



INVESTOR PRESENTATION

Q4 & FULL YEAR FY15
RESULTS UPDATE

14TH MAY, 2015

tbz[®]

The original since 1864

TRIBHOVANDAS BHIMJI ZAVERI
SHRIKANT ZAVERI GROUP

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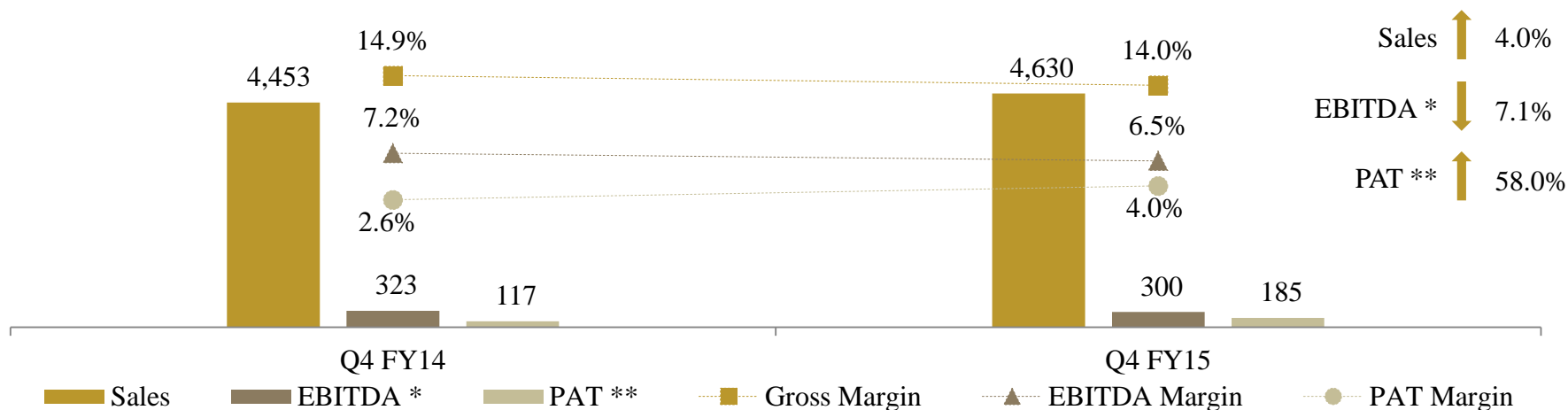


DISCUSSION SUMMARY

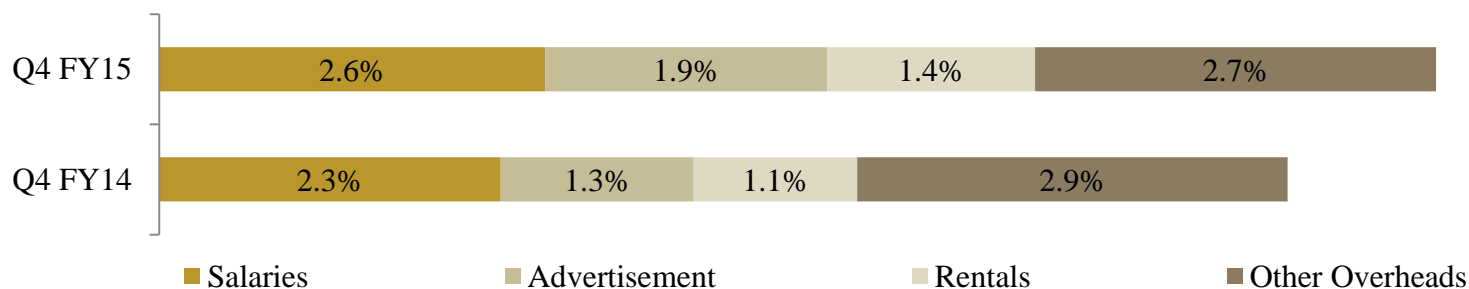
- ❖ **Q4 & FY15 Results Update** **04 – 12**
- ❖ About Us 14 – 18
- ❖ Financial & Operational Summary 20 – 22
- ❖ Annexure 25 – 32

Q4 FY15 RESULTS UPDATE

PROFIT ANALYSIS (RS MN)



OPERATIONAL EFFICIENCY (%)



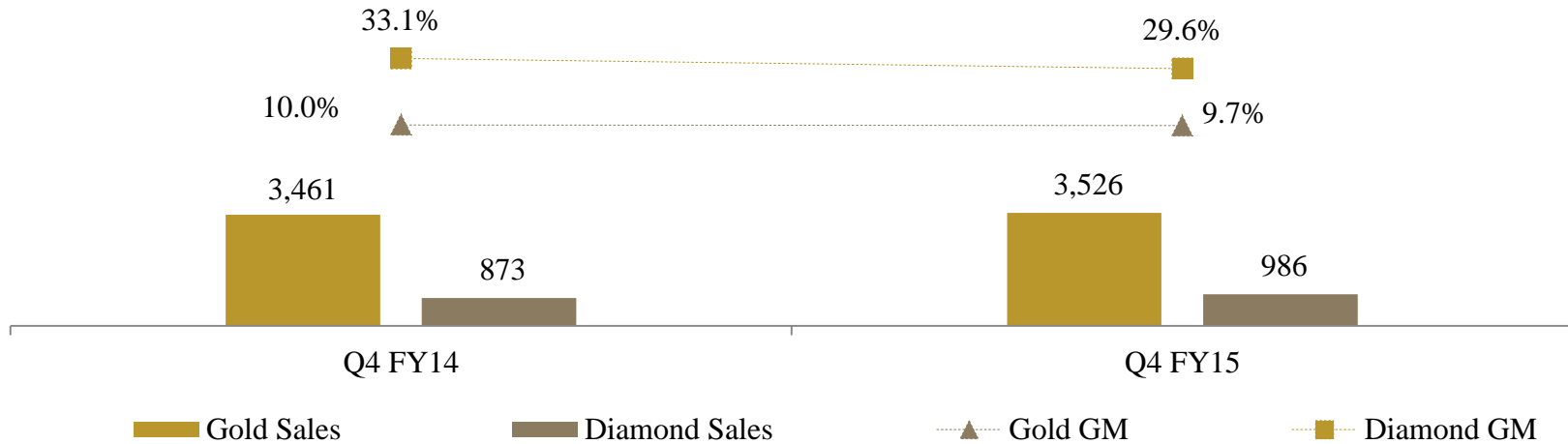
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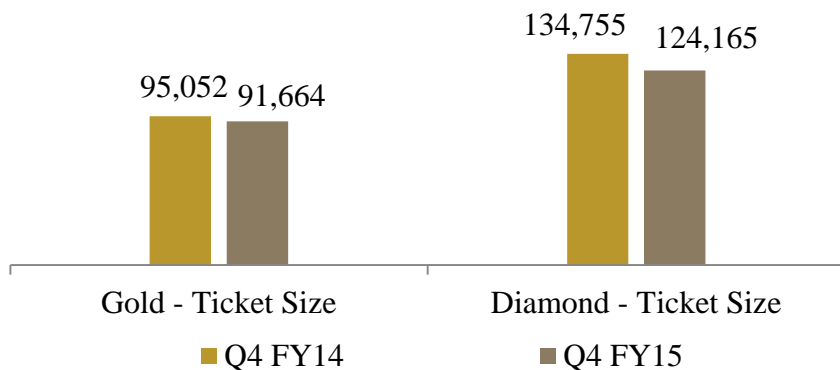
** Q4 FY15 PAT includes the after-tax impact of ₹ 91.3 mn due to an exceptional gain from change in depreciation policy.

Q4 FY15 RESULTS UPDATE

REVENUE ANALYSIS (RS MN)



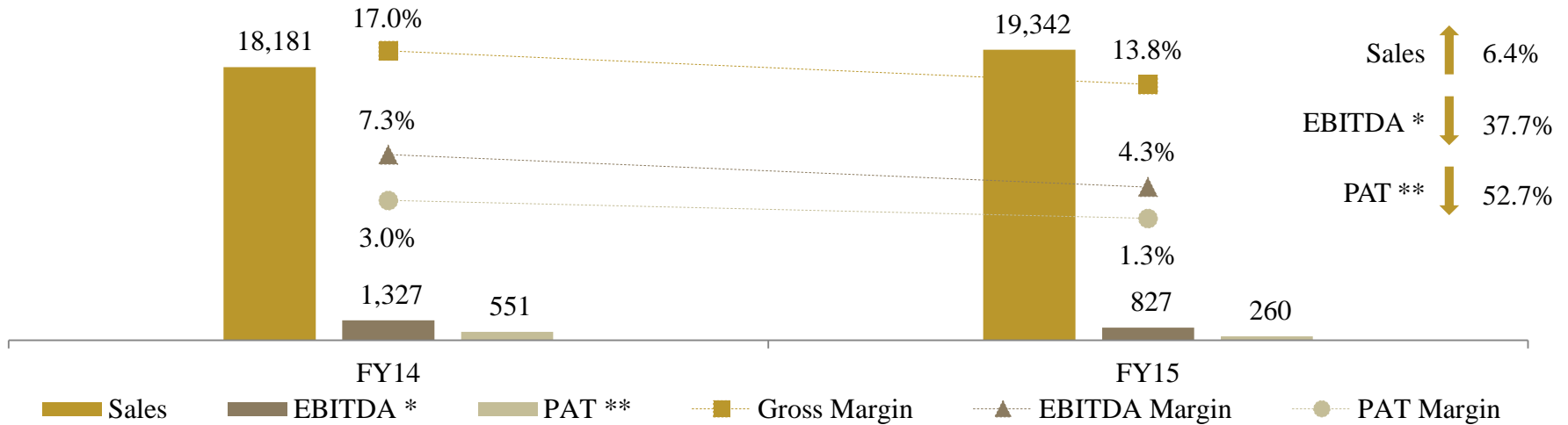
AVERAGE TICKET SIZE (RS)



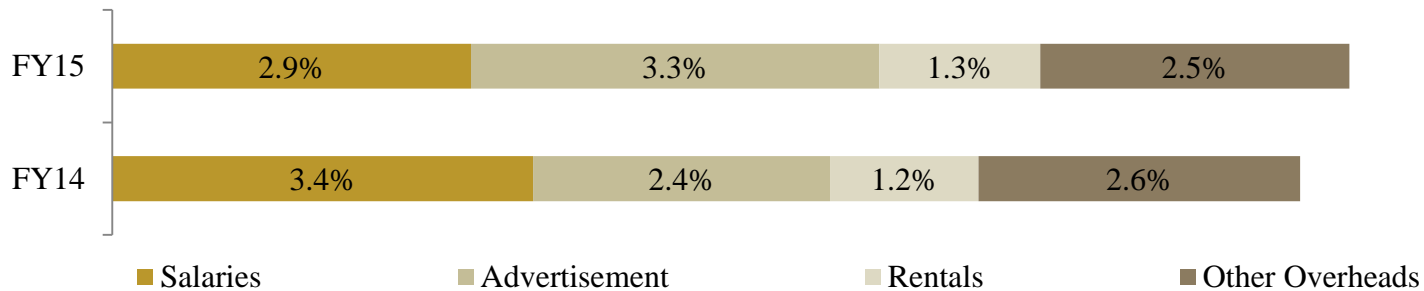
Q4 FY15	Gold	Diamond
% of Sales – Q4 FY15	76.2%	21.3%
% of Sales – Q4 FY14	77.7%	19.6%
Sales Growth %	1.9%	12.9%
SS Sales Growth %	0.6%	11.4%
SS Total Sales Growth %	2.5%	

FY15 RESULTS UPDATE

PROFIT ANALYSIS (RS MN)



OPERATIONAL EFFICIENCY (%)



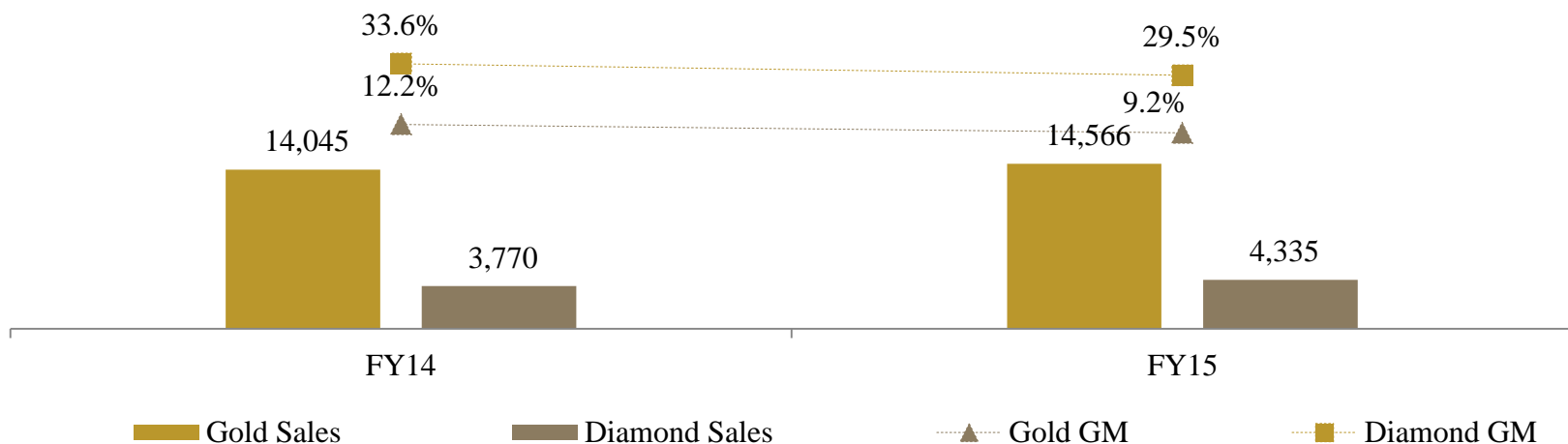
NOTE:

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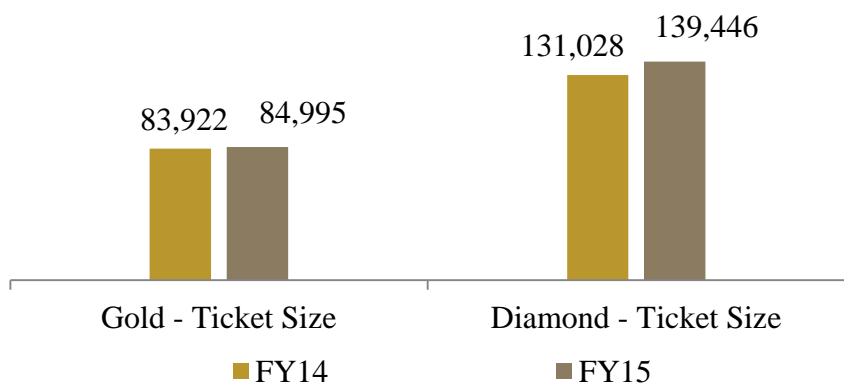
** FY15 PAT includes the after-tax impact of ₹ 91.6 mn due to an exceptional gain from change in depreciation policy.

FY15 RESULTS UPDATE

REVENUE ANALYSIS (RS MN)



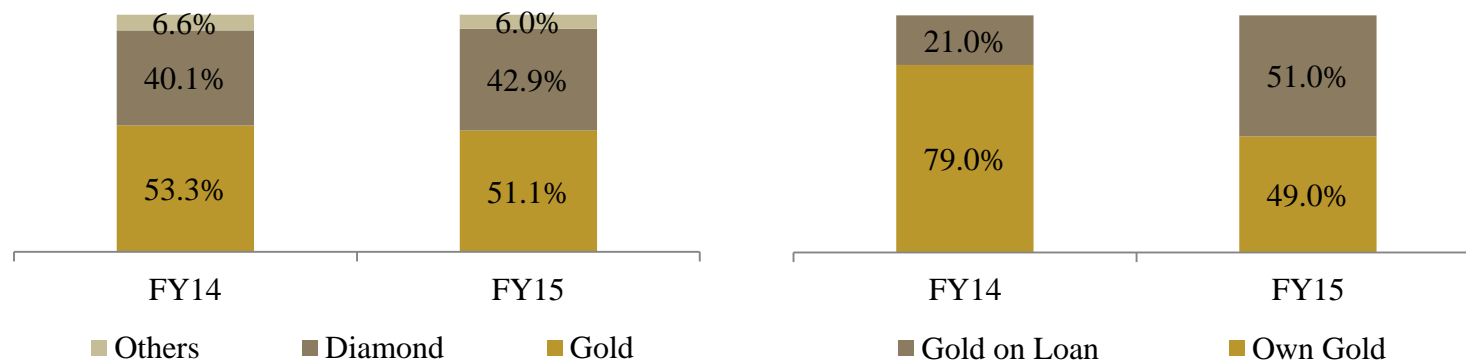
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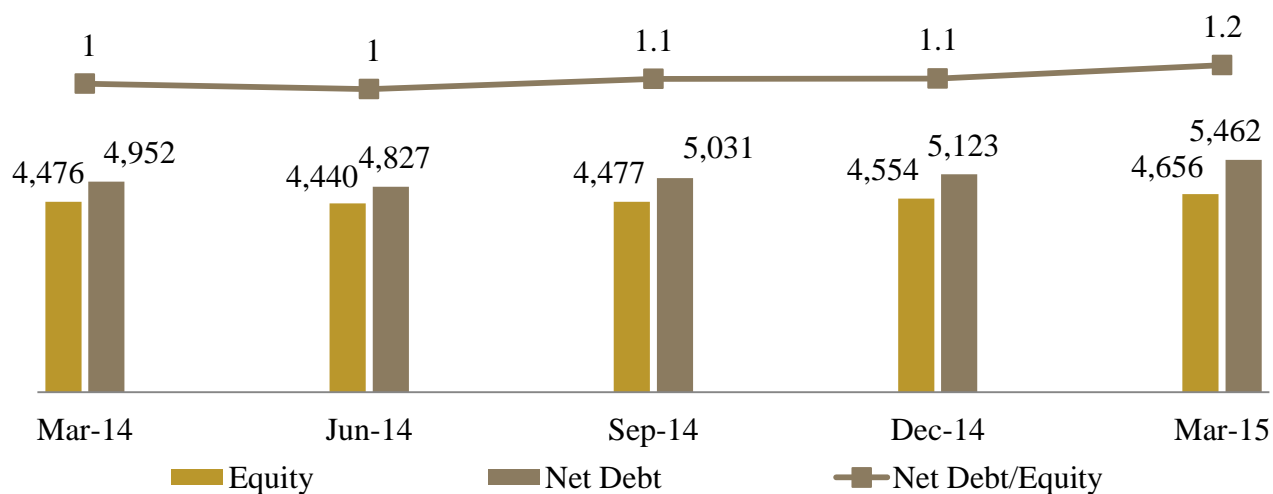
FY15	Gold	Diamond
% of Sales – FY15	75.3%	22.4%
% of Sales – FY14	77.2%	20.7%
Sales Growth %	3.7%	15.0%
SS Sales Growth %	1.3%	13.0%
SS Total Sales Growth %	4.0%	

BALANCE SHEET UPDATE

INVENTORY BREAKUP (%)



LEVERAGE (RS MN)



BUSINESS SCENARIO

- ❖ Q4 FY15 witnessed sustained momentum in sales -
 - ❖ Onset of wedding season from November 2014 helped maintain healthy sales at TBZ stores.
 - ❖ Improved YoY performance on auspicious occasions.
- ❖ Improved business performance going forward driven by positive regulatory, industry and macroeconomic environment -
- ❖ Removal of 80:20 regulation leading to improved gold availability.
- ❖ Reinstatement of gold metal loans leading to lower working capital funding costs and efficient gold price risk management.
- ❖ Expected improvement in consumer discretionary sentiments due to rise in real disposable incomes driven by improving economic scenario, lower inflation and lower oil prices.
- ❖ Announcement of Domestic Gold Monetisation Scheme in Union Budget 2015-16 to mobilise idle domestic gold, with an aim to reduce gold imports.
- ❖ Customs duty remained unchanged at 10%.
- ❖ Average gold prices declined by ~6% YoY in FY15.

KEY RESULT TAKEAWAYS

- ❖ Q4 FY15 sales grew 4.0% YoY driven by higher footfalls (up 8.2%) partially offset by lower average ticket size (down 3.9%).
- ❖ Gold : Diamond mix improved from 77.7 : 19.6 in Q4 FY14 to 76.2 : 21.3 in Q4 FY15.
- ❖ Marginal decline in gross margin in Q4 FY15 due to tactical discount schemes. However, with sustained sales momentum, the quantum of tactical discounts is expected to reduce in coming quarters.
- ❖ As on Mar-15, 51% (21% as on Mar-14) of total gold inventory was on gold loan. Going forward the interest cost is expected to decrease as the share of inventory on gold loan increases.
- ❖ Leverage of 1.2x continues to remain within acceptable range.
- ❖ Advances on account of Kalpavruksha Scheme were ₹ 610 mn (₹ 1,470 as on Mar-14).
- ❖ **Board of Directors recommendation of dividend of ₹ 1 per equity share of ₹ 10 each, translating into total dividend of ₹ 66.7 mn or dividend payout of 25.6% of FY15 reported PAT of ₹ 260 mn.**

RESULTS UPDATE – MAR 2015

PARTICULARS (IN MN) (QUARTERLY UNAUDITED)	Q4 FY15 (₹)	Q4 FY14 (₹)	YoY %	Q3 FY15 (₹)	QoQ %	FY15 (₹)	FY14 (₹)	YoY %
Revenues	4,630	4,453	4.0%	6,125	-24.4%	19,342	18,181	6.4%
COGS	3,983	3,788	5.1%	5,241	-24.0%	16,664	15,096	10.4%
Gross Profit	647	664	-2.7%	884	-26.9%	2,678	3,085	-13.2%
Gross Margin (%)	14.0%	14.9%	-95 bps	14.4%	-47 bps	13.8%	17.0%	-312 bps
Personnel Expenses	120	104	16.2%	146	-17.3%	567	614	-7.6%
Other Expenses	277	238	16.3%	513	-46.0%	1,362	1,144	19.1%
EBITDA	249	323	-22.7%	226	10.3%	748	1,327	-43.6%
EBITDA Margin (%)	5.4%	7.2%	-186 bps	3.7%	170 bps	3.9%	7.3%	-343 bps
Depreciation	-19	27	-170.7%	36	-154.4%	84	100	-16.1%
Other Income	62	21	193.3%	21	196.7%	145	66	119.3%
Interest Expenses	137	145	-5.7%	114	20.4%	502	463	8.3%
Exceptional Items	-87	0		0		-87	0	
Profit Before Tax	281	171	64.2%	98	187.9%	395	830	-52.4%
Tax	96	54	77.4%	33	192.6%	134	279	-51.9%
PAT	185	117	58.1%	65	185.5%	260	551	-52.7%
Profit Margin (%)	4.0%	2.6%	137 bps	1.1%	294 bps	1.3%	3.0%	-168 bps

RESULTS UPDATE – MAR 2015

PARTICULARS (IN MN) (QUARTERLY UNAUDITED)	MAR-15 (₹)	DEC-14 (₹)	SEP-14 (₹)	JUN-14 (₹)	MAR-14 (₹)
Shareholders Funds	4,656	4,554	4,477	4,440	4,476
Loan Funds	5,787	5,568	5,654	5,500	5,680
Other Long Term Liabilities	27	49	47	45	63
Sources of Funds	10,470	10,172	10,178	9,985	10,219
Gross Block	1,382	1,328	1,299	1,293	1,278
Less: Acc. Depreciation	289	396	385	354	322
Net Block	1,093	932	913	939	956
Other Long Term Assets	159	265	289	268	216
Inventory	11,137	10,832	10,781	10,799	11,119
Debtors	8	16	106	13	28
Cash and Bank Balance	325	445	623	673	728
Other Current Assets	134	104	155	140	109
Current Liabilities	2,387	2,422	2,689	2,847	2,937
Net Current Assets	9,217	8,975	8,976	8,778	9,047
Application of Funds	10,470	10,172	10,178	9,985	10,219



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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 (~91,000 sq ft)
- ❖ Presence - 22 cities, 10 states

Expansion Plan -

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

TBZ

**SUSTAINABLE
COMPETITIVE
ADVANTAGES**

SPECIALTY WEDDING JEWELLER

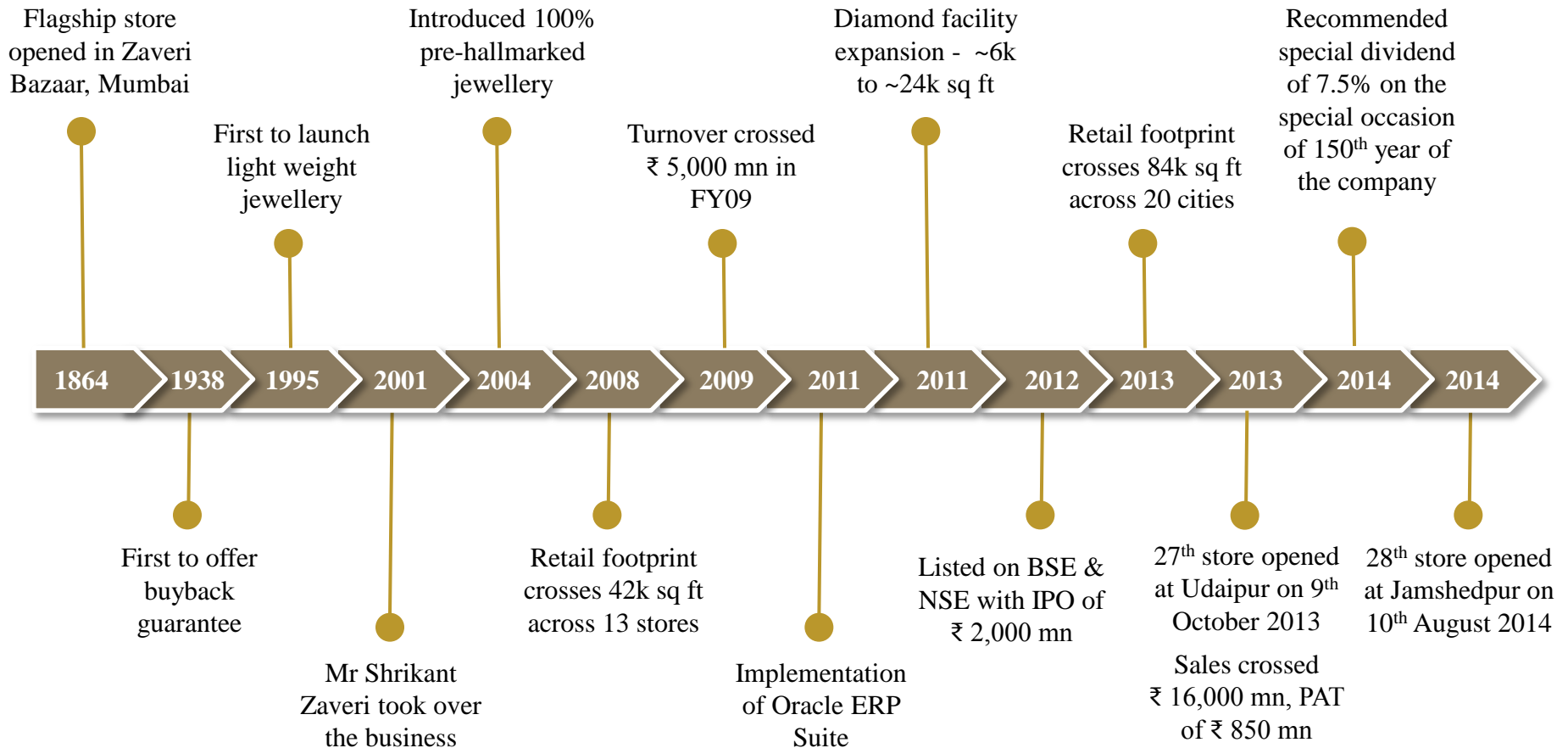
- ❖ ~ 65% of sales are wedding & wedding related purchases
- ❖ Compulsion buying
- ❖ Stable fixed budget purchases by customers

DESIGN EXCLUSIVITY

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

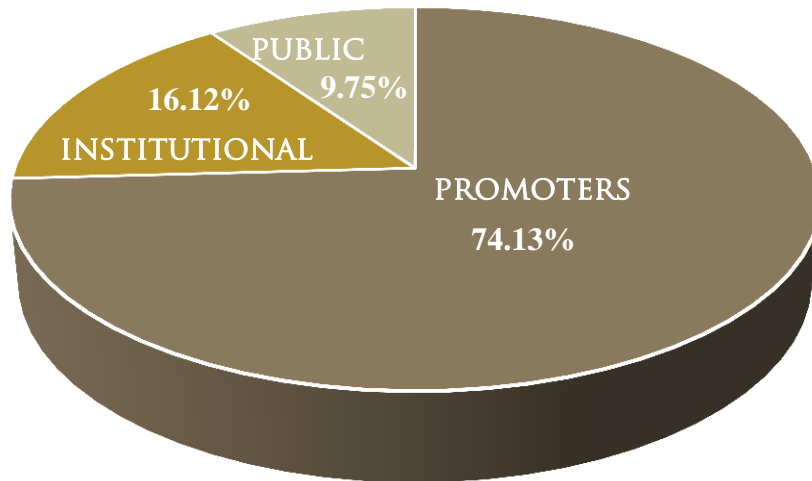
ABOUT US: KEY MILESTONES

STRONG LEGACY OF AROUND 150 YEARS BUILD ON TRUST



ABOUT US: SHAREHOLDING STRUCTURE

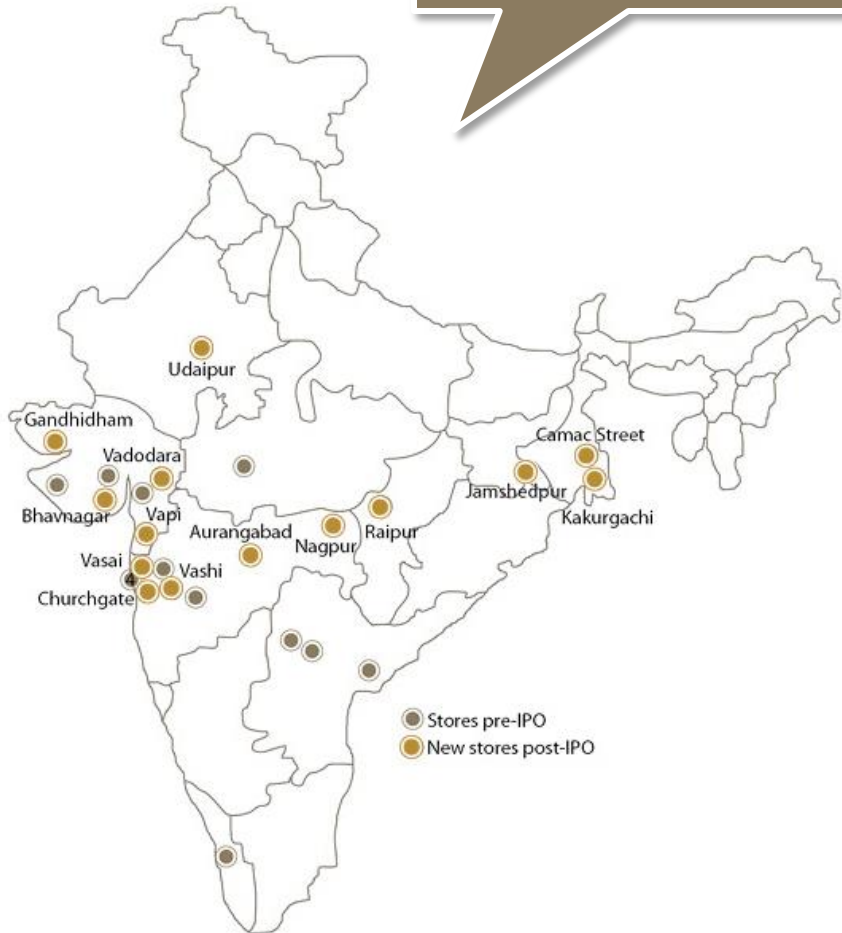
SHAREHOLDING PATTERN – MAR 2015



KEY INSTITUTIONAL INVESTORS	% HOLDING
Smallcap World Fund INC	6.50%
HSBC Global Investments	3.76%
Goldman Sachs India Fund	1.48%

ABOUT US: RETAIL PRESENCE

Present across 22 cities
in 10 states



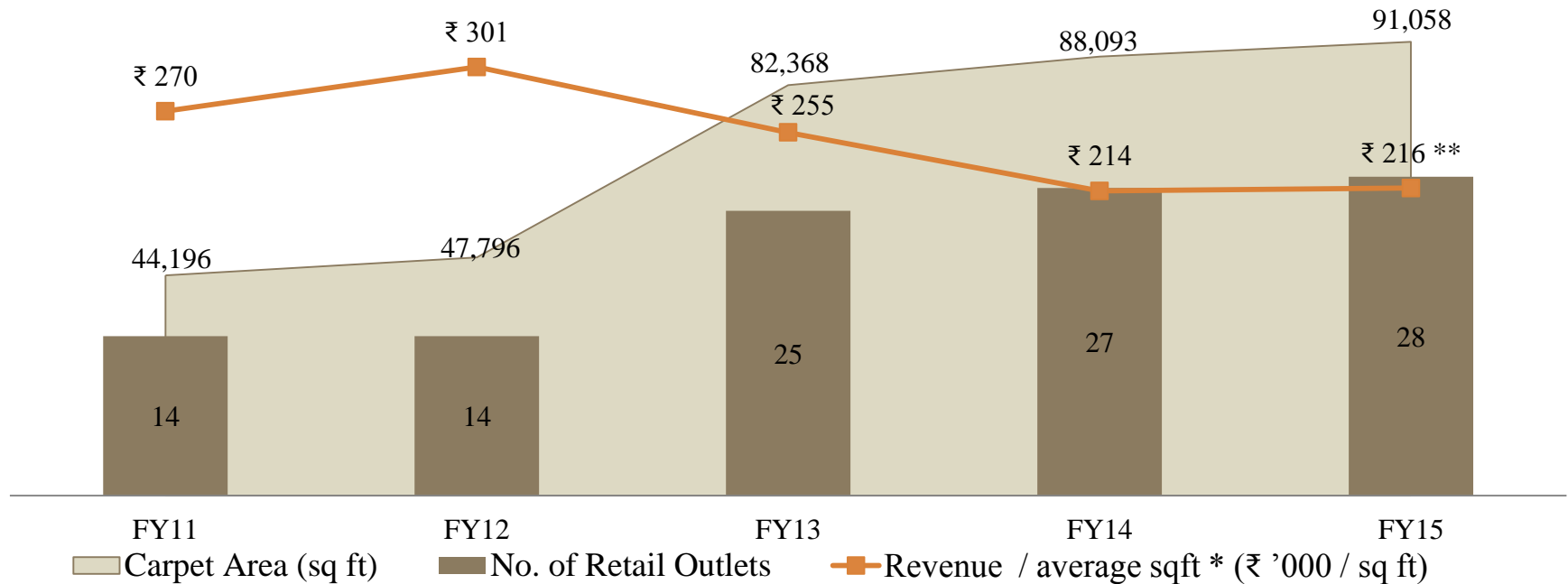
PAN-INDIA PRESENCE WITH 28 STORES WITH A RETAIL SPACE OF ~91,000 SQ. FT. SPREAD ACROSS 22 CITIES IN 10 STATES.

NUMBER OF STORES	TILL DATE
Large Format	22
Small Format	6
Tier I	17
Tier II	4
Metros	7
Total Stores	28
Total Area	~91,000



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**



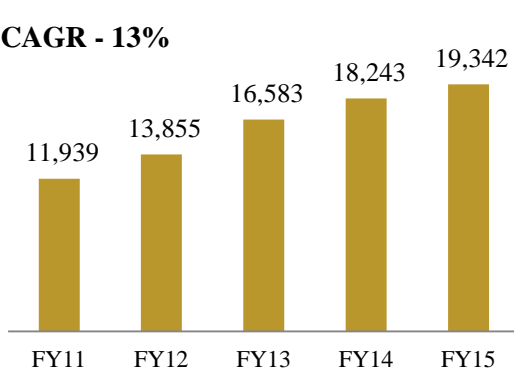
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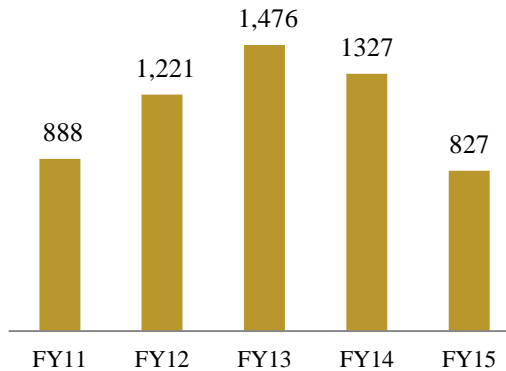
FINANCIAL SUMMARY

REVENUES (RS MN)

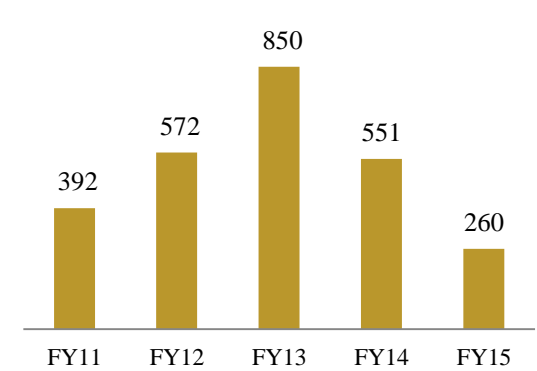
CAGR - 13%



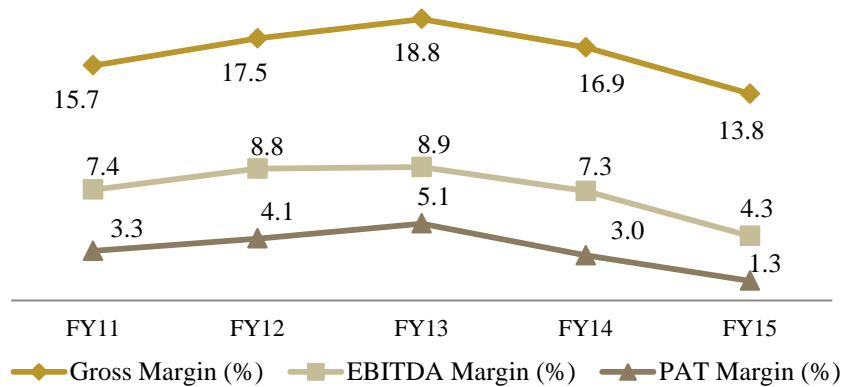
EBITDA (RS MN)



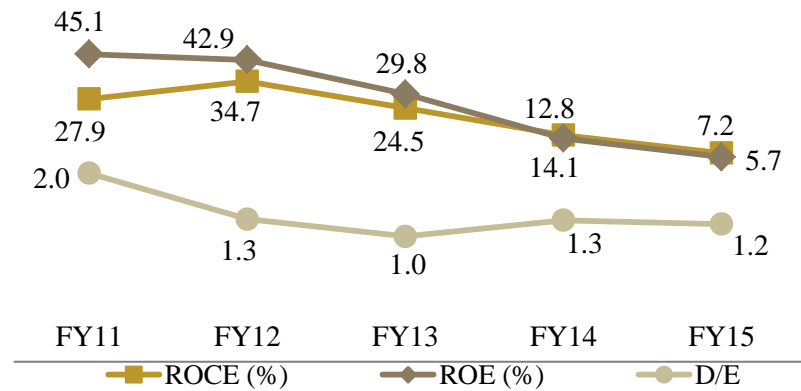
PAT (RS MN)



MARGINS (%)



LEVERAGE & RETURN METRICS



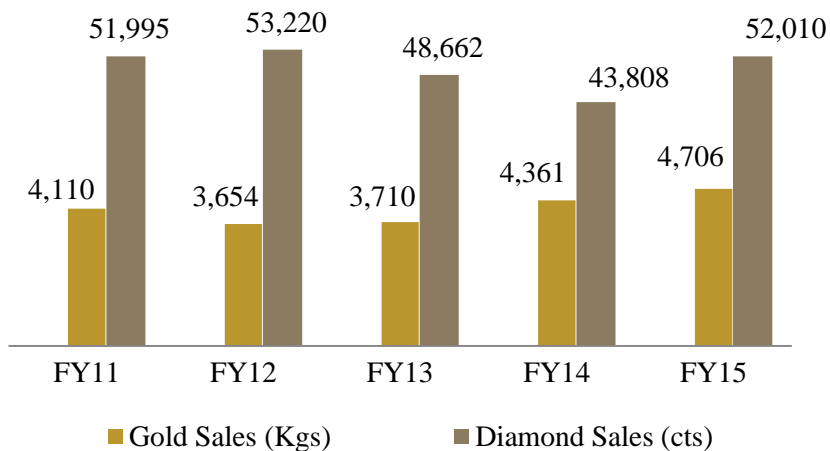
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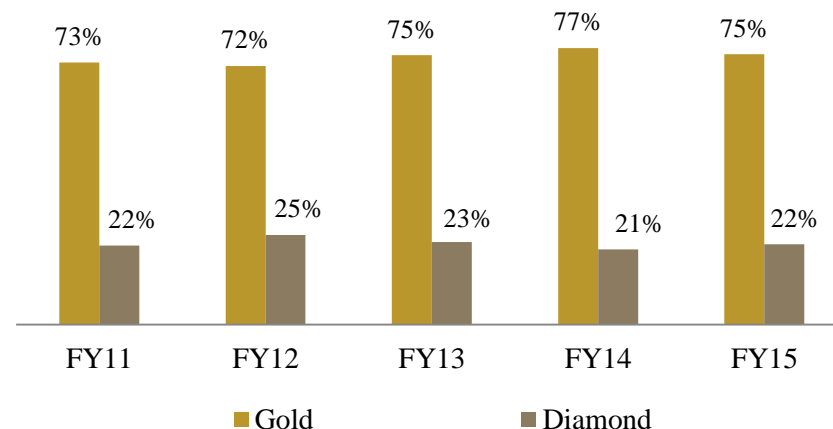
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OPERATIONAL SUMMARY

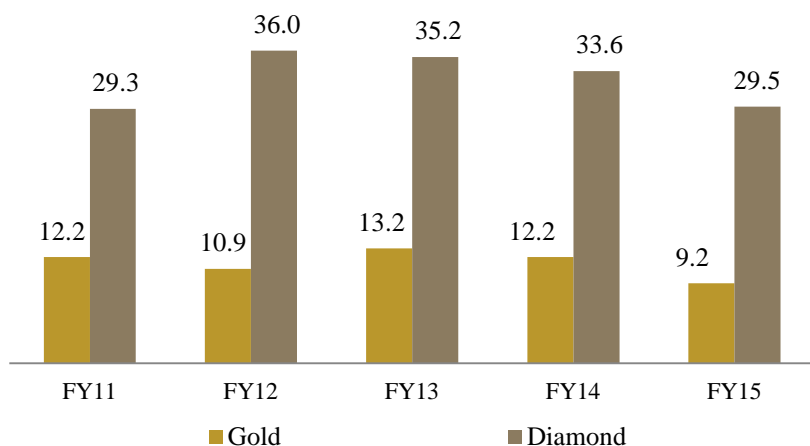
GOLD & DIAMOND VOLUMES



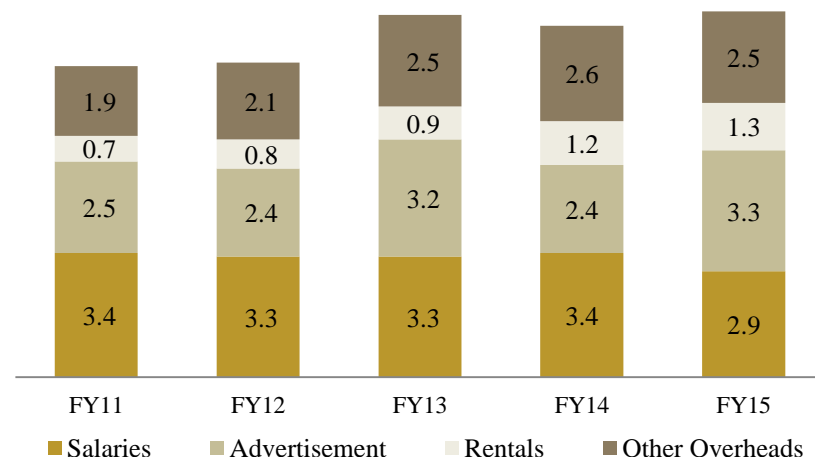
GOLD & DIAMOND SALES MIX (%)



GOLD & DIAMOND MARGINS (%)

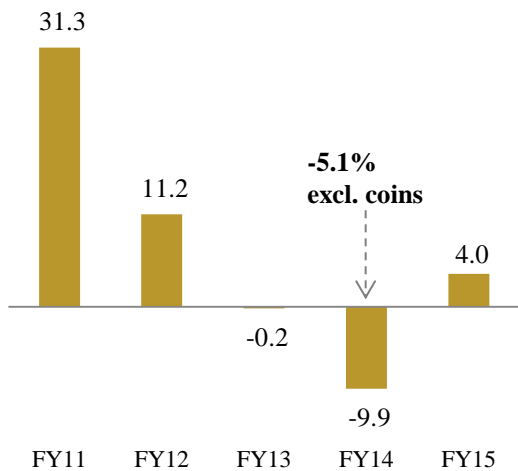


OPERATIONAL EFFICIENCY (%)

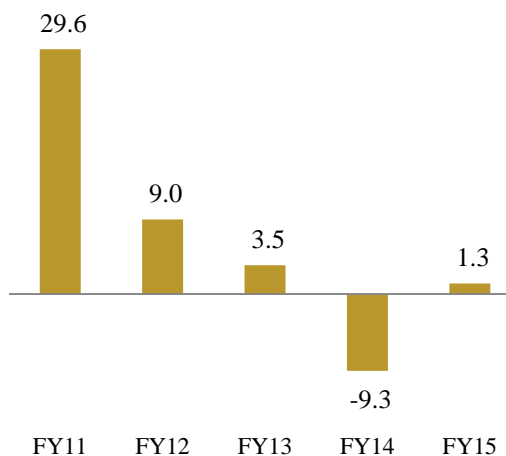


OPERATIONAL SUMMARY

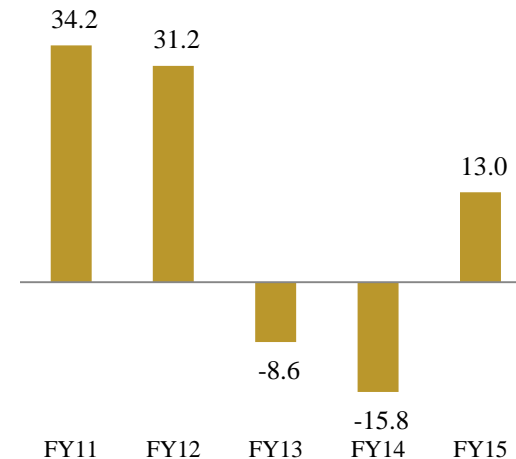
SSSG - TOTAL (%)



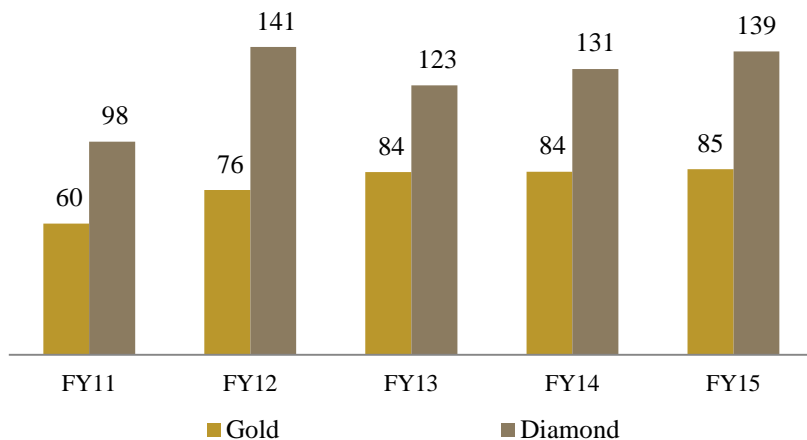
SSSG - GOLD (%)



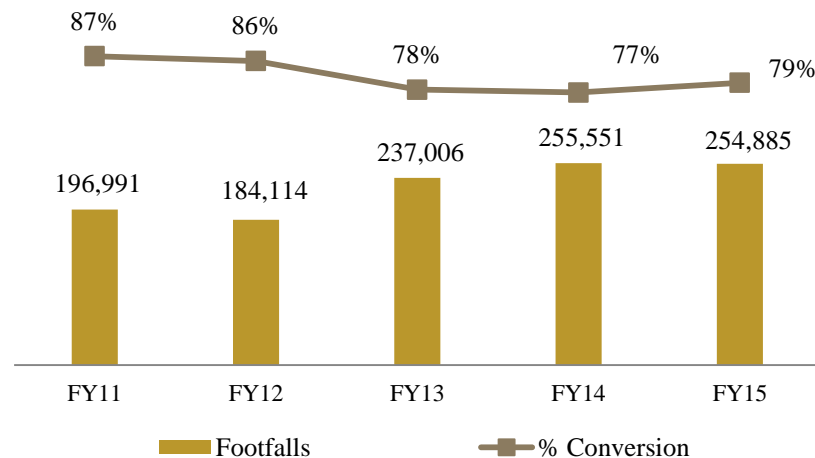
SSSG - DIAMOND (%)



AVERAGE TICKET SIZE (RS '000)



FOOTFALLS & CONVERSION



THANK YOU



The original since 1864

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ANNEXURE

AWARDS & RECOGNITION

- ❖ “ASIA’S MOST PROMISING 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



BUSINESS MODEL: MANUFACTURING

PROCUREMENT

GOLD

- ❖ Raw Material - Bullion

Sources:

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

MANUFACTURING

- ❖ 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

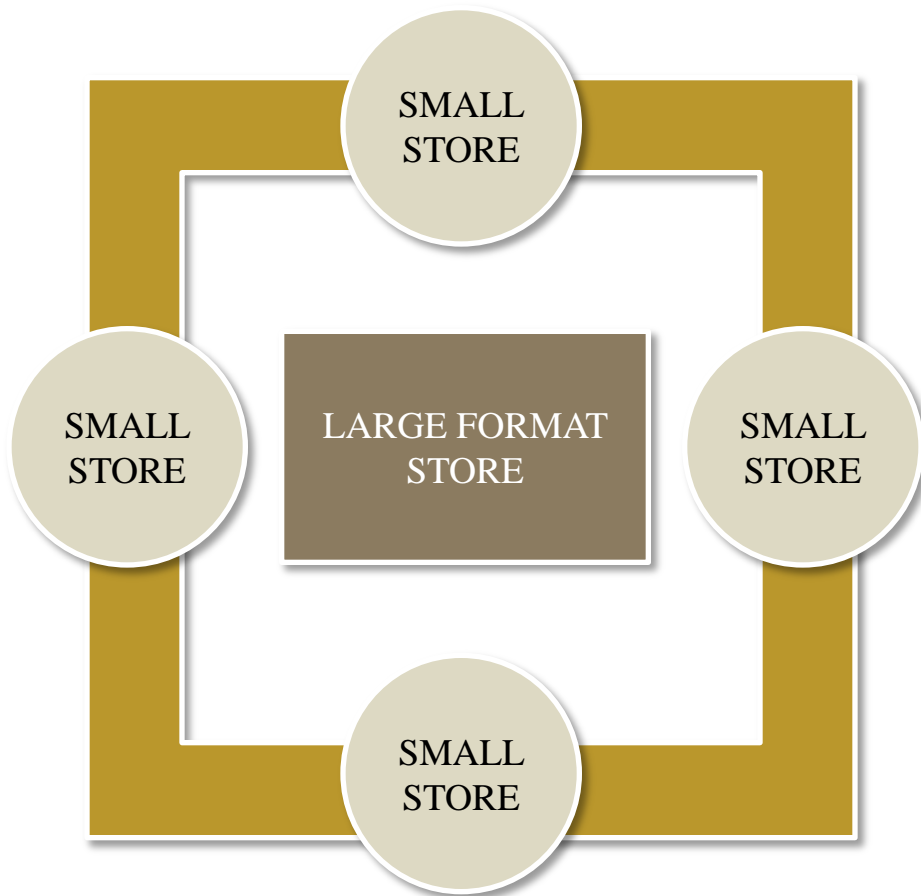
- ❖ In-house diamond jewellery manufacturing leading to exclusive designs, lower costs, and higher margins
- ❖ Manufacturing facility at Kandivali, Mumbai spread over ~24,000 sq ft with capacity of ~200,000 cts (on dual shift basis).
- ❖ The facility also has capacity for 4,000 kg of gold refining and 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		~91,000		~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.