

# INVESTOR PRESENTATION

Q2 & H1 FY18 RESULTS

DECEMBER 2017



**tbz**<sup>®</sup>  
The original since 1864

TRIBHOVANDAS BHIMJI ZAVERI  
SHRIKANT ZAVERI GROUP



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## DISCUSSION SUMMARY

- Q2 & H1 FY18 Results Update
  - About Us
  - Operational Summary
  - Business Model
-

## KEY HIGHLIGHTS

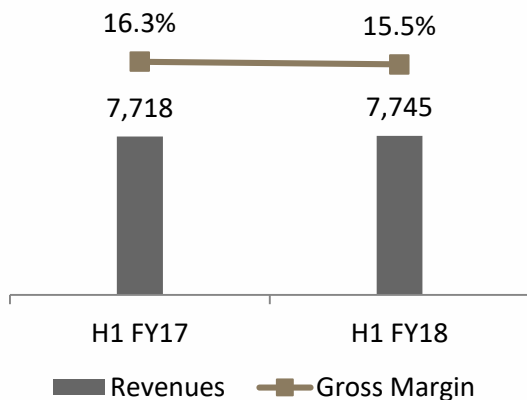
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- H1 FY18 revenues were stable on YoY basis
- Q2 FY18 revenues were impacted post 23<sup>rd</sup> August when a notification was issued under The PMLA Act that mandated the Gems & Jewellery sector to collect KYC details from customers for purchases above Rs. 50,000 and report such transactions. This severely impacted the sales during Navratri and Dussehra.
- Sales have regained momentum after the notification was revoked in the first week of October.
- Business outlook remains positive for the ongoing wedding season and should lead to an improved performance during the second half of the financial year FY18.
- The share of 'Gold on loan' in gold inventory - 64.4% (up from 59.0% in Mar-17)
- Advances under Kalpavruksha Scheme - Rs 714 mn (up from Rs 526 mn in Mar-17)
- Retail store area as on 30<sup>th</sup> November - 1,14,459 sq. ft. (up from 1,02,930 sq. ft. in Mar-17)
- Today, TBZ brand is spread across India with 37 stores (including 5 Franchise stores) across 27 cities in 11 states.

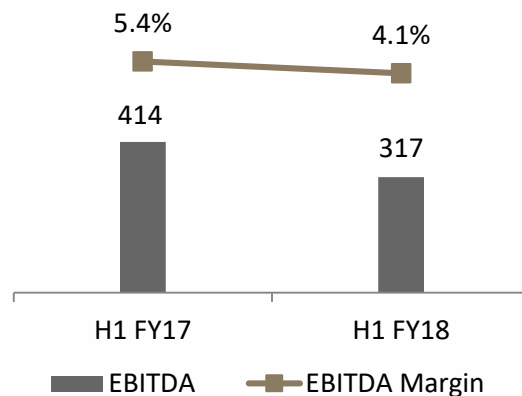
# H1 FY18 RESULTS UPDATE

In Rs Mn

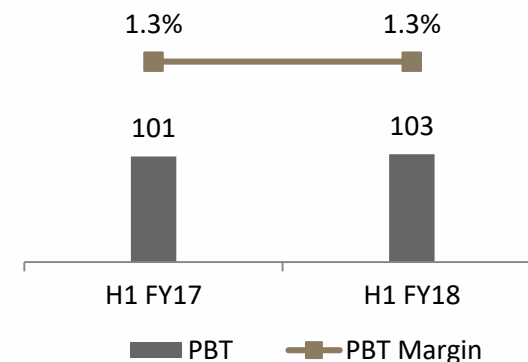
## REVENUES & GROSS MARGIN



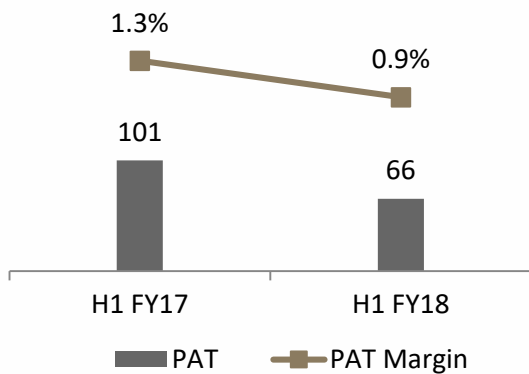
## EBITDA & EBITDA MARGIN



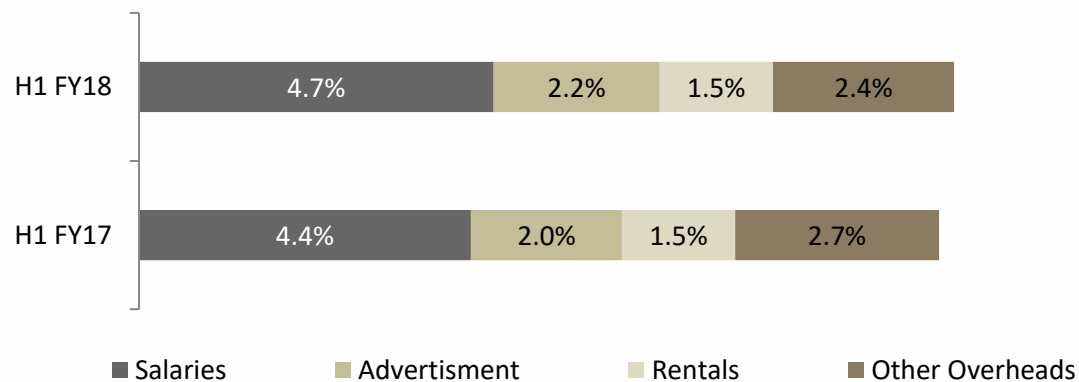
## PBT & PBT MARGIN



## PAT & PAT MARGIN



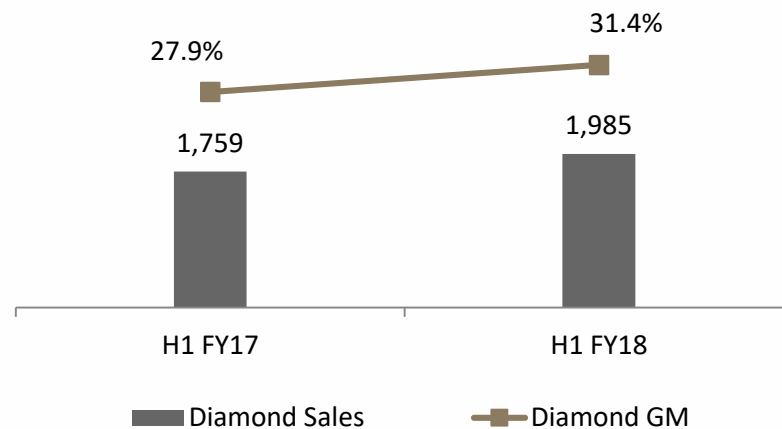
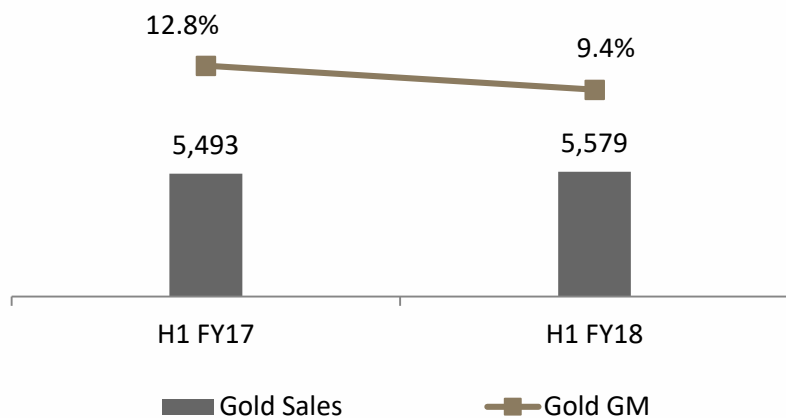
## OPERATING COSTS (%)



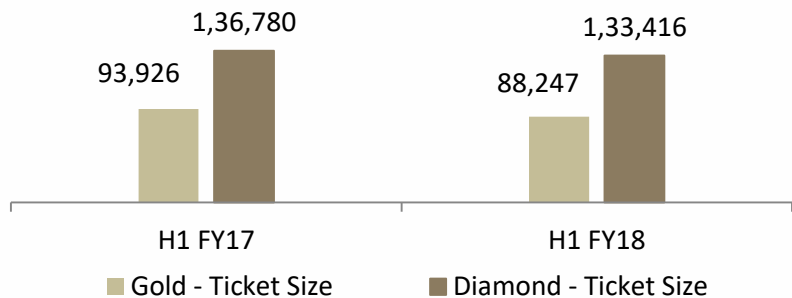
# H1 FY18 RESULTS UPDATE

In Rs Mn

## REVENUE ANALYSIS



## AVERAGE TICKET PRICE



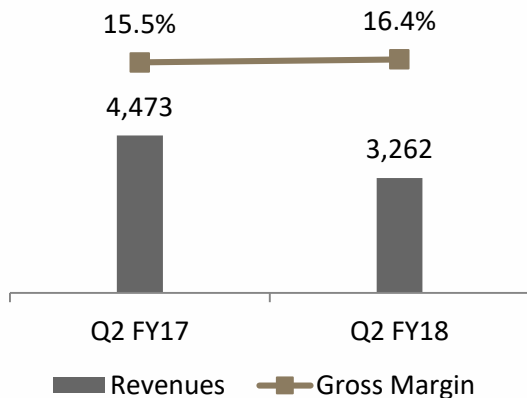
H1 FY18	Gold	Diamond
% of Sales – H1 FY18	72.0%	25.6%
% of Sales – H1 FY17	71.2%	22.8%
SS Sales Growth %	-2.5%	5.8%
SS Total Sales Growth %	-4.4%	

SS: Same store sales value growth

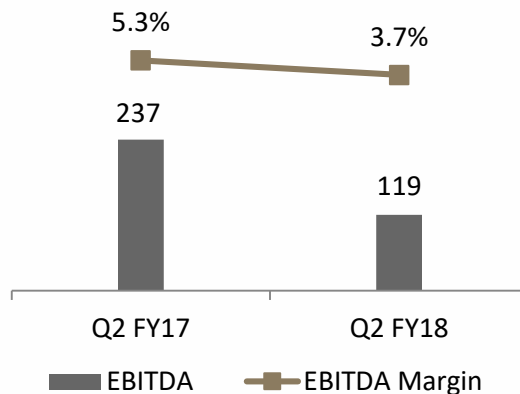
# Q2 FY18 RESULTS UPDATE

In Rs Mn

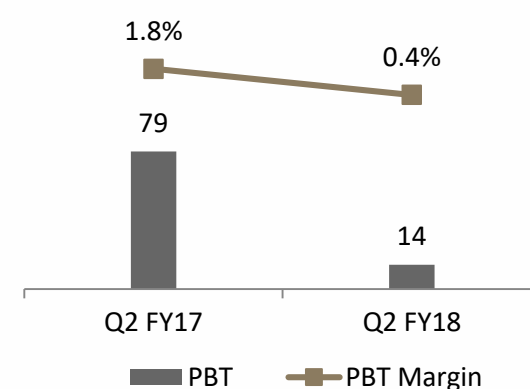
## REVENUES & GROSS MARGIN



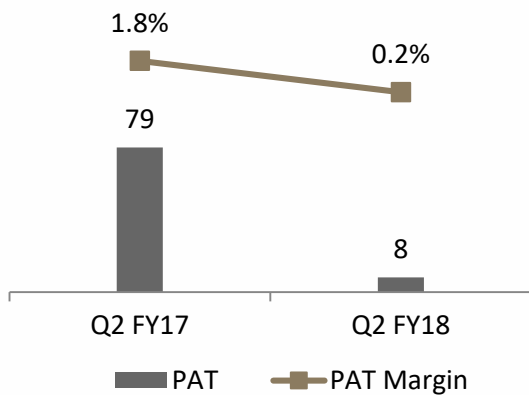
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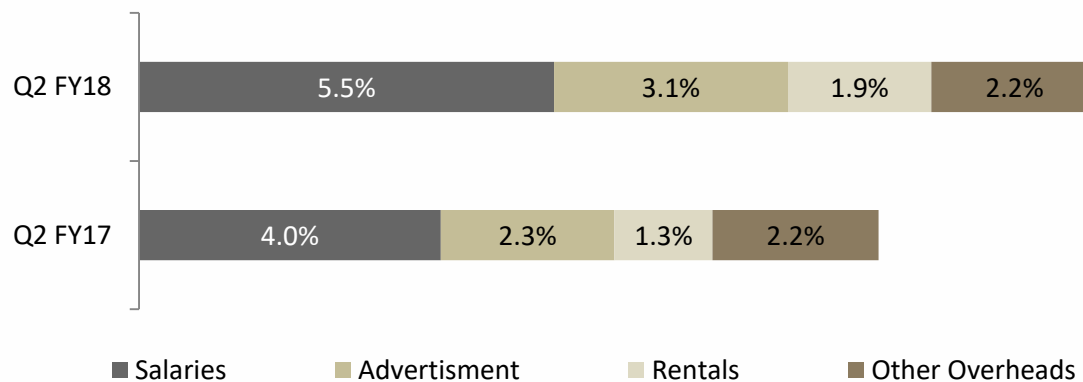
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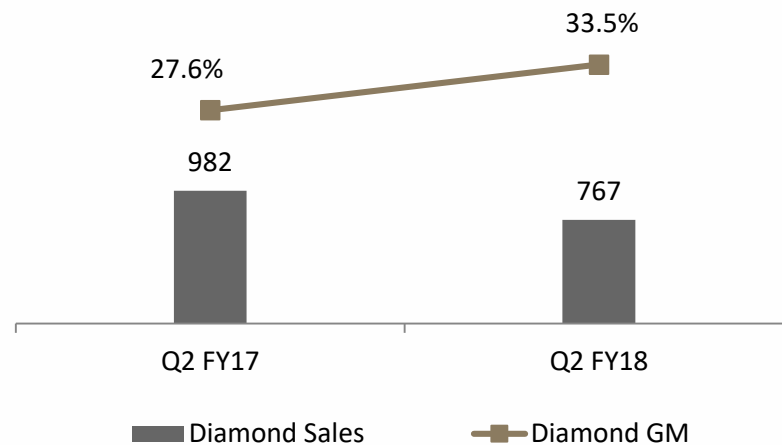
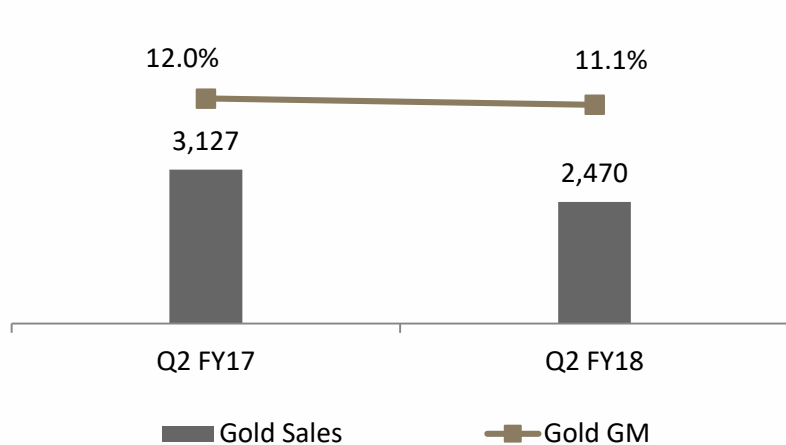
## OPERATING COSTS (%)



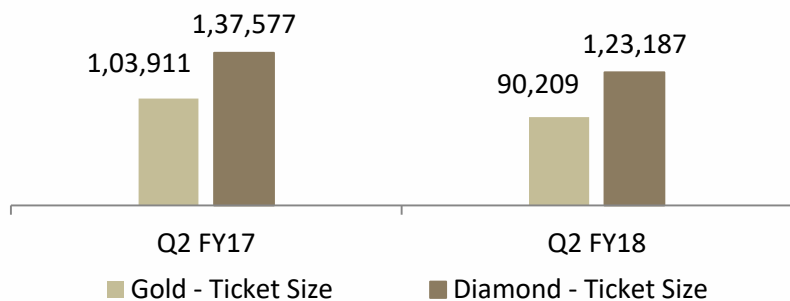
# Q2 FY18 RESULTS UPDATE

In Rs Mn

## REVENUE ANALYSIS



## AVERAGE TICKET PRICE



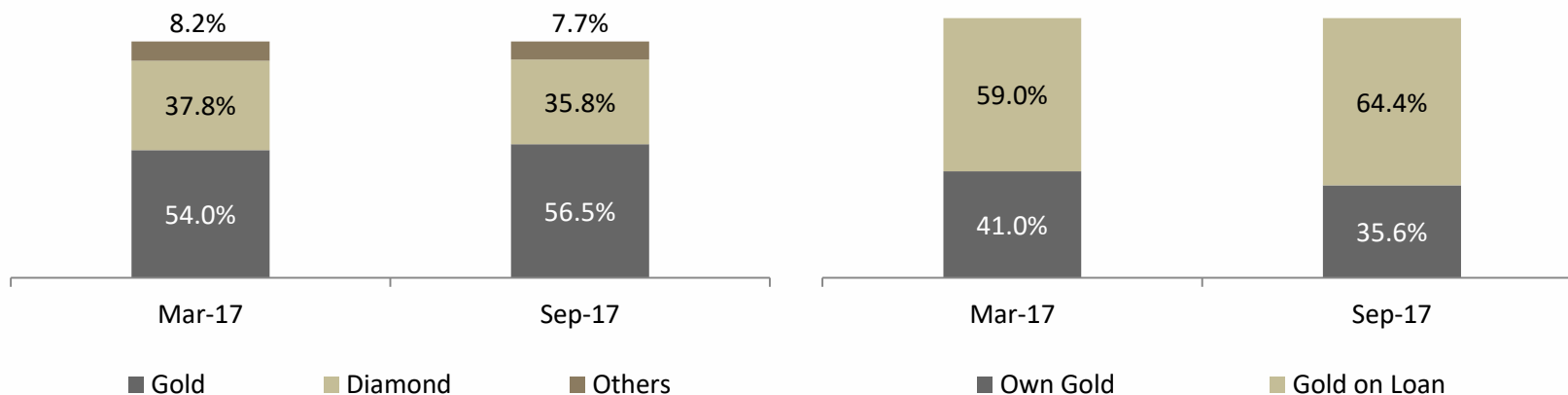
Q2 FY18	Gold	Diamond
% of Sales – Q2 FY18	75.8%	23.5%
% of Sales – Q2 FY17	70.0%	22.0%
SS Sales Growth %	-23.0%	-24.4%
SS Total Sales Growth %	-29.3%	

SS: Same store sales value growth

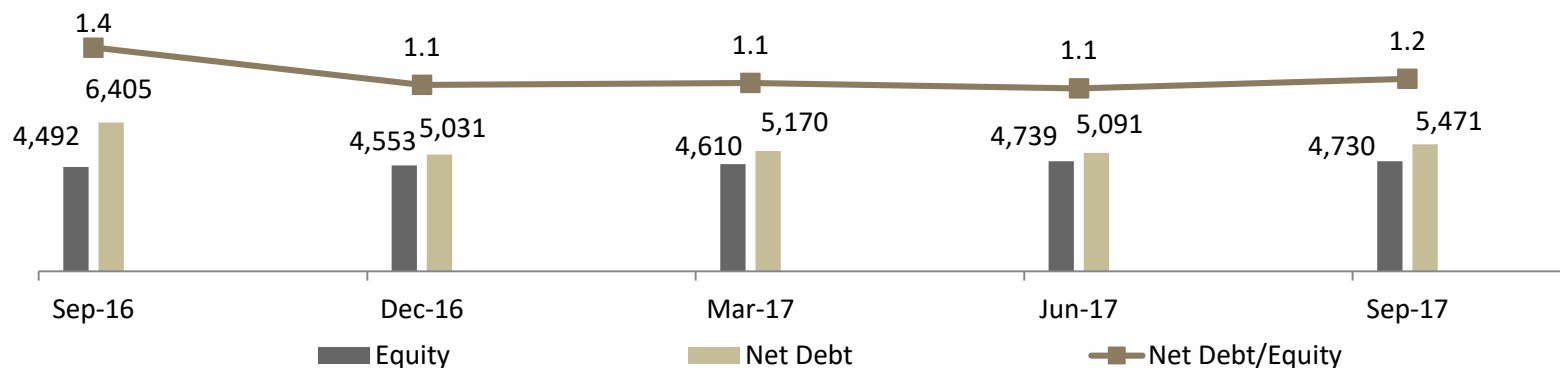


# BALANCE SHEET UPDATE

## INVENTORY BREAKUP (%)



## LEVERAGE (RS MN) \*



Note: \* Figures for March 2017 and prior periods are based on I-GAAP

# KEY RESULT TAKEAWAYS

## REVENUES:

- Q2 FY18 revenues declined by 27% YoY –
  - Sales were impacted post 23<sup>rd</sup> August due to The PMLA Act notifications.
  - Share of diamond jewellery improved to 23.5% compared to 22.0% in Q2 FY17
- H1 FY18 revenues have remained stable on YoY basis

## BALANCE SHEET:

- Inventory was higher at Rs 11,145 mn as on Sep-17, ahead of the festive and wedding season beginning from October.
- The share of 'Gold on loan' in gold inventory increased from 59.0% as on Mar-17 to 64.4% as on Sep-17.
- Total Debt was higher at Rs 6,041 mn as on Sep-17 due to increase in gold on loan, other loans were stable.
- Net Debt / Equity was 1.2x.
- Finance Cost declined by 30% YoY to Rs 100 mn in Q2 FY18. The average cost of debt was 6.9% in Q2 FY18 compared to 7.8% in Q2 FY17 and 7.5% in Q1 FY18.
- Advances under Kalpavruksha Scheme were Rs 714 mn as on Sep-17 (Rs 526 mn as on Mar-17).

## MARGINS:

- Q2 FY18 gross margin increased to 16.4% compared to 15.5% in Q2 FY17. This was due to higher diamond gross margin and higher share of diamond jewellery sales.
- Q2 FY18 personal expenses and advertising & marketing expenses were stable on YoY basis. Operating expenses declined by 27% on YoY basis.
- Q2 FY18 EBITDA and EBITDA margin declined primarily on account of lower sales.

## RETAIL SPACE ADDITION:

- We recently opened 3 exclusive brand outlets in high street malls in Mumbai –
  - 850 sq. ft. store in R-city Mall, Ghatkopar, Mumbai on 4<sup>th</sup> September 2017.
  - 691 sq. ft. store in Seawoods Grand Central Mall, Vashi, Navi Mumbai on 4<sup>th</sup> September 2017.
  - 1,000 sq. ft store in High Street Phoenix Mall, Lower Parel, Mumbai on 29<sup>th</sup> November 2017.
- We re-launched the Churchgate store in the same vicinity at Marine Drive, Mumbai on 5<sup>th</sup> October 2017 to a bigger and grander store with area of 2,350 sq. ft. compared to earlier store with area of 1,230 sq. ft.
- We opened our 5<sup>th</sup> franchise store in Bhopal, Madhya Pradesh on 13<sup>th</sup> October 2017 with area of 1,850 sq. ft.

# PROFIT & LOSS STATEMENT

Particulars (In Rs Mn)	Q2 FY18	Q2 FY17	YoY %	H1 FY18	H1 FY17	YoY %
<b>Net Revenues</b>	<b>3,262</b>	<b>4,473</b>	<b>-27.1%</b>	<b>7,745</b>	<b>7,718</b>	<b>0.3%</b>
COGS	2,727	3,779	-27.8%	6,544	6,458	1.3%
<b>Gross Profit</b>	<b>535</b>	<b>694</b>	<b>-22.9%</b>	<b>1,200</b>	<b>1,260</b>	<b>-4.7%</b>
<b>Gross Margin (%)</b>	<b>16.4%</b>	<b>15.5%</b>	<b>88 bps</b>	<b>15.5%</b>	<b>16.3%</b>	<b>-83 bps</b>
Excise Duty	0	18	-	43	28	-
Personnel Expenses	181	181	-0.1%	363	338	7.4%
Other Expenses	235	259	-9.1%	478	480	-0.5%
<b>EBITDA</b>	<b>119</b>	<b>237</b>	<b>-49.6%</b>	<b>317</b>	<b>414</b>	<b>-23.5%</b>
<b>EBITDA Margin (%)</b>	<b>3.7%</b>	<b>5.3%</b>	<b>-163 bps</b>	<b>4.1%</b>	<b>5.4%</b>	<b>-127 bps</b>
Depreciation	21	24	-10.9%	42	46	-8.9%
Other Income	16	9	83.3%	30	17	75.1%
Interest Expenses	100	143	-30.2%	202	284	-28.9%
<b>Profit Before Tax</b>	<b>14</b>	<b>79</b>	<b>-81.7%</b>	<b>103</b>	<b>101</b>	<b>1.5%</b>
<b>PBT Margin (%)</b>	<b>0.4%</b>	<b>1.8%</b>	<b>-132 bps</b>	<b>1.3%</b>	<b>1.3%</b>	<b>1 bps</b>
Tax	6	0	-	37	0	-
<b>PAT</b>	<b>8.0</b>	<b>79</b>	<b>-89.9%</b>	<b>66</b>	<b>101</b>	<b>-34.6%</b>
<b>PAT Margin (%)</b>	<b>0.2%</b>	<b>1.8%</b>	<b>-152 bps</b>	<b>0.9%</b>	<b>1.3%</b>	<b>-46 bps</b>

The financial results of the Company have been prepared in accordance with the Indian Accounting Standards ("Ind AS") prescribed under Section 133 of the Companies Act, 2013.

# BALANCE SHEET

Particulars (In Rs Mn)	September-17	June-17
Shareholders Funds	4,730	4,739
Loan Funds	6,041	5,511
Other Long Term Liabilities	71	57
<b>Sources of Funds</b>	<b>10,842</b>	<b>10,307</b>
Net Block	1,033	1,021
Other Long Term Assets	257	233
Inventory	11,145	10,293
Debtors	70	84
Cash and Bank Balance	570	420
Other Current Assets	176	107
Current Liabilities	2,410	1,851
Net Current Assets	9,552	9,053
<b>Application of Funds</b>	<b>10,842</b>	<b>10,307</b>

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# 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

- Healthy sales productivity
- High footfalls conversion - 80%
- High ticket size - Gold - Rs 88 k, Diamond - Rs 133 k

## Scalability & Reach

- 37 stores (~1,14,459 sq. ft.)
- Presence - 27 cities, 11 states

### Expansion Plan -

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

## TBZ

## SUSTAINABLE COMPETITIVE ADVANTAGES

## Specialty Wedding Jeweller

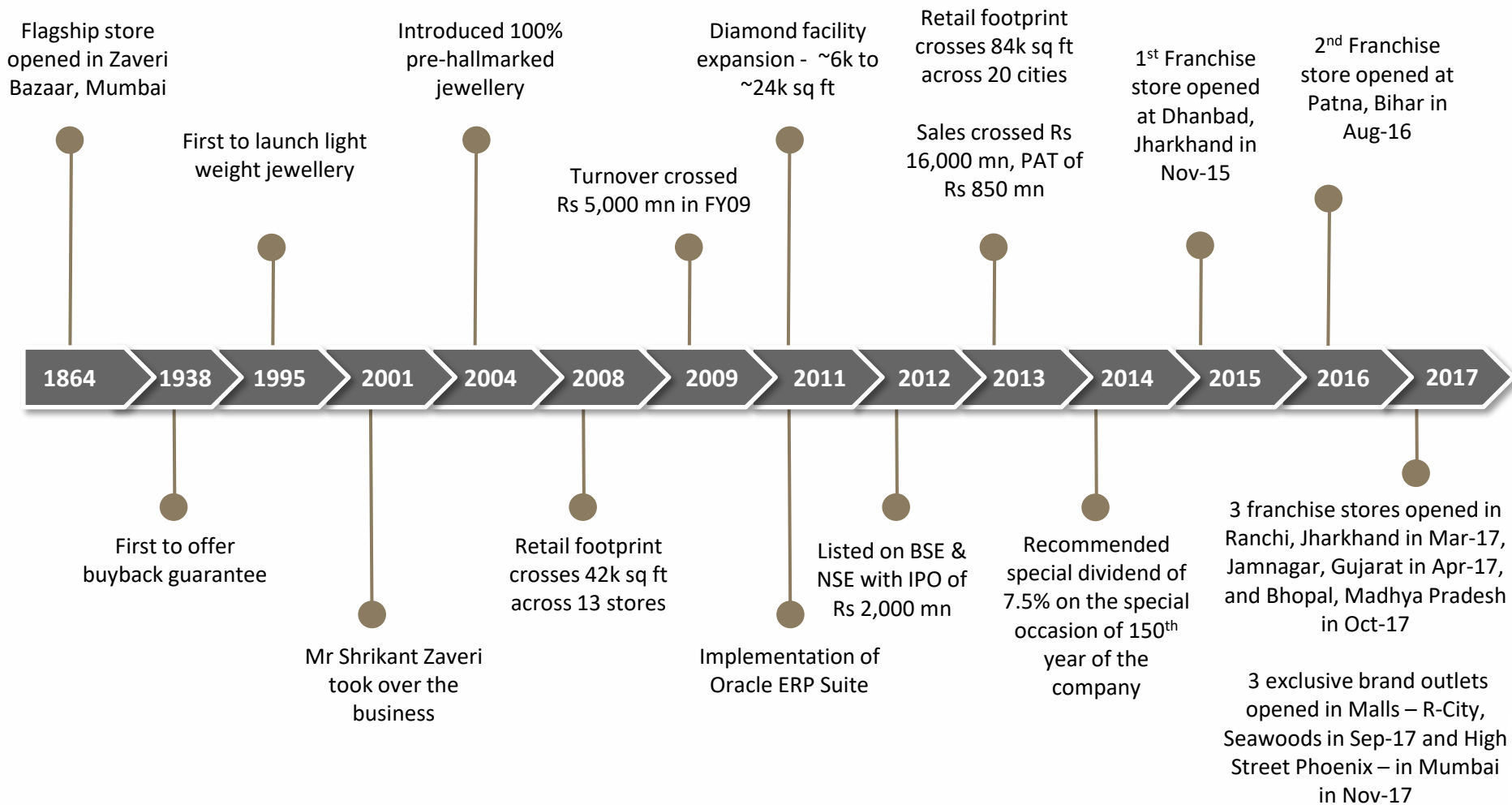
- ~ 65% of sales are wedding & wedding related purchases
- Compulsion buying
- Stable fixed budget purchases by customers

## Design Exclusivity

- 43 designers (incl. 21 CAD)
- 8 - 10 new jewellery lines/year
- In-house diamond jewellery production
- Customer loyalty
- Premium pricing

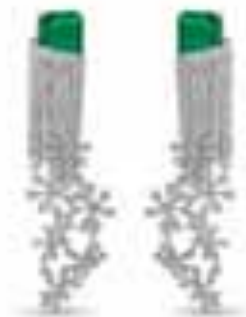
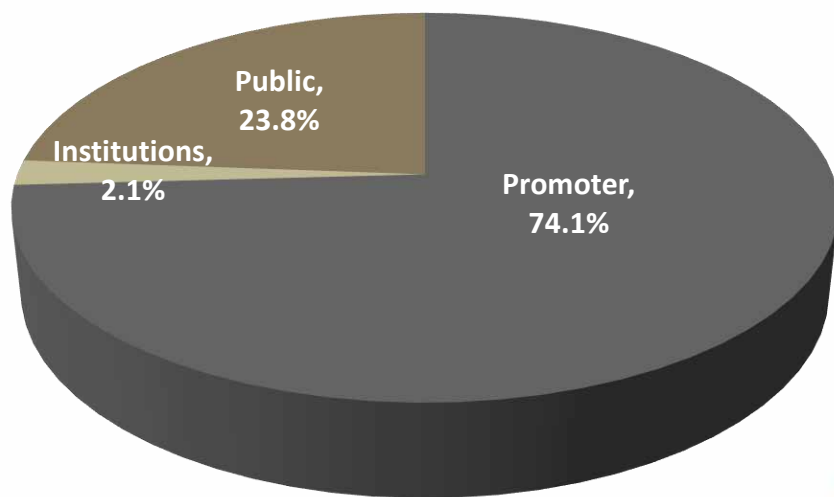
# ABOUT US: KEY MILESTONES

## STRONG LEGACY OF MORE THAN 150 YEARS BUILT ON TRUST



# ABOUT US: SHAREHOLDING STRUCTURE

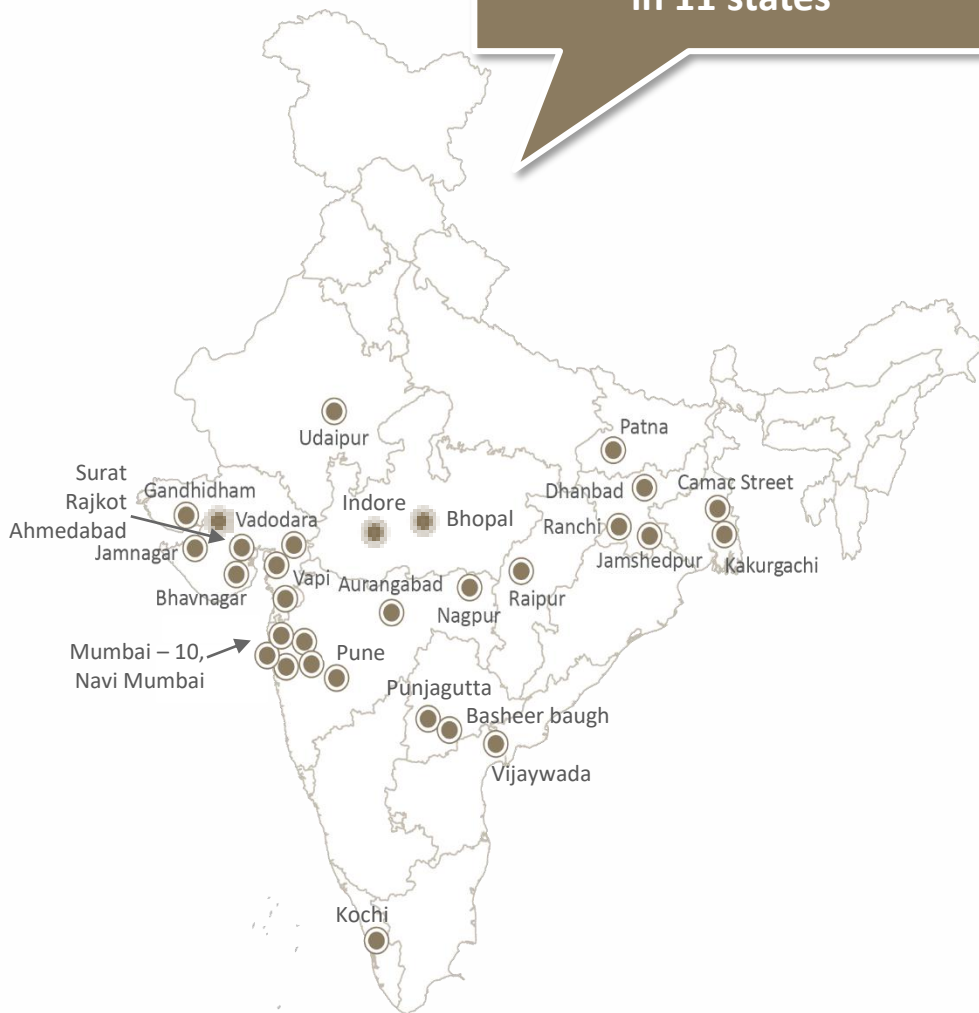
SHAREHOLDING PATTERN – SEPTEMBER 2017





# ABOUT US: RETAIL PRESENCE

**Present across 27 cities  
in 11 states**

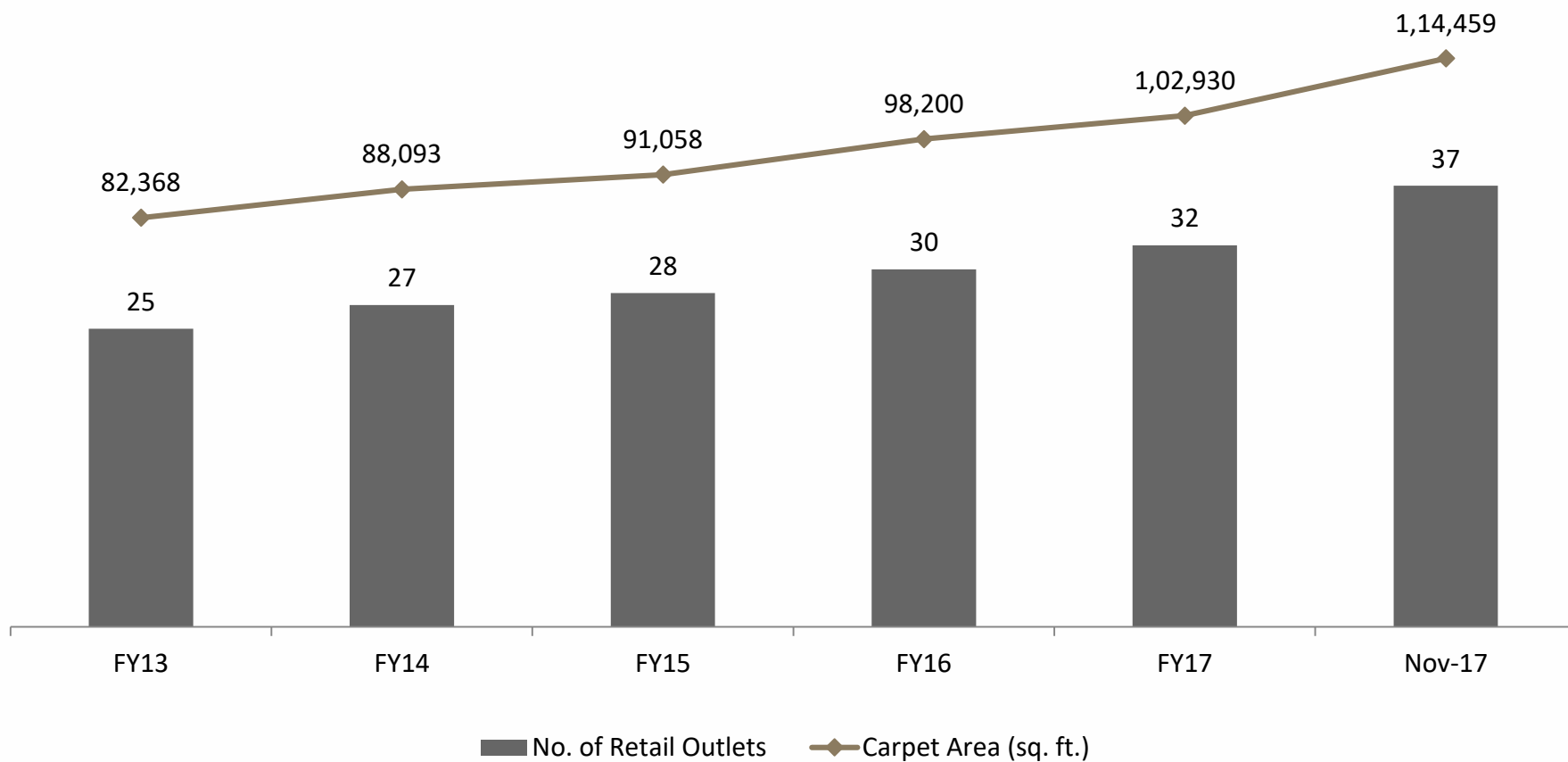


**PAN-INDIA PRESENCE WITH 37 STORES WITH A  
RETAIL SPACE OF ~1,14,459  
SQ. FT. SPREAD ACROSS  
27 CITIES IN 11 STATES**

NUMBER OF STORES	TILL DATE
Large Format (> 2,000 sq. ft.)	29
Small Format (<= 2,000 sq. ft.)	8
<b>Total Stores</b>	<b>37</b>
<b>Total Area</b>	<b>~1,14,459</b>



# ABOUT US: RETAIL FOOTPRINT EXPANSION



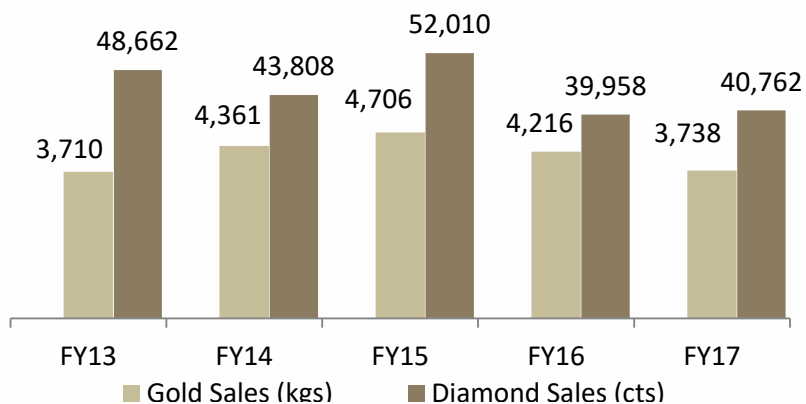


## DISCUSSION SUMMARY

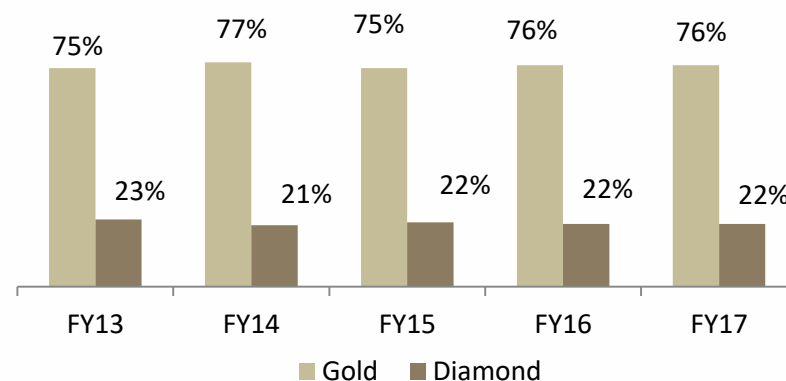
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# OPERATIONAL SUMMARY

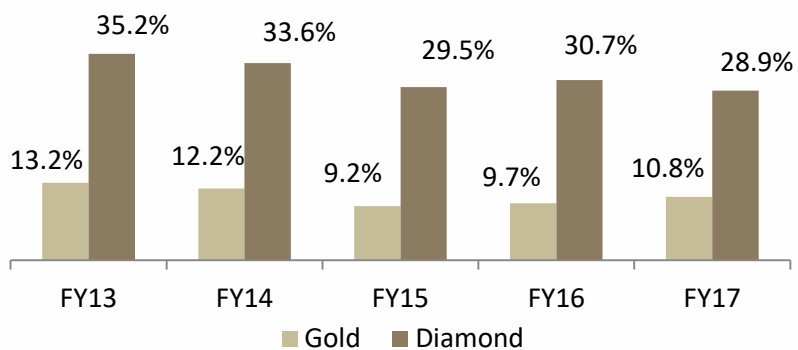
### GOLD & DIAMOND VOLUMES \*



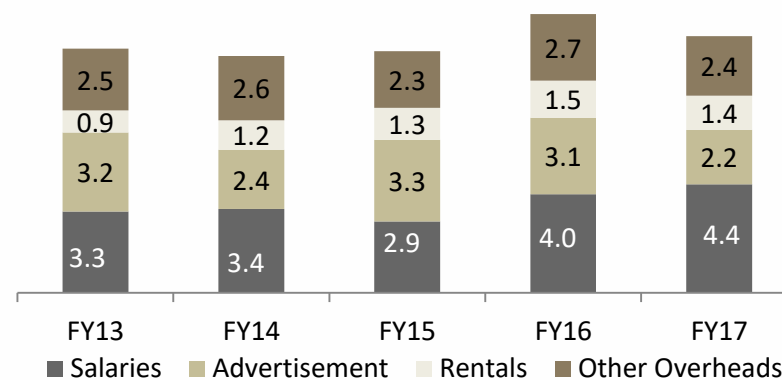
### GOLD & DIAMOND SALES MIX (%)



### GOLD & DIAMOND MARGINS (%)



### OPERATIONAL EFFICIENCY (%)



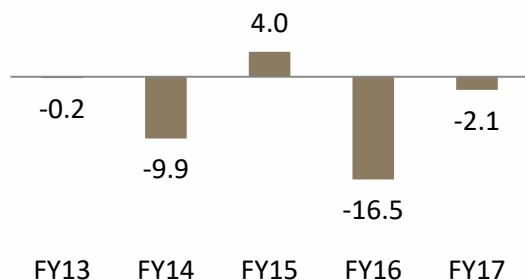
**NOTE:**

\* 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 in protest against imposition of 1% excise duty. The business operations took some time to stabilize, however this impacted the overall revenues and profits for the company during FY16 & FY17.

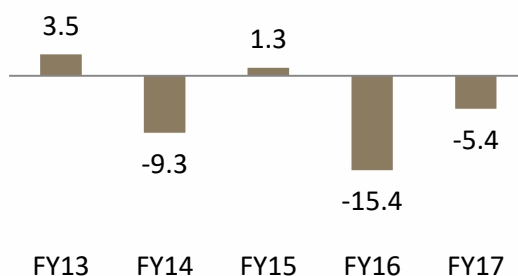
Further, the withdrawal of high denomination banking notes impacted the jewellery sales in November 2016, though the situation gradually improved over Q4 FY17.

# OPERATIONAL SUMMARY

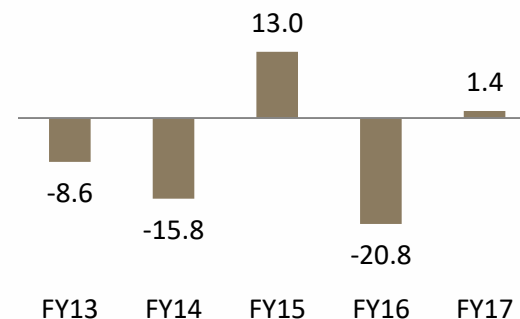
SSSG - TOTAL (%) \*



SSSG - GOLD (%) \*

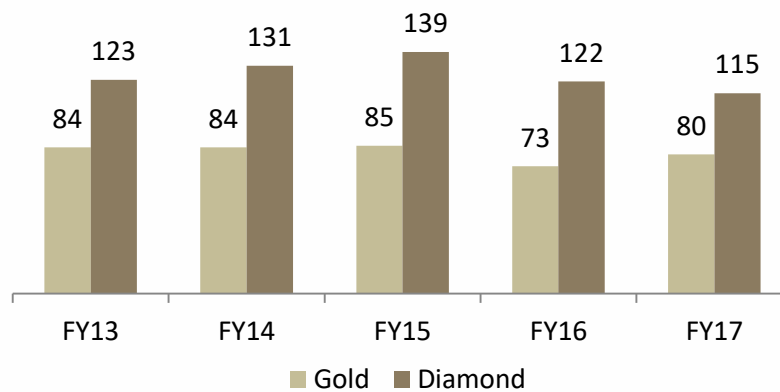


SSSG - DIAMOND (%) \*



SSSG: Same store sales value growth

AVERAGE TICKET SIZE (RS '000)



**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 in protest against imposition of 1% excise duty. The business operations took some time to stabilize, however this impacted the overall revenues and profits for the company during FY16 & FY17.

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# BUSINESS MODEL: MANUFACTURING

PROCUREMENT

## Gold

- Raw Material - Bullion
- Sources:**
- Exchange & purchase of old jewellery
  - Bullion dealers
  - Banks - imported gold
  - Banks - domestic gold (gold deposits) on loan

MANUFACTURING

- 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

### Sources:

- DTC site holders

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.

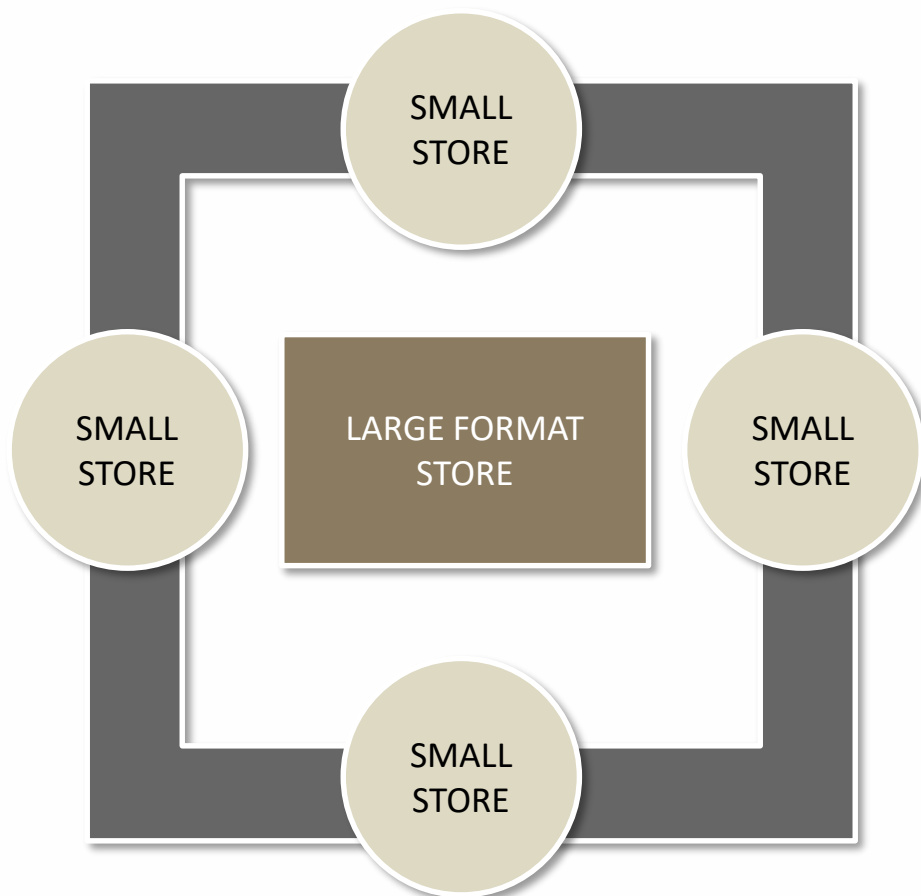




# BUSINESS MODEL: RETAIL

EFFICIENT INVENTORY MANAGEMENT

HUB & SPOKE MODEL - ROI OPTIMISATION



## SMALL STORES

- $\leq 2,000$  sq ft
- Across the city
- Smaller range
- Lower price points (up to Rs 500k)

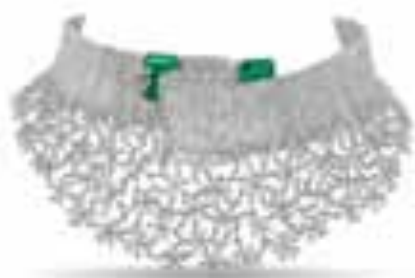
## LARGE STORES

- $> 2,000$  sq ft
- Standalone high street - heart of city
- Wider range
- Higher price points (up to Rs 2,000k)

# BUSINESS MODEL: SCALABILITY

- TBZ has an expansion plan to increase its retail space from ~1,14,459 sq. ft. at present to around 1,50,000 sq. ft. over near term.
- 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	37	
Retail Sq ft	~48,000	~1,14,459	<b>~1,50,000</b>
Number of Cities	10	27	



# 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% 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 day 1.
- 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.

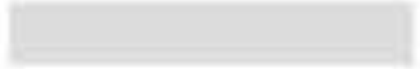
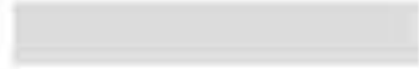
## GOLD METAL LOAN LIMITATIONS

- **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.

# 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





THANK YOU



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