



Fourth Quarter & Full Year FY13 Results Update 30th May, 2013



Building Relationships, Creating Value

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ABOUT US

PEDIGREE

- Over 149 years of history in jewellery business – 1st store opened in 1864 at Zaveri Bazaar, Mumbai.
- 5th generation of family is 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 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

- 26 retail stores - ~84,000 sqft - spread across 20 cities in 7 states.
- Expansion plan to increase the number of stores to 57 and retail space to ~150,000 sqft by 2015 spread over 43 cities in 14 States.

DESIGNS & MANUFACTURING

- 29 designers (including 7 computer aided designers); 8-10 new jewellery lines every year; designs are also sourced from Italy, Turkey and Thailand.
- Manufacturing facility at Kandivali, Mumbai spread over ~24,000 sqft: Diamond - ~200,000 cts (dual shift basis), Gold - 4,000 kg of gold refining and 4,500 kg of gold jewellery components.

TEAM

- 1,755 employees as of 31st March, 2013 including CEO, 7 functional heads, 60 line managers and 64 store managers and assistant managers, 1,155 retail staff, 171 employees at manufacturing unit and 29 jewellery designers.

STRONG BRAND VALUE

RELEVANCE OF BRANDED JEWELLERY



The original since 1864

TRIBHOVANDAS BHIMJI ZAVERI
SHRIKANT ZAVERI GROUP

- The power of brand in gold and diamond jewellery retail is a critical competitive advantage.
- Indians prefer to shop with jewellers who are trusted & transparent.
- TBZ has a legacy of entralling India with stunning and inspiring wedding jewellery designs for last 149 years. Wedding buying being volume-led, trusted jeweller is the best option.

POWER OF THE BRAND “TBZ – THE ORIGINAL”

HIGH
CONVERSION

80%

Average across 14
stores

HIGHER BILL
VALUE

₹ 90k

for gold jewellery and
₹ 125k for diamond
Jewellery

HIGH
PRODUCTIVITY

₹ 280,000

per sqft per annum;
at mature stores

SCALEABILITY

10* – 43*

Brand TBZ is
popular across India.
*cities

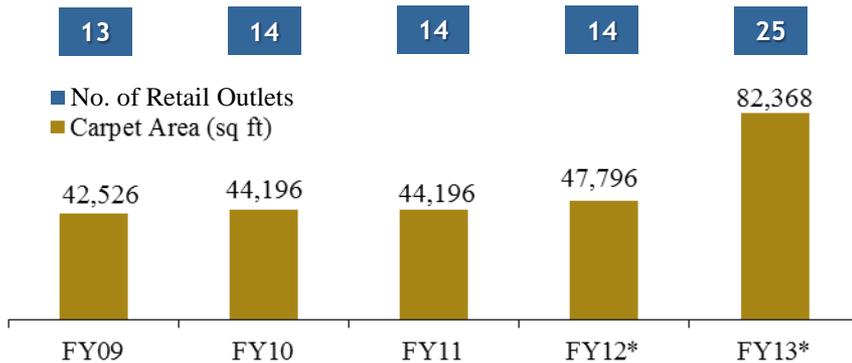
BETTER ROCE
PER STORE

~30%

Without gold lease.
**With gold lease
more than 80%**

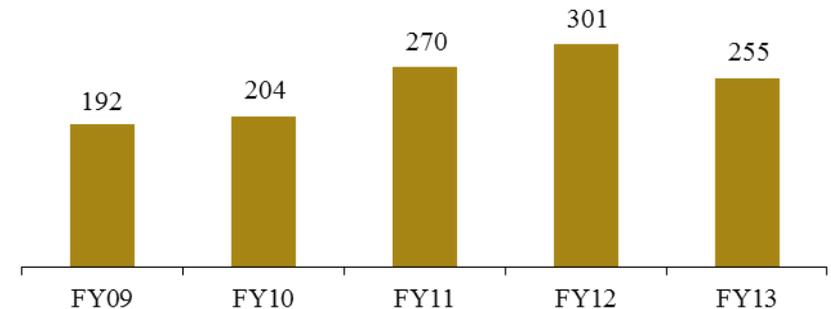
PAST 5 YEARS AT TBZ – THE ORIGINAL

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 upgraded the showroom in Pune from small format to large format showroom.

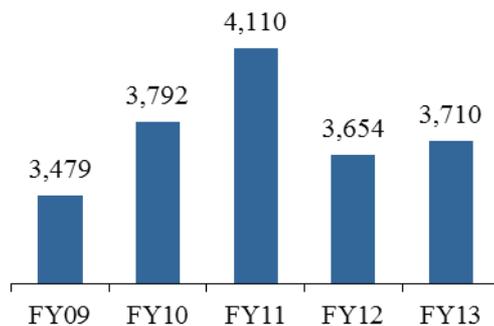
Revenue / average sqft * (₹ '000 / sqft)



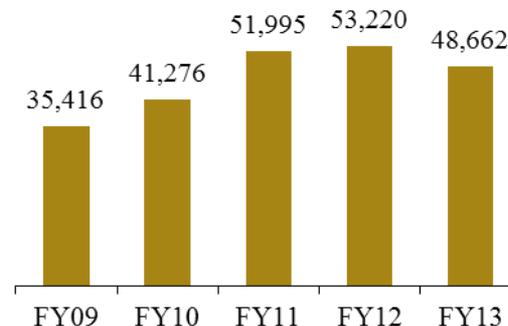
* Average is the average of sqft at the beginning and at the end of the period]

Gold and Diamond Volumes and Sales Mix*

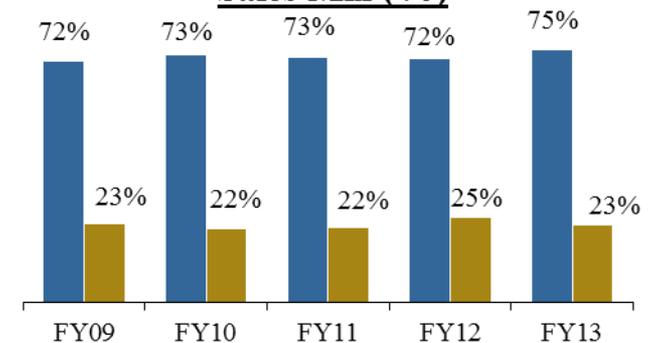
Gold Sales (Kgs)



Diamond Sales (Cts)



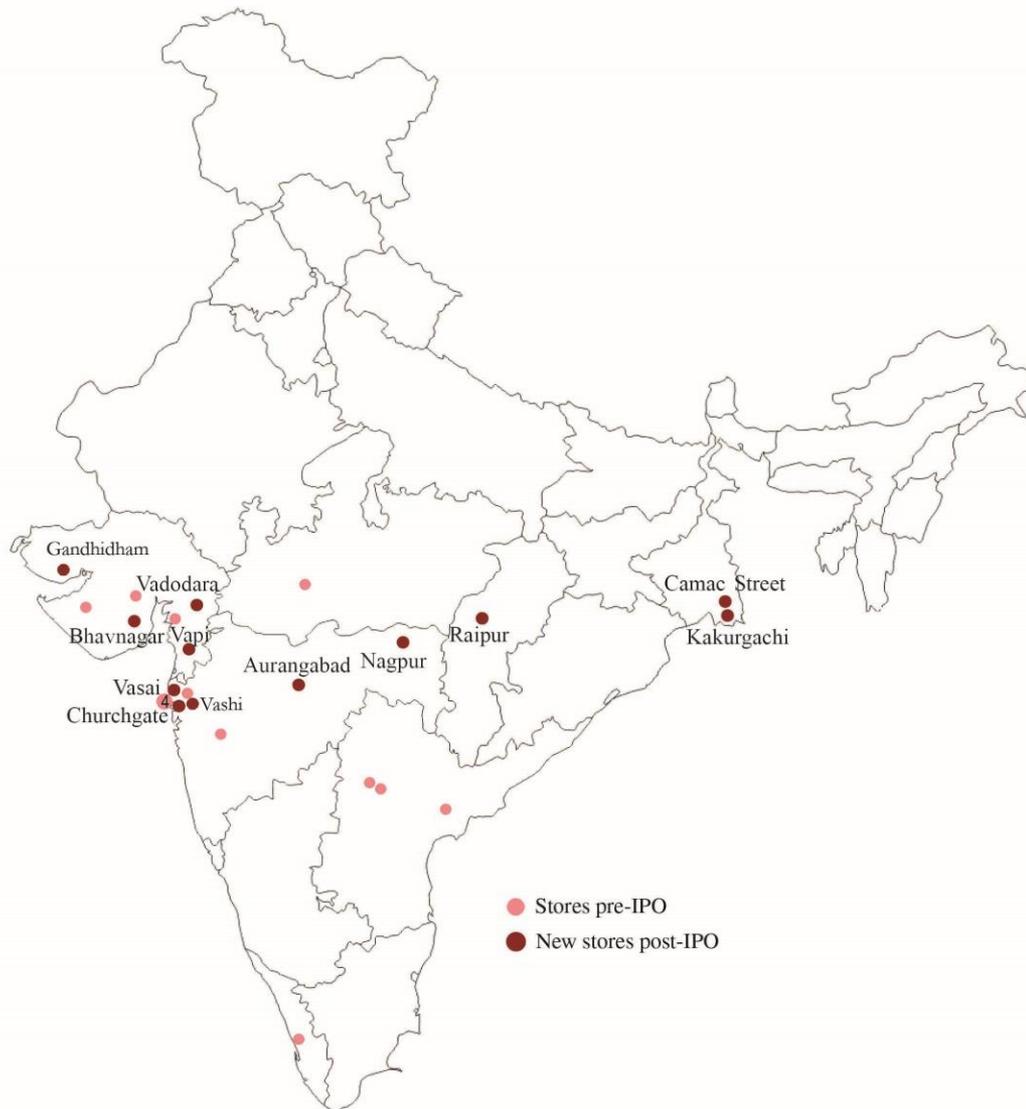
Sales Mix (%)



* Based on standalone financials

■ Gold ■ Diamond

EXPANSION UPDATE



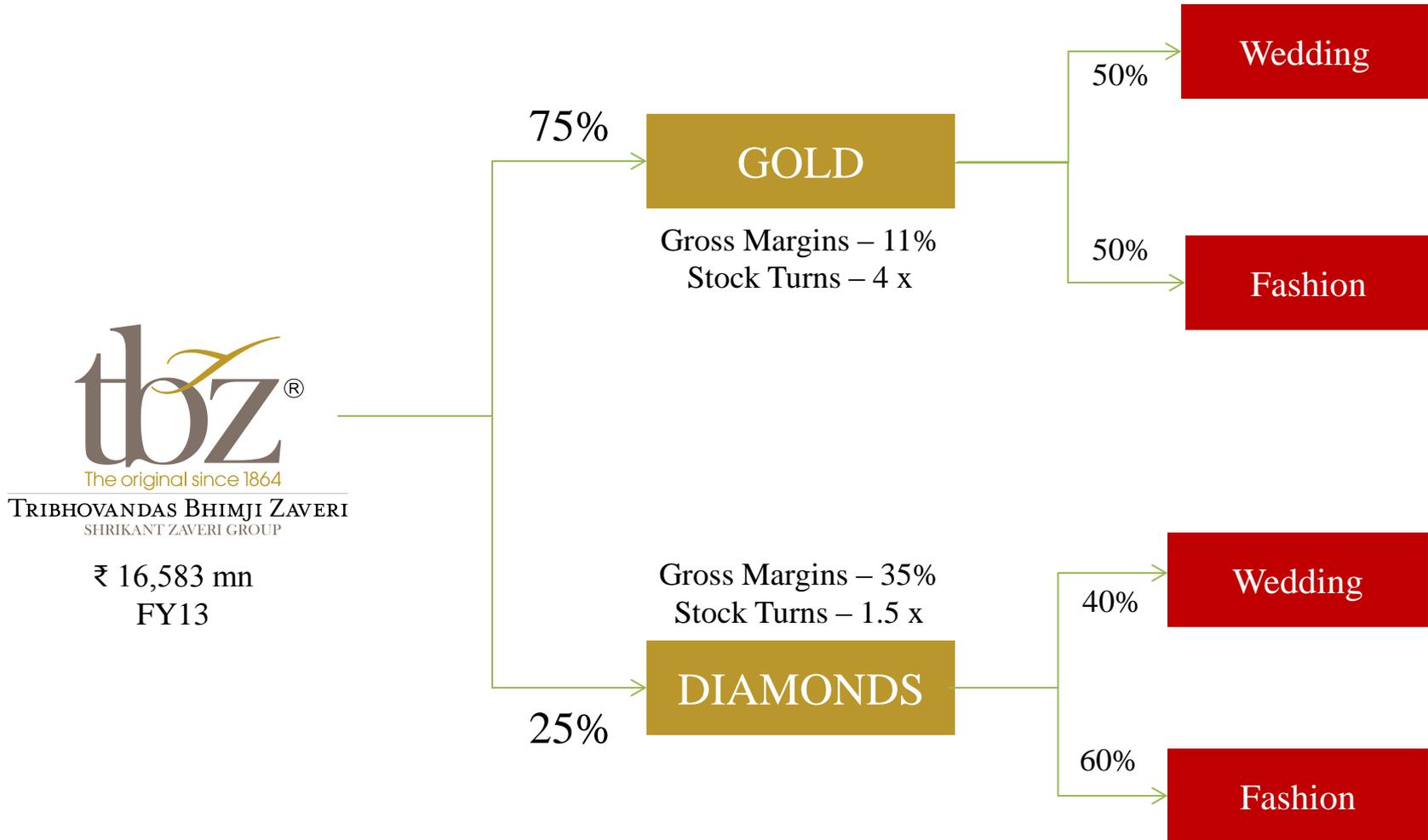
Expansion is well on track with addition of 12 new stores post IPO with a retail space of ~34,000 sqft.

Stores	Number	Area (sqft)
Pre-IPO	14	~50,000
Large Format	12	
Small Format	2	
Post-IPO	12	~34,000
Large Format	8	
Small Format	4	
Total	26	~84,000

EXPANSION UPDATE

NEW STORE ADDITION DURING FY13		
Month of Opening	Region	Carpet Area (sqft)
July 2012	Churchgate, Mumbai	1,230
August 2012	Vadodara, Gujarat	3,750
September 2012	Camac Street, Kolkata	5,000
September 2012	Kakurgachi, Kolkata	3,200
September 2012	Vapi, Gujarat	2,158
December 2012	Bhavnagar, Gujarat	2,400
December 2012	Vasai, Maharashtra	1,500
January 2013	Nagpur	2,624
January 2013	Aurangabad	4,789
March 2013	Raipur, Chattisgarh	2,900
March 2013	Vashi, Navi Mumbai	2948
April 2013	Gandhidham, Gujarat	2100

BUSINESS MODEL: PRODUCT



WEDDING JEWELLERY SALES GENERATE STRONG VOLUMES;
AND FASHION JEWELLERY SALES OFFER GROWTH

BUSINESS MODEL : RETAIL

HUB & SPOKE MODEL OPTIMIZES ROI

LARGE FORMAT STORE

- 3,000 sqft & above
- Standalone high street - heart of city
- Wider range
- Higher price points (up to ₹ 2,000k)
- Inventory - ₹ 300 mn (Gold sourced through gold loan)
- G:D - 70:30

SMALL
STORE

SMALL
STORE

SMALL
STORE

SMALL
STORE

- 1,000 - 1,500 sqft
- Across the city
- Smaller range
- Lower price points (up to ₹ 500k)
- Inventory - ₹ 100 mn (Gold sourced through gold loan)
- G:D - 70:30

BUSINESS MODEL: ECONOMICS

Particulars	Large Format	Small Format
Size sqft	Above 3,000	1,000 – 1,500
Average Sales per sqft in Year 1 (₹)	275,000	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)	₹ 17.1	₹ 7.3
Store Working Capital w/o Gold Lease (mn)	₹ 280	₹ 93
Store Working Capital with Gold Lease (mn)	₹ 54	₹ 23
Store Cash BEP (in months)	4.5 months	4.5 months

INDUSTRY & REGULATORY CONCERNS

The Government of India and RBI introduced a slew of proposals to curb the amount of gold imports into India with a view to control current account deficit, having direct implications on the jewellery industry. Despite the regulatory uncertainty, TBZ has displayed preparedness and proactiveness to realign its business strategies in order to address the changing industry norms.

Measures / Proposals by Government of India and RBI to curb gold imports in India:

- **Import duty hike from 2% to 6%:**
 - No impact on TBZ as the price increase was easily absorbed by the customers.
- **RBI's proposal to link gold lease rate to base rate:**
 - No major impact on TBZ as the incremental borrowing cost of 5-6% pa or 1.3-1.5% over 90 days, can be easily absorbed by the customers.

INDUSTRY & REGULATORY CONCERNS

Measures / Proposals by Government of India and RBI to curb gold imports in India:

- **Inclusion of jewellery industry under the PMLA act:**
 - The jewellery industry is yet to be notified about the stipulated limit for KYC disclosures.
 - TBZ already ensures 100% invoicing of all purchase transactions.
 - Majority of customers at TBZ stores have already agreed to share KYC details even for purchases above ₹ 50,000.
- **RBI restricts the import of gold on consignment basis by banks only for jewellery exporters:**
 - TBZ sources entire gold for all new stores on gold lease.
 - Currently, from 50% of its gold inventory on lease, TBZ would transition to 100% on lease by FY15.
 - The move would only marginally increase the gold borrowing costs for all jewellery companies which can be easily absorbed by customers.

RESULTS UPDATE – MARCH 2013

Income Statement in (mn) (Quarterly unaudited)	Q4FY13 (₹)	Q4FY12 (₹)	YoY %	Q3FY13 (₹)	QoQ %	FY13 (₹)	FY12 (₹)	YoY %
Income from Operations	4,473	2,681	66.9	5,771	-22.5	16,583	13,855	19.7
Expenditure:								
Raw Materials Consumed	3,608	2,224	62.3	4,787	-24.6	13,463	11,424	17.8
Employee Costs	190	123	54.9	134	41.9	551	457	20.5
Other Expenditure	226	138	63.3	414	-45.4	1,095	753	45.5
Total Expenditure	4,025	2,485	62.0	5,335	-24.6	15,109	12,634	19.6
EBITDA	449	196	128.7	436	2.9	1,474	1,221	20.8
<i>EBITDA Margin (%)</i>	<i>10.0</i>	<i>7.3</i>		<i>7.6</i>		<i>8.9</i>	<i>8.8</i>	
Depreciation	28	14	102.5	21	32.3	80	53	52.8
Other Income	25	4	517.3	12	100.2	59	16	266.7%
Net Interest Expense	77	79	-1.9	58	33.2	215	315	-31.7%
Prior period adjustment	2	-	-	-	-	(2)	-	-
Profit Before Tax	367	108	240.2	368	-0.5	1,236	869	42.2
Tax	117	32	263.2	121	-3.1	386	297	29.7
Profit After Tax	250	75	231.3	247	0.8	850	572	48.6
<i>PAT Margin (%)</i>	<i>5.6</i>	<i>2.8</i>		<i>4.3</i>		<i>5.1</i>	<i>4.1</i>	

RESULTS UPDATE – MARCH 2013

Balance Sheet (in mn)	FY13 (₹)	FY12 (₹)
Sources of Funds		
Equity	4,101	1,596
Loan Funds	4,140	2,036
Other Long Term Liabilities	63	44
Total Sources of Funds	8,303	3,676
Application of Funds:		
Gross Block	1,106	642
Less: Depreciation	230	150
Net Block	876	492
CWIP	16	7
Investments	30	30
Deferred Tax Assets	52	34
Long Term Loans & Advances	101	88
Current Assets: Inventories	10,274	5,019
Debtors	18	30
Cash and Bank Balance	318	53
Short Term Loans & Advances	127	73
Less: Current Liabilities	3,509	2,150
Total Application of Funds	8,303	3,676

RESULTS UPDATE: INCOME STATEMENT

Income from Operations:

- Income from operations increased by 19.7% YoY during FY13 and 66.9% YoY during Q4FY13 driven by the incremental sales from opening of 11 new showrooms as well as from existing showrooms.

Gross Margin:

- Gross margin increased by 127 bps YoY during FY13 and 228 bps YoY during Q4FY13 driven by higher sales of studded jewellery compared to gold coins.

Other Expenses

- Other expenditure increased by 45.5% YoY during FY13 primarily due to -
 - Higher adv. expenses of ₹ 131 mn to increase nationwide visibility and drive sales at existing as well as new showrooms.
 - Higher launch expenses ₹ 70 mn and higher rent expenses of ₹ 41 mn on account of opening of 11 new showrooms.

RESULTS UPDATE: BALANCE SHEET

Increase in Loan Funds:

- Gold on lease has been classified in Loan Funds as per prudent practices leading to increase in Loan Funds at the end of the year.
- 50% of gold inventory was on lease at ₹ 2,789 mn (excluding making charges and overheads).

Increase in Inventory

- Inventory increased due to opening of 11 new showrooms during FY13, inventory buildup for 12th store opened on 1st April 2013, and inventory buildup to drive higher sales on auspicious days of Gudi Padwa and Akshay Tritiya in April and May 2013 respectively.

Kalpavruksha Scheme:

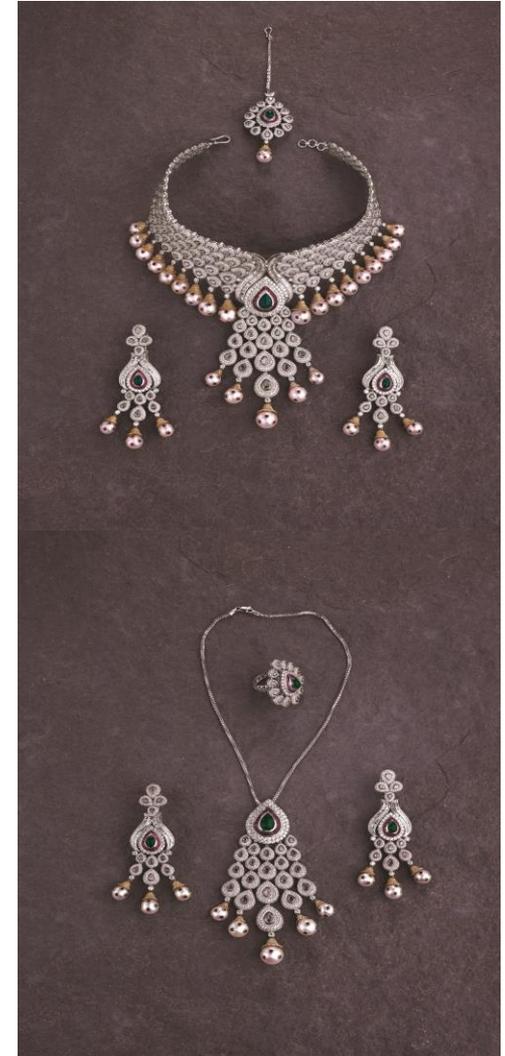
- Advances on account of Kalpavruksha scheme increased by 81% to ₹ 978 mn at end of March 31, 2013 compared to March 31, 2012.

MARGIN ANALYSIS

	Q4 FY13	Q4FY12	Q3 FY13	FY13	FY12
Gross Margins:					
Gold Jewellery	14.5%	10.9%	11.8%	13.2%	10.9%
Diamond Jewellery	34.3%	34.8%	33.8%	35.2%	35.9%
Blended Margins	19.3%	17.1%	17.0%	18.8%	17.5%
Expenses (as a % of Sales):					
Salaries	4.2%	4.6%	2.3%	3.3%	3.3%
Advertisement	2.4%	1.2%	4.1%	3.2%	2.4%
Rentals	1.0%	1.1%	0.7%	0.9%	0.8%
Other Overheads	1.7%	2.9%	2.3%	2.5%	2.1%
EBITDA Margins	10.0%	7.3%	7.6%	8.9%	8.8%

OUTLOOK FOR FY14

- With the successful completion of first year of expansion, TBZ would continue expanding into new regions across India in FY14.
- Improved macroeconomic environment and better consumer sentiments coupled with the recent decline in gold prices are expected to have positive impact on the jewellery volumes. This is already evidenced by more than 50% jump in jewellery volumes in the month of April & May.
- The wedding segment is expected to show improved performance in FY14 driven by higher number of wedding days (74 days vs. 49 days in FY13) and auspicious days.
- Launch of new collections and designs would further drive volumes and margin expansion.



Thank you

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