



INVESTOR PRESENTATION

**Q3 & 9M FY17
RESULTS UPDATE**

February 2017

tbz®

The original since 1864

TRIBHOVANDAS BHIMJI ZAVERI
SHRIKANT ZAVERI GROUP

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DISCUSSION SUMMARY

- ❖ **Q3 & 9M FY17 Results Update**
- ❖ About Us
- ❖ Operational Summary
- ❖ Annexure

KEY HIGHLIGHTS

Revenues

- Q3 FY17 Revenues grew by 10% YoY to ₹ 5,430 Mn
- 9M FY17 Revenues declined by 3% YoY to ₹ 13,161 Mn

EBITDA

- Q3 FY17 EBITDA grew by 12% YoY to ₹ 191 Mn
- 9M FY17 EBITDA grew by 59% YoY to ₹ 575 Mn

PAT

- Q3 FY17 PAT grew by 89% YoY to ₹ 61 Mn
- 9M FY17 PAT grew by 310% YoY to ₹ 129 Mn

Debt

- Debt reduced by 18% from ₹ 6,505 Mn as on Mar-16 to ₹ 5,341 Mn as on Dec-16
- Net Debt / Equity improved from 1.4x as on Mar-16 to 1.1x as on Dec-16

Finance Cost

- Q3 FY17 Finance Cost declined by 14% YoY to ₹ 116 Mn
- 9M FY17 Finance Cost declined by 7% YoY to ₹ 400 Mn

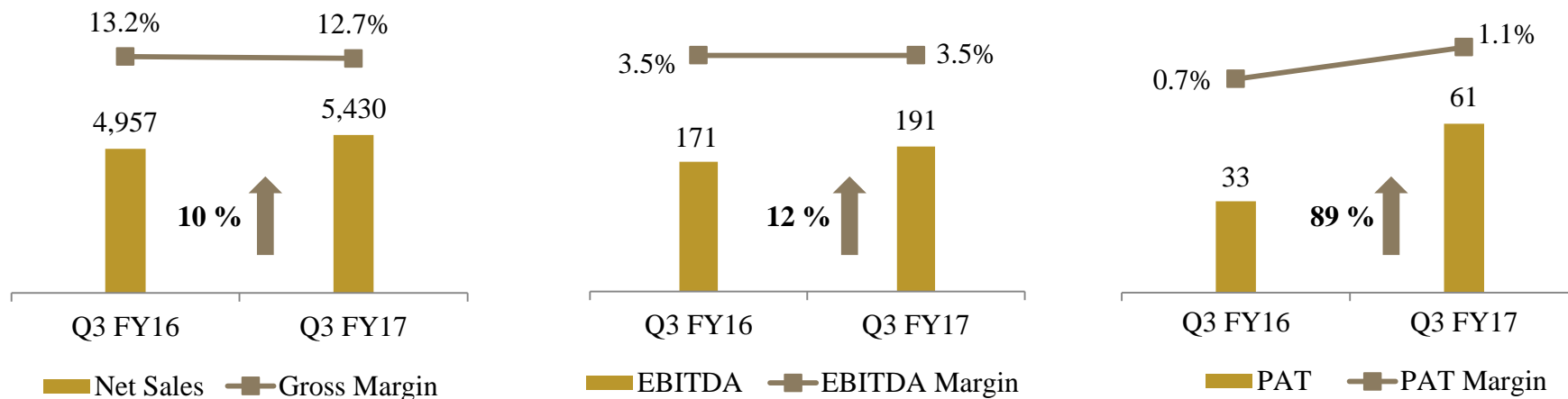
Inventory

- Inventory rationalised from ₹ 11,256 Mn as on Mar-16 to ₹ 10,345 Mn as on Dec-16

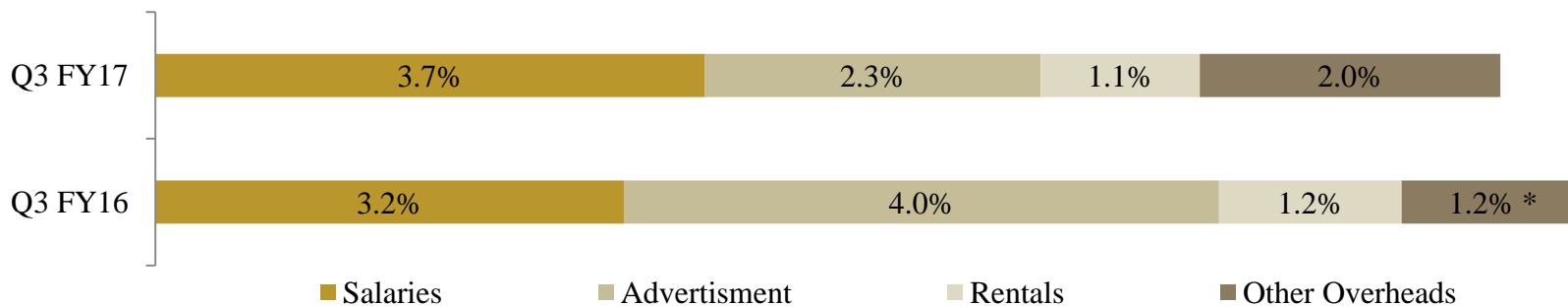
Q3 FY17 RESULTS UPDATE

In Rs Mn

PROFIT ANALYSIS



OPERATING PARAMETERS (%)

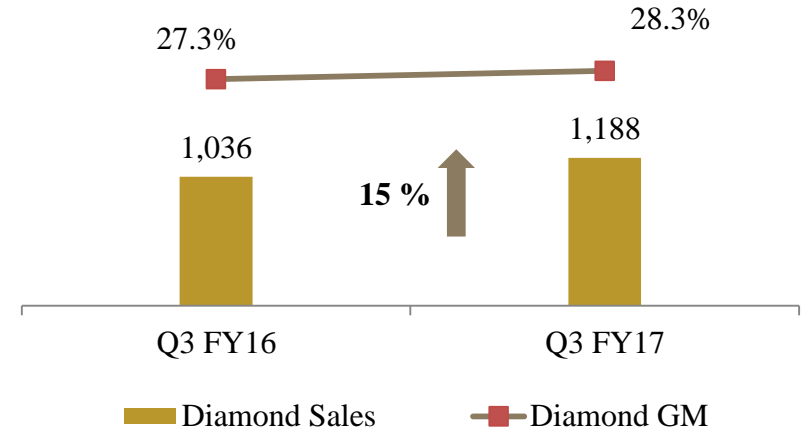
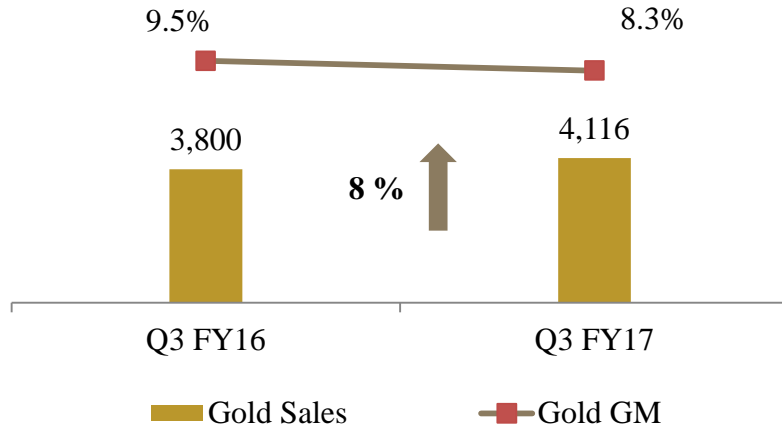


* Q3 FY16 other overheads included ₹ 57.5 mn of hedging gain. Excluding this gain, the other overheads were 2.4% in Q3 FY16.

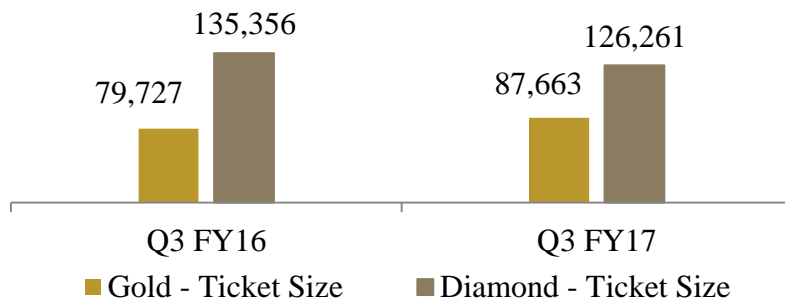
Q3 FY17 RESULTS UPDATE

In Rs Mn

SEGMENT ANALYSIS



AVERAGE TICKET PRICE



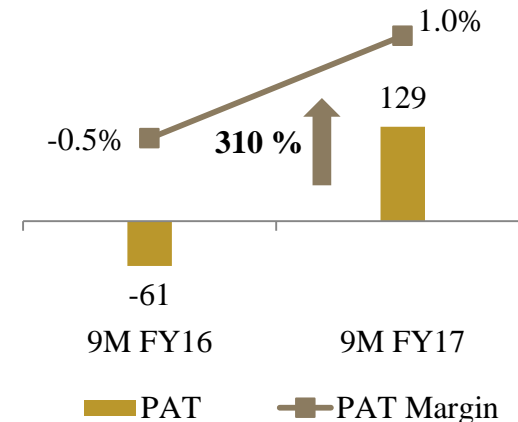
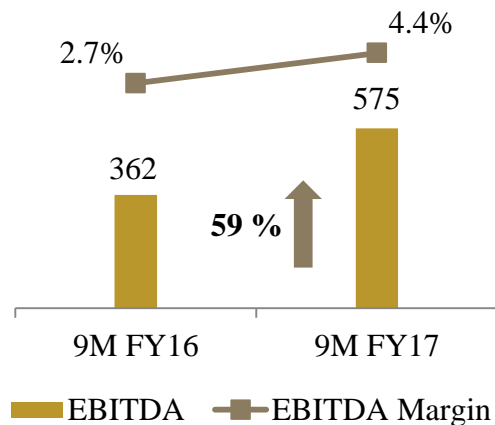
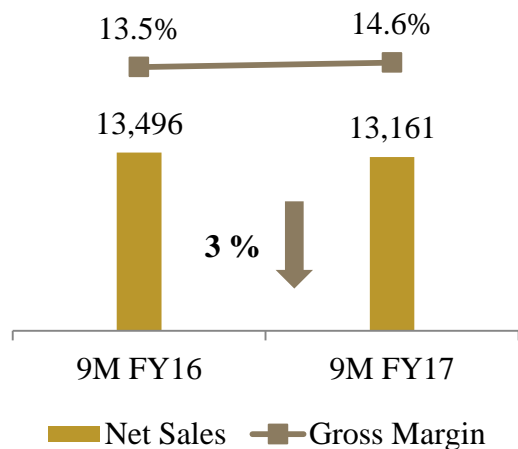
Q3 FY17	Gold	Diamond
% of Sales – Q3 FY17	75.8%	21.9%
% of Sales – Q3 FY16	76.7%	20.9%
SS Sales Growth %	8%	16%
SS Total Sales Growth %	10%	

SS: Same store sales value growth

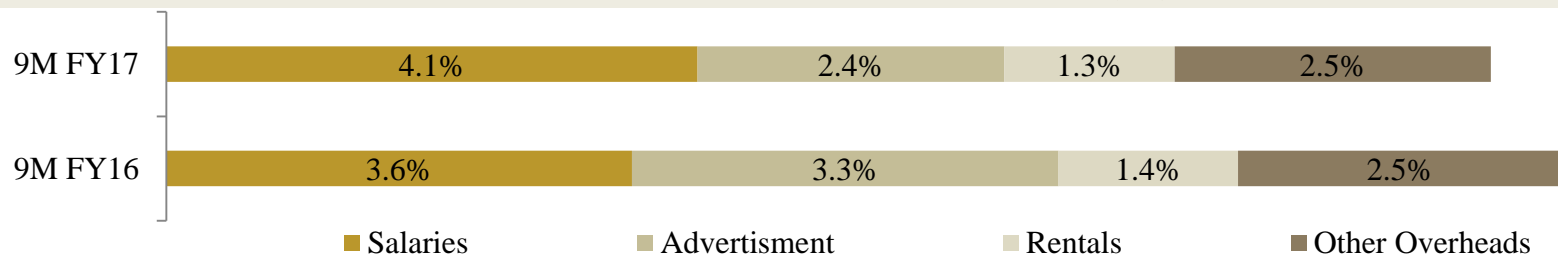
9M FY17 RESULTS UPDATE

In Rs Mn

PROFIT ANALYSIS *



OPERATING PARAMETERS (%) *



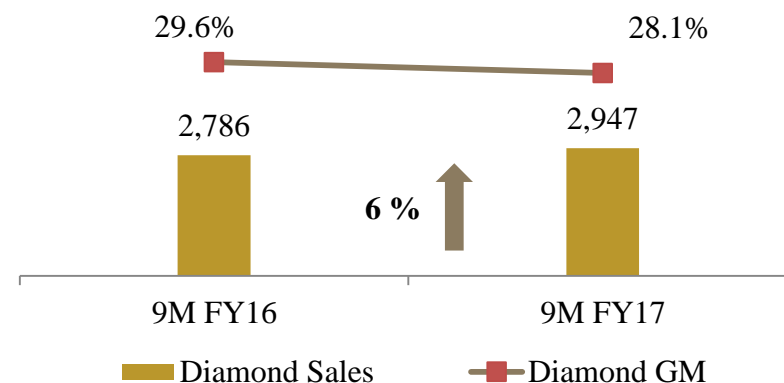
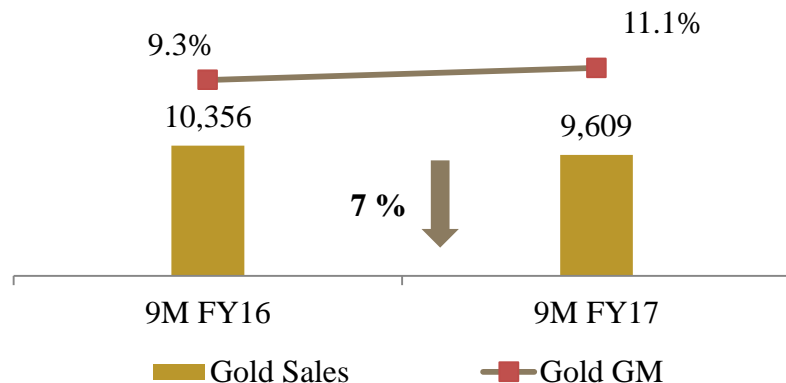
NOTE:

* During the quarter ended 30th June, 2016, in particular the month of April 2016, the company's business was impacted due to continuing country wide agitations by the Gems & Jewellery Industry. The business operations took some time to stabilize in view of the discussions between the Trade and the Government representatives, which culminated on 26th July, 2016, by way of the issuance of a Government notification to that effect. This impacted revenues and profits for the company.

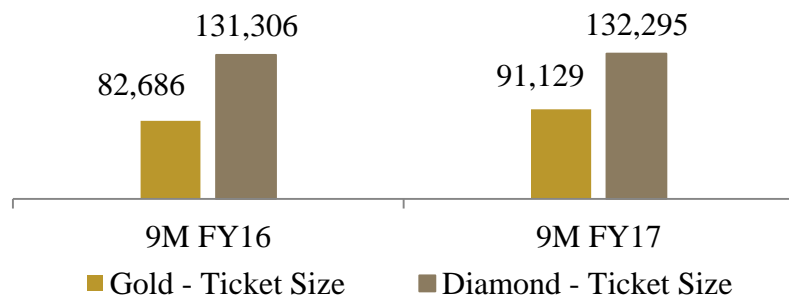
9M FY17 RESULTS UPDATE

In Rs Mn

SEGMENT ANALYSIS *



AVERAGE TICKET PRICE



9M FY17 *	Gold	Diamond
% of Sales – 9M FY17	73.0%	22.4%
% of Sales – 9M FY16	76.7%	20.6%
SS Sales Growth %	-11%	1.4%
SS Total Sales Growth %	-6.0% *	

SS: Same store sales value growth

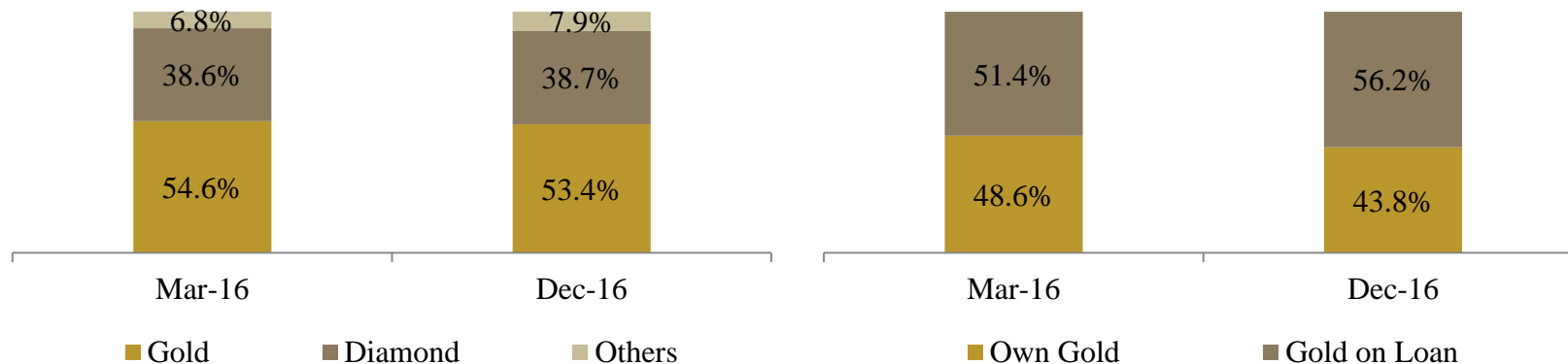
NOTE:

* For Q3 FY17 the same store sales growth was 10%

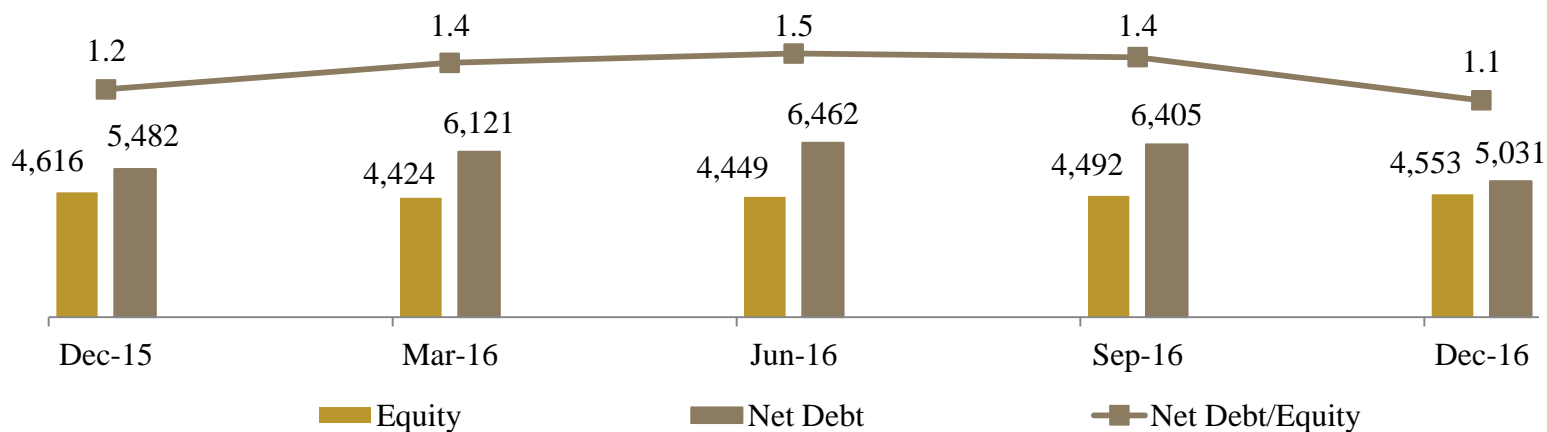
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BALANCE SHEET UPDATE

INVENTORY BREAKUP (%)



LEVERAGE (RS MN)



KEY RESULT TAKEAWAYS

REVENUES:

- ❖ Q3 FY17 revenues increased by 10% YoY –
 - ❖ Jewellery demand was robust in October driven by healthy festive demand. The withdrawal of high denomination notes impacted jewellery sales in November, however the situation gradually improved in December.
 - ❖ Contribution to sales from the new Kalpavruksha Scheme during Q3 FY17 was ₹ 212 mn.
 - ❖ Sales mix improved YoY; contribution of diamond jewellery increased from 20.9% in Q3 FY16 to 21.9% in Q3 FY17.

MARGINS:

- ❖ Q3 FY17 gross margin declined to 12.7% compared to 13.2% in Q3 FY16. This was primarily on account of tactical discounts given to customers to drive sales in the backdrop of demonetisation.
- ❖ Q3 FY17 EBITDA margin was stable at 3.5%. Operating overheads were under strict control.

BALANCE SHEET:

- ❖ Inventory was rationalised from ₹ 11,256 Mn as on Mar-16 to ₹ 10,345 Mn as on Dec-16. Gold on loan accounted for 56.2% share of gold inventory as on 31st December 2016.
- ❖ Total Debt was reduced by 21% from ₹ 6,505 Mn as on Mar-16 to ₹ 5,341 Mn as on Dec-16. Net Debt / Equity improved from 1.4x as on Mar-16 to 1.1x as on Dec-16.
- ❖ Finance Cost declined by 14% YoY to ₹ 116 Mn in Q3 FY17. The average cost of debt was 7.8% during Q3 FY17.
- ❖ Advances under Kalpavruksha Scheme were ₹ 527 mn as on 31st December 2016.

RESULTS UPDATE – DECEMBER 2016

PARTICULARS (IN MN) (QUARTERLY UNAUDITED)	Q3 FY17 (₹)	Q3 FY16 (₹)	YoY %	Q2 FY17 (₹)	QoQ %	9M FY17 * (₹)	9M FY16 (₹)	YoY %
Net Revenues	5,430	4,957	9.5%	4,470	21.5%	13,161	13,496	-2.5%
COGS	4,743	4,304	10.2%	3,813	24.4%	11,234	11,674	-3.8%
Gross Profit	687	653	5.3%	658	4.5%	1,926	1,822	5.7%
Gross Margin (%)	12.7%	13.2%	-51 bps	14.7%	-206 bps	14.6%	13.5%	114 bps
Personnel Expenses	203	158	28.5%	181	12.2%	542	487	11.4%
Other Expenses	293	324	-9.4%	275	6.6%	809	973	-16.9%
EBITDA	191	171	11.9%	202	-5.2%	575	362	58.9%
EBITDA Margin (%)	3.5%	3.5%	7 bps	4.5%	-99 bps	4.4%	2.7%	169 bps
Depreciation	22	20	9.5%	24	-7.9%	67	62	8.9%
Other Income	7	54	-86.3%	7	6.4%	21	75	-71.8%
Interest Expenses	116	134	-13.8%	143	-18.9%	400	429	-6.8%
Profit Before Tax	61	71	-13.8%	43	43.6%	129	-54	338.5%
Tax	0	39	-100.0%	0	-	0	7	-100.0%
PAT	61	33	88.7%	43	43.6%	129	-61	310.2%
Profit Margin (%)	1.1%	0.7%	47 bps	1.0%	17 bps	1.0%	-0.5%	143 bps

NOTE:

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RESULTS UPDATE – DECEMBER 2016

PARTICULARS (IN MN) (QUARTERLY UNAUDITED)	DEC-16 (₹)	SEP-16 (₹)	JUNE-16 (₹)	MAR-16 (₹)	DEC-15 (₹)
Shareholders Funds	4,553	4,492	4,449	4,424	4,617
Loan Funds	5,341	6,731	6,704	6,505	5,882
Other Long Term Liabilities	98	102	95	90	30
Sources of Funds	9,992	11,326	11,249	11,019	10,529
Net Block	1,009	1,027	1,042	1,053	1,082
Other Long Term Assets	170	184	174	167	167
Inventory	10,345	11,810	11,631	11,256	10,431
Debtors	50	35	69	7	12
Cash and Bank Balance	310	326	242	383	400
Other Current Assets	129	140	166	112	144
Current Liabilities	2,020	2,197	2,076	1,960	1,708
Net Current Assets	8,813	10,115	10,032	9,799	9,280
Application of Funds	9,992	11,326	11,249	11,019	10,529



DISCUSSION SUMMARY

- ❖ Q3 & 9M FY17 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 5th generation of the family

Strong Brand Value

- ❖ High sales productivity - ₹ 213 k per sq ft per annum (at mature stores)
- ❖ High footfalls conversion - 78%
- ❖ High ticket size - Gold - ₹ 84 k, Diamond - ₹ 132 k

Scalability & Reach

- ❖ 31 stores (~1,01,050 sq. ft.)
- ❖ Presence - 24 cities, 11 states

Expansion Plan -

- ❖ ~150,000 sq. ft. (75% of expansion (~36,000 sq. ft.) through franchisee route)

TBZ

**SUSTAINABLE
COMPETITIVE
ADVANTAGE**

Specialty Wedding Jeweller

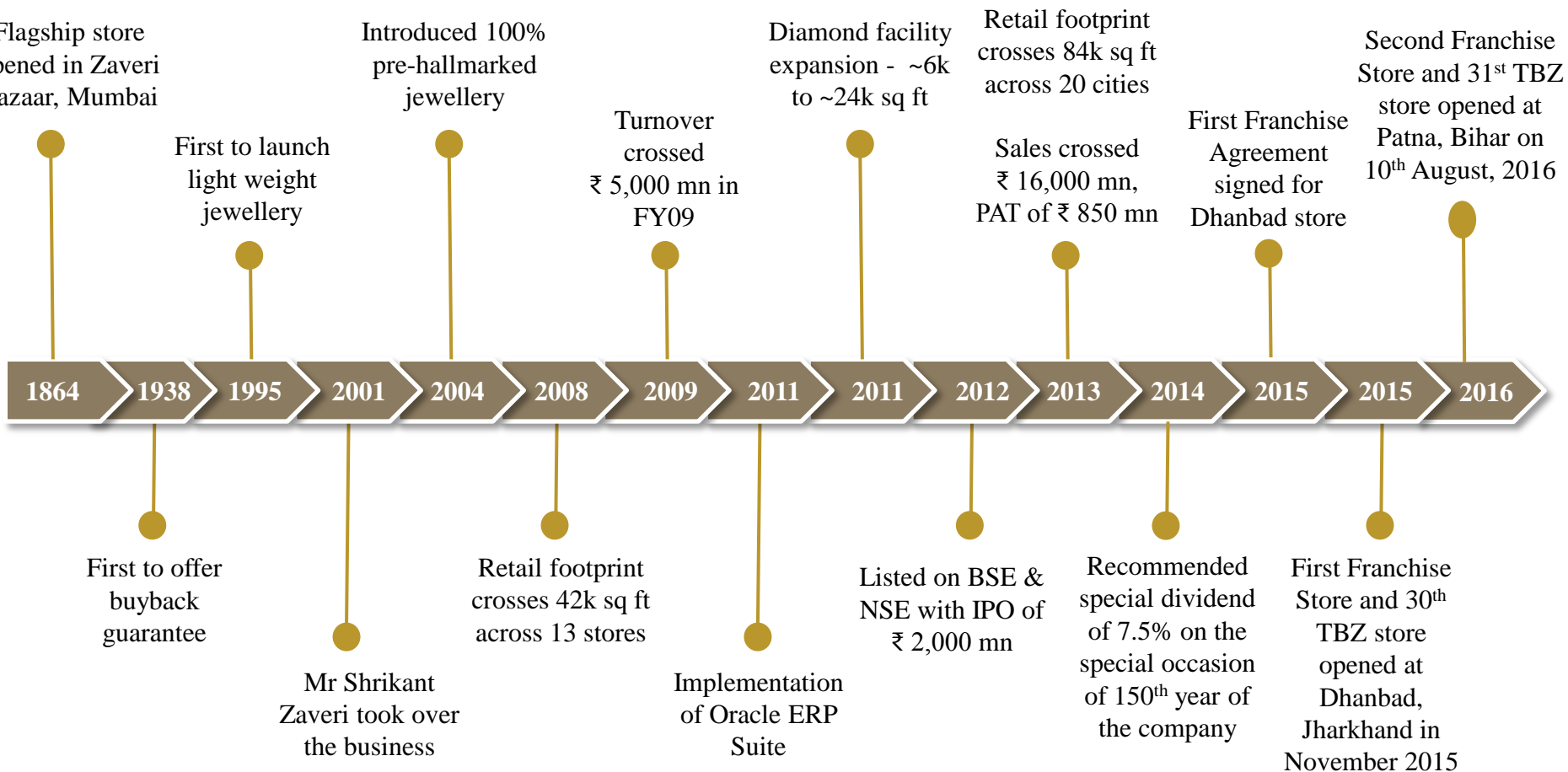
- ❖ ~ 65% of sales are wedding & wedding related purchases
- ❖ Compulsion buying
- ❖ Stable fixed budget purchases by customers

Design Exclusivity

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

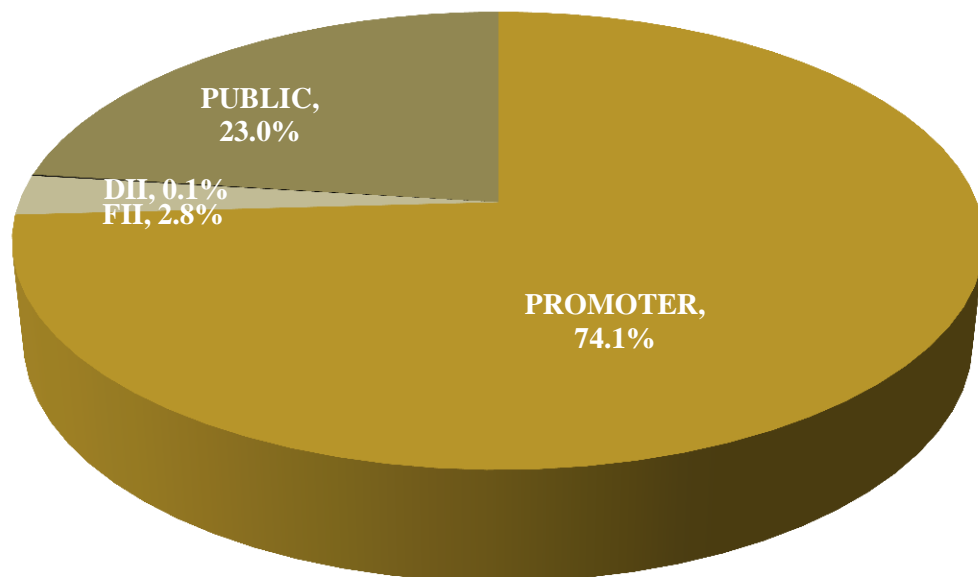
ABOUT US: KEY MILESTONES

STRONG LEGACY OF AROUND 150 YEARS BUILT ON TRUST



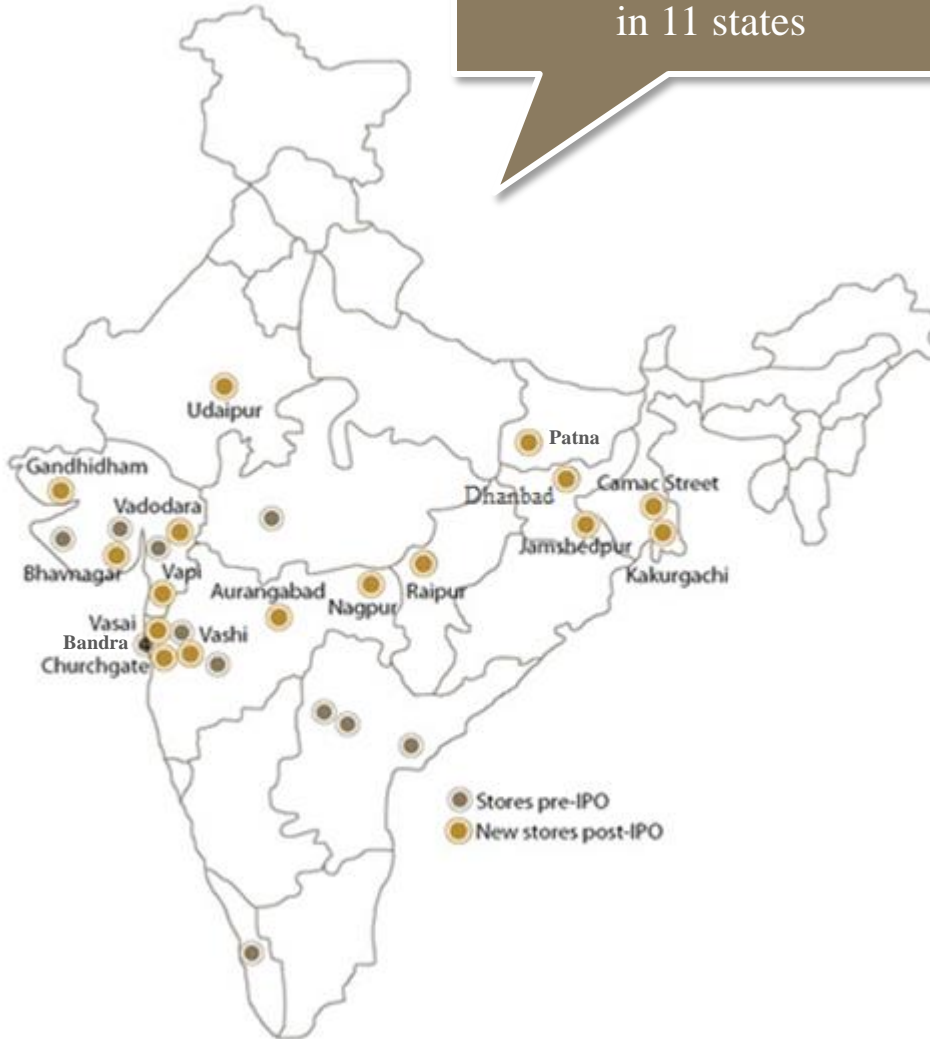
ABOUT US: SHAREHOLDING STRUCTURE

SHAREHOLDING PATTERN – DEC 2016



ABOUT US: RETAIL PRESENCE

Present across 24 cities
in 11 states



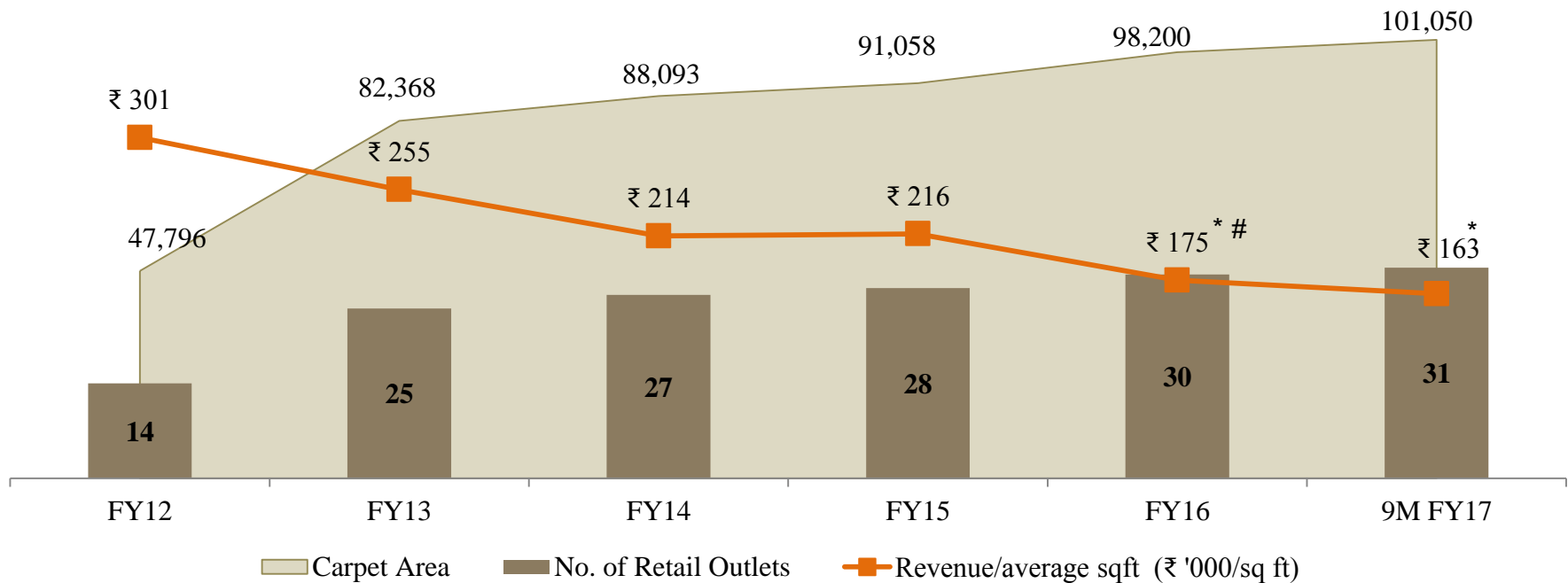
PAN-INDIA PRESENCE WITH 31 STORES WITH A RETAIL SPACE OF ~1,01,050 SQ. FT. SPREAD ACROSS 24 CITIES IN 11 STATES.

NUMBER OF STORES	TILL DATE
Large Format	25
Small Format	6
Tier I	18
Tier II	5
Metros	8
Total Stores	31
Total Area	~1,01,050



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 for the financial year. **Productivity at mature stores – ₹ 213 k per sq ft*#**

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. The business operations took some time to stabilize in view of the discussions between the Trade and the Government representatives, which culminated on 26th July, 2016, by way of the issuance of a Government notification to that effect. This impacted revenues and profits for the company. Accordingly, the financial results are not comparable with prior year period.

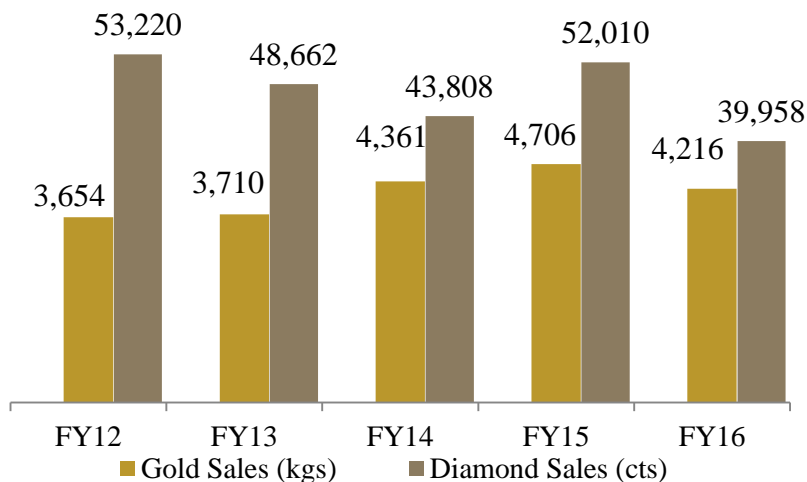


DISCUSSION SUMMARY

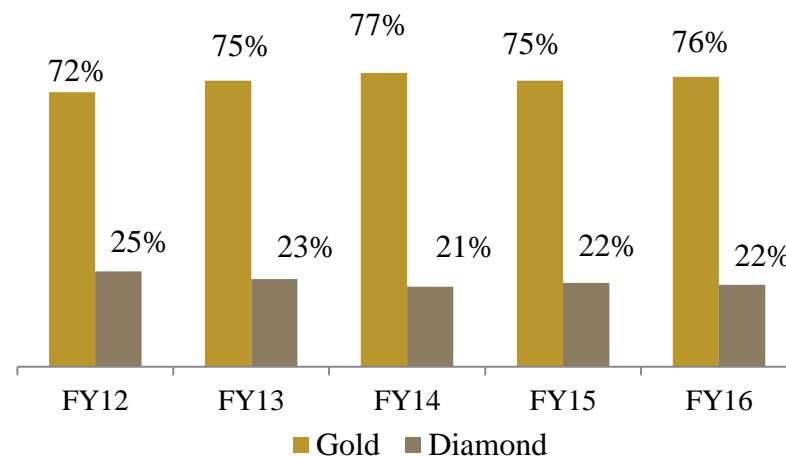
- ❖ Q3 & 9M FY17 Results Update
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OPERATIONAL SUMMARY

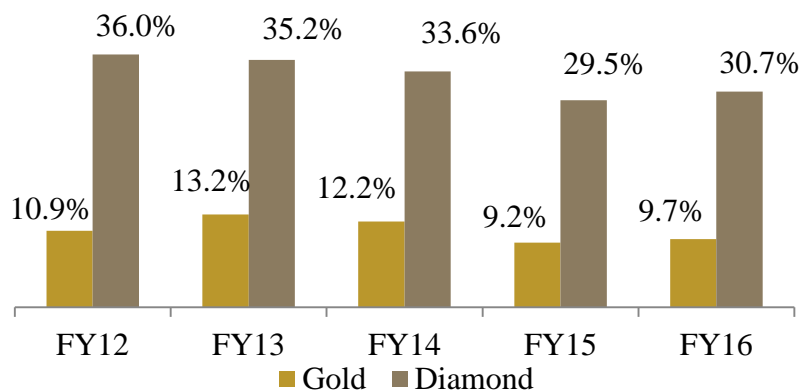
GOLD & DIAMOND VOLUMES *



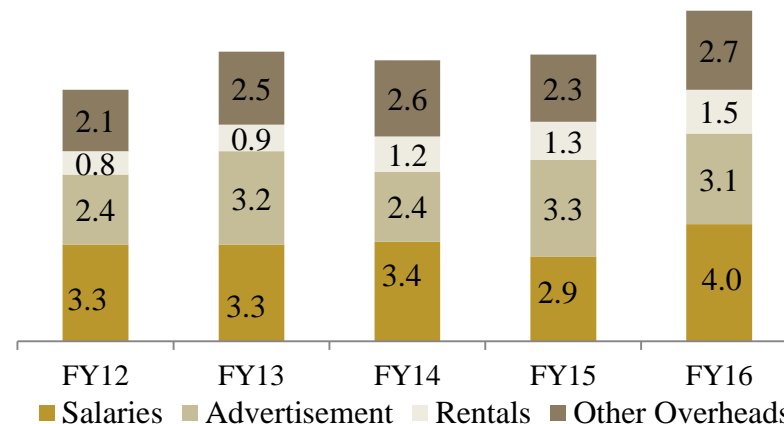
GOLD & DIAMOND SALES MIX (%)



GOLD & DIAMOND MARGINS (%)



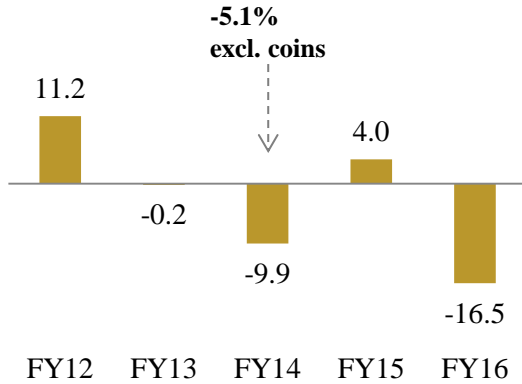
OPERATIONAL EFFICIENCY (%) *



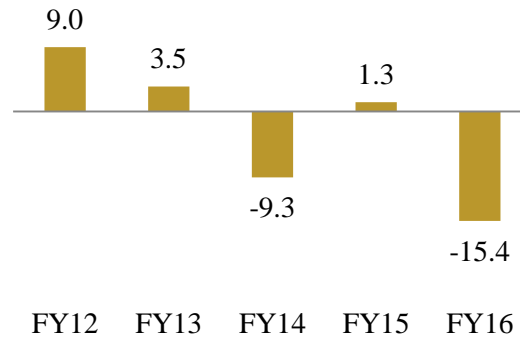
NOTE: * Nation-wide agitation by the Gems & Jewellery industry in protest against imposition of 1% excise duty led to a loss of sales during the month of March 2016. Accordingly, the financial results of the year ended March 2016 are strictly not comparable with corresponding previous year financials

OPERATIONAL SUMMARY

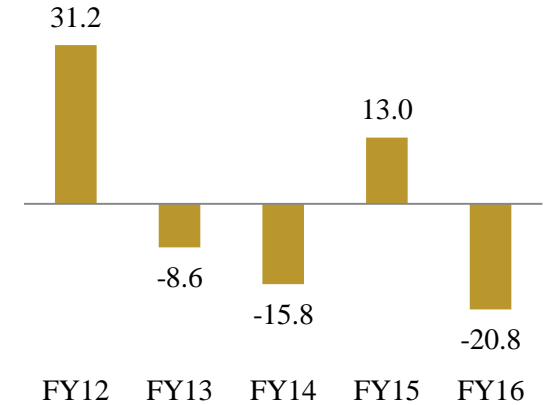
SSSG - TOTAL (%) *



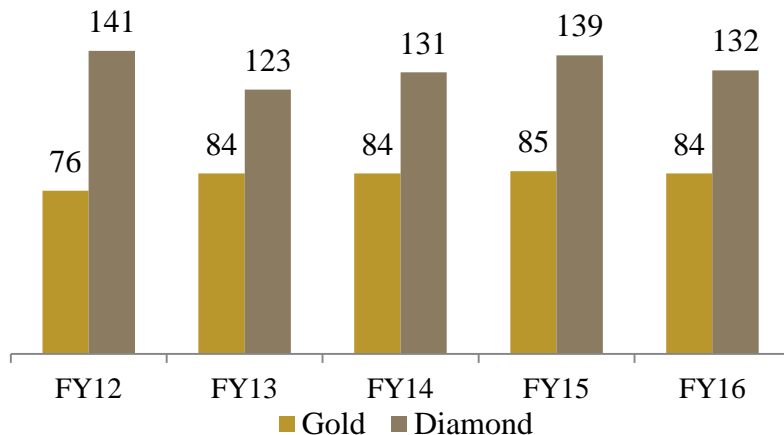
SSSG - GOLD (%) *



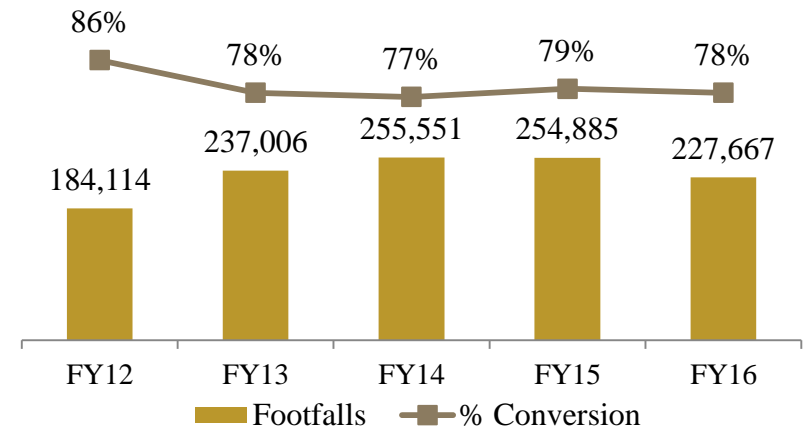
SSSG - DIAMOND (%) *



AVERAGE TICKET SIZE (RS '000)



FOOTFALLS & CONVERSION



SSSG: Same store sales value growth

NOTE: * Nation-wide agitation by the Gems & Jewellery industry in protest against imposition of 1% excise duty led to a loss of sales during the month of March 2016. Accordingly, the financial results of the year ended March 2016 are strictly not comparable with corresponding previous year financials

THANKYOU



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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



BUSINESS MODEL: PRODUCT



GOLD
(75%)

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



DIAMONDS
(25%)

Gross Margins – 35%
Stock Turns – 1x



WEDDING (65%)



FASHION (35%)



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.



DIAMOND

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

Sources:

- ❖ DTC site holders
- ❖ Other vendors

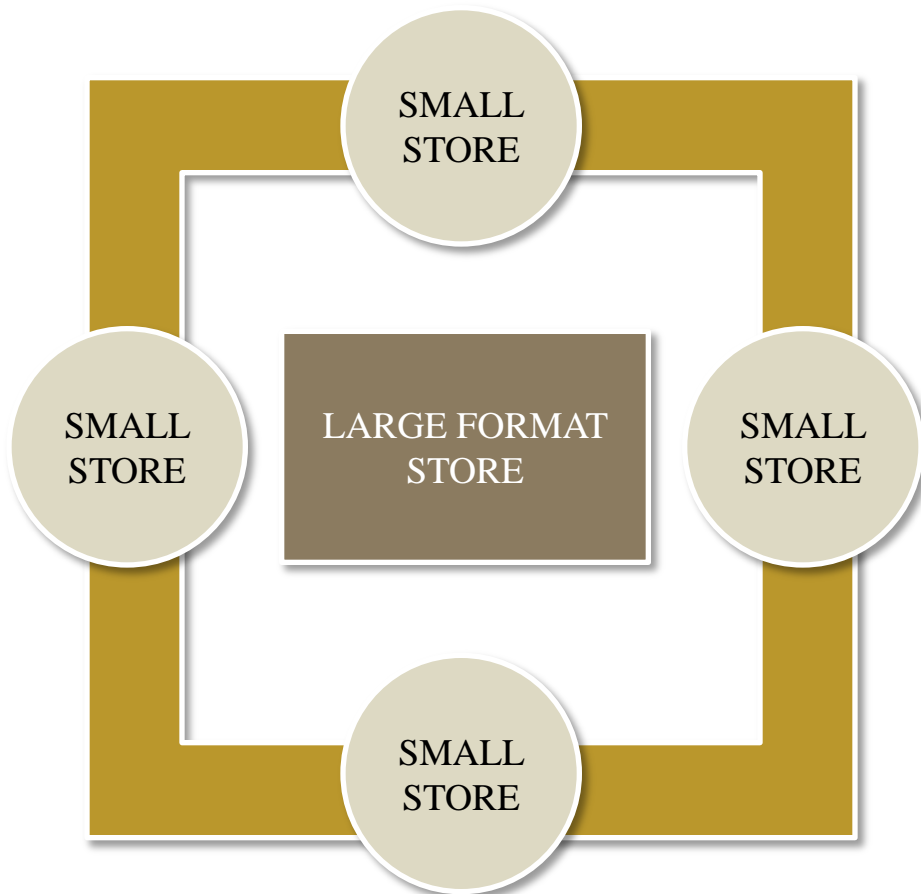
- ❖ In-house diamond jewellery manufacturing leading to exclusive designs, lower costs, and higher margins
- ❖ Manufacturing facility at Kandivali, Mumbai spread over ~24,000 sq ft with capacity of ~200,000 cts (on dual shift basis).
- ❖ The facility also has capacity for 4,000 kg of gold refining and 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
ROCE	28%	
Store Cash BEP (in months)	8-10 months	



BUSINESS MODEL: SCALABILITY

- ❖ TBZ has an expansion plan to increase its retail space from ~1,01,050 sq. ft. at present to around 150,000 sq. ft. by FY18.
- ❖ 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	➔	31	➔	57
Retail Sq ft	~48,000		~101,050		~150,000
Number of Cities	10		23		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 ~3.5-4.5% 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 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.