are three things that generally excite a person: power, money, and fame. For me, there is a fourth thing, which is where I really see myself, and that is scale. I am 37, and considering what I have built on the manufacturing side and the response that I have received on the B2C side, I think the scalability of a company can be huge in terms of B2C.

If you look at Gujarat, it seems to me to be a complete white space because there is low penetration by corporates, and not many of them have been successful as entrants from the South into a Western market. We see significant potential based on our legacy store in Ahmedabad, which commenced retail operations in 2021. Within 4 years, we turned that store around from 24 crores to 408 crores, and I believe we will see similar developments in Surat.

So, Rohit, the first factor is scale. The second factor is the nature of this business. The gems and jewellery industry is getting consolidated. Suppose the industry is growing at X%, or 10%. Consolidation is happening at a much faster pace. Unorganized players are not growing, or are growing very slowly, while organized players are growing at a pace of 20%–25%–30%, or whatever the case may be.

As this continues, we believe there will be fewer organized players operating at the national level. There will then be manufacturers who remain fragmented because the leading corporates will not allow the manufacturing side to become consolidated. In any industry, consolidation typically happens on only one side, while the other side remains fragmented.

For example, in the paint industry, the manufacturing side has become consolidated. Therefore, distributors will not want their side to consolidate, and fragmentation will continue. I believe retail is the right space to enter. This decade or so will be a defining period for the gems and jewellery retail industry in India. We are in the right zone and taking the right step. I think scale is what we should be focusing on right now.

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Therefore, the answer to your first question—why move from B2B to B2C—is, first, the encouraging response; second, scale; and third, the way the industry is evolving.

Regarding your second question on revenue, it is too early to gauge the revenue for the Surat store. However, considering the confidence that we have as a team and the way things are developing, I am sitting in the Surat store, so I can see how things are developing. It will matter a great deal.

If you are an interested investor, you could plan to travel to Surat and see what we have created. You would then understand how we are working with consumer behavior. We have completely shifted the buying pattern and tried to develop that model. However, my telling you this in front of a camera and your coming here to witness it will make a lot more sense.

We believe that the Surat store has potential similar to the Ahmedabad store. We expect to remain in a growth phase for approximately 2-3 years, and then we will see how it responds. Surat is also a larger market. It has an area of around 465 square kilometers, and we are present in one of the hubs, the Parle Point-Ghod Dod Road hub of Surat.

There are other areas, such as Adajan and Varachha, where stores could be opened to cover the market completely. Until then, I think the maturity phase will come in around 3-5 years. That does not necessarily mean that we are looking to develop stores in all those areas. We are looking for a wider geographical spread to build brand presence.

I hope I have answered all three questions, Rohit.

Rohit: Thank you, sir, for answering. I have one fun follow-up question. Since we have experience on the B2B side, for the new stores that we are opening, will all the inventory come from our side, or will it be outsourced?

Harit Zaveri - JMD: Currently, it is a COCO model, and we are investing in inventory. This will continue until we have a franchise model or something similar. From the manufacturing perspective, 20% of our inventory is manufactured in-house and 80% is outsourced.

Rohit: Thank you, sir. I will go back into the queue.

Operator: Thank you, sir. We have the next question from Ankit Kanodia. Please go ahead, sir.

Ankit Kanodia: I hope I am audible.

Harit Zaveri - JMD: Yes, Ankit, you are audible.

Ankit Kanodia: Congratulations on your new store opening, Harit. My first question is related to inventory. Previously, we were a B2B player, and now, in line with your ambition to scale the business, I assume that B2C will grow more and more going forward. How do you see inventory management and the related hedging policy playing out? Do we plan to do anything differently as we increasingly become a B2C player? Any perspective on this would be very helpful.

Harit Zaveri - JMD: This is a good question, Ankit. Going forward, you can see that within approximately 3 years, this company will be a 100% inventory-hedged company. We have started a small amount of hedging from this quarter itself, and the hedging portion will increase substantially

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in the coming quarters.

We are trying and testing the process. We are setting it up, but we have now finalized our approach that inventory has to be clearly hedged. You will see the percentage of hedging increase quarter-on-quarter.

Taking that as the first point, the second point relates to the geographical spread and scale that we are bringing. You are right that in the coming period, at least during the period that I am going to witness, we are going to scale and spread COCO stores and similar formats.

Inventory will be managed either through the manufacturing side or through outsourcing. The company will deploy the inventory until we enter the franchise model. Even if we enter franchising, it will be a mix of different approaches.

We are confident about how things are shaping up. We are confident about the performance. The understanding that we are developing of the stores is quite good, and the customer response at the new store is quite warm.

It is exciting to have new stores coming up with a different model and different consumer profiles. The early demand responses that we have received have been quite warm. We are still studying, gauging, and understanding the situation, and it will take some time before we can tell you much more about the response. However, things are broadly developing as per our expectations.

Ankit Kanodia: Thank you very much for that detailed answer. My next question relates to the previous participant's point about how you have tried to change buying behavior. I understand that it would be better to visit the store and see it ourselves, but could you provide more perspective on what kind of behavioral change you are trying to bring about?

Harit Zaveri – JMD: I understand your point, Ankit. I can understand the curiosity; I would have had the same curiosity if I were in your position. However, because I do not have the words and vocabulary to explain it adequately, I think it is only possible once you see the store.

It is not that I cannot tell you anything, but no matter how much I explain, I would not be able to convey it properly. It is like being a traveler: if I try to explain a place to you, it will not make sense until you see it yourself. For example, you should ask me a question about the industry and how we are going to compete with the corporates of the world, given that we are a small player.

Harit Zaveri – JMD: That question has also come up many times. Sometimes, when you see tangible things and realize that what someone is doing has substance behind it, you are able to understand that the person has actually created something. You can see that this is a prototype of what we have made.

There is a lot of buildup taking place, and things will happen. However, never before at any conference have I invited investors to come and see the store. I am telling you that this is something worth seeing and that you should see it.

Ankit Kanodia: I completely understand.

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Harit Zaveri – JMD: Once you see it, you will understand the difference in behavior. You yourself will experience a difference in behavior, and then you will understand it automatically.

For me, talking and presenting information has limitations. We have created the entire model, so I think you should come and visit once. Without seeing it, it is not possible for me to explain it adequately.

We have created what I would call a 100% display-oriented store, where we have provided customers with an experience in which they can walk through the store and select jewellery rather than actually sitting down.

What we have understood is that Gen Z buyers and new buyers are reluctant to enter a store because they have to sit down. Once they sit down, they feel compelled to have a salesperson show them trays of products.

As an investor, I do not want to over-explain this to you, but what we have created is a very attractive, ultra-premium walkthrough format in which the merchandise is displayed in a very subtle manner. When you visit other stores in the industry, you will see this as a distinct difference. This is a store that you must visit.

Ankit Kanodia: I completely agree with you. My next question relates to our expansion plans. Will the expansion initially be focused only on Gujarat, or will we expand to other states as well? You said that we have identified a white space in Gujarat, but have you identified something similar in other states, or are you going to—

Harit Zaveri – JMD: This brand will not be limited to Gujarat. It will not be limited to Gujarat.

Ankit Kanodia: My last question relates to the funding that we will need. How confident are you that internal accruals will be sufficient? Or do you think we will have to resort to debt or an equity fundraise going forward?

Harit Zaveri – JMD: Right now, once we move to GML, we understand that the ideal debt-to-equity ratio for GML is 1:1. When we shift from a CC limit to a GML limit, the interest rate comes down by half. If the rate is 9%, it becomes 4.5%; if it is 8%, it becomes approximately 3.5%-4.5%. Around 4.5% is the common rate.

Therefore, we can leverage ourselves quite well in terms of debt through GML. Currently, we had equity of around 300 crores in the last fiscal year. We have already completed half of the year, and we estimate that equity will be around 350-360 crores this year because of branding and other expenses.

Considering this, I believe there is a lot of room for debt-led growth, with a good amount of internal accruals available. Therefore, we are not currently thinking about equity dilution or anything similar. We will see, assess, and understand the situation.

When the time is right, why not? We are not going to stop the company's expansion because of a lack of funds, but we really do not want to issue equity. Equity should be the last resort. We want to take things forward as much as possible without equity dilution, based on our fundamental

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understanding.

Equity represents ownership for us. Ownership dilution is something we understand, and we understand that the company has to grow and that we have to perform our duty in that regard. However, we do not see this as something that should be done repeatedly as a matter of course. We would want to retain our equity.

Expansion will continue. There are franchise models and other models through which we can expand. However, the debt leverage available to us is better. Therefore, in the very near future, there will be no equity dilution.

Ankit Kanodia: That was very helpful. One last question, if I may squeeze it in. The investing community generally becomes anxious when it comes to volatility in gold prices. Last year, gold prices were extremely high and then corrected significantly in the first 3-4 months. As a promoter and business owner, how important or integral is gold-price volatility to your medium-term and long-term plans? Do you consider it extensively, and how would you address us regarding this volatility?

Harit Zaveri - JMD: I can understand the similarity with how the Sensex moves up and down. For a seasoned investor who has been investing in the stock market for 2 decades, 5 decades, or whatever period it may be, such movements are a daily occurrence or part of the cycles that the person has already experienced.

That does not mean that such investors are not vigilant or alert. Every time the stock market moves up and down, one must remain aware and alert, and even seasoned investors deal with it in the same way.

From the perspective of volatility, what we really understand is how consumers react. We constantly improve our process of listening. We understand consumer sentiment and buying behavior better based on volatility, the footfalls that come in or do not come in, and the change that results from it.

Other than that, I have seen that over a couple of decades, prices have moved from X to Y, footfalls have continued, and the industry itself has remained encouraging and in a very good position. Therefore, there is not much to worry about. It is more about learning, listening, and adapting.

We are in this business for the very long term. It is going to be an interesting journey. Prices will rise and fall; everything will happen. Let us continue learning, adapting, understanding, and growing.

Ankit Kanodia: That is very reassuring. Thank you very much, and all the best. I will come back into the queue if I have more questions.

Operator: Thank you very much, sir. I request every participant to restrict their questions to 2 only. The next question is from Krishna. Please go ahead, sir.

Krishna: Mr. Zaveri, congratulations on your Surat store. I have one question. How much of your B2B business could be cannibalized because of B2C? Your B2B clients may be concerned because you do more antique and polki designs for B2B.

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Will your existing stores in Ahmedabad and Surat display more premium polki and antique jewellery, or will they cover all segments, from basic designs to polki?

Harit Zaveri – JMD: We operate like a typical large-format store. We have diamond, gold, daily wear, occasion wear, 18-carat, 22-carat, and some 14-carat products. Every store will obviously have its own distinct flavor, and our stores will also have a distinct flavor.

Again, I would like you to come and see us. Regarding your concern about cannibalization, we have not gone through that process so far. There is no cannibalization currently taking place. Demand is growing nicely in both segments.

We have invested in retail because we believe it is the long-term opportunity. Scale is developing in retail, and the brand is taking shape. In the coming year, you will see us investing heavily in the brand and in brand building.

Retail is the way forward. I believe a great deal of consolidation will take place in retail over the coming decades once the market becomes more formalized. At present, around 30%-40% of the market is formalized. In the coming decade, I believe this could increase significantly, potentially reaching 60%, 70%, or 80% formalization, with new players being introduced and larger players gaining market share.

The manufacturing end of the industry will remain fragmented. This happens across industries. Consolidated players want to make their suppliers more monopolistic or oligopolistic. Therefore, I believe the manufacturing market will remain fragmented and margins will be squeezed.

I believe retail is the right side of the industry, and we have received a very good response. The company is agile enough to adapt from manufacturing to retail and achieve success. That has been a very positive experience for us.

Once you visit the store, you will understand the difference in terms of risk and other aspects. It is not merely about the interiors. We have challenged, or rather understood, consumer behavior at the ground level and created a difference.

The new store that I am referring to is the Surat store. Apart from this, B2B demand is consistently rising. We deal with national retailers, and they are not particularly concerned about our opening 2, 5, or 10 stores. We have not heard anything of that nature.

Going forward, I do not want the company to be viewed only through the B2B lens. I want the company to be viewed as an entity that is moving from manufacturing to retailing, with the cost leadership and depth of understanding that it possesses, and that is now making a difference in the market. The question is how much we can scale that side.

We are in a good transformative phase, and so far things have been positive. There has been no cannibalization to date.

Krishna: Thank you. My last question is: what is your definition of a mature store? Could you also provide some perspective on the unit economics of a large-format and a small-format store, and how long it would take for a store to become mature?

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Harit Zaveri – JMD: For me, a mature store is one whose growth is somewhere in the range of 12%–15%. It also depends on how gold prices behave.

Growing stores are those with same-store sales growth above 20%. A same-store sales growth rate of 20%–25% represents a growing store. We believe hyper-growth occurs in years 1, 2, and 3. After that, growth slows down and the store becomes somewhat mature.

Even the Ahmedabad store is currently not in the maturity phase; it is still growing. Regarding the unit economics and the capex, I believe the capex break-even should be within 1 year. We also want to maintain ROCE and ROE.

We are not looking at unit economics in very great depth at this stage because of our strategy. If we are building a brand and later want to franchise the brand, there will be some impact on profits. We will protect profitability as much as possible, but we are in this business for the long term.

We want the store to have a good level of initial franchise activity and similar benefits, and we are doing everything we can. Profitability on a standard basis alone will not take us to where we want or aspire to be.

These are times when the company has tried to create the right model. Having created the right model, we now want to scale it. Let us see how we can scale it.

Branding and franchising are useful tools. However, nothing is committed as of now. What we are committing to is 3 more stores: Rajkot, Bhavnagar, Gandhinagar, and Maninagar. We also want to open a few stores next year. That is the commitment at present.

Unit economics is important, but because we are investing in the brand, we are not currently looking at it in that much depth. There may be a great deal of spending on the brand in year 1, and in year 2 or year 3 it may produce better results. The store should generate good profits, as we have seen in the Ahmedabad store.

Krishna: Thank you. Kindly allow me to squeeze in one last question. What is your right to win here? There are so many brands and so many models. What is the right to win in this space? You have just started. You had one store in Ahmedabad, and now you are expanding.

Harit Zaveri – JMD: Specifically, I am referring to large-format stores. This is a 10,000-square-feet carpet-area store. Typical stores in other formats are generally between 500 square feet and 1,500 square feet. Therefore, this is like having 10 stores in 1 store in that segment.

Even if you look at other stores that are 3,000, 4,000, or 5,000 square feet, you can see that 1 large-format store can cater to 2–3 mid-format stores. A mid-format store is generally somewhere in the range of 3,000–5,000 square feet.

It is a dense and good store. Krishna, once you visit it, you will understand it better. The right to win comes from the fact that a typical store operates in a typical way.

I can use all the vocabulary associated with a typical store, but when you come here, you should be able to say that the store is distinctive. Only when you are able to tell me that it is distinctive will I

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adopt that description.

If you come and do not find it distinctive, then it is different. In that case, it is normal for both you and me. However, I am telling you with confidence at this conference that you should come, see, and visit the store. If you find it interesting and distinctive, and if you believe it answers how we can differentiate ourselves from the other stores and corporates that already exist, then that is a fair conclusion.

Krishna: Thank you, Mr. Zaveri. We will write to you to request a store visit. Thank you very much.

Harit Zaveri – JMD: Yes, certainly.

Operator: Thank you. We have the next question from Meet Mehta. Please go ahead, sir.

Meet Mehta: I wanted to understand our view on the B2B side. We are not focusing as much on the B2B segment, but we will use our manufacturing capabilities to fund our inventory. Currently, we have capabilities primarily in heavy bridal wear and antique jewellery. In the B2C segment, we have several categories, including daily wear, bridal, studded jewellery, diamonds, and others.

What are we thinking in terms of expanding our horizons in the B2B segment? Will we outsource the other categories, or do we have another plan?

Harit Zaveri – JMD: First, it is not that we are not growing in B2B. We are growing in the B2B segment. Not expanding our manufacturing facility does not necessarily mean that there is no growth.

We are at 50% utilization of our manufacturing facility. We have a 2-ton manufacturing facility. When we conducted our IPO, the gold rate was 60,000 or 70,000 rupees. At that time, a 2-ton capacity represented approximately 1,400 crores. At a value of 150,000 rupees, it translates to 3,000 crores.

If we are at a 50% utilization stage, we do not necessarily need to ramp up capacity because production per artisan is measured in kilograms. A single artisan may produce 1 kilogram per month. That artisan will continue to produce 1 kilogram per month, whether the gold rate is 50,000 rupees or 5 lakh rupees.

Therefore, we do not need to ramp up manufacturing capacity. However, in rupee terms, our manufacturing capability has increased.

The value of merchandise that we sold last year was approximately 1,250 crores if job work is included. The topline does not reflect 636 crores; the value is essentially 1,250 crores if you include the 550 kilograms of job work that we carried out and multiply it by the gold rate.

Regarding B2C, we are present in daily wear, occasion wear, studded jewellery, and other categories. We are pilot-testing what we can manufacture in-house. However, because we understand manufacturing, we want to take the product to the final stage of manufacturing and have it produced at the right cost and the right price.

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We will manufacture some products in-house, but outsourcing will also take place, allowing us to create a good overall arrangement. We continue to design many products and give the designs to the designers and manufacturers as well. Therefore, we will bring distinctiveness to the market.

Our B2B expertise and understanding of manufacturing enable us to do this in B2C. It is not simply a matter of a store opening in Ahmedabad within 4 years without any legacy and moving from 24 crores to 400 crores. How is that possible? I have traveled to 70-75 cities myself, sat at the desks of individual business owners, understood their models, understood how they operate, and understood their merchandising.

Therefore, whenever we enter a new store, we receive that response because we have learned a great deal and explored new cities. There are 15-17 years of learning behind our manufacturing operations. When we say manufacturing, it is not just manufacturing; it is manufacturing and supplying to 70-72 cities.

Supplying to 72 cities means that I have visited those markets and started almost from scratch. When we move into retail, we have achieved good success because of the values we follow, including no discounts, no bargaining, and no-cash policies.

There is a great deal of learning behind all of this. As a manufacturer, we bring cost advantages and an understanding of merchandise, and I believe that this will continue as an ongoing business. We are focused on B2B as well, but the expansion is coming in B2C.

Meet Mehta: I want to return to the B2B side. Currently, we source 20% through our own capabilities, correct? You are saying that we will expand in the B2B segment. Will we add more products to our B2B basket, such as daily-wear jewellery or studded jewellery?

Harit Zaveri - JMD: We will do that for the B2C side. On the B2B side, we will remain in the occasion-wear category. On the B2B side, we will add those products.

Meet Mehta: So there are no plans to add other products to the B2B side?

Harit Zaveri - JMD: There are no plans to add other products to the B2B side as of now.

Meet Mehta: My last question is regarding the B2C expansion. We will have our Rajkot store before Diwali. Is there any update on Maninagar and Gandhinagar? Have we finalized the stores or locations, and how is the progress?

Harit Zaveri - JMD: The locations have been signed, and the matters have been finalized. More or less, everything is sorted on that front. Interior work and other activities have started, and we should be ready with the stores in Q3.

Meet Mehta: We have requested a visit on October 9. If you could revert to us, we can plan accordingly. I am very excited to meet you there.

Harit Zaveri - JMD: Certainly. Akash should be taking care of that now, and I think you—

Akash: Yes, it is noted. I would also request that whoever is genuinely interested, or anyone who is in this industry, should at least look at the model that we have created. I think it is worth seeing.

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Meet Mehta: Thank you, Harit, and all the very best for the upcoming stores.

Harit Zaveri – JMD: Thank you. Thank you.

Operator: Thank you, sir. We have the next question from Vatsal Rankas. Please go ahead, sir.

Vatsal Rankas: I wanted to understand whether the rise in gold prices will affect our expansion plans. For example, if gold prices increase to 2–2.5 lakh per kilogram, would that affect our future expansion plans? Our major expansion requires gold, and the funding cost would increase. If the funding cost increases, it could affect expansion plans.

My first question is on this issue. Also, how much of our incremental inventory will be funded through gold metal loans, and how much will be funded through our own balance sheet?

Harit Zaveri – JMD: Rising gold prices do not necessarily mean that store volumes also rise proportionately. Suppose the gold price is 50,000 rupees and my turnover is 100 crores. If the gold price rises to 150,000 rupees, my gold turnover does not necessarily increase to 300 crores. It may have a positive effect, taking turnover from 100 crores to 200 crores.

If there is a rise in gold prices, we can look at a wider geographical spread because we have that quantity of gold in our hands. I believe this has a positive impact on the industry.

A steady rise in gold prices is better, but gold has been volatile. Fortunately, in India, gold prices have generally remained on an upward trend. Even when prices decline, they decline to a certain extent and not by much. This is also supported by the customs-duty aspect and the dollar gaining strength.

Overall, we have been in this situation for around 20 years. We see that it is helping the industry, and I believe rising gold prices should not affect expansion at all.

Vatsal Rankas: My question was based on the fact that we might have a certain inventory requirement in kilograms. For example, for a new store, we might have 100–150 kilograms in mind. For that, we might have funding plans of 200–250 crores. If the gold price suddenly increases to 2–2.5 lakh per 10 grams, we may suddenly not have enough funding, and the number of kilograms would have to be reduced.

Vatsal Rankas: So the—

Harit Zaveri – JMD: That will not affect our expansion plans. It will not affect the expansion plans.

For example, we will decide based on rupee value. If we want to deploy 150 crores, we may initially plan for 100 kilograms of gold. If the gold price rises and the same quantity would cost 200 crores, we would decide that instead of deploying 100 kilograms, we will deploy 90 kilograms or perhaps 85 kilograms.

We will adjust it in that proportion, but the value should remain at 150 crores, or perhaps a little more. It will not completely increase to 200 crores.

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Vatsal Rankas: Earlier, we had taken the view that gold metal loans were not feasible because of the limits involved and because the margin money gets blocked. What has changed regarding gold metal loans, and how much of our incremental inventory do we plan to fund through GML versus our own balance sheet?

Harit Zaveri – JMD: As an ongoing business, we want to become a fully hedged company. What has changed is that the company has achieved greater scale. At a lower scale, we need to operate traditionally, but as our scale increases, we can understand and implement the entire hedging process better.

We have always wanted to become hedged. It is primarily a question of scale. If we move into an A, A-minus, or A-plus category, we will become more organized in terms of our inventory practices, especially our hedging practices.

When I say 3 years, we are also referring to scaling the business, building the balance-sheet size, and developing an organized approach to inventory. Hedging will therefore come into play.

We do not want to remain exposed to the volatility of gold as a commodity. The dollar will obviously remain exposed.

Vatsal Rankas: For our full expansion, suppose we are planning 15 more stores in total and the total inventory requirement could be around 500-600 kilograms. Assuming it is 500-600 kilograms, how much do we plan to fund through GML versus our own balance sheet?

Harit Zaveri – JMD: We want to maximize GML to the extent possible because it will support us over the long term. GML comes at a lower cost than the actual interest rate, which is around 8%-9%; GML may be available at 3.5%-4% or even lower.

We want to save on interest and increase our debt. In the normal course of business, we maintain a debt-to-equity ratio of 1:1. With GML, can we afford a debt-to-equity ratio of 2:1? The answer is yes, because the interest payout remains the same. Therefore, scaling would take place through GML.

Vatsal Rankas: Can we fully convert our inventory into GML? Is that practically possible?

Harit Zaveri – JMD: It is not practically possible to do so fully. We will see to what extent it is possible, and then we will understand the appropriate level.

Vatsal Rankas: Could you provide a percentage figure? Do we aspire to have a certain amount of inventory funded through GML? I am not able to understand that.

Harit Zaveri – JMD: We are working on that. However, quarter-on-quarter, it is essential for us to monitor the percentage by which we are increasing it.

Management {? Harit ?}: Currently, it is a very small fraction because we are moving into it slowly and gradually. It is not that we are exposed to it, but the finance team is gradually obtaining more limits for us on the GML side, including sub-limits.

You will see better results in Q3. I understand that you need the percentage information. Can you hear me?

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Vatsal Rankas: Yes.

Management {? Harit ?}: I understand that you need the percentage and related information. I have taken this as feedback. Let me provide you with this data from the coming quarter onward. I think what you require is information on how much of the inventory is being hedged, how much is on the hedge, and what our plan is.

We have set a 3-year timeline internally, but I think a quarter-wise update would help you. That is what you are expecting.

Vatsal Rankas: I have one more piece of feedback. If you could also disclose the inventory gains every quarter or every financial year, that would help us assess your performance.

Management {? Harit ?}: That is a very valid point. I have generally said this in my earnings calls. If you take the last financial year, you can say that, excluding the inventory gains, the estimated profit after tax was around 40 crores.

I have stated clearly that it was around 40 crores, perhaps 38 crores or 42 crores, or something in that range, but not 55 crores. The 55 crores includes the inventory gain. If you work backward, you can understand the total gain and related figures.

Vatsal Rankas: Every year, the movement in gold prices would be different on an annual—

Management {? Harit ?}: In Q1, it was almost nothing. In Q1, it was almost nothing. You can understand that aspect as well.

Vatsal Rankas: I was able to understand it, but if you could disclose it, it would be fairer feedback for everyone to understand.

Management {? Harit ?}: Currently, the system does not allow us to do that because when we report data, it has to be 100% accurate. It cannot be an approximate figure.

Once we have systems in place that allow us to understand it properly, we would want to present that data ourselves. Otherwise, we can provide only an estimate.

Estimates are not necessarily precise, but a range would always help. That is what we want as analysts.

Vatsal Rankas: One more [crosstalk]—

Management {? Harit ?}: One final piece of feedback: many investors will be coming to Surat on October 9 because there is an investor meeting and another event there. It would be helpful if you could host a group meeting where many investors could meet you.

I would also like to get in touch with your team to schedule a meeting, but a group meeting could be beneficial for you as well.

Management {? Harit ?}: {? Mukh ?}, I think Karnav has heard this. Karnav, please arrange the meeting.

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Karnav: Yes, I will put my phone number in the chat. I think the group meeting has already been planned. Anyone who is interested can reach out to me.

Vatsal Rankas: I can get back into the line now.

Operator: Thank you very much, sir. We have the next question from Ashish. Please go ahead, sir.

Ashish: You spoke about learning and listening, and you achieved very good scale-up in the Ahmedabad store. What learnings or practices did you take forward when establishing or developing other stores such as Surat? Could you provide some perspective on that?

Management {? Harit ?}: October 9 is when you will actually be able to see that we have implemented some of those learnings. Otherwise, these things remain only in words.

I have been speaking about this on my earnings calls. You know that we are coming to Surat and so on. When you visit the Ahmedabad store and then visit the Surat store, you will completely understand how we have implemented those learnings.

To explain what I mean, when we learn, we learn how consumers behave while buying jewellery, how they behave on different occasions, and what the customer wants internally but does not necessarily communicate.

Let us take an example. Suppose you are celebrating an anniversary on October 10 or 11, and you and your wife come to look at jewellery. The behavior in a conventional store is so restrictive that you need to sit down, and a salesperson is assigned to you. You are then compelled to look at what the salesperson shows you rather than what is actually available in the store.

Your taste or preference becomes dependent on the other person's ability to show you products. We want to change that because Ashish may want something unique and different according to his own preferences, and a salesperson may not currently have the ability to analyze that need.

There are many learnings in that area. Regarding learnings from gold-price volatility, it is more about understanding how consumers behave when prices are rising and when prices are falling, as compared with how they behave when they have functions and occasions.

For example, if gold prices are high and a customer needs to buy gold for an event-linked purchase, we compare that with how the customer behaves in terms of daily-wear purchases. There is a great deal of learning, and it is a continuous process.

Having said that, there is not necessarily something fundamentally different at our end compared with other companies. It is more about how we absorb the information.

When we talk about listening, perhaps I have tried to answer your question from the perspective of a person at the ground level and what that person is facing. Are we turning a deaf ear, or are we genuinely in the process of listening?

As companies grow, feedback often becomes more filtered. Raw feedback does not always come through. Sometimes people do not want to give us the correct feedback because they want to position themselves, or because they feel they cannot speak so openly with the senior

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management.

To become more aware, I personally went as a store manager to society activities and distributed invitation cards so that I could understand and listen to what consumers had to say when they received the invitation cards.

I do not need to do that now, but I wore a store manager's uniform, visited them, and carried out that exercise. I wanted to listen to what they were saying, how they approached the salesperson, and so on, as well as many other aspects. This is just to give you a glimpse of what is happening.

Ashish: My second question is about the personalization of the Surat store, based on the description you have given. Is there a particular benchmark or study? For example, if Tanishq is the benchmark in India, is there a north star against which you are comparing yourselves?

Are we also developing systems and processes at the employee level to listen and learn? That will be important based on what you highlighted in your earlier response.

Management {? Harit ?}: We are a microcap company, but our ERP system is SAP S/4HANA. You can tell me one company at this scale that implemented SAP after its IPO. SAP implementation is not a simple ERP exercise. It is a tremendous task because it is not an extremely flexible software unless processes are already in place.

At our level and within our company, it will be better for you to come and assess it. Rather than my using jargon and having you interpret it differently, which could create a misunderstanding, let us meet once.

When you visit, you will be able to assess the situation more meaningfully. Otherwise, we are only discussing the philosophical aspects of whether there is an ERP system, whether there is no ERP system, and so on.

Let us come down and meet face-to-face. Let me show you what I have done. We can then ask questions, and it is always good to answer them because if we have done something, we will be able to answer it, and if we have not done it—

Ashish: I am coming on October 10, so I will definitely meet you if you are available in person.

Management {? Harit ?}: Yes. I appreciate your question about listening, the process of listening and understanding, and everything related to it. We will answer that. You should be able to see it clearly.

Ashish: I will come. Thank you, and all the best for the future.

Management {? Harit ?}: Yes.

Operator: Thank you, sir. We have the next question from Yash Anand. Please go ahead, sir. [Pause] Yash, are you there? [Pause] We can go to the next question from Saurabh. Please go ahead, sir.

Saurabh: Thank you for the opportunity. I am new to the company. Could you share the revenue mix for FY26 between B2B and B2C?

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Management {? Harit ?}: You should look at the volume share. The value of merchandise is more important than the topline. The topline does not provide a clear indication of where the company stands.

Last year, we achieved a value of merchandise of 1,250 crores, compared with a bottom line of 55 crores. From the topline perspective, it was 636 crores. I hope that clarifies the first point.

From a volume perspective, because of the 4 stores coming up, it is too early even for me to gauge where the topline and value of merchandise will stand. I expect the bottom line to remain almost flat because of the investment we are making in the brand and brand-building activities.

I expect the bottom line to be 55-60 crores. Again, this is my assessment based on how Q1 has progressed and other factors. It can change because we are keeping our long-term scaling objectives in mind.

I believe the topline will continue to grow. We saw positive signals in Q1, and Q2 also appears to be positive. Let us see how things develop, but you can expect decent growth.

Q3 will be critical because all 4 stores are coming up. I think Q3 and Q4 will be very critical. I am not giving any guidance at present, but you can expect decent growth.

Saurabh: How do we see the revenue mix for FY27?

Management {? Harit ?}: I do not want to provide a specific number because—

Saurabh: Just a ballpark number, sir.

Management {? Harit ?}: It will depend on several factors. Same-store sales growth is performing well, and the B2B section is also performing well. I suppose the outcome will be relevant to the industry numbers.

However, this is not the right year for me to state the figure because this year represents a new beginning and the opening of 4 new stores. Let us see how the stores behave.

What I can say is that we are in an expansion phase and are seeing a good response from customers. I understand your question, Saurabh, but let me keep the numbers to myself for now. We do not want to disclose them at present.

You can assess it yourself, which I think would be better. Q2 appears to be good.

Saurabh: My last question is: at constant gold prices, what is the EBITDA difference between B2B and B2C? I mean the EBITDA margin.

Management {? Harit ?}: What is the difference at constant gold prices? You are asking from a volume perspective, correct?

Saurabh: Yes.

Management {? Harit ?}: Almost double.

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Saurabh: Understood. Regarding the store that we have just opened, are we focusing more on studded jewellery and lightweight jewellery, or is it a mix of everything?

Management {? Harit ?}: It is a mix of everything. We are trying to attract customers because large-format stores cannot depend only on occasion wear. We have daily wear, gold, diamond-studded jewellery, and everything else.

Saurabh: Understood. Thank you, sir. That is all from my side.

Operator: Thank you, sir. We have the next question from Nalaram Singh. Please go ahead, sir.

Nalaram Singh: Good evening, Harit. I saw the store-opening video on Instagram, and it looked very impressive. Congratulations to you and the team for the hard work. My question is regarding our making charges and how they compare with the competition, particularly in comparable categories.

My second question is: how has the trend in making charges changed in the Ahmedabad store from year 1 to today?

Harit Zaveri – JMD: At Harit Zaveri Jewellers, we follow fixed making charges. That means there is no bargaining or similar activity.

There are different varieties and categories across which making charges vary, so it is difficult for me to answer the question directly. Generally, what happens in the market is that a brand establishes a base rate, X, and then offers X minus 50%, 40%, or some other percentage.

We do not operate that way. We directly offer making charges at the right price, which for us may be X minus a particular percentage, and then we maintain that price. We do not entertain bargaining.

I can say that our retail business performs well, and we have a gross-profit margin of approximately 14%.

Nalaram Singh: Do we have scope to be at a lower level than the competition? That is the main question. Is there scope to reduce the gap?

Harit Zaveri – JMD: When you say lower than the competition, I did not understand the point clearly.

Nalaram Singh: I mean the net making charge for comparable stores and brands. Do they also operate at 15%, or do they operate at a higher number, such as 20%?

Harit Zaveri – JMD: There are brands that offer discounts, including significant discounts during seasons and on their own occasions, such as anniversary discounts.

We do not operate in that way. Every brand has a different way of interacting with consumer behavior. What we understand and what we learn is that we do not want to manipulate consumer behavior. We want to create a level of trust and integrity associated with the brand.

That is how we maintain prices very consistently throughout the year. When a customer comes to us, we do not say that the price will be lower because it is the customer's birthday or anniversary,

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unlike some other players.

It is difficult to benchmark ourselves directly against peers, but I believe our making charges are broadly on the same level as what peers charge. However, they bargain and offer discounts at certain times, and at other times they sell at a premium.

We do not do that. We sell at the right or reasonable price that we quote. You will therefore see that without bargaining, our jewellery may appear to be much cheaper than a product priced at X elsewhere. After bargaining, however, we may turn out to be slightly more expensive than others, depending on the customer's negotiating ability.

Nalaram Singh: My final question is: how do you benchmark or compare yourself with other retailers? What metric do you effectively track to determine whether we are doing a good job?

Harit Zaveri – JMD: When we say that we are doing a good job, the first question is whether we are operating cleanly in terms of processes. Do we split bills, or do we operate without split bills? We do not split bills. We do not bargain, and we do not engage in other similar practices.

The fundamental question is whether our processes are strong. The second question is the quality of the team. The team is something we genuinely want to develop, and we put a great deal of effort into it. We want a young team that is growing.

Data is another important point. The company is undergoing a transformation and has grown consistently.

When I joined, I was a 17-year-old entering the business, and there were only a few people, around 6 people. I started from the ground level and have seen consistent growth in the business.

Considering the expansion plans, this is an ongoing process. In the future, I believe the company will definitely scale. Frankly, we are still very small. The industry is very large. We have clear {? headroom ?}. We should expand and create a good model. We should create a good brand that people can trust.

Trust is genuinely present in our business. We do not compromise, we do not bargain, and we do not engage in improper practices. We always ask for a PAN card, and if we do not receive one, we do not sell.

The brand is working well. What we really have is significant {? headroom ?}. This is an industry with a market size of 7 lakh–8 lakh crores. We are a very small company. We should go much further. The more we scale, the better it is for us. That is the overall objective.

Our peers operate in different ways to attract customers, and most of the players are legacy players. There are brands such as Tata Tanishq and PN Gadgil, as well as various corporates.

However, we are growing in our own way. We are bringing distinctiveness and differentiation to the market, and we are delivering on that. Even though everyone is present in Ahmedabad, we have grown from 24 crores to 400 crores.

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Those statistics are extremely encouraging as we move into Surat, Rajkot, and other cities. If you are distinctive, if there is a difference, and if the consumer can visibly see that difference, you can grow. Our numbers are encouraging us in this regard.

Once you visit the store, you will see that we have done something different. It is not the same store operating in the same way. You will understand how we have created it. It is not just about luxury; it is about how we attract customers and understand them better.

This is a continuous-improvement process. The statistics so far are extremely encouraging, and we are moving in the right direction. We are transforming from B2B to B2C, and we are taking that risk as part of our vision.

Everything is driven by numbers, and I believe we will continue. We are still small, and we will continue to grow.

Nalaram Singh: Thank you very much, and all the best, Harit.

Operator: Thank you. We have one question in the chat box. What is the rationale behind bringing Vicky Kaushal for the store opening? Do you think a young female lead actress would have been more relatable to the target audience?

Harit Zaveri - JMD: When we first considered Vicky Kaushal, there were also female leads and other options. I agree with that. However, Vicky is considered a green flag by the audience.

When I met Vicky, I did not just meet the actor Vicky; I met the person Vicky. He is a brilliant person. Yesterday, he posted a story, and I was genuinely surprised by what he wrote.

This was an interaction I had with him without cameras. I told him that there are 2 things I do not compromise on: my vision and my values. My team can do anything, but it cannot compromise these 2 things.

I was amused and surprised by how well he remembered those 2 things. He wrote about values and vision, and said that my goodness and integrity reflect in the brand I have built, and that he is always rooting for me.

This is not something we asked him to write. He could simply have written, "Thank you," and tagged Harit Zaveri Jewellers with the relevant tags and hashtags. Instead, he went the extra mile because of the person he is.

When you work with people like this, what they say on stage and in a podcast matters. I believe you will see many reels in the future, and you will understand why we chose Vicky Kaushal and not someone else.

This does not mean that we are not considering other people. We are open to other options, but many celebrities have already been engaged by other competitors. Resources are limited, but we believe we made the right choice.

Even if we had selected another person, this individual was exceptional. The human being Vicky is a hundred times better than the actor Vicky. We connected wonderfully, and I think he has done an

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amazing job for the company.

He said that the 3 things Harit believes in are ethics, kindness, and craft, and that he believes in those 3 things as well. He said this openly on stage.

He is a wonderful person and a wonderful human being. Because of the personal interaction I have had with him, it has been very good to know him.

There are many options and many possibilities, but this is also a relevant option. I can say that with confidence. His image is clean, his reputation is extremely clean, and he is extremely humble as a person. He is working very well with the brand.

This does not mean that we will not consider other options. If we find a good option, we will consider it. A male celebrity also attracts significant attention. I am not against female celebrities; we are open to them as well.

This is not the end of our celebrity strategy. It is only the beginning, and this year's beginning was made by Vicky Kaushal.

The last time we had a celebrity in Ahmedabad, we brought Jacqueline, but that was years ago. Vicky is at least an A-lister. Let us see who we select for Rajkot and other locations. This will be a continuous process.

Operator: We can take one last question from Ankit. Please go ahead, sir.

Ankit: Can you hear me?

Harit Zaveri - JMD: Yes, you are audible.

Ankit: We said that we are at 50% utilization of our manufacturing setup. Given that B2C will probably grow at a higher percentage than B2B, when do we see the focus shifting back from B2C growth to expanding our manufacturing capabilities?

Harit Zaveri - JMD: Once we approach 70%-75% capacity utilization, that is when we should seriously consider expanding our manufacturing capability.

The timing also depends on the gold rate. If the gold rate rises again to, for example, 2 lakh rupees, the manufacturing volume in rupee terms will have increased. Suppose we have a 2-ton capacity and the gold rate is 150,000 rupees. My annual production capacity is 3,000 {? tons ?}. If the gold price moves to 2 lakh rupees, my annual manufacturing capacity will be 4,000 {? tons ?}.

The main point is that we should allow capacity utilization to reach 70%-75%, after which we should certainly consider expansion.

Ankit: I mean, when do we envisage or internally target that this will happen? Are we looking at 2, 3, 4, or 5 years before we again focus on expanding capabilities? What is the—

Harit Zaveri - JMD: When we talk about manufacturing expansion, we are not thinking of going back to B2B. The company is clearly transforming toward B2C.

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We are thinking about adding new showrooms. New showrooms will create additional demand, and that is how we will add manufacturing capacity over time.

The demand coming from the B2B side is also growing, but it will be normal growth. It will not be the kind of multifold growth that we are expecting from B2C. It will grow in line with industry standards.

Operator: Thank you very much, sir. As there are no further questions, we can close the call. On behalf of Arihant Capital, I would like to thank the management for taking the time to share insights about the company. If participants have any further questions, they may contact the Arihant Capital team. Any closing comments, sir?

Harit Zaveri – JMD: Thank you very much. There were many good questions.

Words can do only a limited amount. I understand that investors and analysts are very adaptive and attentive to words and explanations, but much more can happen when you see things tangibly.

I request most interested people to visit us, see the stores, come here, and ask the toughest questions and the best questions you have. I would be glad if difficult questions are raised, because they can help us understand ourselves better, improve, and grow further.

Ultimately, both sides are on the same journey. I do not believe that any investor wants us to decline. Everyone wants us to grow, and from our side, everyone wants to grow as well.

We are therefore a good team together. Your questions are encouraging, and we will definitely try to deliver the best possible results.

Thank you once again for taking this up.

Management: Thank you very much for helping us grow and become more efficient in our business. Your questions help us compare ourselves and become more attentive to whatever is required.

It is wonderful every time questions are asked. We are sensitive to them. When we do not have an answer, or when our answers are not perfect, we go back, improve our processes, obtain the right answers, and then deliver them to you.

It was wonderful interacting with the Arihant team, the Arihant conference, and the investors. Thank you very much. We will see you on October 9 and October 10, whenever the Conclave takes place. Until then, thank you very much. Thank you to everyone.

Operator: Thank you, sir.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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