



INVESTOR PRESENTATION

Q1 FY16 RESULTS UPDATE

August, 2015

tbz[®]

The original since 1864

TRIBHOVANDAS BHIMJI ZAVERI
SHRIKANT ZAVERI GROUP

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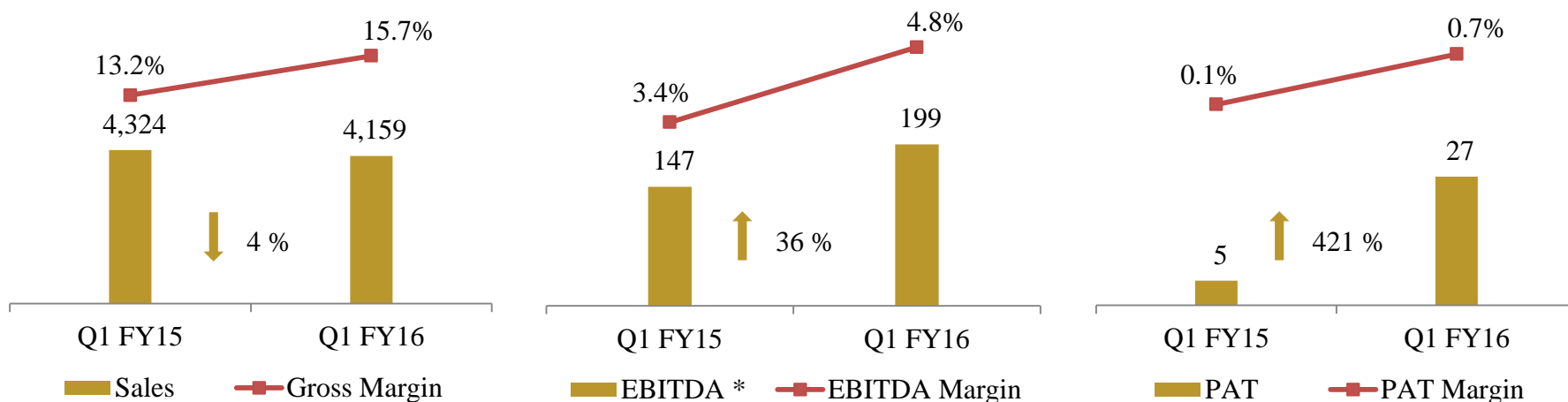


DISCUSSION SUMMARY

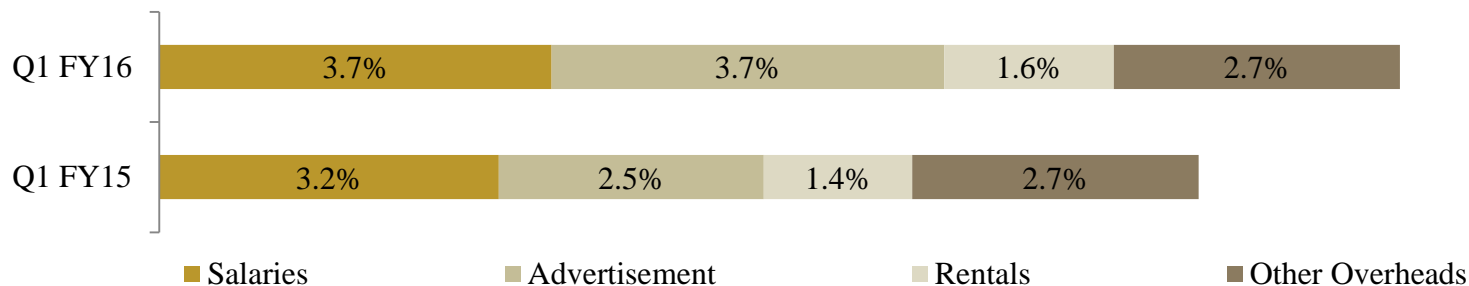
❖ Q1 FY16 Results Update	04 – 10
❖ About Us	12 – 16
❖ Financial & Operational Summary	18 – 20
❖ Annexure	22 – 30

Q1 FY16 RESULTS UPDATE

PROFIT ANALYSIS (RS MN)



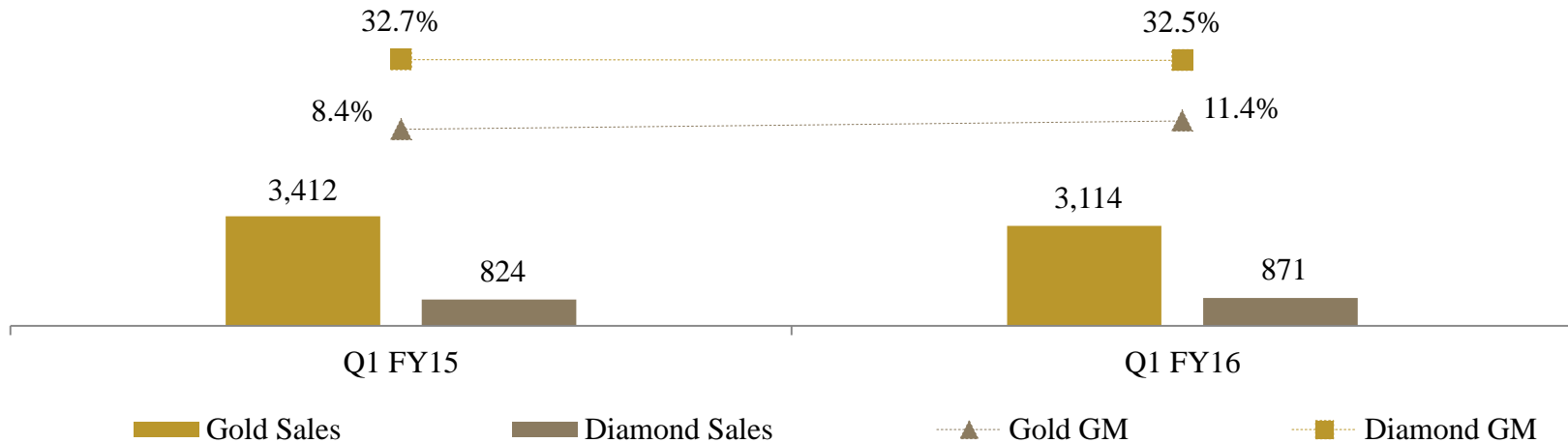
OPERATIONAL EFFICIENCY (%)



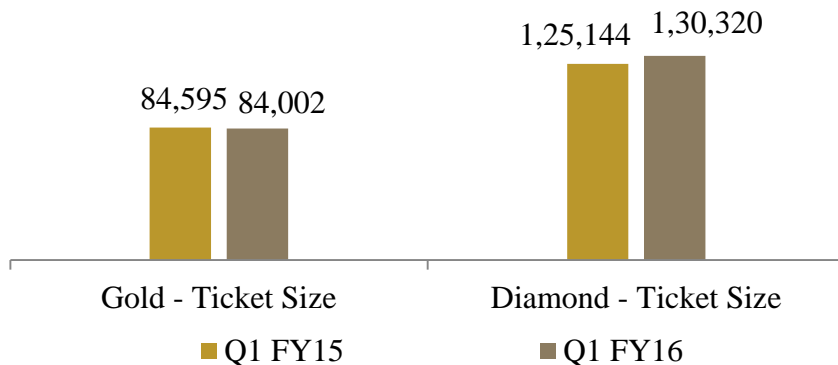
* Q1 FY16 EBITDA has been adjusted to include net hedging gain of ₹ 33.7 mn which is shown under other income in P&L. Q1 FY15 EBITDA already included net hedging loss of ₹ 6.0 mn which was included in other expenses in P&L.

Q1 FY16 RESULTS UPDATE

REVENUE ANALYSIS (RS MN)



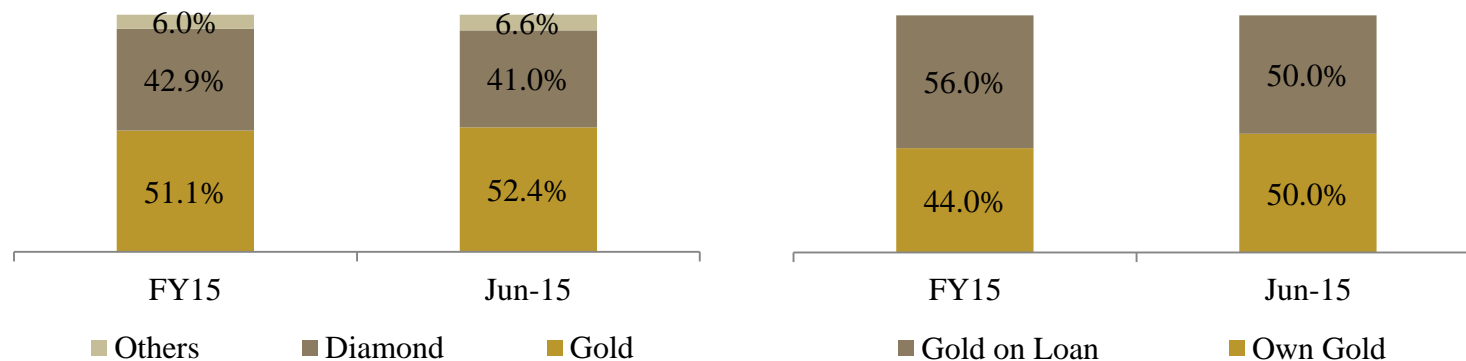
AVERAGE TICKET PRICE (RS)



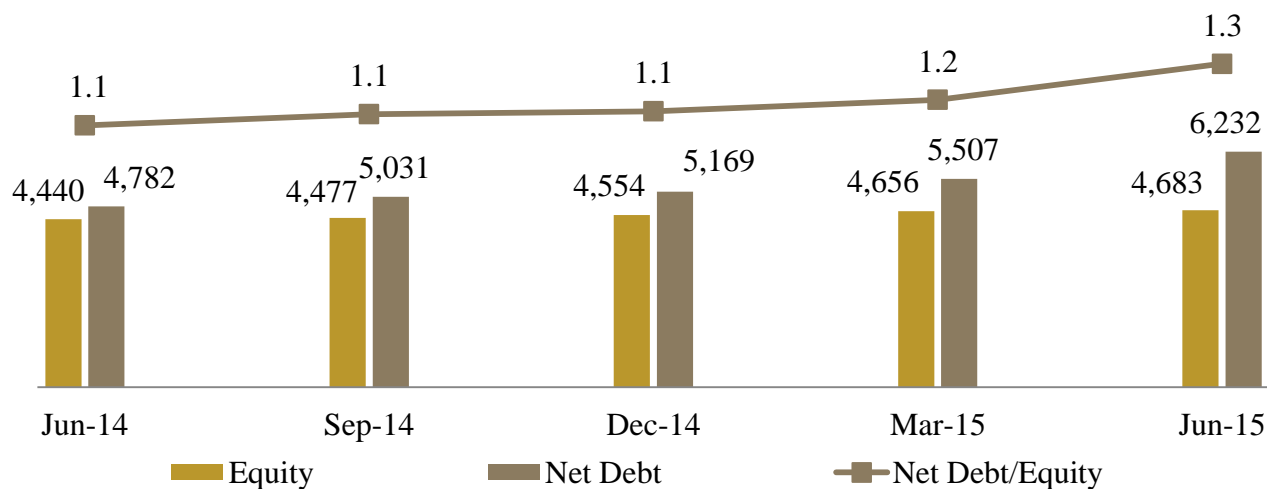
Q1 FY16	Gold	Diamond
% of Sales – Q1 FY16	74.9%	20.9%
% of Sales – Q1 FY15	78.9%	19.1%
Sales Growth %	-8.8%	5.7%
SS Sales Growth %	-10.2%	3.9%
SS Total Sales Growth %	-5.3%	

BALANCE SHEET UPDATE

INVENTORY BREAKUP (%)



LEVERAGE (RS MN)



BUSINESS SCENARIO

- ❖ Average gold prices declined by ~11% over last one year.
- ❖ Uncertainty on regulatory front was eased as there was no enforcement of PAN card requirement for purchases of more than ₹ 100,000.
- ❖ With effect from 15th April, 2015, the TBZ showroom in Borivali, Mumbai was shifted to a new location which is larger in size and within only 200 metres from the existing showroom.
- ❖ This relaunched Borivali showroom is the first 3-storey showroom of TBZ and is spread across 6,500 sq ft of retail space, larger than the existing showroom of 4,314 sq ft.

KEY RESULT TAKEAWAYS

- ❖ Q1 FY16 sales declined 3.8% YoY due to lower gold jewellery sales (down 8.8%) partially offset by higher diamond sales (up 5.7%).
- ❖ Gold : Diamond mix improved from 78.9 : 19.1 in Q1 FY15 to 74.9 : 20.9 in Q1 FY16.
- ❖ Q1 FY16 Gross margin improved backed by lower level of sales activation.
- ❖ Other Expenses increased on year over year basis due to higher advertising expenses (₹ 156 mn in Q1 FY16 vs. ₹ 105 mn in Q1 FY15).
- ❖ As on Jun-15, 50% (56% as on Mar-15) of total gold inventory was on gold loan.
- ❖ Leverage (Net Debt / Equity) increased from 1.2x at Mar-15 to 1.3x at Jun-15.
- ❖ Interest cost increased on year over year basis due to higher borrowings. However, going forward, the interest cost is expected to decrease as the share of inventory on gold loan increases.

RESULTS UPDATE – JUNE 2015

PARTICULARS (IN MN) (QUARTERLY UNAUDITED)	Q1 FY16 (₹)	Q1 FY15 (₹)	YoY %	Q4 FY15 (₹)	QoQ %	FY15 (₹)	FY14 (₹)	YoY %
Revenues	4,159	4,324	-3.8%	4,630	-10.2%	19,342	18,181	6.4%
COGS	3,507	3,752	-6.5%	3,983	-12.0%	16,664	15,096	10.4%
Gross Profit	652	571	14.2%	647	0.9%	2,678	3,085	-13.2%
Gross Margin (%)	15.7%	13.2%	248 bps	14.0%	172 bps	13.8%	17.0%	-312 bps
Personnel Expenses	153	136	12.2%	120	27.2%	567	614	-7.6%
Other Expenses	334	288	15.9%	277	20.4%	1,362	1,144	19.1%
EBITDA	166	147	12.9%	249	-33.5%	748	1,327	-43.6%
EBITDA Margin (%)	4.0%	3.4%	59 bps	5.4%	-140 bps	3.9%	7.3%	-343 bps
Depreciation	23	36	-35.7%	-19	218.1%	84	100	-16.1%
Other Income	46	26	79.3%	62	-25.9%	145	66	119.3%
Interest Expenses	148	129	14.3%	137	7.7%	502	463	8.3%
Exceptional Items	0	0	-	-87	-	-87	0	-
Profit Before Tax	41	8	424.1%	281	-85.3%	395	830	-52.4%
Tax	14	3	431.1%	96	-85.2%	134	279	-51.9%
PAT	27	5	420.4%	185	-85.3%	260	551	-52.7%
Profit Margin (%)	0.7%	0.1%	53 bps	4.0%	-334 bps	1.3%	3.0%	-168 bps

RESULTS UPDATE – JUNE 2015

PARTICULARS (IN MN) (QUARTERLY UNAUDITED)	JUNE-15 (₹)	MAR-15 (₹)	DEC-14 (₹)	SEP-14 (₹)	JUN-14 (₹)
Shareholders Funds	4,683	4,656	4,554	4,477	4,440
Loan Funds	6,545	5,832	5,614	5,654	5,455
Other Long Term Liabilities	56	26	49	47	45
Sources of Funds	11,284	10,514	10,217	10,178	9,940
Gross Block	1,382	1,382	1,328	1,299	1,293
Less: Acc. Depreciation	310	289	396	385	354
Net Block	1,073	1,093	932	913	939
Other Long Term Assets	202	159	265	289	268
Inventory	11,630	11,137	10,832	10,781	10,799
Debtors	69	8	16	106	13
Cash and Bank Balance	313	325	445	623	673
Other Current Assets	85	134	104	155	140
Current Liabilities	2,088	2,342	2,377	2,689	2,892
Net Current Assets	10,009	9,262	9,020	8,976	8,733
Application of Funds	11,284	10,514	10,217	10,178	9,940



DISCUSSION SUMMARY

- ❖ Q1 FY16 Results Update 04 – 10
- ❖ **About Us** 12 – 16
- ❖ Financial & Operational Summary 18 – 20
- ❖ Annexure 22 – 30

ABOUT US: WHY IS TBZ DIFFERENT ?

Pedigree

- ❖ 150 years in jewellery business
- ❖ First jeweller to offer buyback guarantee in 1938
- ❖ Professional organisation spearheaded by 5th generation of the family

Strong Brand Value

- ❖ High sales productivity - ₹ 254 k per sq ft per annum (at mature stores)
- ❖ High footfalls conversion - 79%
- ❖ High ticket size - Gold - ₹ 85 k, Diamond - ₹ 139 k

Scalability & Reach

- ❖ 28 stores (~93,000 sq ft)
- ❖ Presence - 22 cities, 10 states

Expansion Plan -

- ❖ 57 stores (~150,000 sq ft)
- ❖ Presence - 43 cities, 14 states

TBZ

**SUSTAINABLE
COMPETITIVE
ADVANTAGE**

Specialty Wedding Jeweller

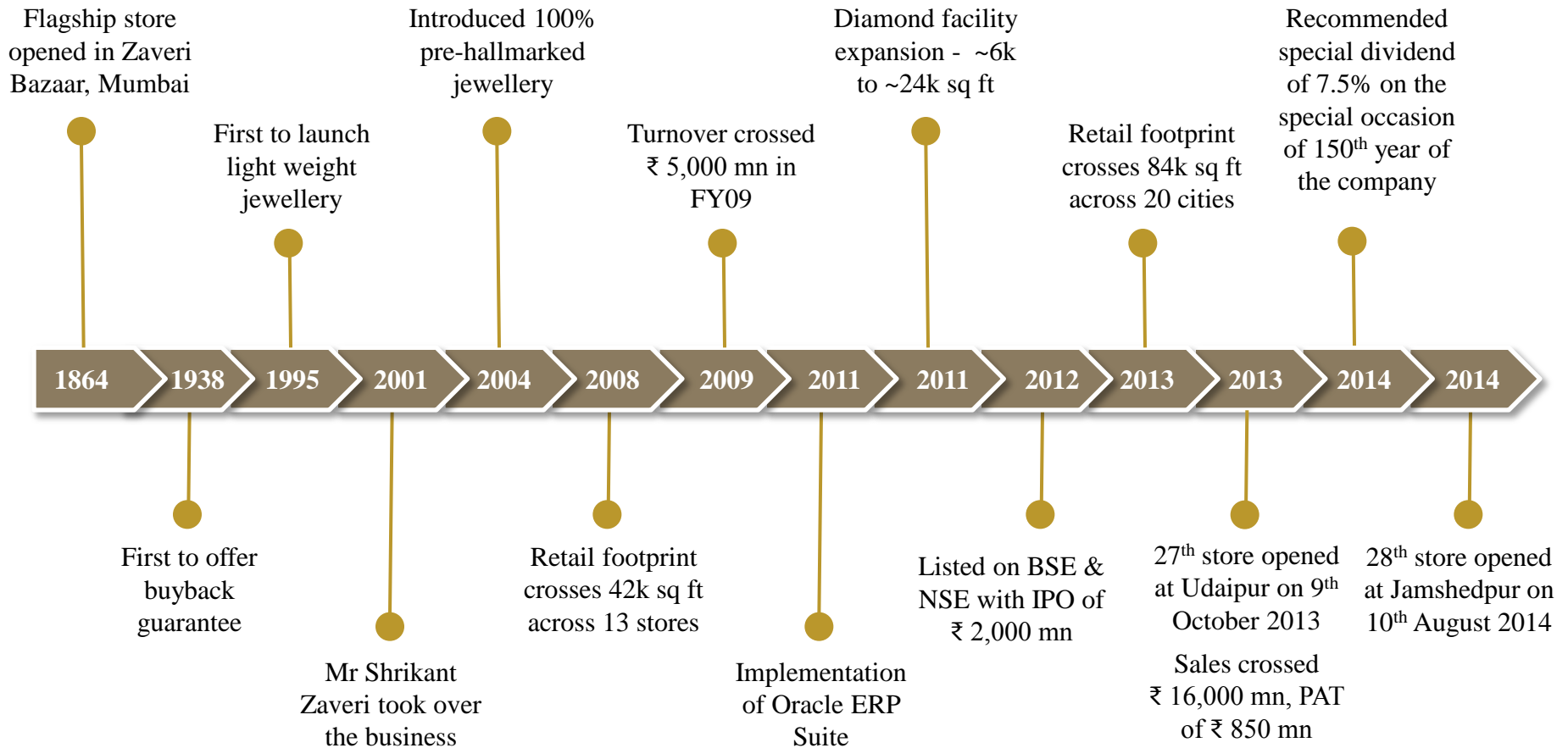
- ❖ ~ 65% of sales are wedding & wedding related purchases
- ❖ Compulsion buying
- ❖ Stable fixed budget purchases by customers

Design Exclusivity

- ❖ 34 designers (incl. 11 CAD)
- ❖ 8 - 10 new jewellery lines/year
- ❖ In-house diamond jewellery production
- ❖ Customer loyalty
- ❖ Premium pricing

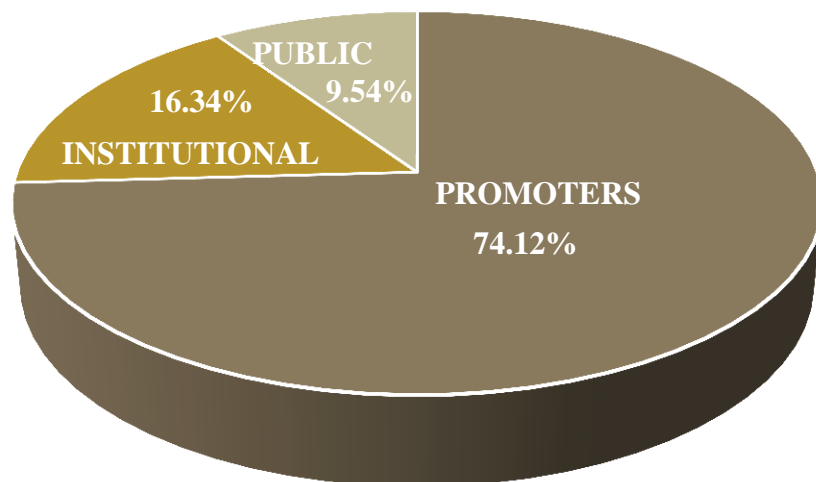
ABOUT US: KEY MILESTONES

STRONG LEGACY OF AROUND 150 YEARS BUILT ON TRUST



ABOUT US: SHAREHOLDING STRUCTURE

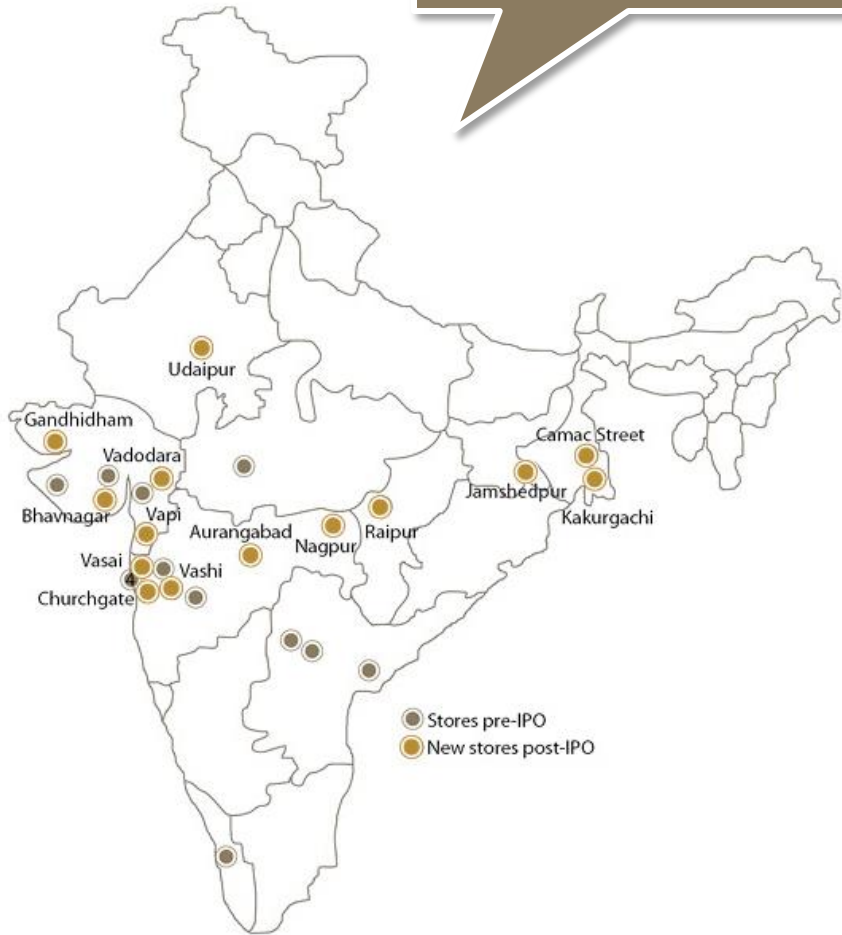
SHAREHOLDING PATTERN – JUNE 2015



KEY INSTITUTIONAL INVESTORS	% HOLDING
Smallcap World Fund INC	6.50%
HSBC Global Investments	3.76%
Goldman Sachs India Fund	1.41%

ABOUT US: RETAIL PRESENCE

Present across 22 cities
in 10 states



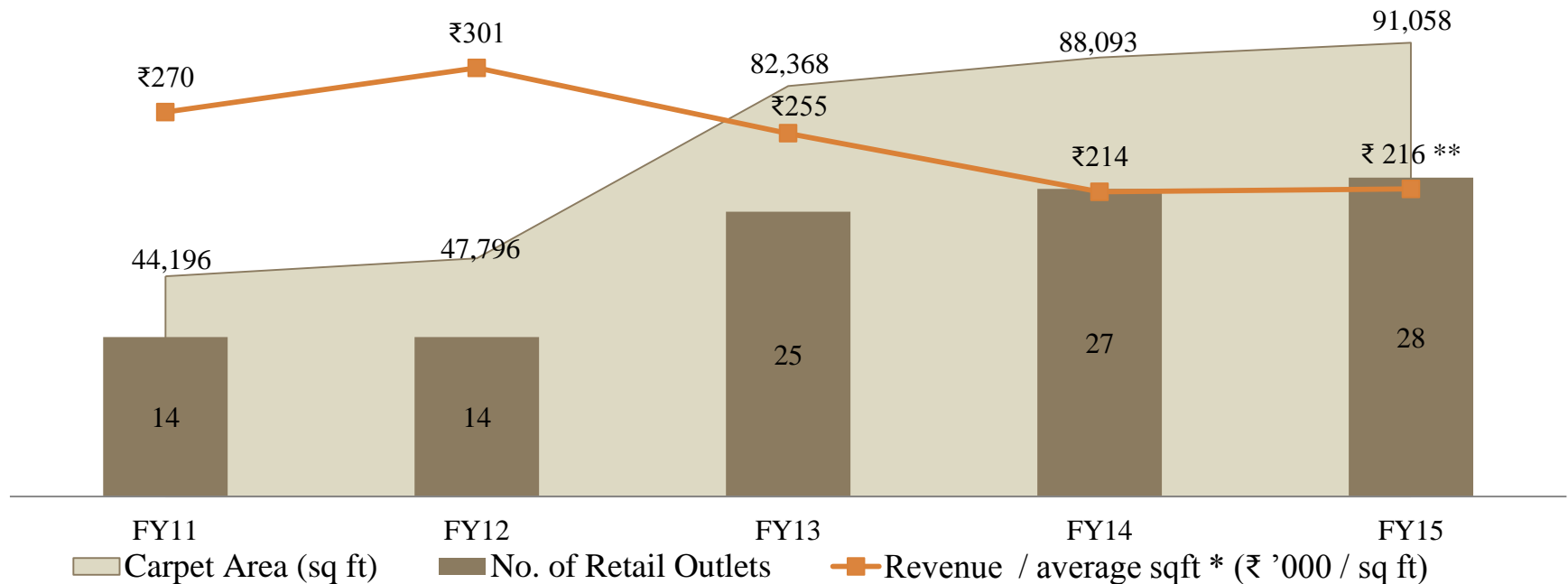
PAN-INDIA PRESENCE WITH 28 STORES WITH A RETAIL SPACE OF ~93,000 SQ. FT. SPREAD ACROSS 22 CITIES IN 10 STATES.

NUMBER OF STORES	TILL DATE
Large Format	22
Small Format	6
Tier I	17
Tier II	4
Metros	7
Total Stores	28
Total Area	~93,000



ABOUT US: RETAIL FOOTPRINT EXPANSION

HIGH SALES PRODUCTIVITY (REVENUE / YEAR / SQ FT)



* Average of retail area at the beginning and at the end of the financial year

** Sales productivity over last 12 months. **Productivity at mature stores – ₹ 254 k per sq ft**



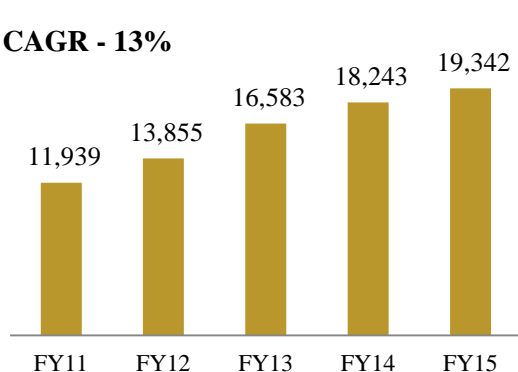
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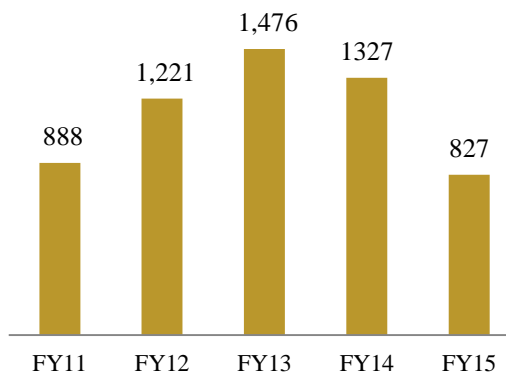
FINANCIAL SUMMARY

REVENUE (RS MN)

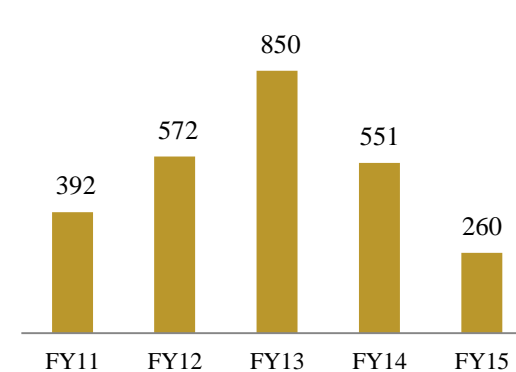
CAGR - 13%



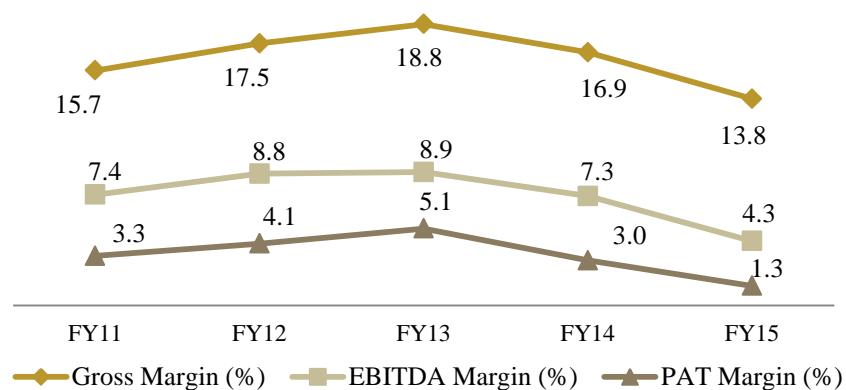
EBITDA (RS MN)



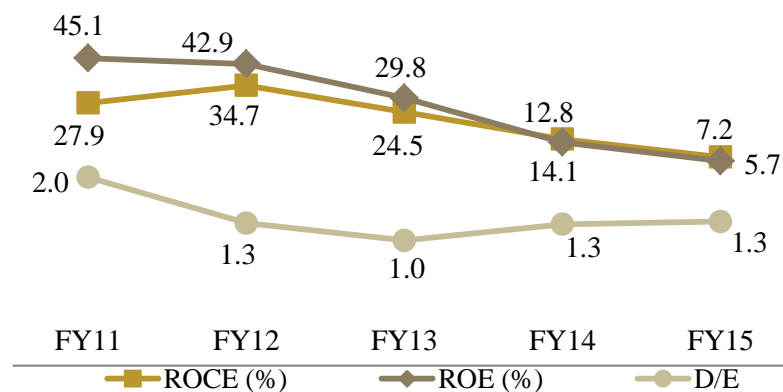
PAT (RS MN)



MARGINS (%)



LEVERAGE & RETURN METRICS



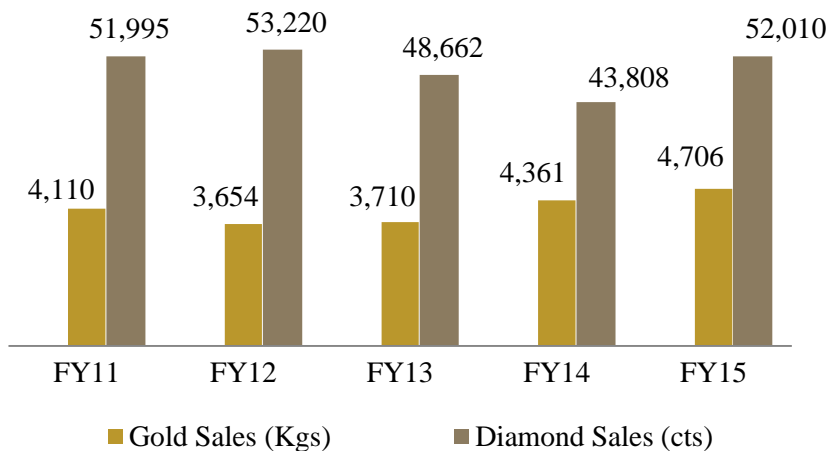
NOTE:

* FY15 EBITDA has been adjusted to include net hedging gain of ₹ 78.1 mn which is shown under other income in P&L. FY14 EBITDA already included net hedging loss of ₹ 1.2 mn which was included in other expenses in P&L.

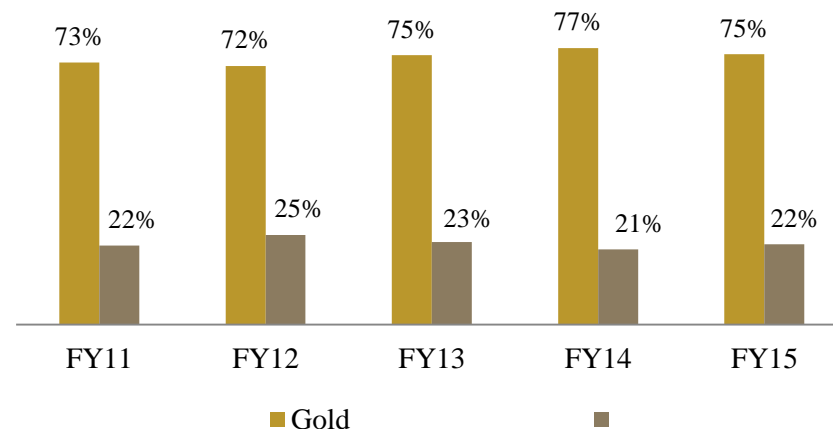
** FY15 PAT includes the after-tax impact of ₹ 91.6 mn due to an exceptional gain from change in depreciation policy.

OPERATIONAL SUMMARY

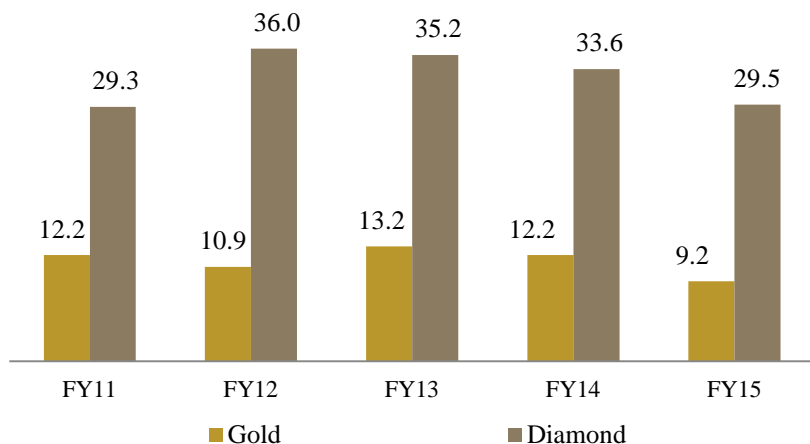
GOLD & DIAMOND VOLUMES



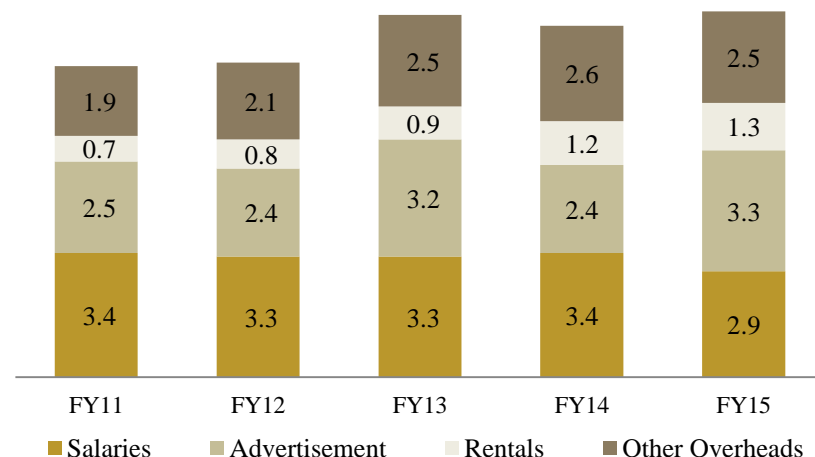
GOLD & DIAMOND SALES MIX (%)



GOLD & DIAMOND MARGINS (%)

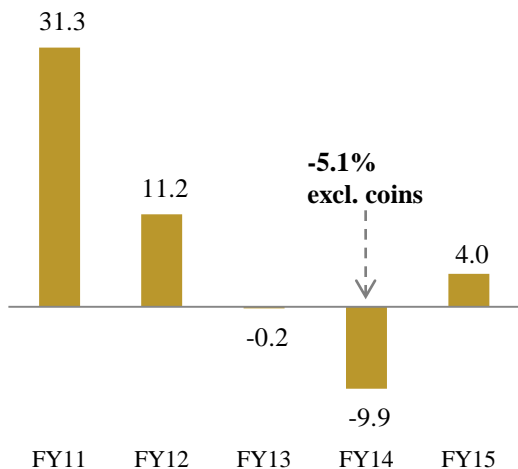


OPERATIONAL EFFICIENCY (%)

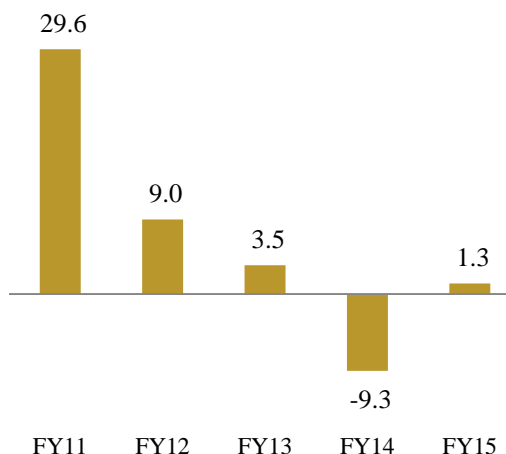


OPERATIONAL SUMMARY

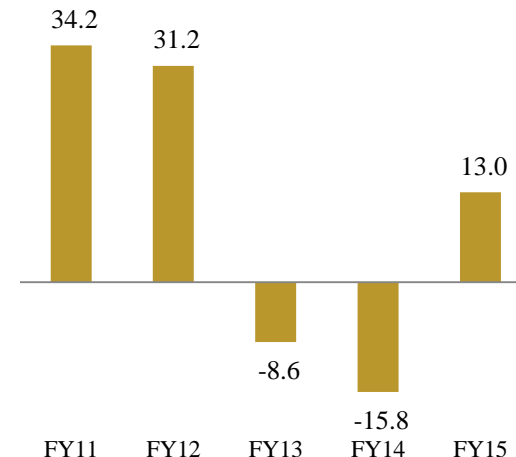
SSSG - TOTAL (%)



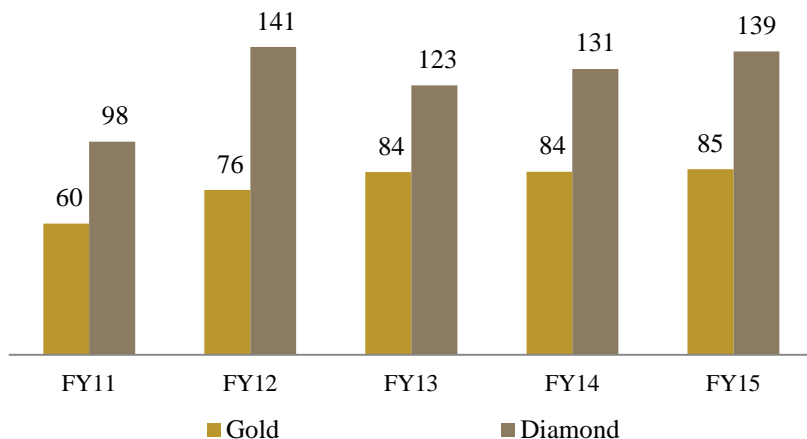
SSSG - GOLD (%)



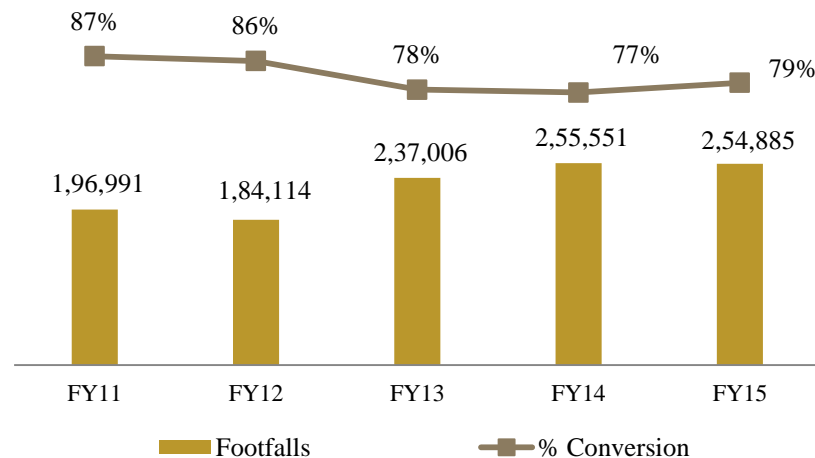
SSSG - DIAMOND (%)



AVERAGE TICKET SIZE (RS '000)



FOOTFALLS & CONVERSION



THANKYOU



The original since 1864

TRIBHOVANDAS BHIMJI ZAVERI
SHRIKANT ZAVERI GROUP

Prem Hinduja, CEO
Tribhovandas Bhimji Zaveri Limited
+91 022 30735000
prem.hinduja@tbzoriginal.com

DICKENSON**SEAGULL** **IR**

Nilesh Dalvi
Dickenson Seagull IR
+919819289131
nilesh.dalvi@dickensonir.com

ANNEXURE

AWARDS & RECOGNITION

- ❖ **“ASIA’S MOST POPULAR BRANDS – 2014 ”**
World Consulting & Research Corporation (WCRC) - 2014
- ❖ **“BEST JEWELLERY COMPANY AWARD”**
Gems & Jewellery Trade Council of India Excellence Awards - 2014
- ❖ **“BEST DIAMOND JEWELLERY & BRACELET DESIGN”**
Indian Jeweller Jeweller’s Choice Design Award - 2014
- ❖ **“COLOURED GEMSTONE JEWELLERY OF THE YEAR”**
Annual Gemfields & Nazraana Retail Jeweller India Awards - 2014
- ❖ **“360 DEGREE MARKETING CAMPAIGN OF THE YEAR”**
Annual Gemfields & Nazraana Retail Jeweller India Awards - 2014
- ❖ **“BEST RETAIL MARKETING CAMPAIGN – NEW AGE BRIDE”**
Asia Retail Congress - 2014
- ❖ **“BEST USE OF SOCIAL MEDIA IN MARKETING – BAND BAJA BRIDE”**
Asia Retail Congress - 2014



BUSINESS MODEL: PRODUCT



GOLD
(75%)

Gross Margins – 11%
Stock Turns – 2.5x - 3x



DIAMONDS
(25%)

Gross Margins – 35%
Stock Turns – 1x



WEDDING (65%)



FASHION (35%)



WEDDING (40%)



FASHION (60%)

WEDDING SALES TO DRIVE STRONG VOLUMES
WEDDING & FASHION SALES TO DRIVE FUTURE GROWTH



Gold

- ❖ Raw Material - Bullion

Sources:

- ❖ Exchange & purchase of old jewellery
- ❖ Bullion dealers
- ❖ Banks - imported gold
- ❖ Banks - domestic gold (gold deposits) on loan

- ❖ Gold jewellery manufacturing is outsourced.
- ❖ Vast nation-wide network of 150 vendors
- ❖ Each vendor has an annual gold processing capacity of more than 100 kg.
- ❖ These vendors are associated with TBZ since generations and are experts in handmade regional jewellery designs.



DIAMOND

- ❖ Raw Material - Cut & polished diamonds (VVS grade)

Sources:

- ❖ DTC site holders
- ❖ Other vendors

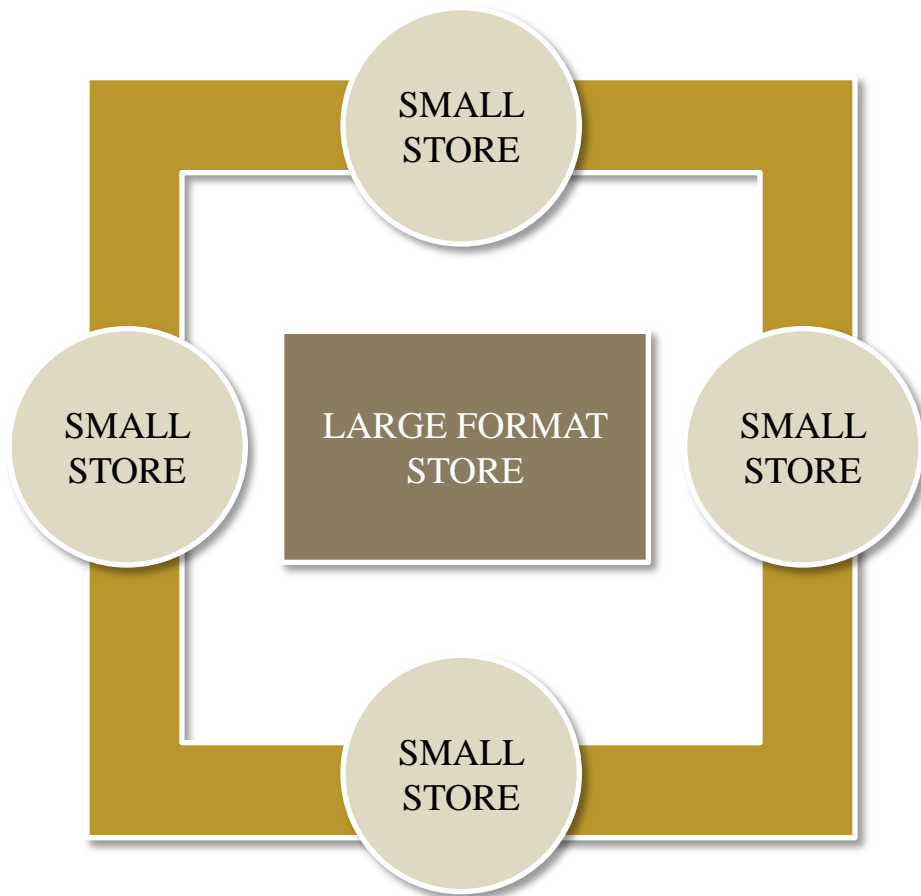
- ❖ In-house diamond jewellery manufacturing leading to exclusive designs, lower costs, and higher margins
- ❖ Manufacturing facility at Kandivali, Mumbai spread over ~24,000 sq ft with capacity of ~200,000 cts (on dual shift basis).
- ❖ The facility also has capacity for 4,000 kg of gold refining and 4,500 kg of gold jewellery components manufacturing.



BUSINESS MODEL: RETAIL

EFFICIENT INVENTORY MANAGEMENT

HUB & SPOKE MODEL - ROI OPTIMISATION



SMALL STORES

- ❖ 1,000 - 1,500 sq ft
- ❖ Across the city
- ❖ Smaller range
- ❖ Lower price points (up to ₹ 500k)
- ❖ Inventory - ₹ 93 mn
Gold : Diamond - 70 : 30

LARGE STORES

- ❖ 3,000 sq ft & above
- ❖ Standalone high street - heart of city
- ❖ Wider range
- ❖ Higher price points (up to ₹ 2,000k)
- ❖ Inventory - ₹ 280 mn
Gold : Diamond - 70 : 30

BUSINESS MODEL: ECONOMICS

PARTICULARS	LARGE FORMAT	SMALL FORMAT
Size sq ft	Above 3,000	1,000 – 1,500
Average Sales per sq ft in Year 1 (₹)	250,000	250,000
Gold : Diamond	75:25	75:25
Gross Margin - Gold : Diamond	11% : 35%	11% : 35%
Blended Gross Margins	17.2%	17.2%
Store Costs:		
Advertising	2.5%	2.5%
Salary	1.1%	1.1%
Rentals	1.0%	1.0%
Other Overheads	1.5%	1.5%
Store Operating Margins	11.1%	11.1%
Store Capex (mn)	₹ 18	₹ 7.5
Store Working Capital (mn)	₹ 280	₹ 93
ROCE	28%	
Store Cash BEP (in months)	8-10 months	



BUSINESS MODEL: SCALABILITY

- ❖ TBZ has an aggressive expansion plan of tripling its retail network from 50,000 sq ft in FY12 to around 150,000 sq ft.
- ❖ TBZ has a plan to open 43 new stores (25 large format stores with average space of 3,000 sq ft and 18 small format stores with average space of 1,000 sq ft).
- ❖ All the 43 locations have already been identified backed by 2 years of extensive market research.
- ❖ It has successfully added 14 new stores (10 large format and 4 small format) post FY12 where the 14th new store was opened on 10th August, 2014 in Jamshedpur.

	FY12	→	Till Date	→	target
Number of Stores	14		28		57
Retail Sq ft	~48,000		~93,000		~150,000
Number of Cities	10		22		43



GOLD METAL LOAN: EFFICIENT SOURCING CHANNEL

GOLD METAL LOAN ORIGINATION

- ❖ TBZ takes 10 kg gold from a bank on lease on day 0.
- ❖ The contract for gold lease is 180 days.
- ❖ TBZ provides a bank guarantee worth 110% of gold leased.
- ❖ Total Financing cost (interest on gold lease plus bank guarantee commission) to TBZ is ~5.50-6.85%

GOLD METAL LOAN REPAYMENT

- ❖ TBZ repays the gold daily based on actual sales of gold jewellery.
- ❖ The bank converts 1 kg of gold on lease as a sale to TBZ at a reference rate set by them as on day 1.
- ❖ TBZ books a purchase of 1 kg of gold.
- ❖ The balance 9 kg worth of gold continues to remain on lease.
- ❖ TBZ again replenishes the inventory by taking 1 kg of gold on lease from bank on day1.
- ❖ Since TBZ's gold jewellery inventory turns 2-3 times, it repays the gold lease before 180 days.

GOLD METAL LOAN ADVANTAGES

- ❖ **Interest Cost Savings:** Borrowing cost on gold lease is significantly lower at ~5.50-6.85% compared to working capital borrowing cost of ~12-13%.
- ❖ **No Commodity Risk:** Since gold is taken on lease, there is no gain if gold prices increase or loss if gold prices decrease.

GOLD METAL LOAN REPAYMENT

- ❖ **Sharp increase in gold prices:** Gold lease is marked to market on a daily basis. So any increase in gold price will cause TBZ to top up its bank guarantee.
- ❖ **Bank Guarantee limitations:** Bank guarantee issued by the bank to TBZ is based on the drawing power enjoyed by TBZ.
- ❖ **Contract Period:** If TBZ is unable to sell the gold on lease within 180 days, then they will have to convert the balance unutilized gold to purchase.