



# INVESTOR PRESENTATION

## Q2 & H1 FY16 RESULTS UPDATE

November, 2015

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TRIBHOVANDAS BHIMJI ZAVERI  
SHRIKANT ZAVERI GROUP

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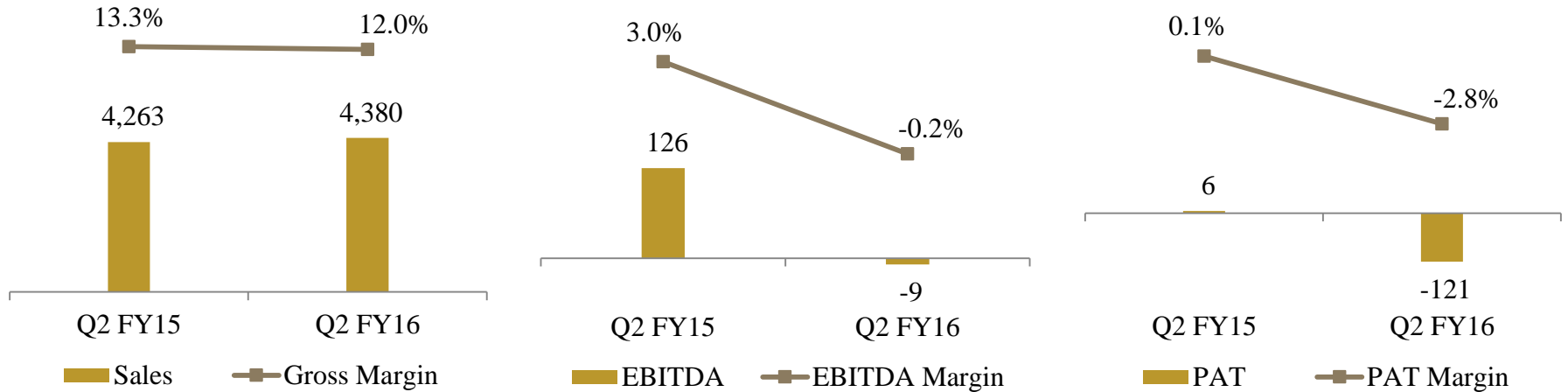


## DISCUSSION SUMMARY

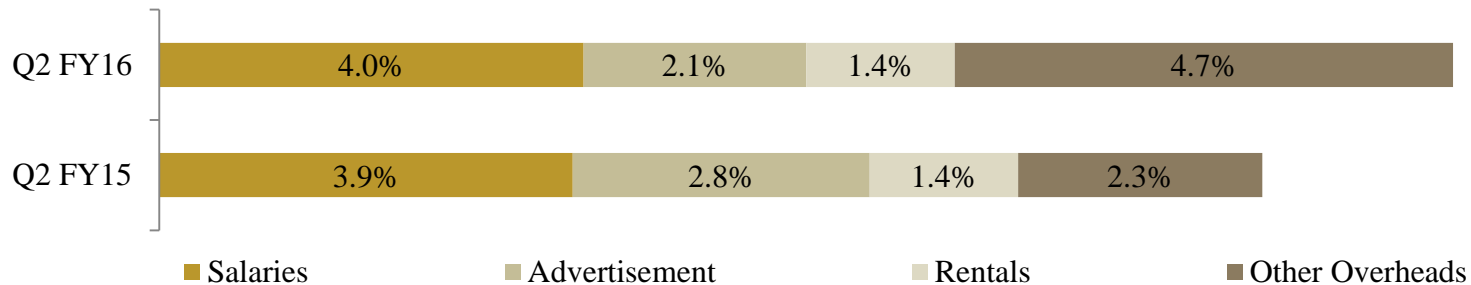
- ❖ **Q2 & H1 FY16 Results Update**
- ❖ About Us
- ❖ Financial & Operational Summary
- ❖ Annexure

# Q2 FY16 RESULTS UPDATE

## PROFIT ANALYSIS (RS MN)



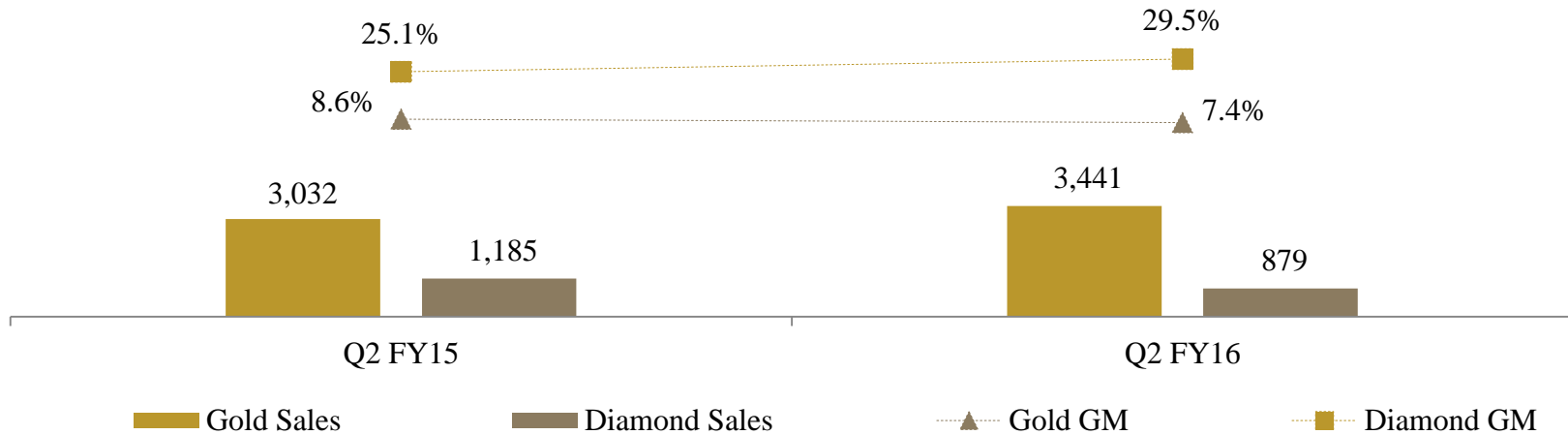
## OPERATIONAL EFFICIENCY (%)



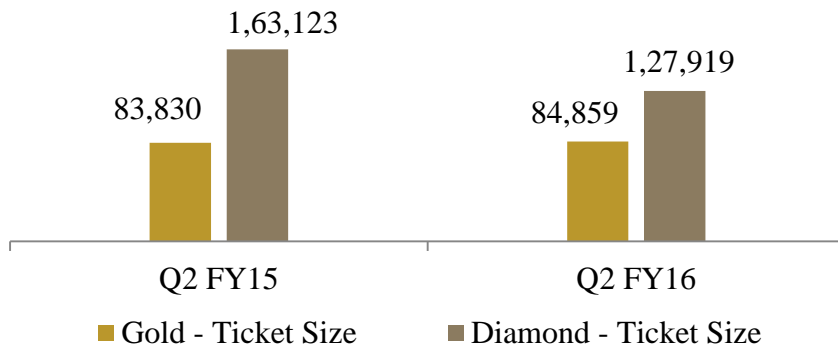
\* Other overheads include ₹ 91.2 mn of hedging loss

# Q2 FY16 RESULTS UPDATE

## REVENUE ANALYSIS (RS MN)



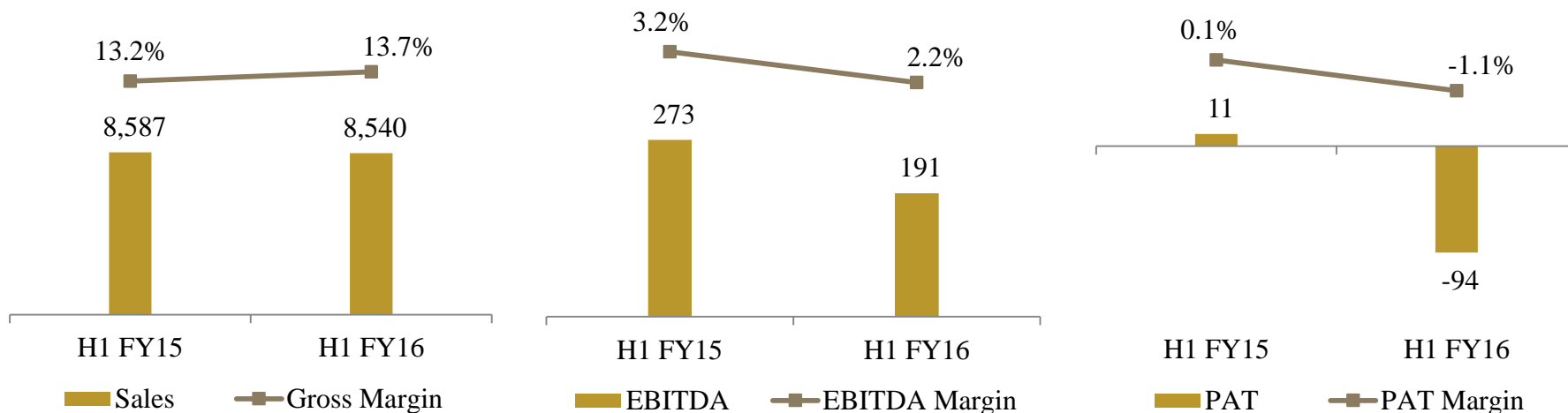
## AVERAGE TICKET PRICE (RS)



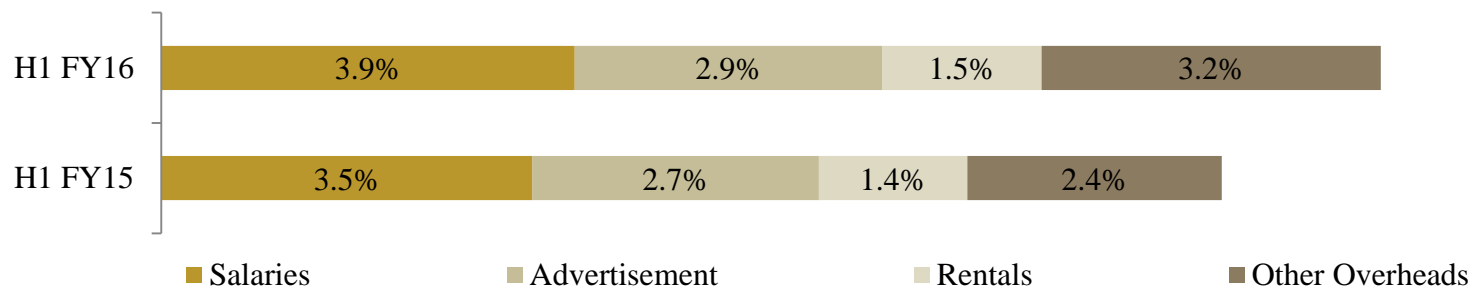
Q2 FY16	Gold	Diamond
% of Sales – Q2 FY16	78.6%	20.1%
% of Sales – Q2 FY15	71.1%	27.8%
Sales Growth %	13.5%	-25.8%
SS Sales Growth %	13.6%	-25.9%
SS Total Sales Growth %	2.7%	

# H1 FY16 RESULTS UPDATE

## PROFIT ANALYSIS (RS MN)



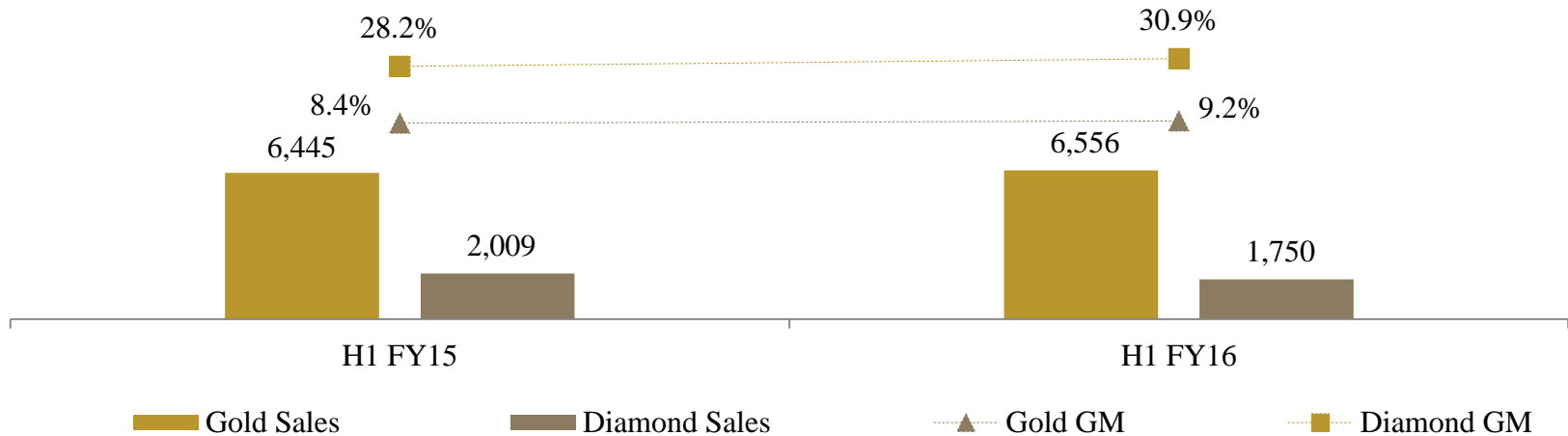
## OPERATIONAL EFFICIENCY (%)



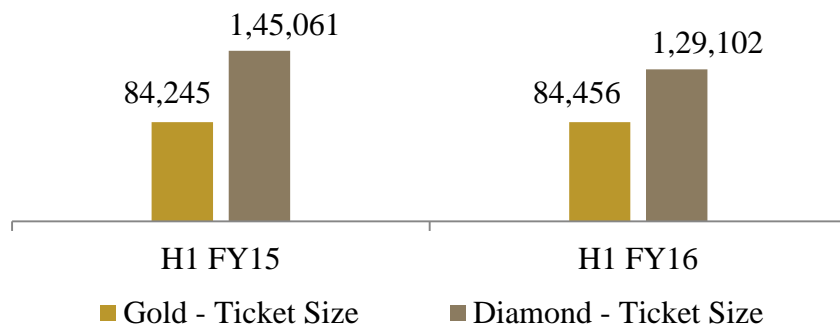
\* Other overheads include ₹ 57.5 mn of hedging loss

# H1 FY16 RESULTS UPDATE

## REVENUE ANALYSIS (RS MN)



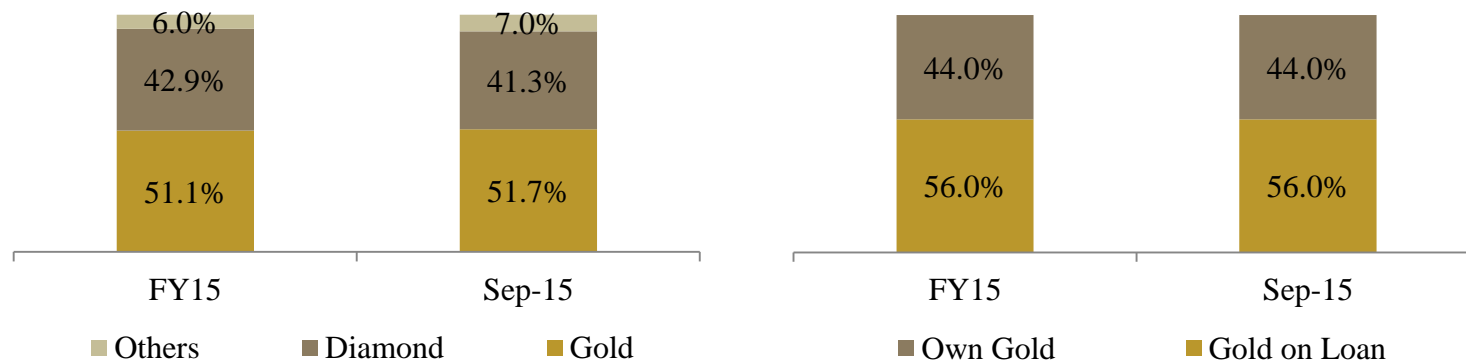
## AVERAGE TICKET PRICE (RS)



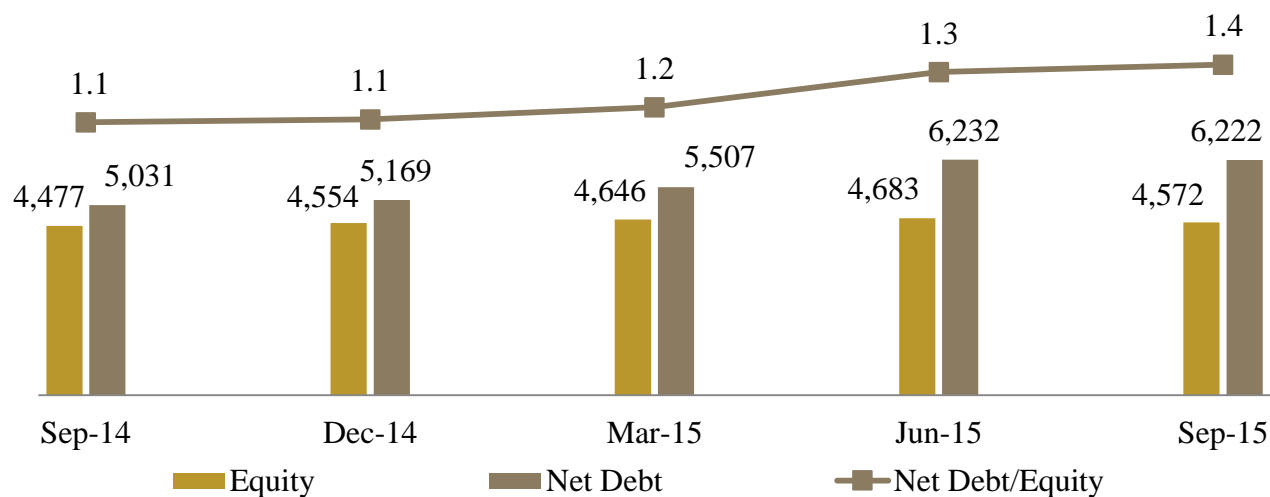
H1 FY16	Gold	Diamond
% of Sales – H1 FY16	76.8%	20.5%
% of Sales – H1 FY15	75.1%	23.4%
Sales Growth %	1.7%	-12.9%
SS Sales Growth %	0.9%	-13.6%
SS Total Sales Growth %	-1.4%	

# BALANCE SHEET UPDATE

## INVENTORY BREAKUP (%)



## LEVERAGE (RS MN)





# BUSINESS SCENARIO

- ❖ Sales during July and August displayed growth driven by drop in gold prices, however September month saw poor sales due to absence of any auspicious occasions.
- ❖ Diamond jewellery consumption witnessed decline due to weak consumer discretionary sentiments.
- ❖ The company signed its first Franchise Agreement for its upcoming store in Dhanbad, Jharkhand, scheduled to be opened in November 2015.
- ❖ The company opened its 29<sup>th</sup> store, with a retail selling space of ~2,200 sq ft, in one of the most premium locations in Mumbai situated at Turner Road, Bandra on 22<sup>nd</sup> October, 2015.
- ❖ The company recently tied-up with Snapdeal, one of the India's leading e-commerce portals, to sell an exquisite range of diamond jewellery and gold coins, extending the reach faster and addressing younger population more effectively.

# KEY RESULT TAKEAWAYS

## REVENUES:

- ❖ Q2 FY16 sales grew by 2.7% YoY.
  - ❖ Gold jewellery sales grew by 13.5%. Growth in volume terms was even higher considering that the average gold prices during Q2 were down 7% YoY.
  - ❖ Diamond jewellery declined 25.8% driven by weak discretionary consumption sentiments.
- ❖ TBZ's strong brand and customer loyalty helped the company to record an overall growth in sales despite negligible contribution of sales from Kalpavruksha Scheme, which had contributed ₹ 650 mn in sales during Q2 FY15 and ₹ 1,160 mn in sales during H1 FY15.

## MARGINS:

- ❖ Gross margin during H1 FY16 marginally improved YoY from 13.2% to 13.7%. This was despite lower gross margin during Q2 FY16 primarily driven by tactical discounts in an usually weaker quarter.
- ❖ EBITDA margin declined primarily due to increase in other expenses which majorly included hedging loss. During H1 FY16 the net hedging loss was ₹ 57.5 mn.

# KEY RESULT TAKEAWAYS

## BALANCE SHEET:

- ❖ The share of inventory on gold on loan increased from 49% as on Jun-15 to 56% as on Sep-15. The company's endeavour is to further increase the share of gold on loan on an incremental basis.
- ❖ The company has maintained strong control on the inventory level. The company opened its new store in Bandra, Mumbai in Oct-15, using the inventory from existing stores.
- ❖ Leverage (Net Debt / Equity) increased from 1.2x at Mar-15 to 1.4x at Sep-15. This was primarily due to gradual phase-out of customer advances under the earlier Kalpavruksha Scheme which had to be re-financed through bank borrowings.
- ❖ Finance cost increased on YoY basis due to higher borrowings. However, going forward, the finance cost is expected to decrease as the share of inventory on gold on loan increases and also due to benefit of drop in interest rates.

# RESULTS UPDATE – SEPTEMBER 2015

PARTICULARS (IN MN)	Q2 FY16 (₹)	Q2 FY15 (₹)	YoY %	Q1 FY16 (₹)	QoQ %	H1 FY16 (₹)	H1 FY15 (₹)	YoY %	FY15 (₹)
<b>Revenues</b>	<b>4,380</b>	<b>4,263</b>	<b>2.7%</b>	<b>4,159</b>	<b>5.3%</b>	<b>8,540</b>	<b>8,587</b>	<b>-0.6%</b>	<b>19,342</b>
COGS	3,855	3,695	4.3%	3,515	9.7%	7,370	7,456	-1.2%	16,664
<b>Gross Profit</b>	<b>525</b>	<b>568</b>	<b>-7.5%</b>	<b>644</b>	<b>-18.4%</b>	<b>1,169</b>	<b>1,130</b>	<b>3.4%</b>	<b>2,678</b>
<i>Gross Margin (%)</i>	<i>12.0%</i>	<i>13.3%</i>	<i>-133 bps</i>	<i>15.5%</i>	<i>-348 bps</i>	<i>13.7%</i>	<i>13.2%</i>	<i>53 bps</i>	<i>13.8%</i>
Personnel Expenses	176	165	6.6%	153	14.9%	329	301	9.1%	567
Other Expenses	358	277	29.3%	291	23.1%	650	556	16.9%	1,362
<b>EBITDA</b>	<b>-9</b>	<b>126</b>	<b>-107.1%</b>	<b>199</b>	<b>-104.5%</b>	<b>191</b>	<b>273</b>	<b>-30.2%</b>	<b>748</b>
<i>EBITDA Margin (%)</i>	<i>-0.2%</i>	<i>3.0%</i>	<i>-316 bps</i>	<i>4.8%</i>	<i>-500 bps</i>	<i>2.2%</i>	<i>3.2%</i>	<i>-95 bps</i>	<i>3.9%</i>
Depreciation	19	32	-40.3%	23	-16.0%	42	68	-37.9%	84
Other Income	9	37	-76.8%	12	-30.5%	21	62	-66.7%	145
Interest Expenses	147	122	20.2%	148	-0.3%	295	251	17.2%	502
Exceptional Items	0	0	-	0	-	0	0	-	-87
Profit Before Tax	-167	8	-	41	-	-125	16	-	395
Tax	-46	3	-	14	-	-31	6	-	134
<b>PAT</b>	<b>-121</b>	<b>6</b>	<b>-</b>	<b>27</b>	<b>-</b>	<b>-94</b>	<b>11</b>	<b>-</b>	<b>260</b>
<i>Profit Margin (%)</i>	<i>-2.8%</i>	<i>0.1%</i>	<i>-289 bps</i>	<i>0.7%</i>	<i>-342 bps</i>	<i>-1.1%</i>	<i>0.1%</i>	<i>-122 bps</i>	<i>1.3%</i>

# RESULTS UPDATE – SEPTEMBER 2015

PARTICULARS (IN MN) (QUARTERLY UNAUDITED)	SEP-15 (₹)	JUN-15 (₹)	MAR-15 (₹)	DEC-14 (₹)	SEP-14 (₹)
Shareholders Funds	4,572	4,683	4,656	4,554	4,477
Loan Funds	6,525	6,545	5,832	5,614	5,654
Other Long Term Liabilities	28	56	26	49	47
<b>Sources of Funds</b>	<b>11,125</b>	<b>11,284</b>	<b>10,514</b>	<b>10,217</b>	<b>10,178</b>
Gross Block	1,385	1,382	1,382	1,328	1,299
Less: Acc. Depreciation	328	310	289	396	385
Net Block	1,064	1,073	1,093	932	913
Other Long Term Assets	232	202	159	265	289
Inventory	11,246	11,630	11,137	10,832	10,781
Debtors	4	69	8	16	106
Cash and Bank Balance	303	313	325	445	623
Other Current Assets	155	85	134	104	155
Current Liabilities	1,880	2,088	2,342	2,377	2,689
Net Current Assets	9,829	10,009	9,262	9,020	8,976
<b>Application of Funds</b>	<b>11,125</b>	<b>11,284</b>	<b>10,514</b>	<b>10,217</b>	<b>10,178</b>



## DISCUSSION SUMMARY

- ❖ Q2 & H1 FY16 Results Update
- ❖ **About Us**
- ❖ Financial & 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

- ❖ 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

- ❖ 29 stores (~95,200 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

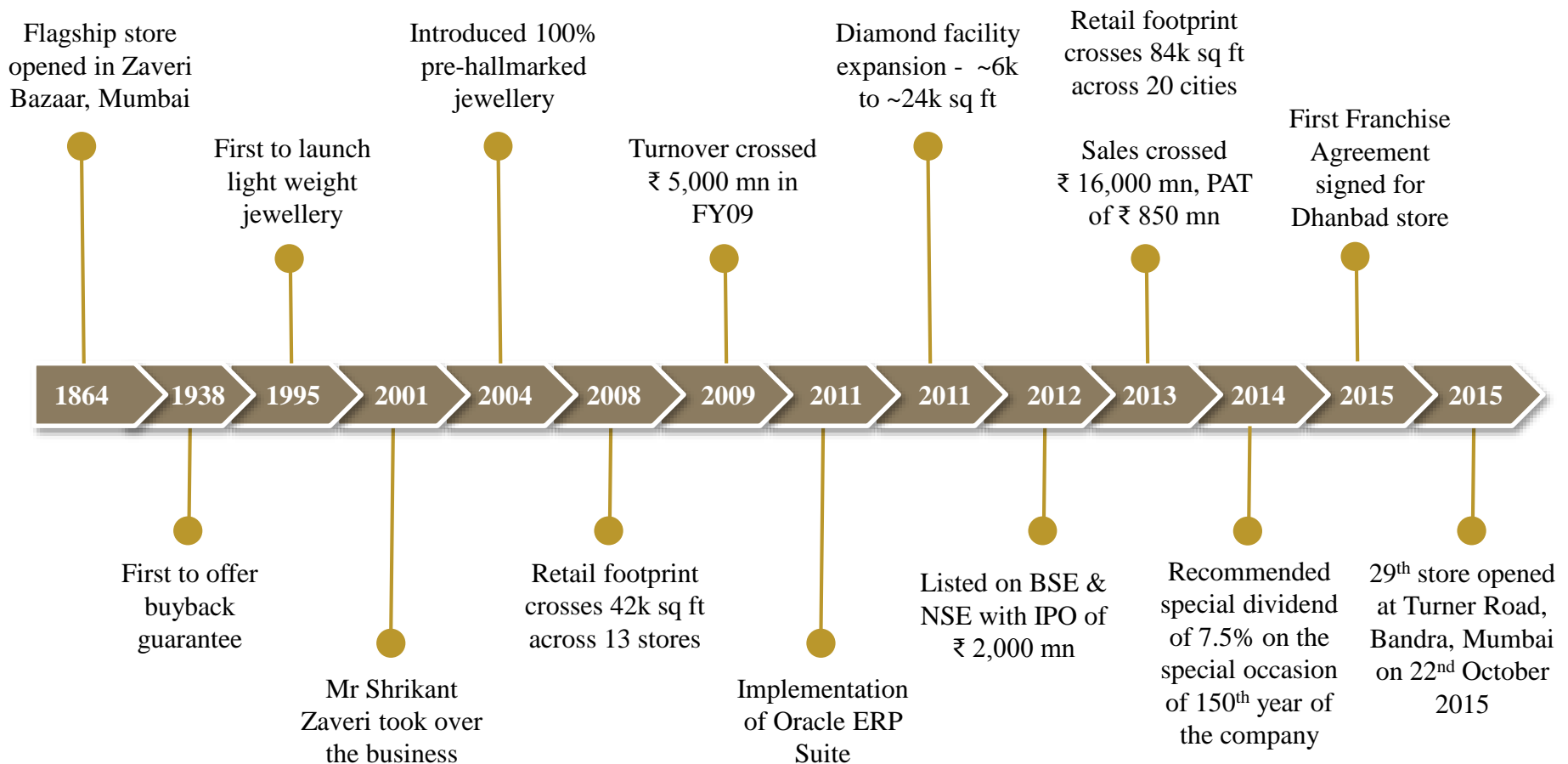
- ❖ ~ 65% of sales are wedding & wedding related purchases
- ❖ Compulsion buying
- ❖ Stable fixed budget purchases by customers

## 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

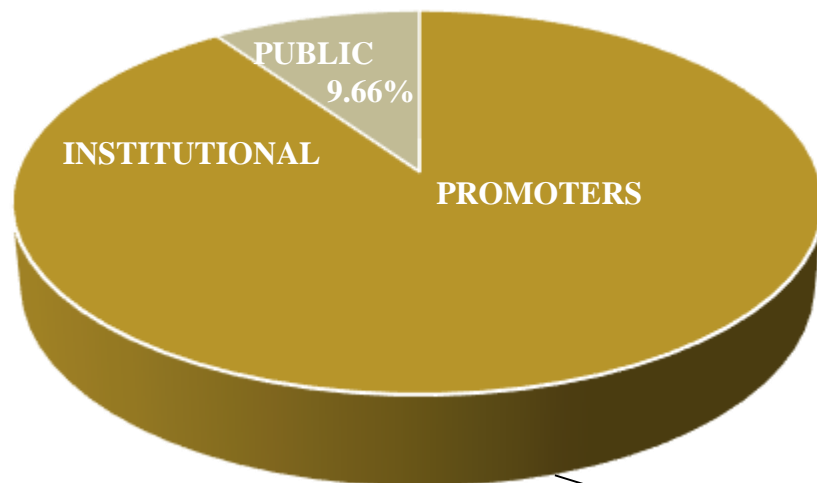
## STRONG LEGACY OF AROUND 150 YEARS BUILT ON TRUST





# ABOUT US: SHAREHOLDING STRUCTURE

## SHAREHOLDING PATTERN – SEP 2015

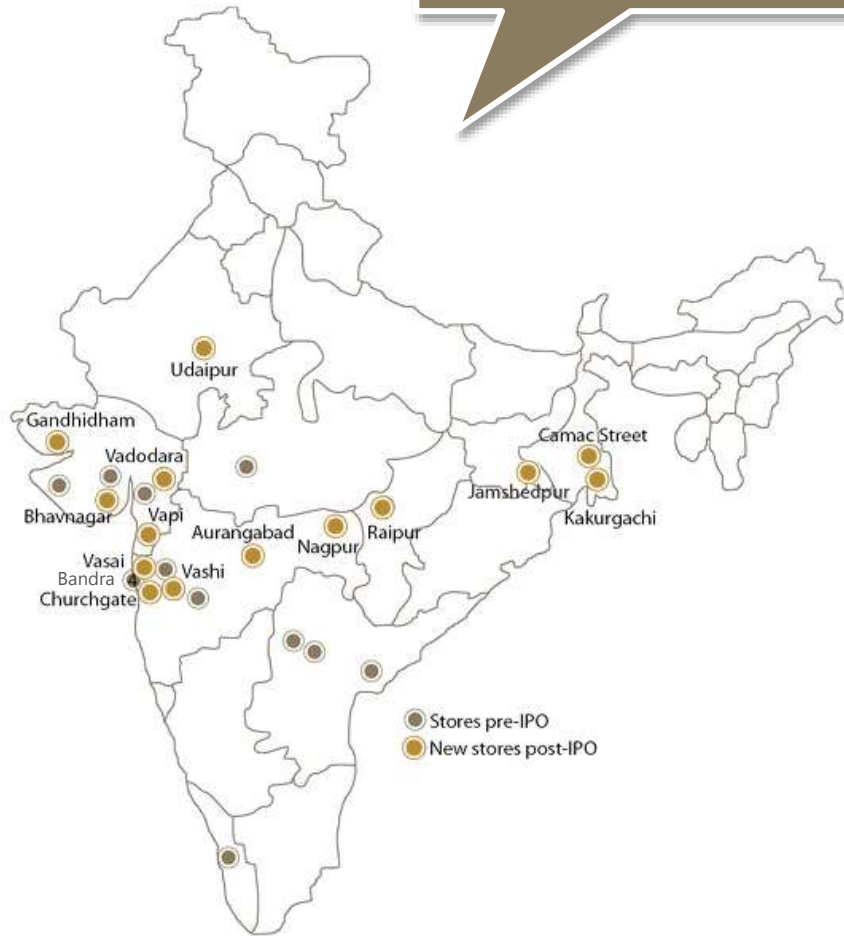


KEY INSTITUTIONAL INVESTORS	% HOLDING
Smallcap World Fund INC	6.50%
HSBC Global Investments	3.57%
Goldman Sachs India Fund	1.22%



# ABOUT US: RETAIL PRESENCE

Present across 22 cities  
in 10 states



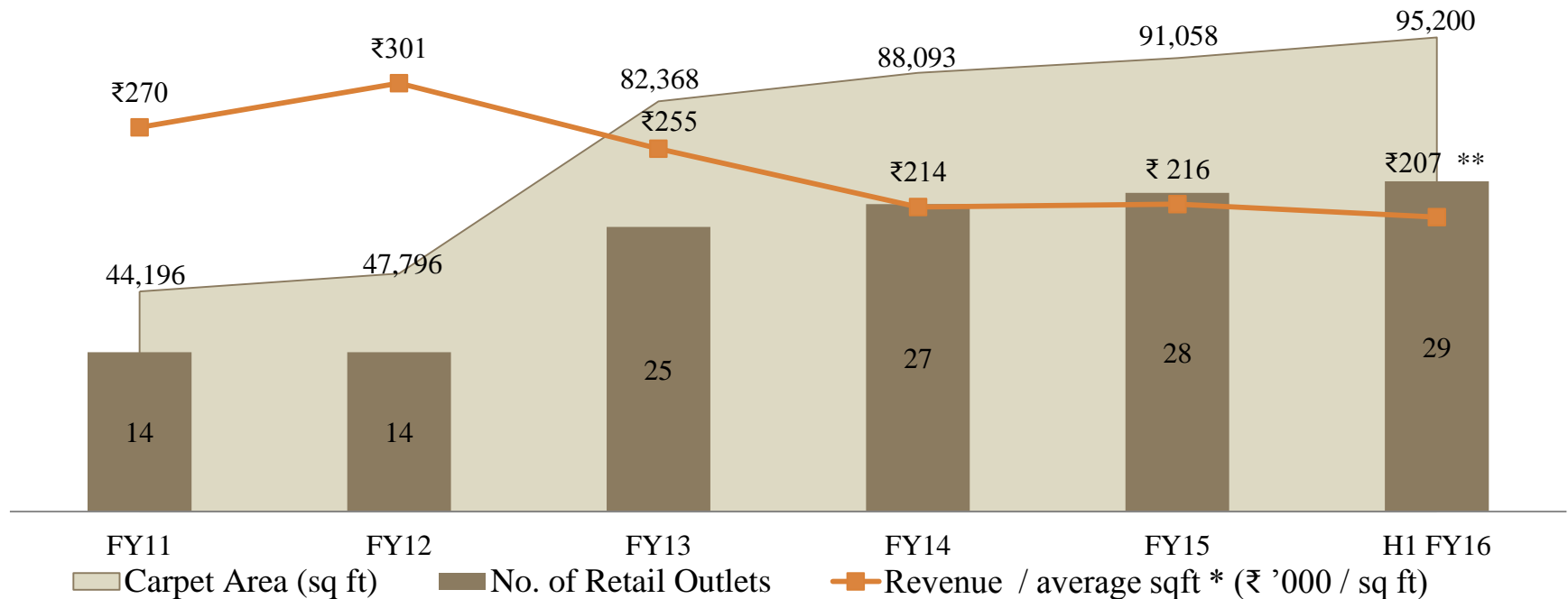
**PAN-INDIA PRESENCE WITH 29 STORES WITH A RETAIL SPACE OF ~95,200 SQ. FT. SPREAD ACROSS 22 CITIES IN 10 STATES.**

NUMBER OF STORES	TILL DATE
Large Format	23
Small Format	6
Tier I	17
Tier II	4
Metros	8
Total Stores	29
Total Area	~95,200



# 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**



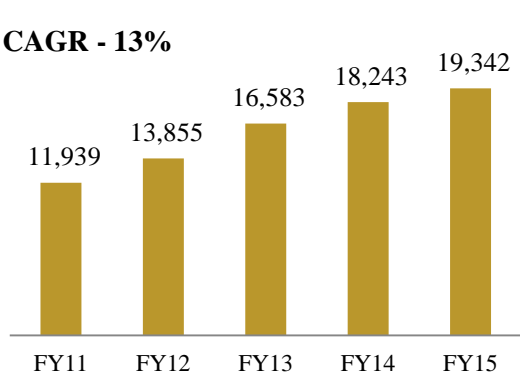
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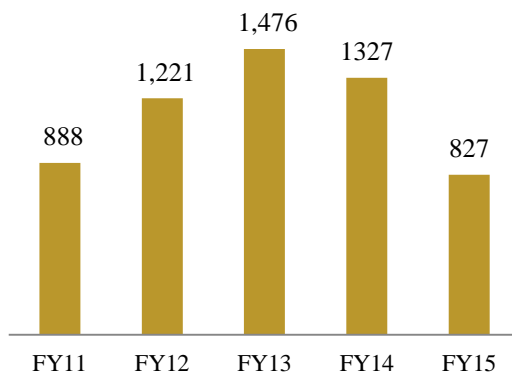
# FINANCIAL SUMMARY

## REVENUE (RS MN)

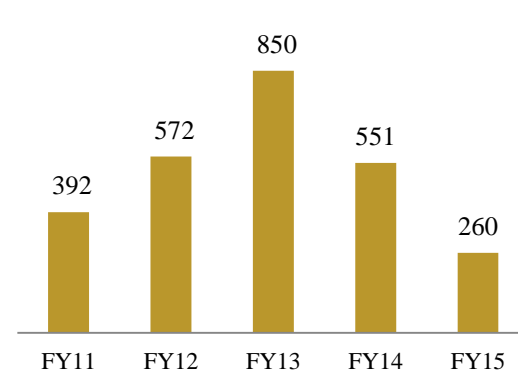
CAGR - 13%



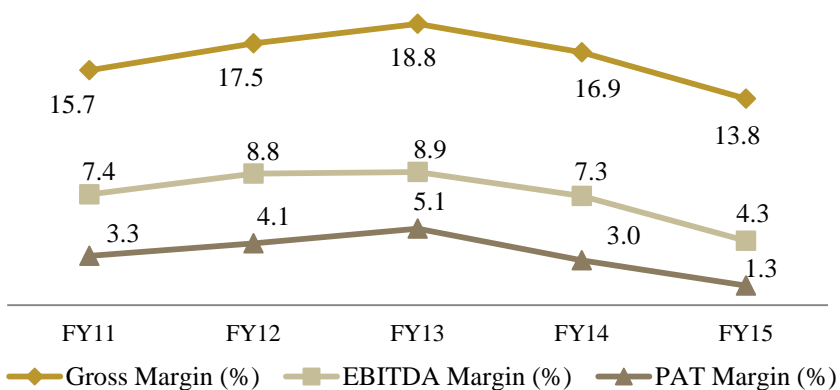
## EBITDA (RS MN)



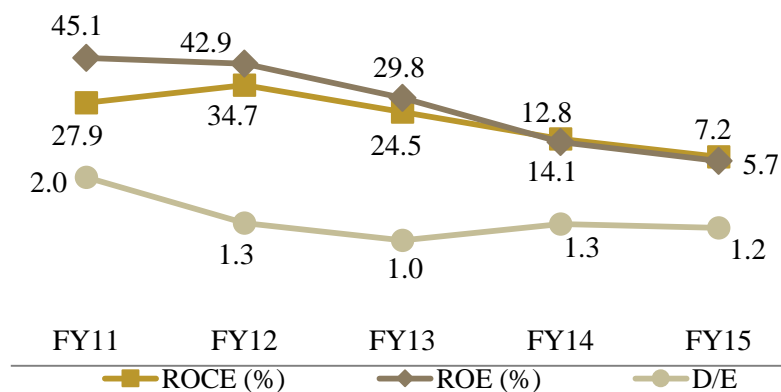
## PAT (RS MN)



## MARGINS (%)



## LEVERAGE & RETURN METRICS



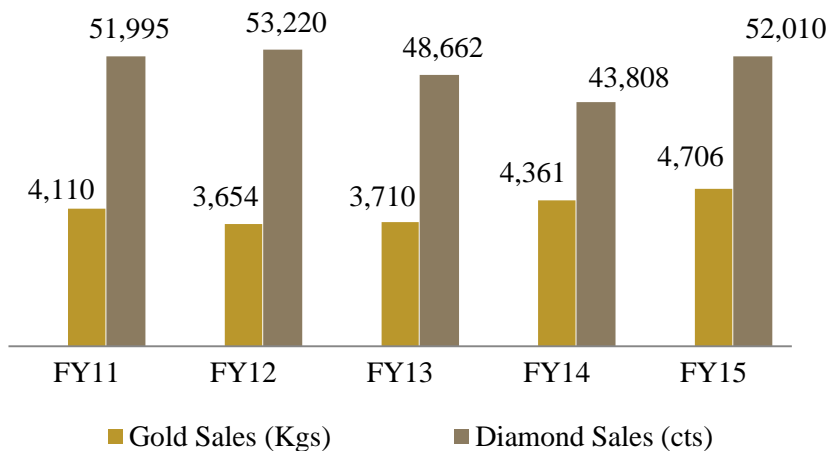
### NOTE:

\* 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.

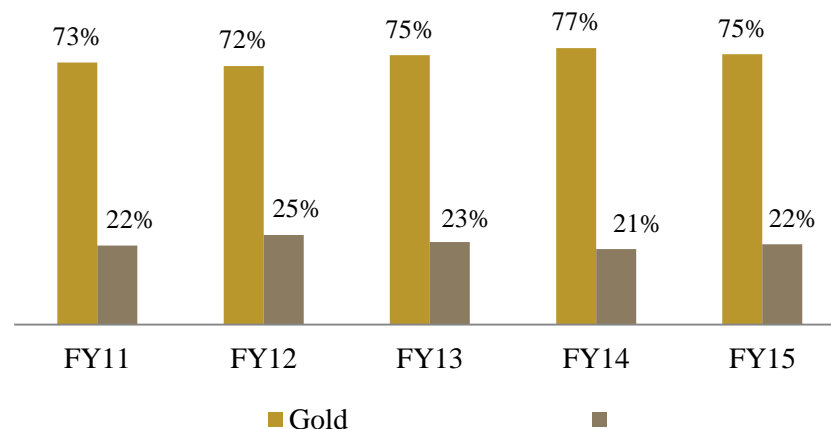
\*\* FY15 PAT includes the after-tax impact of ₹ 91.6 mn due to an exceptional gain from change in depreciation policy.

# OPERATIONAL SUMMARY

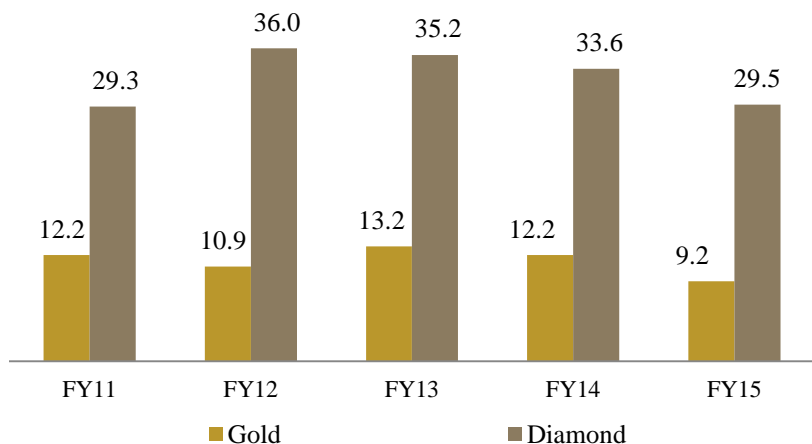
## GOLD & DIAMOND VOLUMES



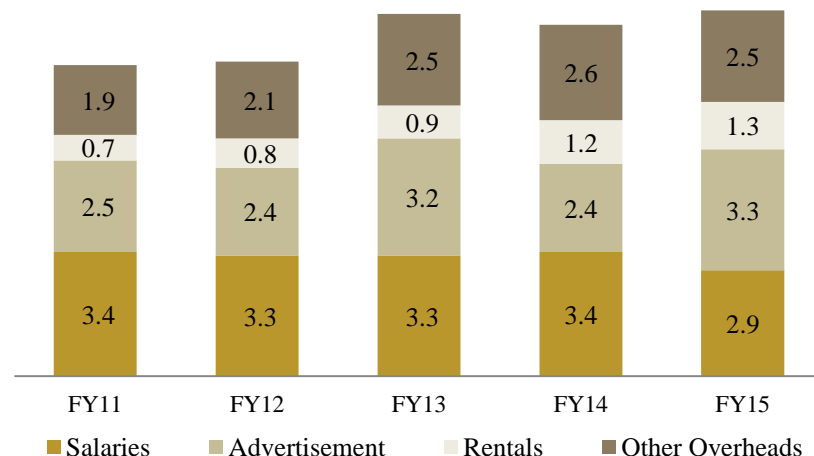
## GOLD & DIAMOND SALES MIX (%)



## GOLD & DIAMOND MARGINS (%)

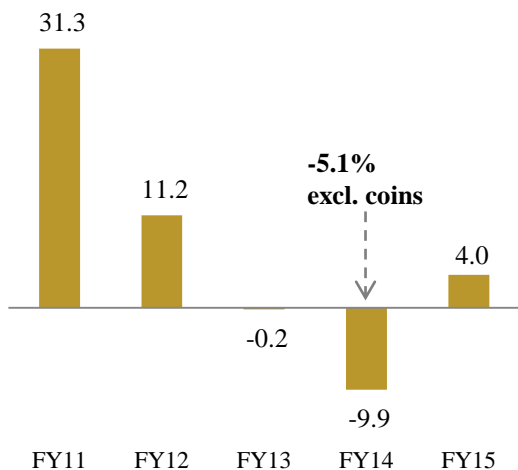


## OPERATIONAL EFFICIENCY (%)

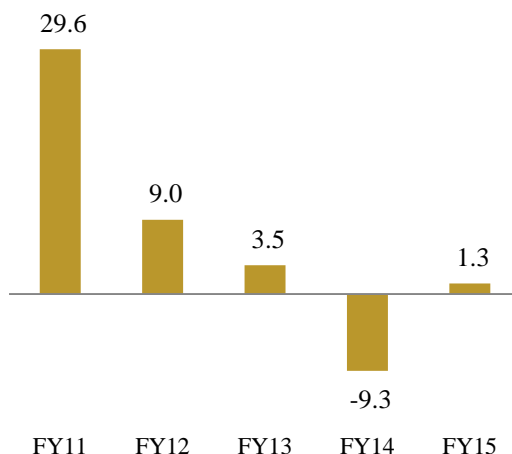


# OPERATIONAL SUMMARY

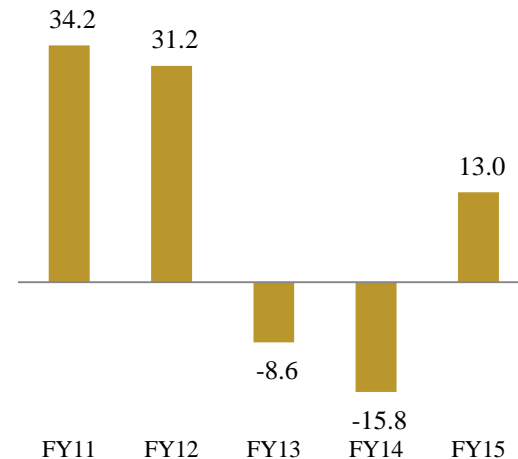
## SSSG - TOTAL (%)



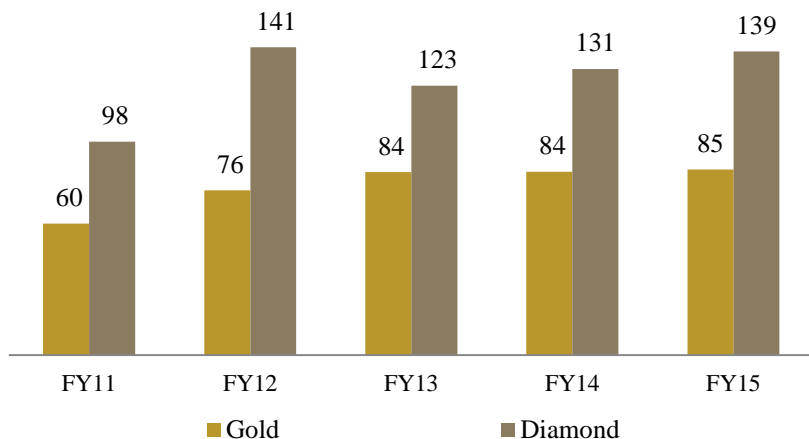
## SSSG - GOLD (%)



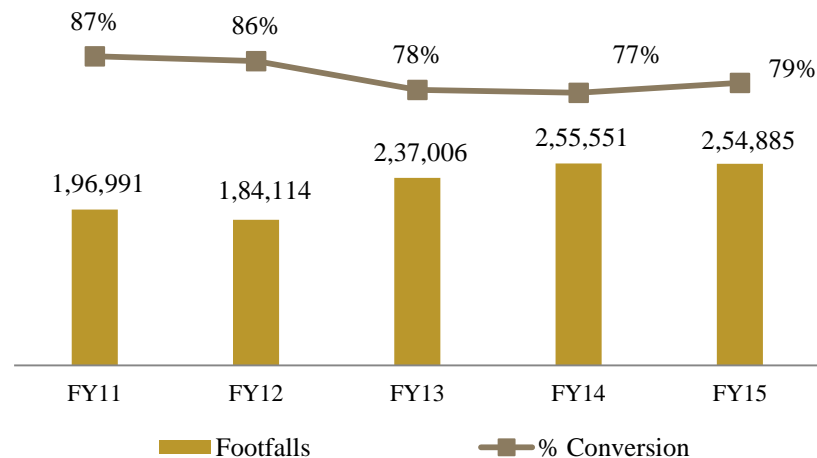
## SSSG - DIAMOND (%)



## AVERAGE TICKET SIZE (RS '000)



## FOOTFALLS & CONVERSION



# THANK YOU



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# *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



**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.

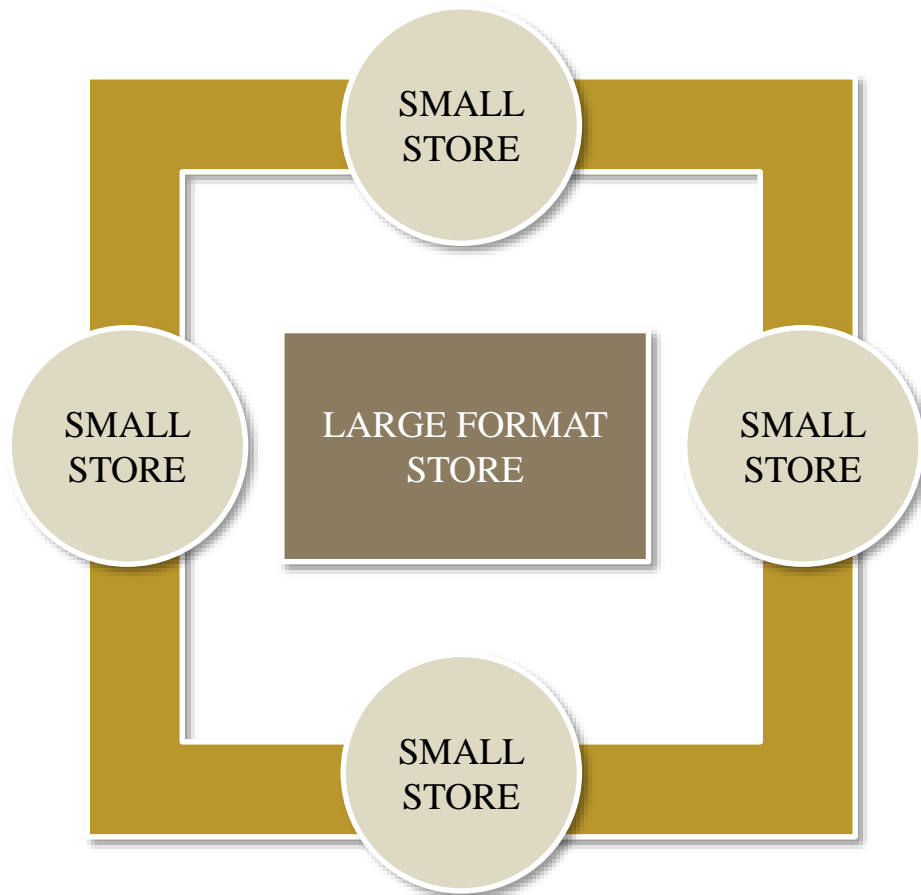




# BUSINESS MODEL: RETAIL

## 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
<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 15 new stores (11 large format and 4 small format) post FY12 where the 15<sup>th</sup> new store was opened on 22<sup>nd</sup> October, 2015 at Turner Road, Bandra, Mumbai.

	FY12	→	Till Date	→	target
Number of Stores	14		29		57
Retail Sq ft	~48,000		~95,200		~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 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 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.