



**tboz**<sup>®</sup>  
The original since 1864  
TRIBHOVANDAS BHIMJI ZAVERI  
SHRIKANT ZAVERI GROUP

Quarterly Update

Dec. quarter- 2012

February 8, 2012

# Discussion outline



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# About Us



## PEDIGREE

- Over 148 years of history in Jewellery Business – 1<sup>st</sup> store opened in 1864 at Zaveri Bazaar, Mumbai
- 4<sup>th</sup> 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

- 21 retail showrooms – ~69,000 sq ft - spread across 15 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

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

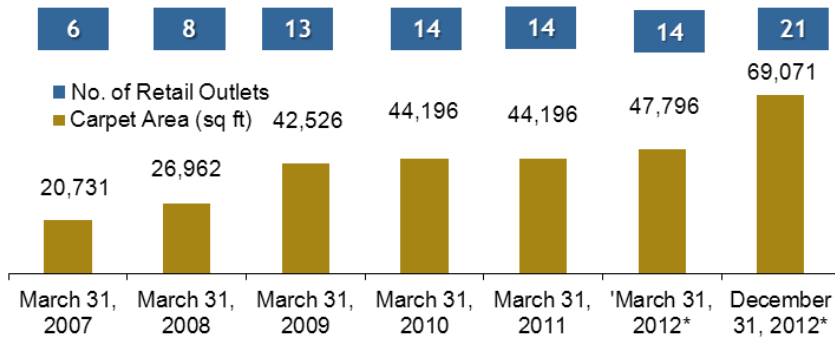
## TEAM

- 1,615 employees as at Dec 31, 2012 including CEO, CFO, 9 functional heads, 56 line managers and 53 showroom managers & assistant managers, 1,041 retail staff, 164 employees at manufacturing unit and 28 designers, including 9 CAD designers.



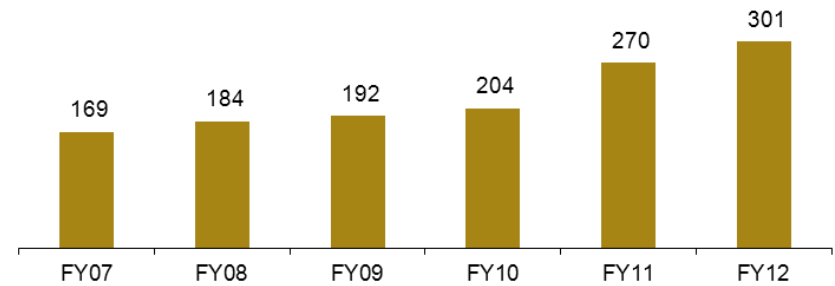
# LAST 5 YEARS AT TBZ

## 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.

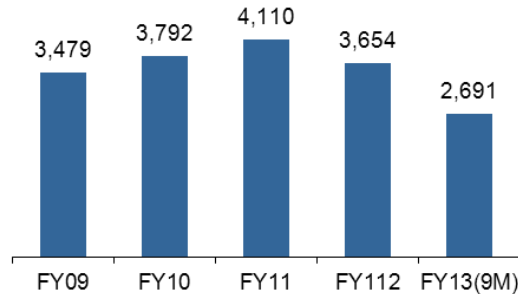
## Revenue / average sq ft\* (Rs '000 / sq ft)



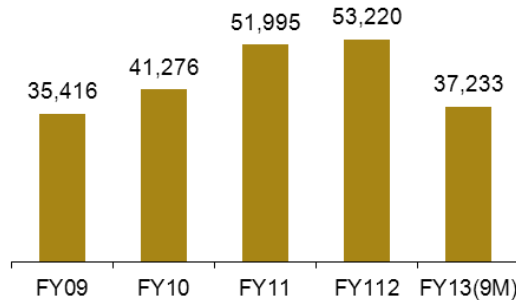
\* Average is the average of sq ft at the beginning and at the end of the period]

## Gold and Diamond Volumes and Shifting Sales Mix\*

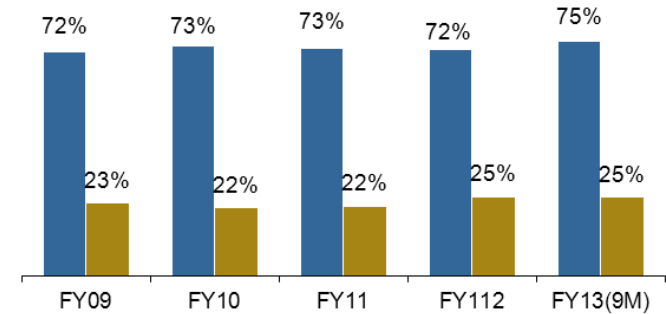
### Gold Sales (Kgs)



### 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. 21 locations, 15 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.

# Discussion outline



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**Business Model**



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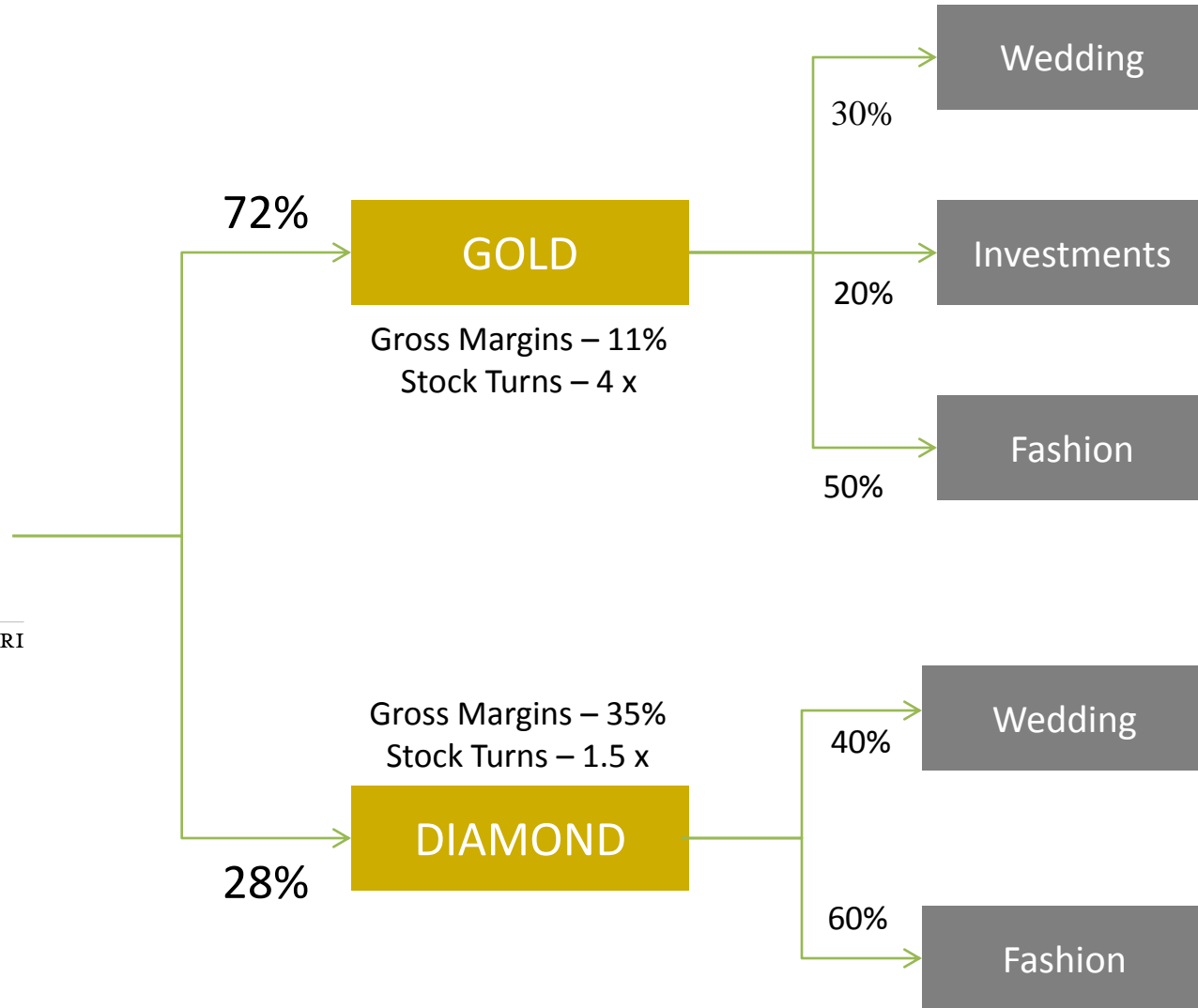
# Business Model: Product



The original since 1864

TRIBHOVANDAS BHIMJI ZAVERI  
SHRIKANT ZAVERI GROUP

Rs 13.9 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
<b>Store Cash BEP (in months)</b>	<b>4.5 month</b>	<b>4.5 month</b>

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**Expansion**



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# Expansion update

- 7 new showrooms added during last 6 months
  - 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.
  - December 2012, at Bhavnagar with retail areas of approx 2,400 sq ft.
  - December 2012, at Vasai with retail areas of approx 1,500 sq ft.
- 12 stores to be added in 2012-13:
  - 9 Large Format Stores
  - 3 Small Format Stores
- On track to expand to 57 stores by 2014-15

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**Results update**

## Results update – December 2012

(Rs m)	Q3 FY13 (Unaudited)	Q2 FY13 (Unaudited)	Q1 FY13 (Unaudited)	FY12 (Audited)
<b>Income from Operations</b>	<b>5,771</b>	<b>3,504</b>	<b>2,835</b>	<b>13,854</b>
Expenditure:				
Raw Materials Consumed	4,787	2,825	2,244	11,424
Employee Costs	134	116	110	457
Other Expenditure	414	261	195	753
Total Expenditure	5,335	3,202	2,549	12,634
<b>EBITDA</b>	<b>436</b>	<b>302</b>	<b>286</b>	<b>1,220</b>
<i>EBITDA Margins (%)</i>	<i>7.6</i>	<i>8.6</i>	<i>10.1</i>	<i>8.8</i>
Depreciation	21	18	13	52
Other Income	11	13	9	16
Interest Expense (Net)	58	40	39	315
Profit Before Tax	368	257	243	869
Tax	121	67	80	297
<b>Profit After Tax</b>	<b>247</b>	<b>190</b>	<b>163</b>	<b>572</b>
<i>PAT Margins (%)</i>	<i>4.3</i>	<i>5.4</i>	<i>5.7</i>	<i>4.1</i>

## Results update –December 2012

(Rs m)	Dec 31, 2012 (Unaudited)	Sept 30, 2012 (Unaudited)	June 30, 2012 (Unaudited)	FY12 (Audited)
<b>Sources of Funds</b>				
Equity	4,034	3,786	3,595	1,596
Loan Funds	2,866	2,060	909	2,036
<b>Total Sources of Funds</b>	<b>6,900</b>	<b>5,846</b>	<b>4,504</b>	<b>3,632</b>
<b>Application of Funds:</b>				
Gross Block	1,026	1,005	667	642
Less: Depreciation	203	182	163	150
Net Block	<b>823</b>	<b>823</b>	<b>504</b>	<b>492</b>
CWIP	16	-	-	7
Investments	30	30	131	30
Deferred Tax Assets	38	43	35	34
Current Assets: Inventories	8,769	7,351	5,303	5,019
Debtors	25	28	12	30
Cash and Bank Balance	283	488	563	53
Other Current assets	188	171	429	161
<b>Total Current Assets</b>	<b>9,265</b>	<b>8,038</b>	<b>6,307</b>	<b>5,263</b>
<b>Total Current Liabilities</b>	<b>3,272</b>	<b>3,088</b>	<b>2,473</b>	<b>2,194</b>
<b>Net Current Assets</b>	<b>5,993</b>	<b>4,950</b>	<b>3,834</b>	<b>3,069</b>
<b>Total Application of Funds</b>	<b>6,900</b>	<b>5,846</b>	<b>4,504</b>	<b>3,632</b>

# Results update – December 2012 vs September 2012

## Income from operations:

Income from operations for the quarter ended Dec'12 has increased by 65% QoQ, due to

- Higher sales in existing showrooms;
- Opening of 2 new showrooms.

## Gross Margins:

Gross Margins have declined QoQ primarily due to:

- Mix of Gold : Diamond has been higher at 76:24 as compared to 73:27 for 2QFY12.
  - Further, share of gold coins as a percentage of sales has been higher during the quarter as compared to 2QFY12.
- Higher incentives/discounts during the quarter.

## Other expenses

Other expenditure has increased by 59% as compared to the sequential quarter mainly due to

- Higher ad spent due to campaign on TV to increase visibility during season.
- Higher Launch expenses (Rs2.5 cr) on account of opening of 2 new showrooms .



## Results update – December 2012 vs September 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.
- Inventory on Gold Loan is Rs1.53 bn (29% of Gold Inventory).

### **Increase in Inventory**

Inventory has increased due to opening of two new showrooms.

### **Kalpavruksha Scheme:**

Advances on account of Kalpavruksha scheme has increased 50% to Rs 825 mn as at the end of December 30, 2012 compared to March 31, 2012.

# Margin Analysis



	Q3 FY13	Q2 FY13	Q1 FY13	FY12
Gross Margins:				
Gold Jewellery	11.8%	12.9%	14.3%	10.9%
Diamond Jewellery	33.8%	34.9%	39.4%	35.9%
<b>Blended Margins</b>	<b>17.1%</b>	<b>19.1%</b>	<b>20.4%</b>	<b>17.5%</b>
Expenses (as a % of Sales):				
Salaries	2.3%	3.6%	3.8%	3.3%
Advertisement	4.1%	3.3%	3.0%	2.4%
Rentals	0.7%	1.0%	1.0%	0.8%
Other Overheads	2.4%	2.6%	2.5%	2.1%
<b>EBITDA Margins</b>	<b>7.6%</b>	<b>8.6%</b>	<b>10.1%</b>	<b>8.9%</b>



# THANK YOU!

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