



# INVESTOR PRESENTATION

**Q1 FY18  
RESULTS UPDATE**  
August 2017

**tbz**®

The original since 1864

---

**TRIBHOVANDAS BHIMJI ZAVERI**  
SHRIKANT ZAVERI GROUP

# DISCLAIMER

This presentation has been prepared by Tribhovandas Bhimji Zaveri Limited (“TBZ”) for informational purposes only and does not constitute or form any part of any offer, invitation or recommendation to purchase or subscribe for any securities in any jurisdiction, and no part of it shall form the basis of, or be relied upon in connection with, any contract or commitment on the part of any person to proceed with any transaction.

The information contained in this presentation has not been independently verified. No representation or warranty, express or implied, is made and no reliance should be placed on the accuracy, fairness or completeness of the information presented or contained in these materials.

Any forward-looking statements in this presentation are subject to risks and uncertainties that could cause actual results to differ materially from those that may be inferred to being expressed in, or implied by, such statements. Such forward-looking statements are not indicative or guarantees of future performance. Any forward-looking statements, projections and industry data made by third parties included in this presentation are not adopted by the Company and the Company is not responsible for such third party statements and projections.

This presentation may not be all inclusive and may not contain all of the information that you may consider material. The information presented or contained in these materials is subject to change without notice and its accuracy is not guaranteed. Neither the Company nor any of its affiliates, advisers or representatives accepts liability whatsoever for any loss howsoever arising from any information presented or contained in these materials. This presentation cannot be used, reproduced, copied, distributed, shared or disseminated in any manner. No person is authorized to give any information or to make any representation not contained in and not consistent with this presentation and, if given or made, such information or representation must not be relied upon as having been authorized by or on behalf of TBZ.



## DISCUSSION SUMMARY

- ❖ **Q1 FY18 Results Update**
- ❖ About Us
- ❖ Operational Summary
- ❖ Annexure

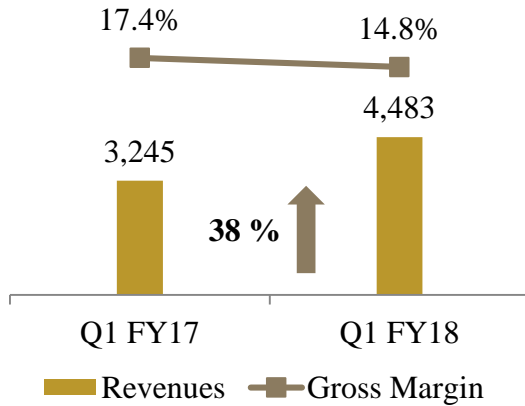
## KEY HIGHLIGHTS

- ✓ Q1 FY18 Revenues grew by 38% YoY to ₹ 4,483 Mn
- ✓ Q1 FY18 EBITDA grew by 11% YoY to ₹ 197 Mn
- ✓ Q1 FY18 Finance Cost declined by 28% YoY from ₹ 141 Mn to ₹ 102 Mn
- ✓ Q1 FY18 PBT grew by 294% YoY to ₹ 88 Mn
- ✓ Q1 FY18 PAT grew by 160% YoY to ₹ 58 Mn
- ✓ Opened 4<sup>th</sup> franchise store in Jamnagar, Gujarat, on 23<sup>rd</sup> April 2017

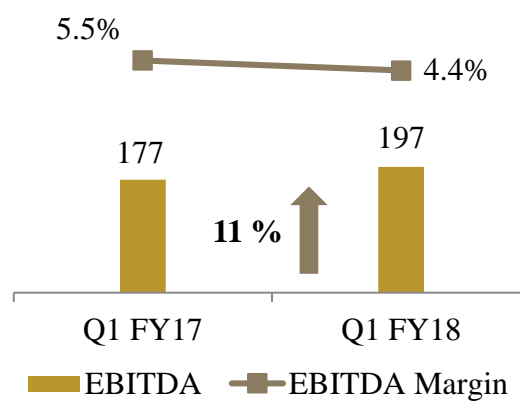
# Q1 FY18 RESULTS UPDATE

In Rs Mn

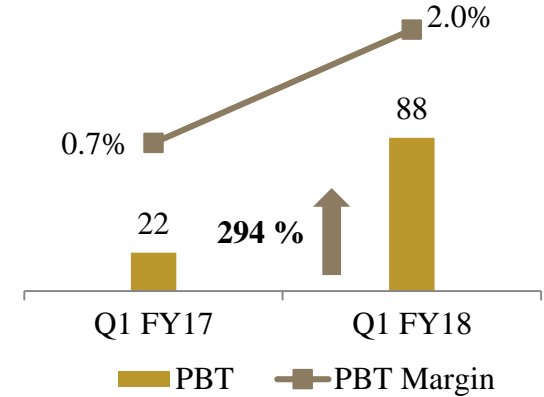
## REVENUES & GROSS MARGIN



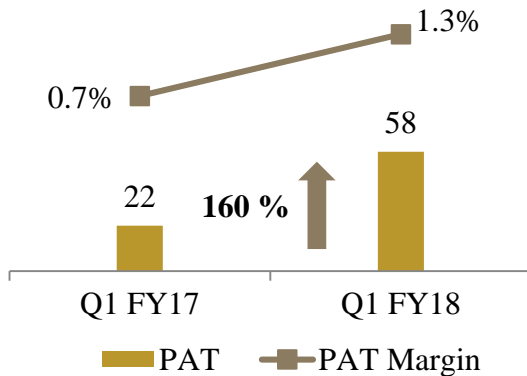
## EBITDA & EBITDA MARGIN



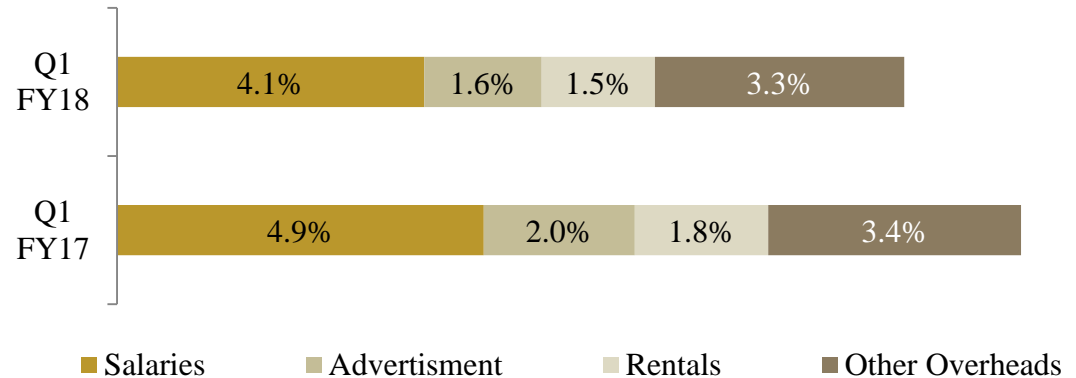
## PBT & PBT MARGIN



## PAT & PAT MARGIN



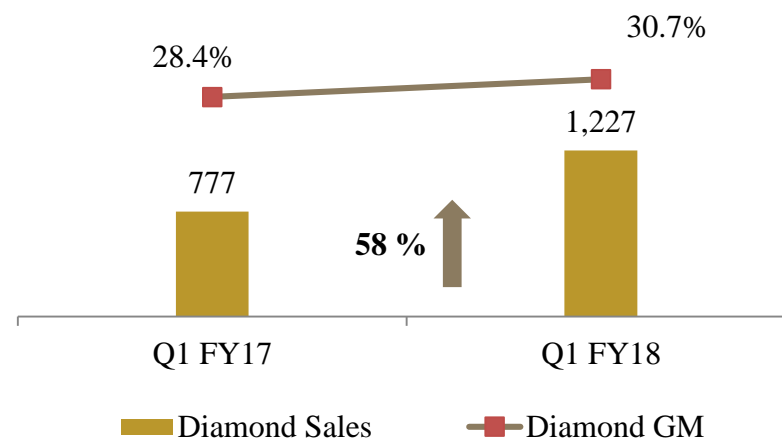
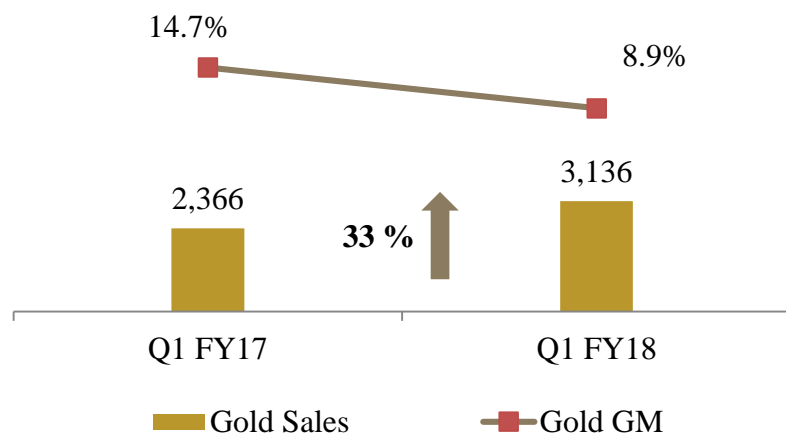
## OPERATING COSTS (%)



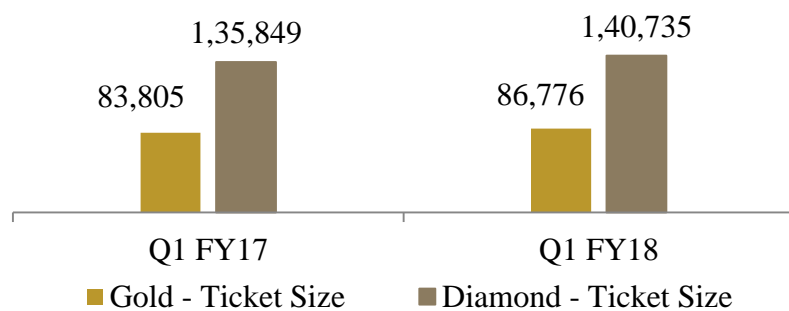
# Q1 FY18 RESULTS UPDATE

In Rs Mn

## REVENUE ANALYSIS



## AVERAGE TICKET PRICE

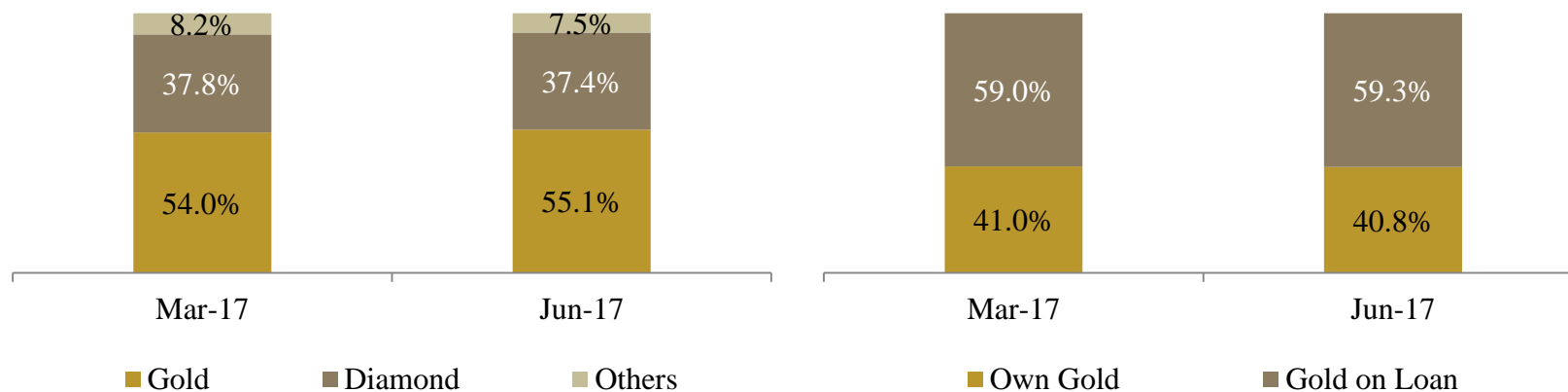


Q1 FY18	Gold	Diamond
% of Sales – Q1 FY18	70.0%	27.4%
% of Sales – Q1 FY17	72.6%	23.8%
SS Sales Growth %	24.4%	43.3%
SS Total Sales Growth %	28.7%	

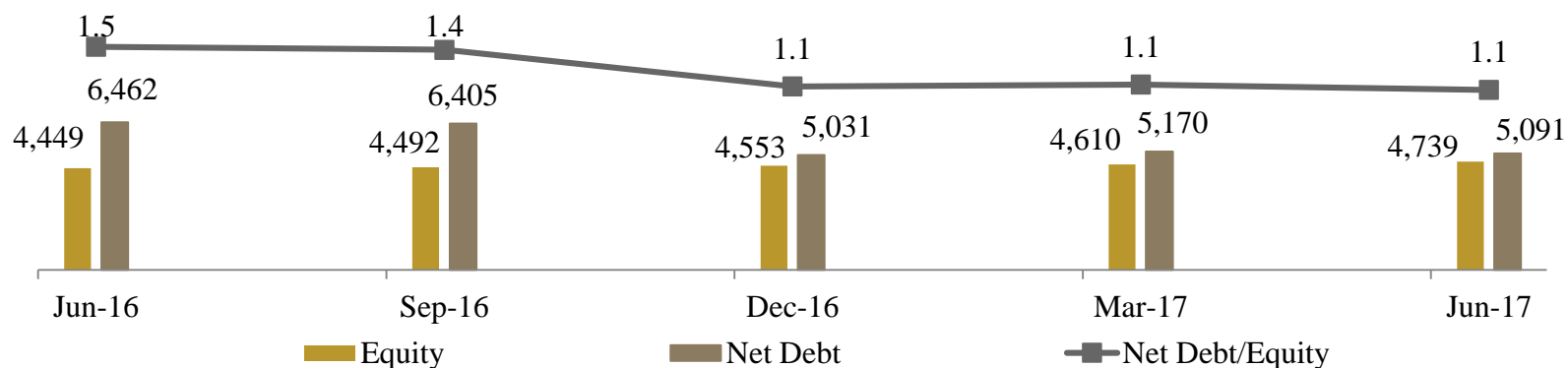
SS: Same store sales value growth

# BALANCE SHEET UPDATE

## INVENTORY BREAKUP (%)



## LEVERAGE (RS MN) \*



Note: \* Figures for March 2017 and prior periods are based on I-GAAP

# KEY RESULT TAKEAWAYS

## REVENUES:

- ❖ Q1 FY18 revenues increased by 38% YoY driven by –
  - ❖ Strong jewellery demand backed by the extended wedding season.
  - ❖ Good customer response to new jewellery collections.
  - ❖ Increase in diamond jewellery sales

## BALANCE SHEET:

- ❖ Inventory was stable at ₹ 10,293 Mn as on Jun-17 compared to ₹ 10,272 Mn as on Mar-17.
- ❖ The share of ‘Gold on loan’ in gold inventory was stable at 59.3% as on Jun-17 compared to Mar-17, however it significantly improved from 43.0% as on Jun-16.
- ❖ Total Debt was ₹ 5,511 Mn as on Jun-17. Net Debt / Equity was 1.1x.
- ❖ Finance Cost declined by 28% YoY to ₹ 102 Mn in Q1 FY18. The average cost of debt was 7.5% during Q1 FY18 compared to 8.0% in Q1 FY17.
- ❖ Advances under Kalpavruksha Scheme were ₹ 585 mn as on Jun-17 (₹ 526 mn as on Mar-17).

## MARGINS:

- ❖ Q1 FY18 gross margin declined to 14.8% compared to 17.4% in Q1 FY17. This was primarily on account of tactical offers given to customers to drive the sales.
- ❖ Operating overheads as percentage of sales declined from 12.1% in Q1 FY17 to 10.5% in Q1 FY18.
- ❖ Q1 FY18 EBITDA increased by 11% to ₹ 197 Mn compared to ₹ 177 Mn in Q1 FY17.

## RETAIL SPACE ADDITION:

- ❖ We opened our 4<sup>th</sup> franchise store in Jamnagar, the fifth largest city of Gujarat, on 23<sup>rd</sup> April 2017. The store has retail selling area of ~2,160 sq. ft.
- ❖ We re-launched our store in Vijaywada, Andhra Pradesh on 25<sup>th</sup> April 2017. The retail selling area was increased from ~2,342 sq. ft. to ~6,200 sq. ft. showcasing a large range of Diamond and Gold collections.



# RESULTS UPDATE – JUNE 2017 (IND AS)

PARTICULARS (IN MN) – IND AS (QUARTERLY UNAUDITED)	Q1 FY18 (₹)	Q1 FY17 (₹)	YoY %
<b>Revenue From Operations</b>	<b>4,483</b>	<b>3,245</b>	<b>38.1%</b>
COGS	3,818	2,679	42.5%
<b>Gross Profit</b>	<b>665</b>	<b>566</b>	<b>17.6%</b>
<b>Gross Margin (%)</b>	<b>14.8%</b>	<b>17.4%</b>	<b>-259 bps</b>
Excise Duty on Sale of Goods	43	9	365.5%
Personnel Expenses	183	158	15.8%
Other Expenses	243	222	9.5%
<b>EBITDA</b>	<b>197</b>	<b>177</b>	<b>11.3%</b>
<b>EBITDA Margin (%)</b>	<b>4.4%</b>	<b>5.5%</b>	<b>-106 bps</b>
Depreciation	21	22	-6.7%
Other Income	14	8	66.6%
Interest Expenses	102	141	-27.6%
<b>Profit Before Tax</b>	<b>88</b>	<b>22</b>	<b>293.6%</b>
<b>PBT Margin (%)</b>	<b>2.0%</b>	<b>0.7%</b>	<b>128 bps</b>
Tax	30	0	-
<b>PAT</b>	<b>58.3</b>	<b>22.5</b>	<b>159.7%</b>
<b>PAT Margin (%)</b>	<b>1.3%</b>	<b>0.7%</b>	<b>61 bps</b>

The financial results of the Company have been prepared in accordance with the Indian Accounting Standards (“Ind AS”) prescribed under Section 133 of the Companies Act, 2013.

# RESULTS UPDATE – JUNE 2017 (IND AS)

PARTICULARS (IN MN) (QUARTERLY UNAUDITED)	JUNE-17 (₹)
Shareholders Funds	4,739
Loan Funds	5,511
Other Long Term Liabilities	57
<b>Sources of Funds</b>	<b>10,307</b>
Net Block	1,021
Other Long Term Assets	233
Inventory	10,293
Debtors	84
Cash and Bank Balance	420
Other Current Assets	107
Current Liabilities	1,851
Net Current Assets	9,053
<b>Application of Funds</b>	<b>10,307</b>

The financial results of the Company have been prepared in accordance with the Indian Accounting Standards (“Ind AS”) prescribed under Section 133 of the Companies Act, 2013.



## DISCUSSION SUMMARY

- ❖ Q1 FY18 Results Update
- ❖ **About Us**
- ❖ Operational Summary
- ❖ Annexure

# ABOUT US: WHY IS TBZ DIFFERENT ?

## Pedigree

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

## Strong Brand Value

- ❖ Healthy sales productivity
- ❖ High footfalls conversion - 80%
- ❖ High ticket size - Gold - ₹ 86 k, Diamond - ₹ 140 k

## Scalability & Reach

- ❖ 33 stores (~1,08,948 sq. ft.)
- ❖ Presence - 26 cities, 11 states

### Expansion Plan -

- ❖ ~150,000 sq. ft. (75% of expansion through franchisee route)

**TBZ**

**SUSTAINABLE COMPETITIVE ADVANTAGE**

## Specialty Wedding Jeweller

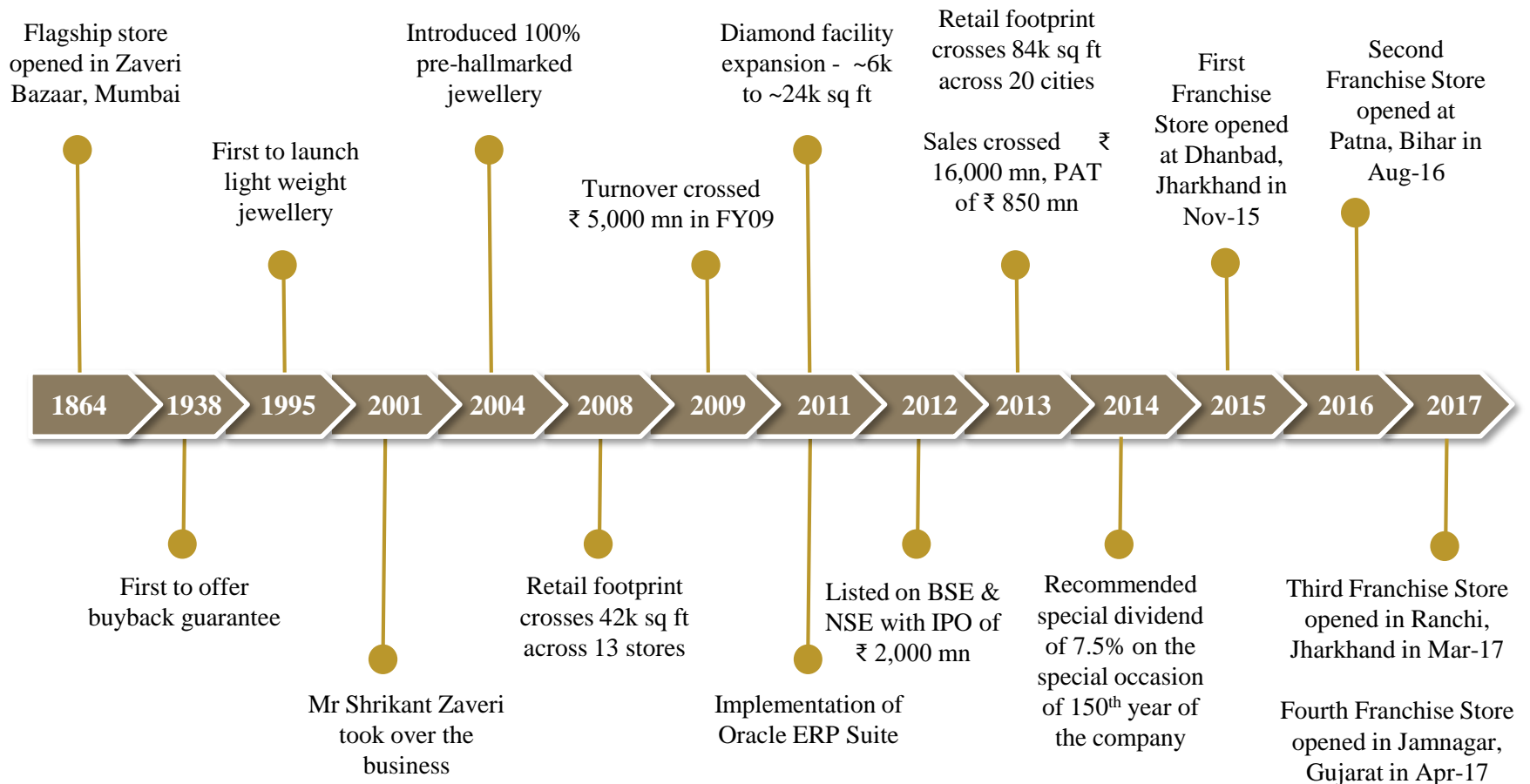
- ❖ ~ 65% of sales are wedding & wedding related purchases
- ❖ Compulsion buying
- ❖ Stable fixed budget purchases by customers

## Design Exclusivity

- ❖ 43 designers (incl. 21 CAD)
- ❖ 8 - 10 new jewellery lines/year
- ❖ In-house diamond jewellery production
- ❖ Customer loyalty
- ❖ Premium pricing

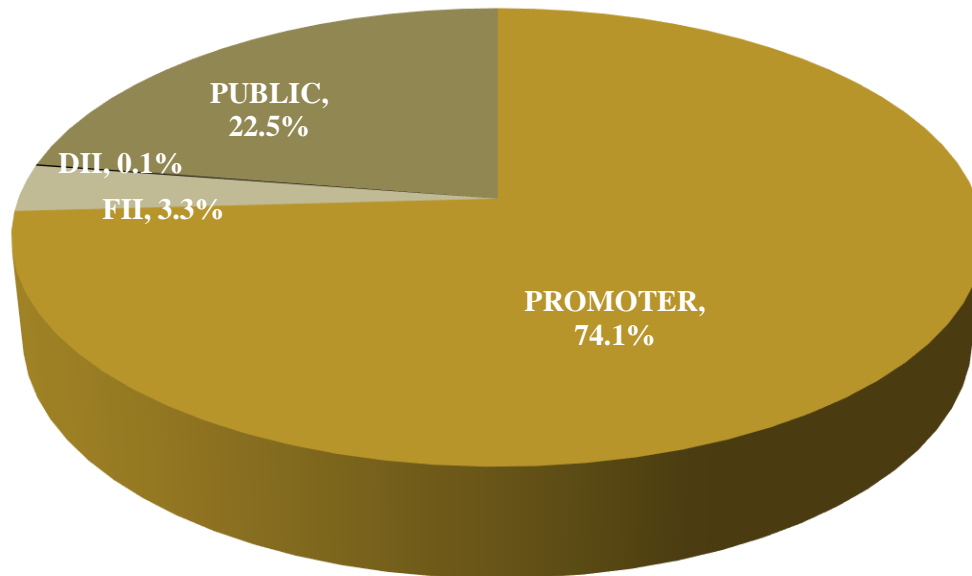
# ABOUT US: KEY MILESTONES

## STRONG LEGACY OF MORE THAN 150 YEARS BUILT ON TRUST

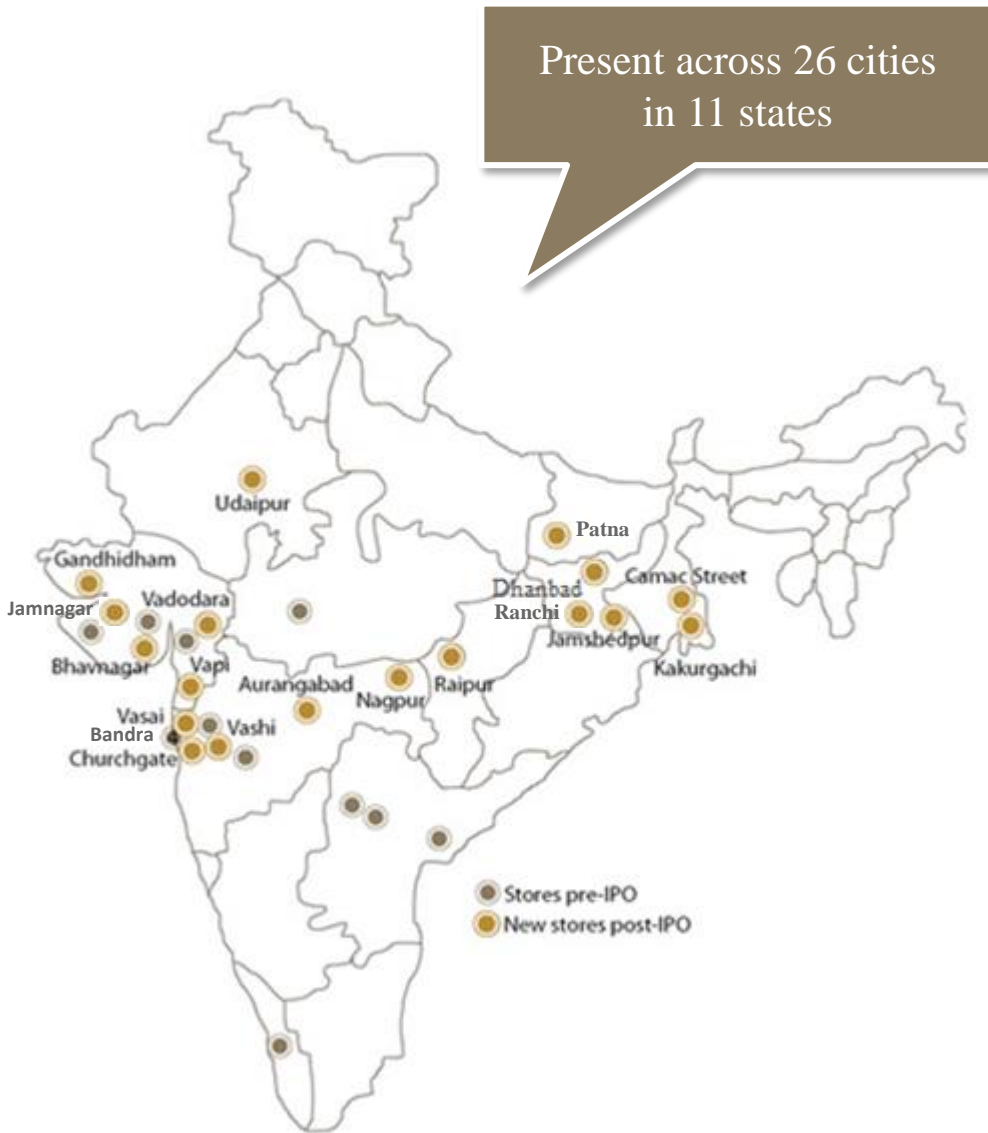


# ABOUT US: SHAREHOLDING STRUCTURE

## SHAREHOLDING PATTERN – JUNE 2017



# ABOUT US: RETAIL PRESENCE



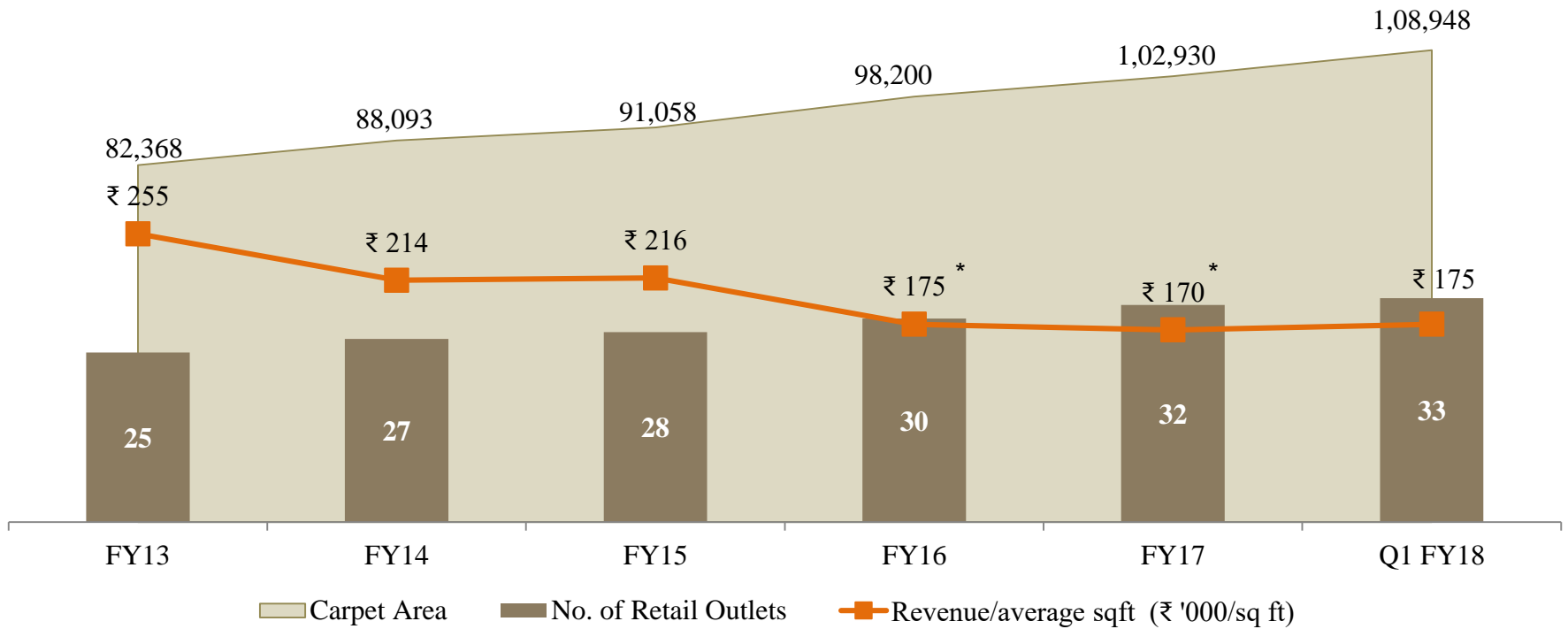
**PAN-INDIA PRESENCE WITH 33 STORES WITH A RETAIL SPACE OF ~1,08,948 SQ. FT. SPREAD ACROSS 26 CITIES IN 11 STATES**

NUMBER OF STORES	TILL DATE
Large Format	28
Small Format	5
Total Stores	33
Total Area	~1,08,948



# ABOUT US: RETAIL FOOTPRINT EXPANSION

## SALES PRODUCTIVITY (REVENUE / YEAR / SQ FT)



Sales productivity is calculated on trailing 12 month basis

**NOTE:**

\* During the month of March and April 2016, the company’s business was impacted due to continuing country wide agitations by the Gems & Jewellery Industry in protest against imposition of 1% excise duty. The business operations took some time to stabilize, however this impacted the overall revenues and profits for the company during FY16 & FY17.

Further, the withdrawal of high denomination banking notes impacted the jewellery sales in November 2016, though the situation gradually improved over Q4 FY17.



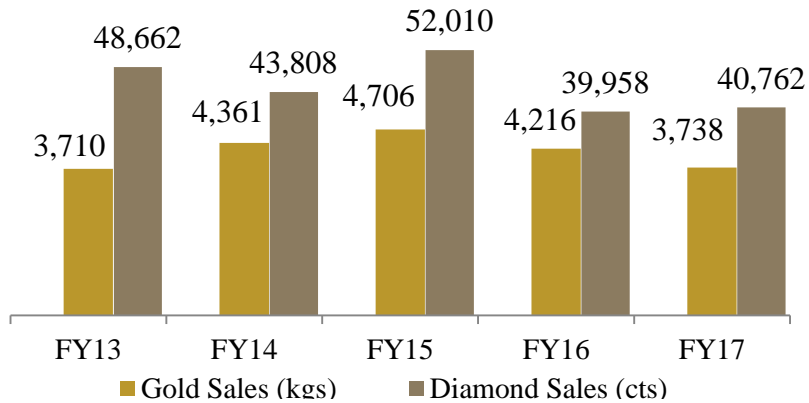


## DISCUSSION SUMMARY

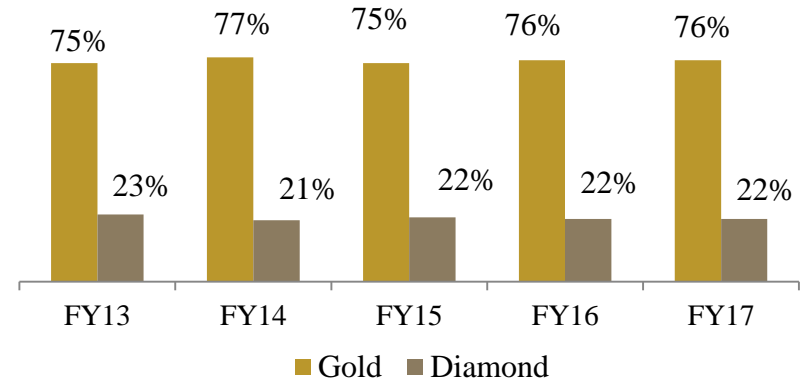
- ❖ Q1 FY18 Results Update
- ❖ About Us
- ❖ **Operational Summary**
- ❖ Annexure

# OPERATIONAL SUMMARY

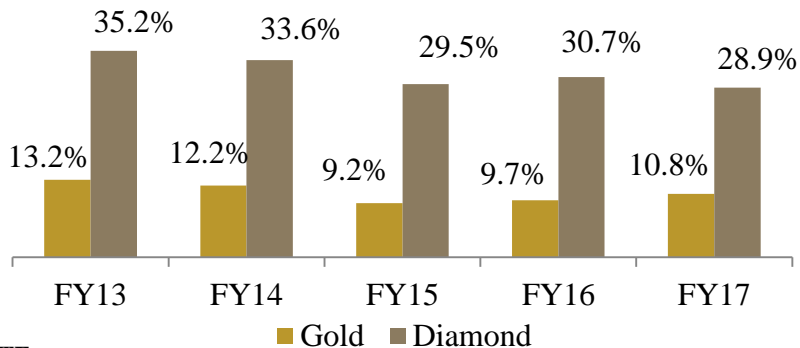
## GOLD & DIAMOND VOLUMES \*



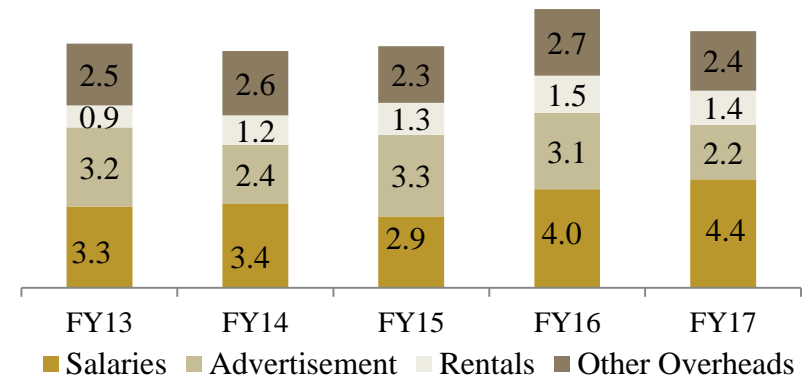
## GOLD & DIAMOND SALES MIX (%)



## GOLD & DIAMOND MARGINS (%)



## OPERATIONAL EFFICIENCY (%)



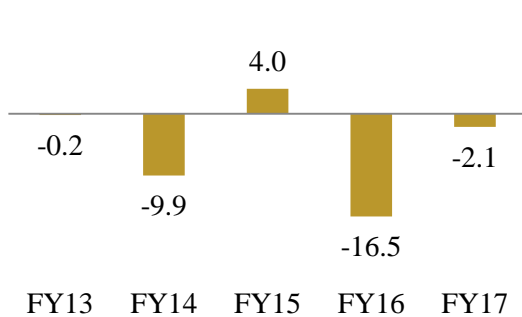
**NOTE:**

\* During the month of March and April 2016, the company's business was impacted due to continuing country wide agitations by the Gems & Jewellery Industry in protest against imposition of 1% excise duty. The business operations took some time to stabilize, however this impacted the overall revenues and profits for the company during FY16 & FY17.

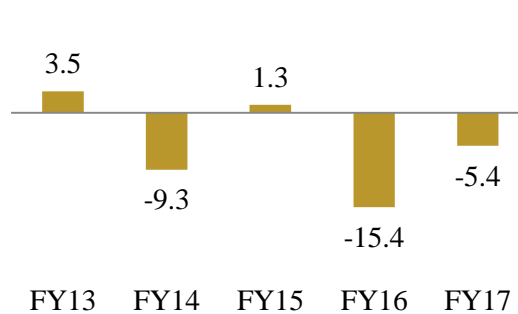
Further, the withdrawal of high denomination banking notes impacted the jewellery sales in November 2016, though the situation gradually improved over Q4 FY17.

# OPERATIONAL SUMMARY

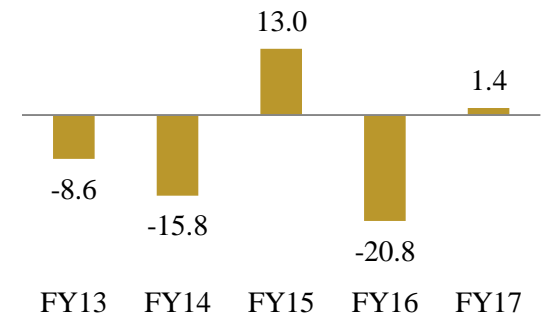
## SSSG - TOTAL (%) \*



## SSSG - GOLD (%) \*

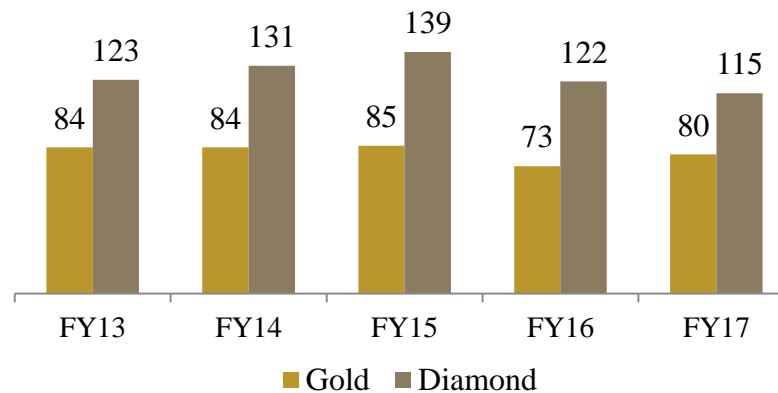


## SSSG - DIAMOND (%) \*



SSSG: Same store sales value growth

## AVERAGE TICKET SIZE (RS '000)



### NOTE:

\* During the month of March and April 2016, the company's business was impacted due to continuing country wide agitations by the Gems & Jewellery Industry in protest against imposition of 1% excise duty. The business operations took some time to stabilize, however this impacted the overall revenues and profits for the company during FY16 & FY17.

Further, the withdrawal of high denomination banking notes impacted the jewellery sales in November 2016, though the situation gradually improved over Q4 FY17.

# THANKYOU



Saurav Banerjee, CFO  
Tribhovandas Bhimji Zaveri Limited  
+91 022 30735000  
saurav.banerjee@tbzoriginal.com



Nilesh Dalvi  
Dickenson Seagull IR  
+91 9819289131  
nilesh.dalvi@dickensonir.com

# ***ANNEXURE***

# AWARDS & RECOGNITION

- ❖ **“BEST RING DESIGN OVER Rs. 2,50,000”**  
JJS-IJ Jewellers Choice Design Awards - 2016
- ❖ **“TV CAMPAIGN OF THE YEAR”**  
12th Gemfields Retail Jeweller India Awards - 2016
- ❖ **“DIAMOND JEWELLERY OF THE YEAR”**  
12th Gemfields Retail Jeweller India Awards - 2016
- ❖ **“BEST NECKLACE DESIGN AWARD– 2016 ”**  
JJS-IJ Jewellers’ Choice Design Award - 2016
- ❖ **“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



## 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.



# BUSINESS MODEL: MANUFACTURING

PROCUREMENT

## DIAMOND

- ❖ Raw Material - Cut & polished diamonds

### Sources:

- ❖ DTC site holders

MANUFACTURING

- ❖ 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.

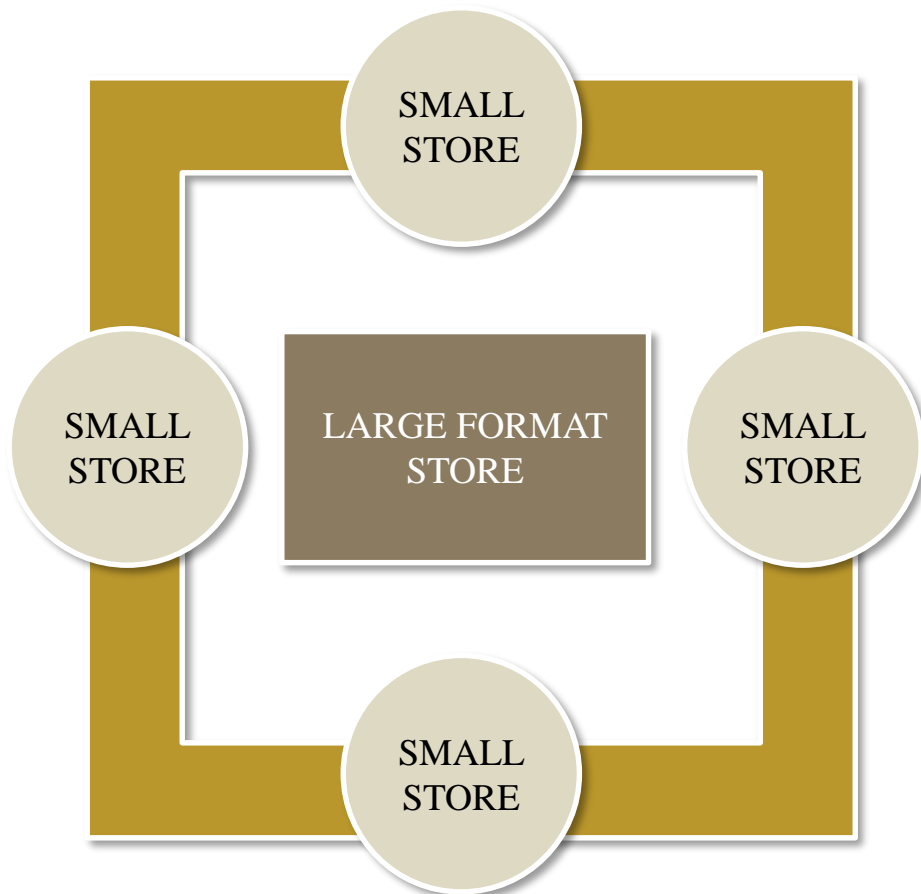




# BUSINESS MODEL: RETAIL

EFFICIENT INVENTORY MANAGEMENT

HUB & SPOKE MODEL - ROI OPTIMISATION



## SMALL STORES

- ❖ 1,000 - 2,000 sq ft
- ❖ Across the city
- ❖ Smaller range
- ❖ Lower price points (up to ₹ 500k)

## LARGE STORES

- ❖ > 2,000 sq ft
- ❖ Standalone high street - heart of city
- ❖ Wider range
- ❖ Higher price points (up to ₹ 2,000k)

# BUSINESS MODEL: SCALABILITY

- ❖ TBZ has an expansion plan to increase its retail space from ~1,08,948 sq. ft. at present to around 150,000 sq. ft. over near term.
- ❖ TBZ plans to carry out 75% of the expansion through the franchisee route and balance 25% through the addition of its own stores.
- ❖ All the prospective expansion locations have already been identified backed by 2 years of extensive market research.

	FY12	Till Date	target
Number of Stores	14	33	
Retail Sq ft	~48,000	~108,948	<b>~150,000</b>
Number of Cities	10	26	



# 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 ~3.5% p.a.

## 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 day 1.
- ❖ 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 compared to working capital borrowing cost.
- ❖ **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 LIMITATIONS

- ❖ **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.