



tboz[®]
The original since 1864
TRIBHOVANDAS BHIMJI ZAVERI
SHRIKANT ZAVERI GROUP

QUARTERLY
UPDATE
SEPT QUARTER-
2012
NOVEMBER 8, 2012

DISCUSSION OUTLINE



About us



Business Model



Expansion



Results update

ABOUT US



PEDIGREE

- Over 148 years of history in Jewellery Business – 1st store opened in 1864 at Zaveri Bazaar, Mumbai
- 4th generation of family now running the business
- TBZ was the first Jeweler to offer buy back guarantee for Jewellery purchased through their stores in 1938.

PRODUCT

- Specialty retailer with focus on both wedding and the fashion segment of the industry
- Gold jewellery accounts for 75% of revenues and operates at 10% Gross margin
- Diamond jewellery accounts for 25% of revenues and operates at 35% Gross Margin

REACH

- 19 retail showrooms – ~65,000 sq ft - spread across 13 cities in 6 states
- Expansion planned to increase stores to 57 and retail space to ~150,000 sq ft by 2015 spread over 43 cities across 14 States

MANUFACTURING

- Manufacturing units at Kandivli, Mumbai spread over ~23,000 sq ft
- Gold jewellery manufacturing : 4,500 kgs; Gold refining : 4,000 kgs. Gold jewellery manufacturing largely out sourced.
- Diamond manufacturing : 200,000 cts (2 shifts). Most diamond jewellery manufactured in-house.

DESIGN

- 32 designers; 8-10 jewellery lines every year; designs and jewellery sourced from Italy, Turkey and Thailand

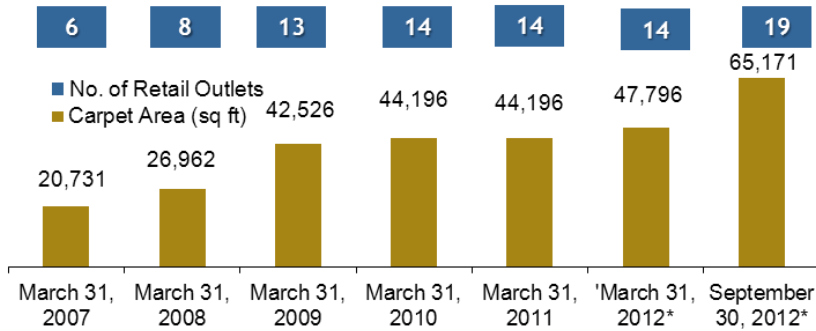
TEAM

- 1,407 employees as at Sept 30, 2012 including CEO, CFO, 9 functional heads, 35 line managers and 44 showroom managers & assistant managers, 879 retail staff, 178 employees at manufacturing unit and 32 designers, including 10 CAD designers.



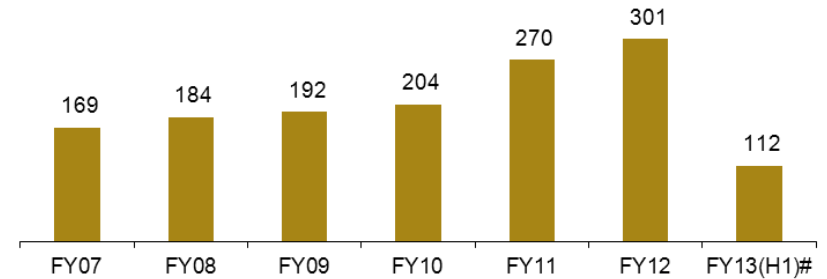
LAST 5 YEARS AT TBZ

Expansion in Retail Network



* Effective June 1, 2011, we transferred one showroom to a former JV partner and on July 27, 2011, we opened a new showroom in Rajkot, Gujarat. On April 1, 2012, we opened a new large format showroom in Pune to replace a small format showroom.

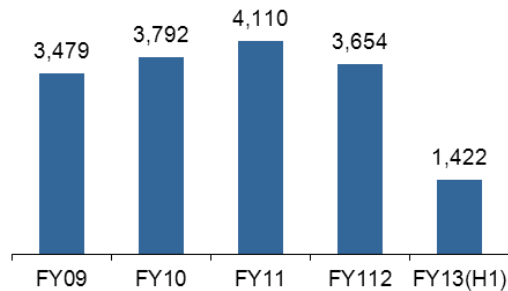
Increase in Revenue / average sq ft* (Rs '000 / sq ft)



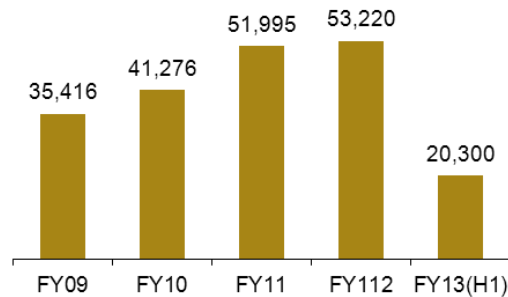
* Average is the average of sq ft at the beginning and at the end of the period]
Average for FY13(H1) is not annualised

Gold and Diamond Volumes and Shifting Sales Mix*

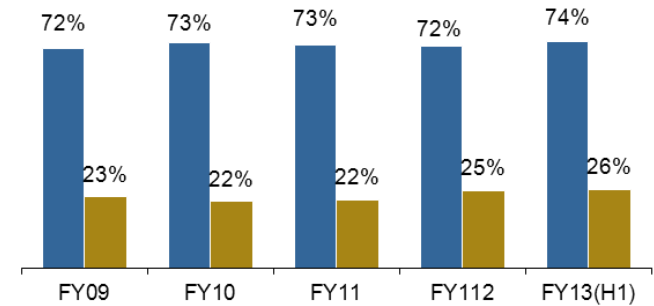
Gold Sales (Kgs)



Diamond Sales (Cts)



Sales Mix



■ Gold ■ Diamond

* Based on standalone financials

BRAND DOES MATTER



THE RELEVANCE OF BRAND IN JEWELLERY TRADE



- The power of brand in gold and diamond jewellery retail is a critical competitive advantage.
- Indians prefer to shop with Jewellers who have a reputation of trust and transparency. This is where TBZ is different from any other brand.
- TBZ is the one of the most established player in the wedding jewellery segment for the last 148 years.

THE POWER OF BRAND TBZ



HIGH
CONVERSION

80%

Average conversion

HIGHER BILL
VALUE

80K

for Gold jewellery and
Rs 125K for Diamond
Jewellery

HIGH
PRODUCTIVITY

300,000

Rs per sft per annum;
average across stores

SCALEABILITY

10* – 43*

The brand TBZ is as
popular across India.
*cities by 2015

BETTER ROCE

32%

Without gold loan.
With gold loan, much higher.

Based on FY12 Financials

THE TBZ EDGE



Strong pedigree, lineage and TBZ brand, a household name that represents trust and transparency.



Design, Innovation and product range.



Strong and growing retail reach. 19 locations, 13 cities, 6 States.



Growing diamond sales, improving SSS and margin profile.



Strong back-end, systems and internal controls.



Own manufacturing of Diamond jewellery enhances margin and range.



Strong leadership and execution team. Right balance of family and professional management.

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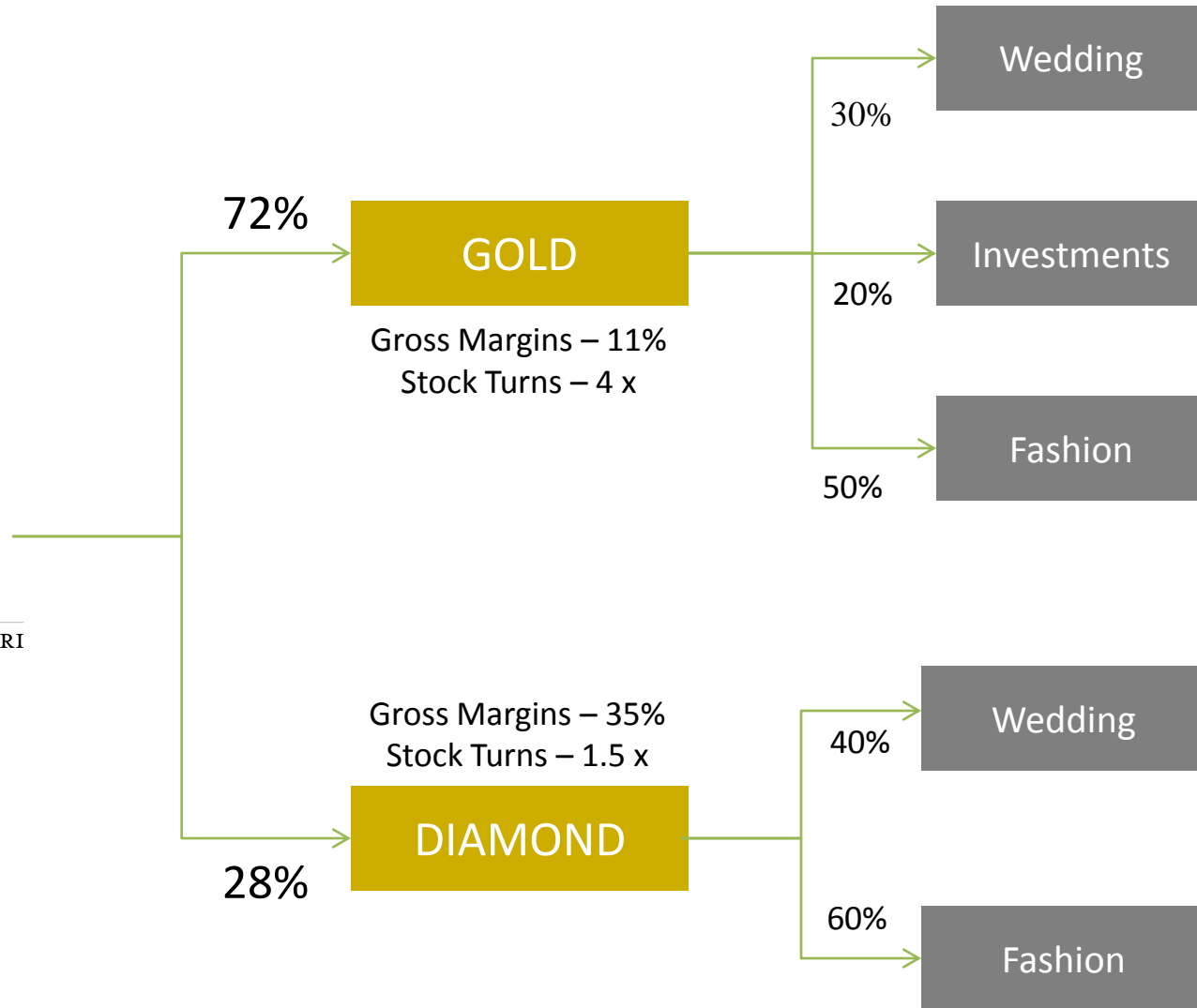
BUSINESS MODEL: PRODUCT



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Rs13.9 bn
2011-12



WEDDING JEWELLERY SALES BRINGS STRONG VOLUME AND FASHION JEWELLERY SALES BRINGS GROWTH

BUSINESS MODEL : RETAIL



HUB & SPOKE MODEL OPTIMIZES ROI

FLAGSHIP
LARGE FORMAT
STORE

- Above 3,000 Sft
- Standalone high street-
Heart of city
- Wider Range
- Higher price points
(Rs 2000 – 20 lac)
- Inventory ~ Rs 30 cr
- G:D – 70:30

SMALL
STORE

SMALL
STORE

SMALL
STORE

SMALL
STORE

- 1,000 - 3,000 Sft
- Across the city
- Smaller Range
- Lower price points
(Rs 2000- Rs 5 lac)
- Inventory ~ Rs 10 cr
- G:D – 70:30

STORE BUSINESS MODEL

Particulars	Large Format	Small Format
Size sft	Above 3,000	1,000 – 3,000
Average sales per sft in year 1	275,000	250,000
Gold : Diamond	75:25	75:25
Gross margin - Gold : Diamond	10% : 35%	10% : 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%	11%
Store Capex (Rs m)	17.1	7.3
Store working capital (Rs m)	280	92.5
Store Cash BEP (in months)	4.5 month	4.5 month

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EXPANSION UPDATE

- New showrooms added since July 2012
 - July 2012, at Churchgate with retail areas of approx 1,200 sq ft.
 - August 2012, at Vadodara with retail areas of approx 3,700 sq ft.
 - September 2012, at Camac Street, Kolkata with retail areas of approx 5,000 sq ft.
 - September 2012, at Kakurgachi, Kolkata with retail areas of approx 3,200 sq ft.
 - September 2012, at Vapi with retail areas of approx 2,200 sq ft.
- 12 stores to be added in 2012-13:
 - 9 Large Format Stores (Above 3,000 sq ft)
 - 3 Small Format Stores (1000-3000 sq ft).
- On track to expand to 57 stores by 2014-15

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RESULTS UPDATE – SEPTEMBER 2012

(Rs m)	Q2 FY13	Q1 FY13	FY12
Income from Operations	3,504	2,835	13,854
Expenditure:			
Raw Materials Consumed	2,825	2,244	11,424
Employee Costs	116	110	457
Other Expenditure	261	195	753
Total Expenditure	3,202	2,549	12,634
EBITDA	302	286	1,220
<i>EBITDA Margins (%)</i>	<i>8.6</i>	<i>10.1</i>	<i>8.8</i>
Depreciation	18	13	52
Other Income	13	9	16
Interest Expense (Net)	40	39	315
Profit Before Tax	257	243	869
Tax	67	80	297
Profit After Tax	190	163	572
<i>PAT Margins (%)</i>	<i>5.4</i>	<i>5.7</i>	<i>4.1</i>

RESULTS UPDATE – SEPTEMBER 2012

(Rs m)	Sept 30, 2012	June 30, 2012	FY12
Sources of Funds			
Equity	3,786	3,595	1,596
Loan Funds	2,060	909	2,036
Total Sources of Funds	5,846	4,504	3,632
Application of Funds:			
Gross Block	1,005	667	642
Less: Depreciation	182	163	150
Net Block	823	504	492
CWIP	-	-	7
Investments	30	131	30
Deferred Tax Assets	43	35	34
Current Assets: Inventories	7,351	5,303	5,019
Debtors	28	12	30
Cash and Bank Balance	488	563	53
Other Current assets	171	429	161
Total Current Assets	8,038	6,307	5,263
Total Current Liabilities	3,088	2,473	2,194
Net Current Assets	4,950	3,834	3,069
Total Application of Funds	5,846	4,504	3,632

RESULTS UPDATE – SEPTEMBER 2012 VS JUNE 2012

Income from operations:

Income from operations for the quarter ended Sept'12 has increased by 24%, due to

- Higher sales in existing showrooms;
- Opening of 5 new showrooms.

Gross Margins:

Gross Margins have declined QoQ primarily due to:

- Discount schemes offered.

Other expenses

Other expenditure has increased by 37% as compared to the sequential quarter mainly due to

- Higher Launch expenses on account of opening of 5 new showrooms.

Depreciation

Depreciation has increased due to addition of 5 new showrooms and a new corporate office.

RESULTS UPDATE- BALANCE SHEET – SEPTEMBER 2012 VS JUNE 2012

Increase in Loan funds:

Gold on Loan has been classified in Loan Funds as per prudent practices leading to increase in Loan Funds as at the end of the quarter.

Increase in Gross Block

Gross Block has increases due to:

- New Corporate Office;
- Opening of 5 new showrooms.

Kalpavruksha Scheme:

Advances on account of Kalpavruksha scheme has increased 50% to Rs780 mn as at the end of September 30, 2012 compared to March 31, 2012.

MARGIN ANALYSIS



	Q2 FY13	Q1 FY13	FY12
Gross Margins:			
Gold Jewellery	12.9%	14.3%	10.9%
Diamond Jewellery	34.9%	39.4%	35.9%
Blended Margins	19.1%	20.4%	17.5%
Expenses (as a % of Sales):			
Salaries	3.6%	3.8%	3.3%
Advertisement	3.3%	3.0%	2.4%
Rentals	1.0%	1.0%	0.8%
Other Overheads	2.6%	2.5%	2.1%
EBITDA Margins	8.6%	10.1%	8.9%



THANK YOU!

For further information please
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