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TRIBHOVANDAS BHIMJI ZAVERI  
SHRIKANT ZAVERI GROUP

FIRST QUARTER FY15  
RESULTS UPDATE

06<sup>TH</sup> AUGUST, 2014

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# OUTLINE

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- 🌀 About Us 04 - 08
- 🌀 Q1 FY15 Results 09 - 13
- 🌀 Annexure 16 - 25



# 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

- ❖ High sales productivity - ₹ 250,000 per sq ft per annum (at mature stores)
- ❖ High footfalls conversion - 80%
- ❖ High ticket size - Gold - ₹ 84k, Diamond - ₹ 131k

## SCALABILITY & REACH

- ❖ 27 stores (~88,000 sq ft)
- ❖ Presence - 21 cities, 8 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

## STRONG FINANCIAL METRICS

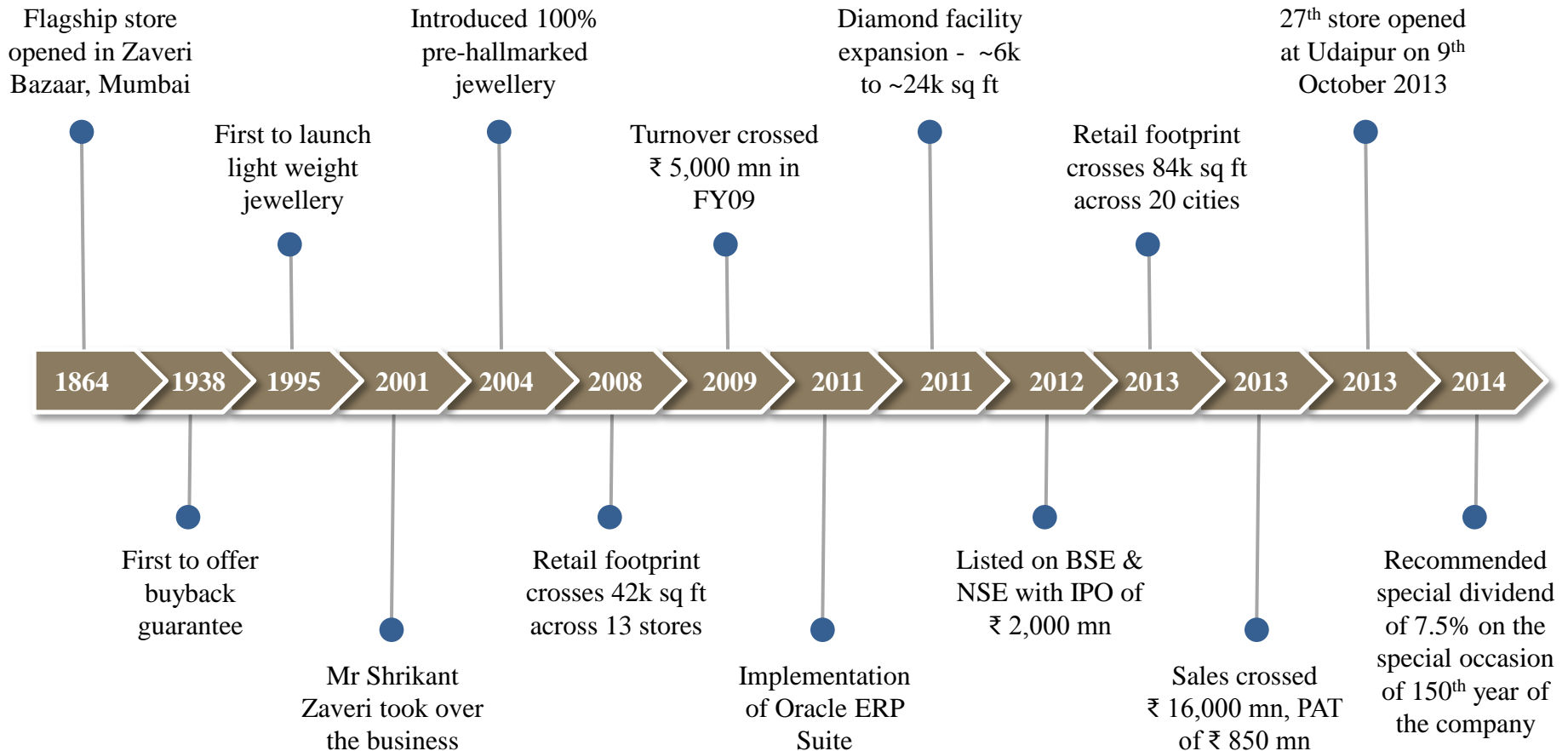
- ❖ 5-Yr CAGR - Revenue - 20%, EBITDA - 29%, PAT - 35%
- ❖ FY14 ROCE - 14%, ROE - 13%, Net D/E - 1.1

## DESIGN EXCLUSIVITY

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

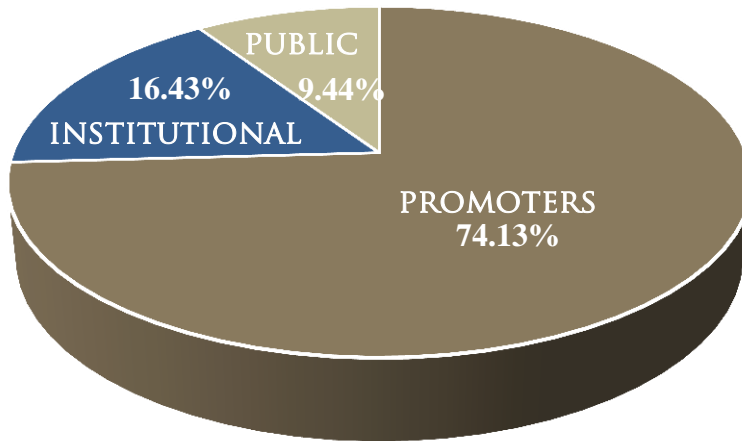
# ABOUT US: KEY MILESTONES

## STRONG LEGACY OF AROUND 150 YEARS BUILD ON TRUST



# ABOUT US: SHAREHOLDING STRUCTURE

## SHAREHOLDING PATTERN – JUNE 2014

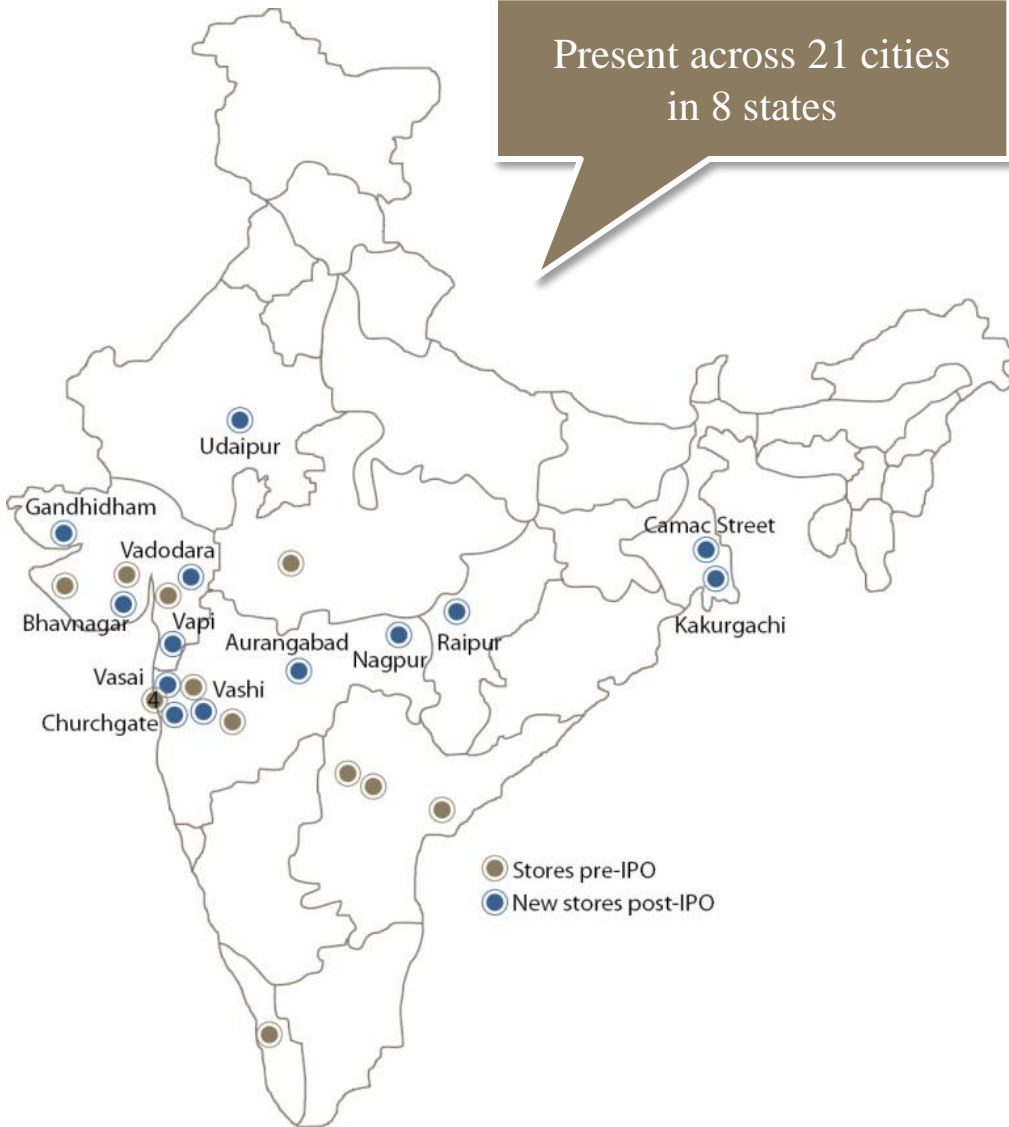


KEY INSTITUTIONAL INVESTORS	% HOLDING
Smallcap World Fund INC	6.50%
HSBC Global Investments	4.05%



# ABOUT US: RETAIL PRESENCE

Present across 21 cities  
in 8 states



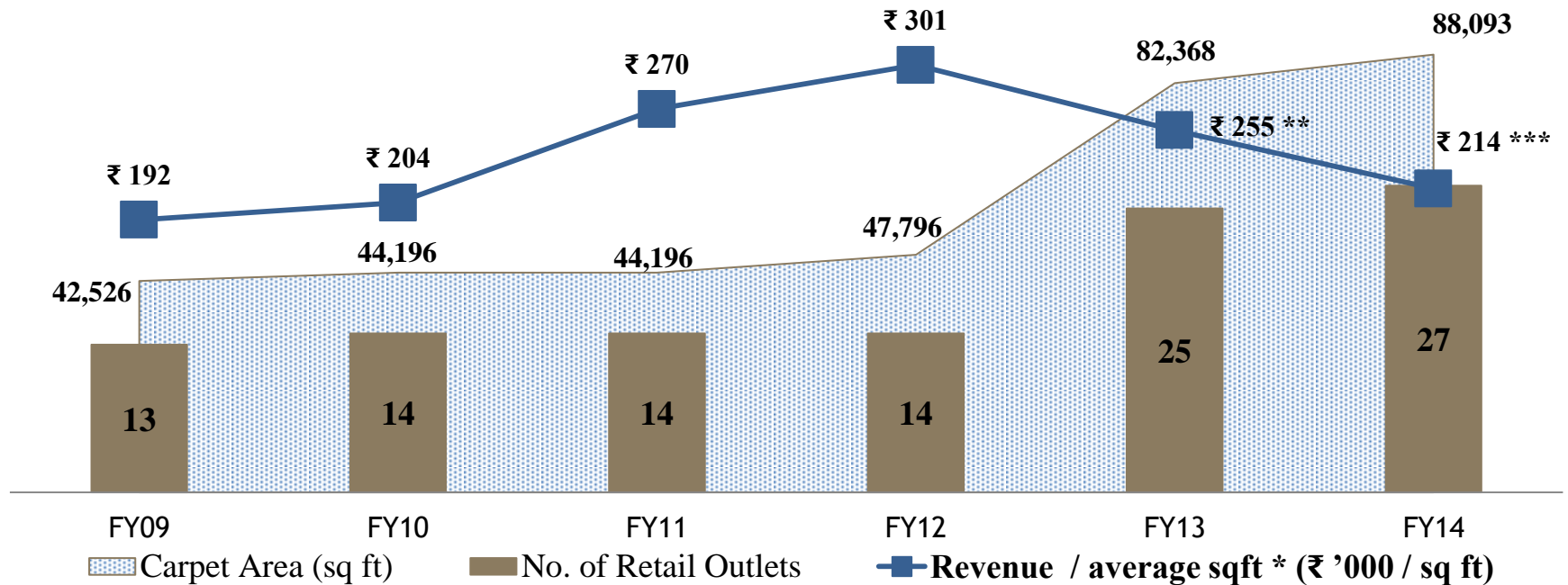
EXPANSION IS WELL ON TRACK WITH ADDITION OF 13 NEW STORES POST IPO WITH A RETAIL SPACE OF ~38,000 SQ.FT.

NUMBER OF STORES	TILL DATE
Large Format	21
Small Format	6
Tier I	17
Tier II	3
Metros	7
Total Stores	27
Total Area	~88,000



# 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

\*\* Includes new stores opened during the year

\*\*\* Productivity at mature stores – ₹ 250 k per sq ft



# Q1 FY15 BUSINESS SCENARIO

## ❖ MACROECONOMIC AND BUSINESS ENVIRONMENT

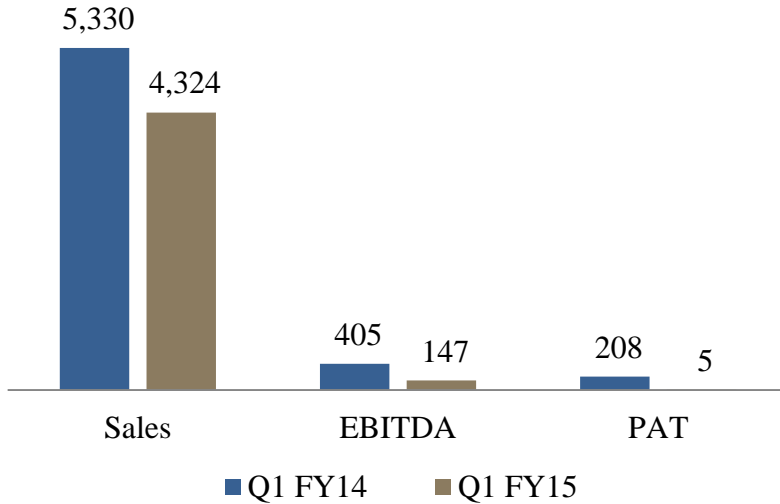
- Challenging macroeconomic environment marked by slow economic growth, high fiscal deficit, high interest rates, high inflation and weaker currency.
- Restrictions on movement of goods and cash during April and May, prior to elections, impacted the consumer demand and jewellery sales.
- However, there were few positive developments during the quarter like formation of stable central government and positive macroeconomic tailwinds like lower current account deficit and marginal decline in June inflation.

## ❖ REGULATORY ENVIRONMENT

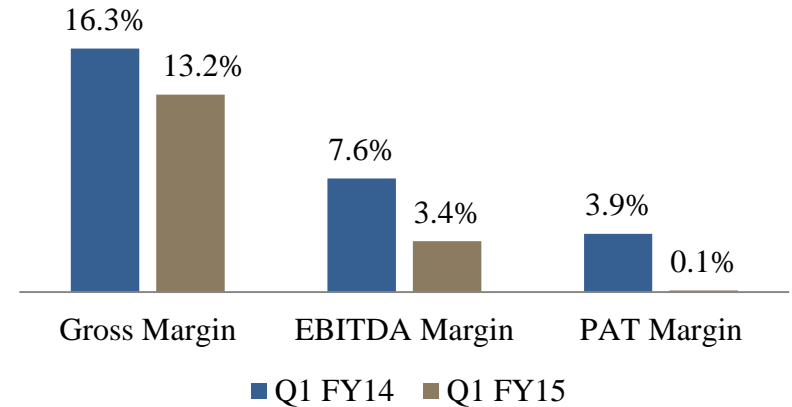
- No reduction in 10% customs duty on gold imports announced in FY14-15 Union budget.
- No change in the 80:20 gold import regulation. However there are two positive regulatory changes –
  - Easing of overall gold supply as RBI allowed star trading houses and few additional banks to import gold.
  - Reinstatement of gold loan model on imported gold, however within the ambit of 80:20 scheme.

# Q1 FY15 FINANCIAL UPDATE

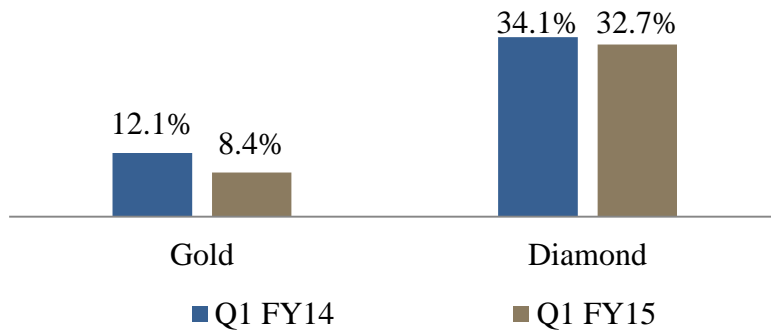
## PROFIT ANALYSIS (RS MN)



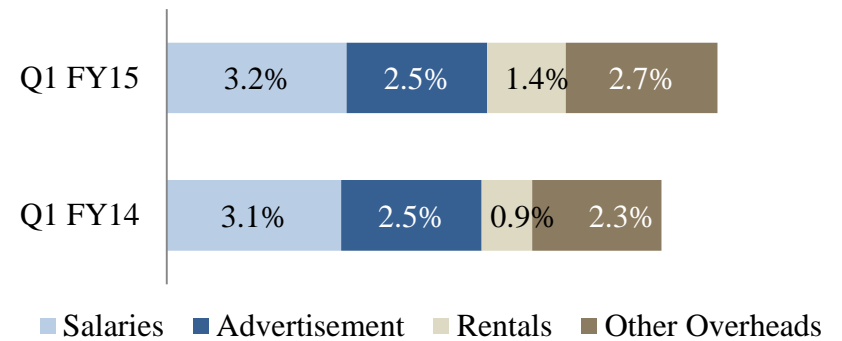
## MARGIN ANALYSIS (%)



## GROSS MARGINS (%)

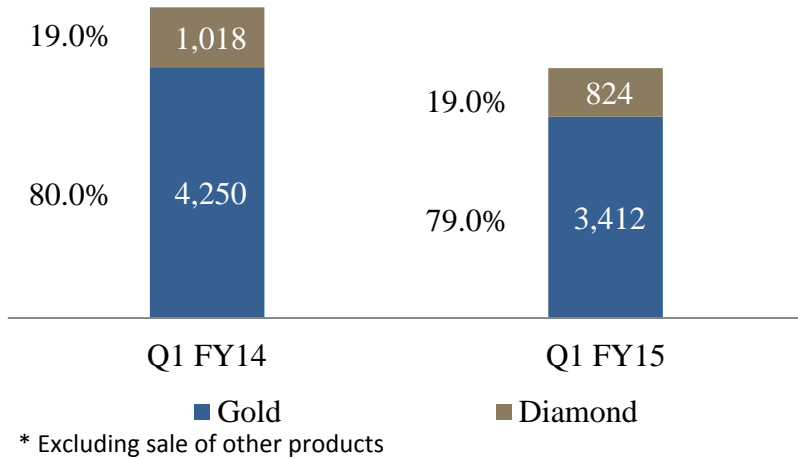


## OPERATIONAL EFFICIENCY (%)

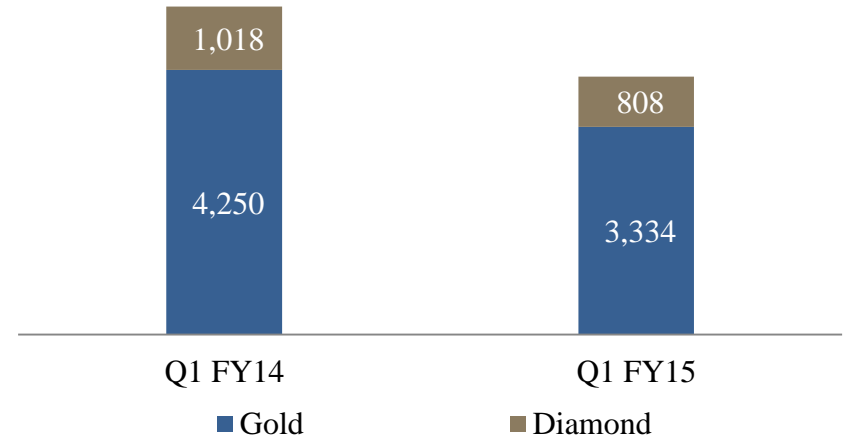


# Q1 FY15 OPERATIONAL UPDATE

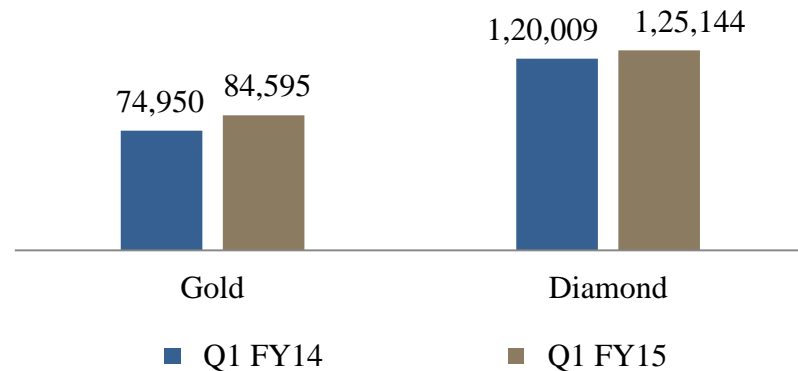
## TOTAL SALES (RS MN)



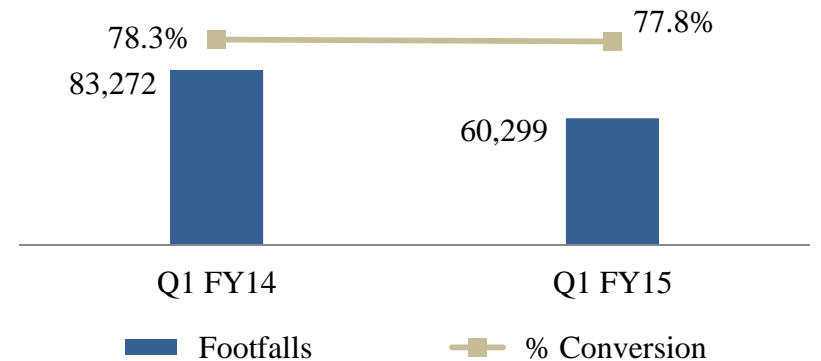
## SAME STORE SALES (RS MN)



## AVERAGE TICKET SIZE

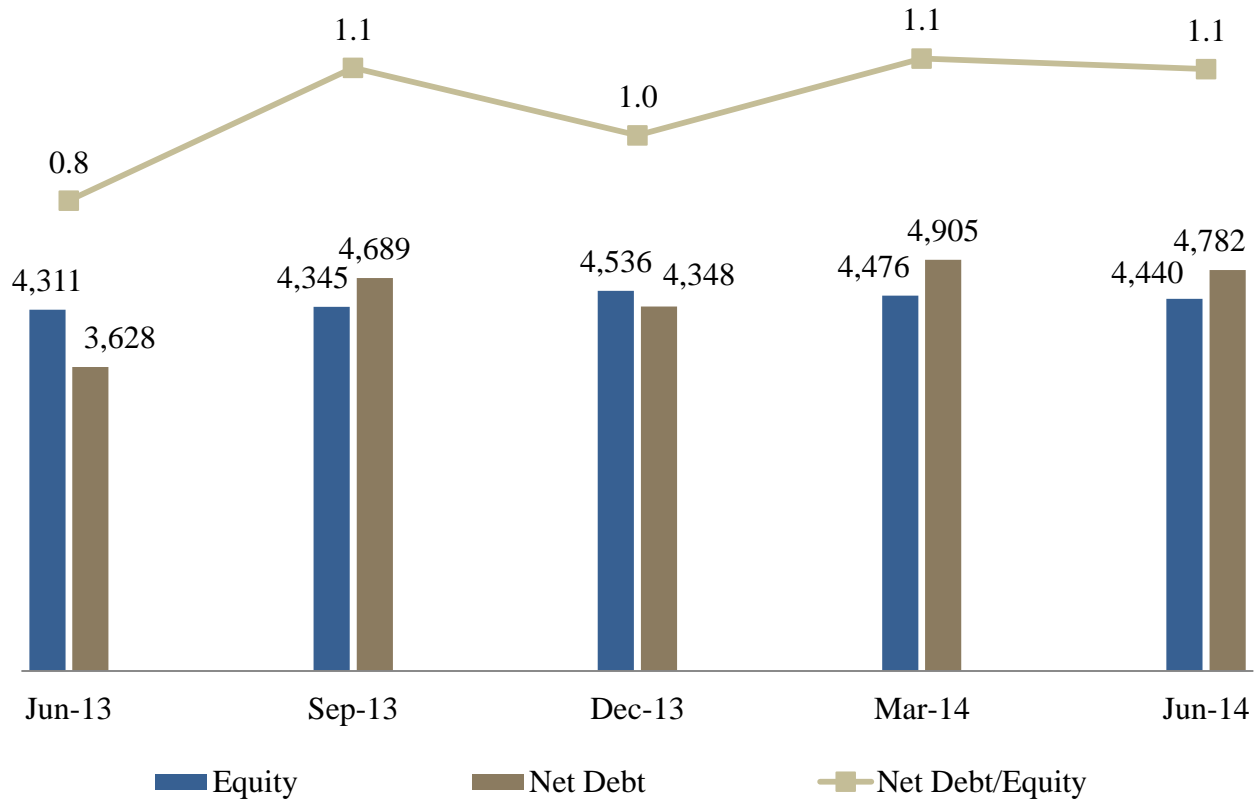


## FOOTFALLS & CONVERSION



# JUNE-14 BALANCE SHEET UPDATE

## LEVERAGE (RS MN)



# Q1 FY15 RESULTS HIGHLIGHTS

- ❖ Q1 FY15 sales declined 18.9% YoY, driven by higher base (Q1 FY14 sales had increased 88.9%).
  - ❖ Gold jewellery sales (excluding coins) declined by 14%.
  - ❖ Diamond jewellery sales declined by 19%.
- ❖ Jewellery demand remained subdued due to weak consumer sentiments. Further, restrictions on movement of goods and cash, prior to elections, impacted the consumer demand and jewellery sales during the quarter.
- ❖ Gross margin was largely impacted by the volatility in gold price during the quarter. The impact of tactical discount schemes on the gross margins was marginal.
- ❖ Interest costs increased on YoY basis due to gradual phasing out of gold loan model. However on QoQ basis the interest costs decreased as the gold loan model under the 80:20 scheme was reinstated in May 2014.
- ❖ PAT margin thus contracted due to combination of lower sales and higher fixed costs in form of employee expenses, other overheads and interest costs.
- ❖ As on June-2014, 38% of total gold inventory was on gold loan model. Going forward the interest costs are expected to decrease as the share of inventory on gold loan model increases.
- ❖ Leverage of 1.1x continues to remain within acceptable range.
- ❖ Advances on account of Kalpavruksha Scheme were ₹ 1,470 mn (up 2% from Mar-13).

# THANK YOU



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# ANNEXURE

# RESULTS UPDATE – JUNE 2014

PARTICULARS (IN MN) (QUARTERLY UNAUDITED)	Q1 FY15 (₹)	Q1 FY14 (₹)	YOY %	Q4 FY14 (₹)	QOQ %
<b>Revenues</b>	<b>4,324</b>	<b>5,330</b>	-18.9%	<b>4,453</b>	-2.9%
COGS	3,752	4,459	-15.9%	3,788	-1.0%
Gross Profit	571	871	-34.4%	664	-14.0%
<i>Gross Margin (%)</i>	<i>13.2%</i>	<i>16.3%</i>		<i>14.9%</i>	
Personnel Expenses	136	167	-18.1%	104	31.8%
Other Expenses	288	300	-3.8%	238	20.9%
<b>EBITDA</b>	<b>147</b>	<b>405</b>	-63.7%	<b>323</b>	-54.5%
<i>EBITDA Margin (%)</i>	<i>3.4%</i>	<i>7.6%</i>		<i>7.2%</i>	
Depreciation	36	24	50.7%	27	29.9%
Other Income	26	11	127.2%	21	21.2%
Interest Expenses	129	78	65.2%	145	-11.2%
Profit Before Tax	<b>8</b>	<b>315</b>	-97.5%	<b>171</b>	-95.4%
Tax	3	107	-97.5%	54	-95.1%
<b>PAT</b>	<b>5</b>	<b>208</b>	-97.5%	<b>117</b>	-95.5%
<i>Profit Margin (%)</i>	<i>0.1%</i>	<i>3.9%</i>		<i>2.6%</i>	

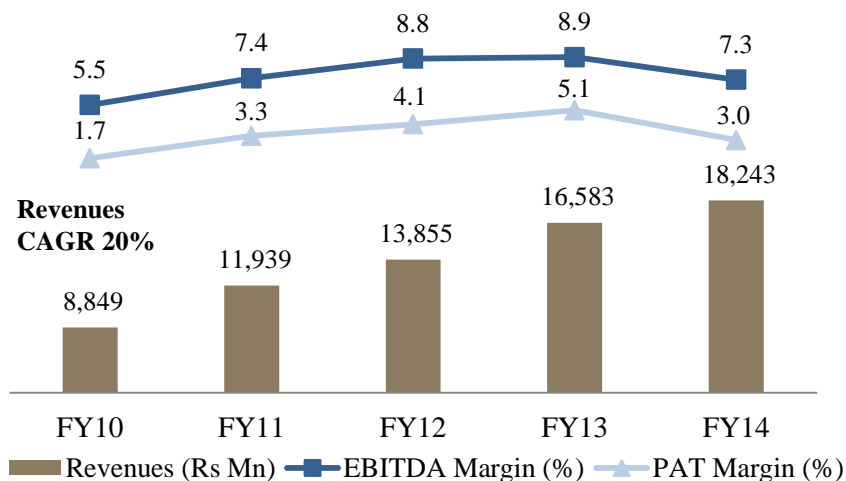


# RESULTS UPDATE – JUNE 2014

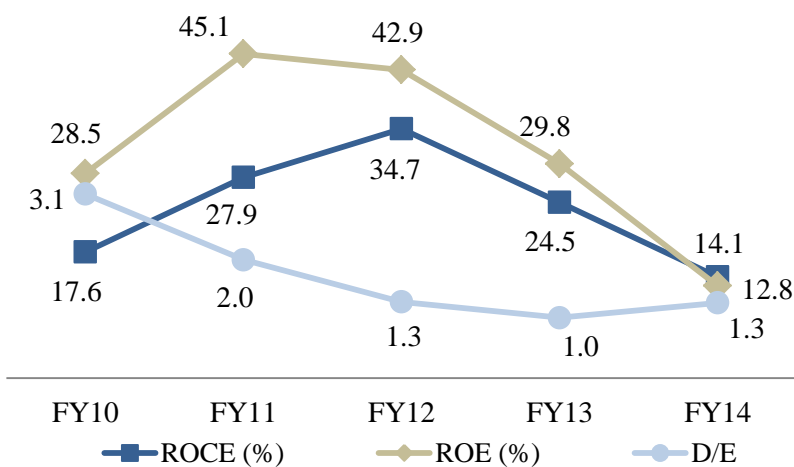
PARTICULARS (IN MN) (QUARTERLY UNAUDITED)	JUN-14 (₹)	MAR-14 (₹)
Shareholders Funds	4,440	4,476
Loan Funds	5,455	5,634
Other Long Term Liabilities	45	63
<b>Sources of Funds</b>	<b>9,940</b>	<b>10,173</b>
Gross Block	1,293	1,278
Less: Acc. Depreciation	354	322
Net Block	939	956
Other Long Term Assets	268	216
Inventory	10,799	11,119
Debtors	13	28
Cash and Bank Balance	673	728
Other Current Assets	140	109
Current Liabilities	2,892	2,983
Net Current Assets	8,733	9,001
<b>Application of Funds</b>	<b>9,940</b>	<b>10,173</b>

# FINANCIAL SUMMARY

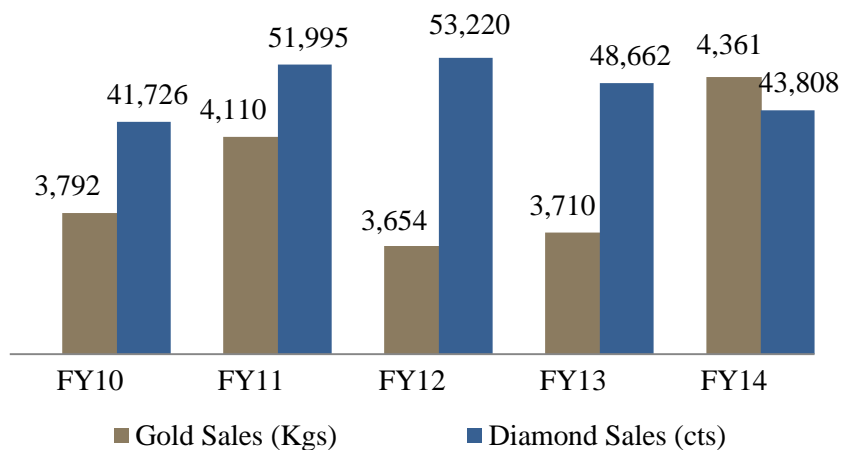
## REVENUES & MARGIN ANALYSIS



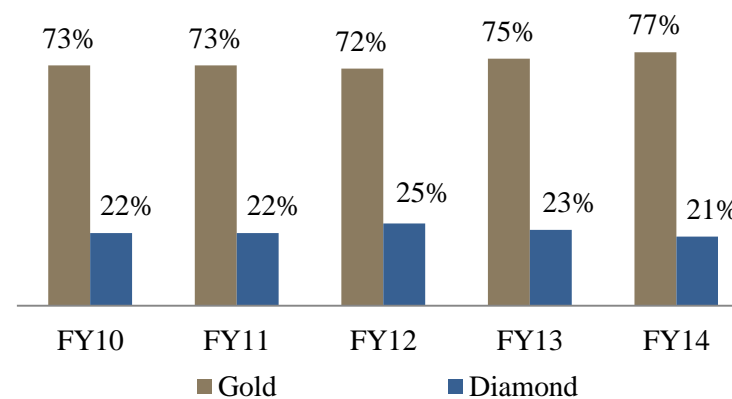
## LEVERAGE & RETURN METRICS



## GOLD AND DIAMOND VOLUMES



## GOLD AND DIAMOND SALES MIX



# AWARDS & RECOGNITION

- ❖ **“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
- ❖ **“BEST DESIGNER JEWELLERY “**  
Jaipur Jewellery Show – Jewellers’ Choice Design Awards - 2013
- ❖ **“BEST BRIDAL DESIGN”**  
Jaipur Jewellery Show – Jewellers’ Choice Design Awards - 2013
- ❖ **“EDITOR’S CHOICE AWARD – BEST BRIDAL”**  
Jaipur Jewellery Show – Jewellers’ Choice Design Awards - 2013



# BUSINESS MODEL: PRODUCT

**tbz**<sup>®</sup>  
The original since 1864  
TRIBHOVANDAS BHIMJI ZAVERI  
SHRIKANT ZAVERI GROUP  
₹ 18,243 mn  
FY14



GOLD  
(75%)

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



DIAMONDS  
(25%)

Gross Margins – 35%  
Stock Turns – 1x



WEDDING (50%)



FASHION (50%)



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.



# BUSINESS MODEL: MANUFACTURING

PROCUREMENT

## DIAMOND

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

### Sources:

- ❖ DTC site holders
- ❖ Other vendors

MANUFACTURING

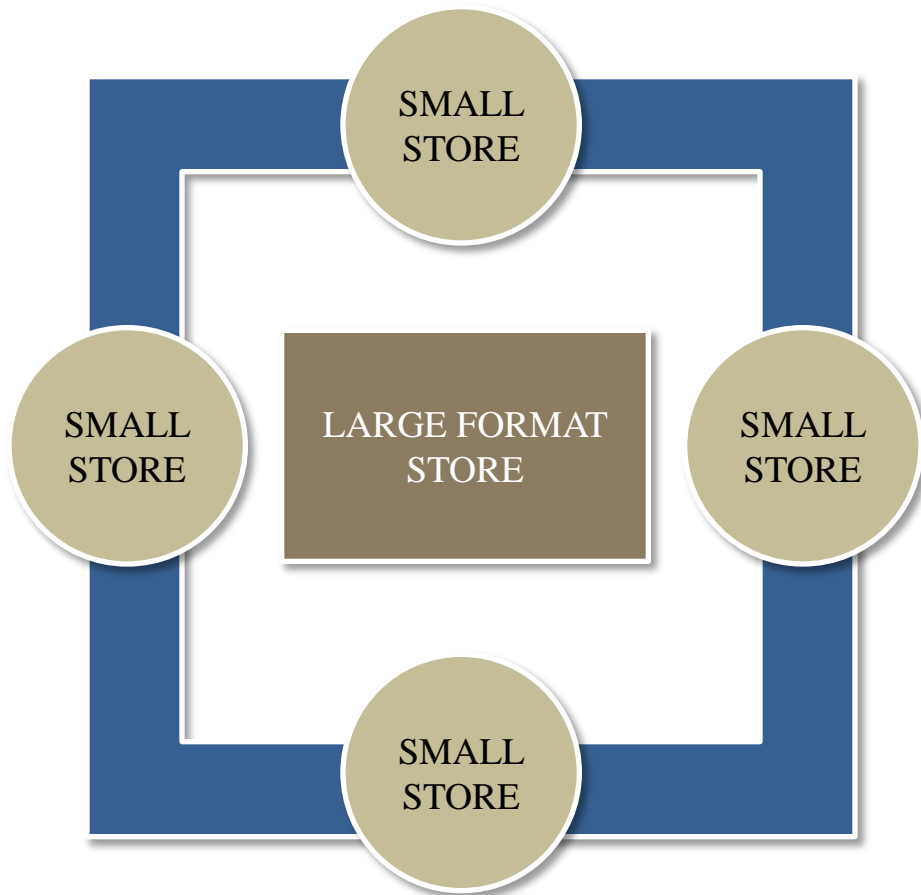
- ❖ In-house diamond jewellery manufacturing leading to exclusive designs, lower costs, and higher margins
- ❖ Manufacturing facility at Kandivali, Mumbai spread over ~24,000 sq ft with capacity of ~200,000 cts (on dual shift basis).
- ❖ The facility also has capacity for 4,000 kg of gold refining and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



# BUSINESS MODEL: RETAIL

## EFFICIENT INVENTORY MANAGEMENT

## HUB & SPOKE MODEL - ROI OPTIMISATION



## SMALL STORES

- ❖ 1,000 - 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
<b>ROCE</b>	<b>28%</b>	
<b>Store Cash BEP (in months)</b>	<b>8-10 months</b>	





# 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 13 new stores (9 large format and 4 small format) post FY12 where the 13<sup>th</sup> store was opened on 9<sup>th</sup> October, 2013 in Udaipur.

	FY12	→	TILL DATE	→	TARGET
Number of Stores	14		27		57
Retail Sq ft	~48,000		~88,000		~150,000
Number of Cities	10		21		43

