



tboz[®]
The original since 1864
TRIBHOVANDAS BHIMJI ZAVERI
SHRIKANT ZAVERI GROUP

QUARTERLY
UPDATE
June quarter 2012-
August 7, 2012-13

DISCUSSION OUTLINE



About us



Business Model



Industry environment



Expansion



Results update

ABOUT US



PEDIGREE

- Over 148 years of history in Jewellery Business – 1st store opened in 1864 at Zaveri Bazaar, Mumbai
- 5th 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

- 15 retail showrooms – ~50,000 sq ft - spread across 10 cities in 5 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

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

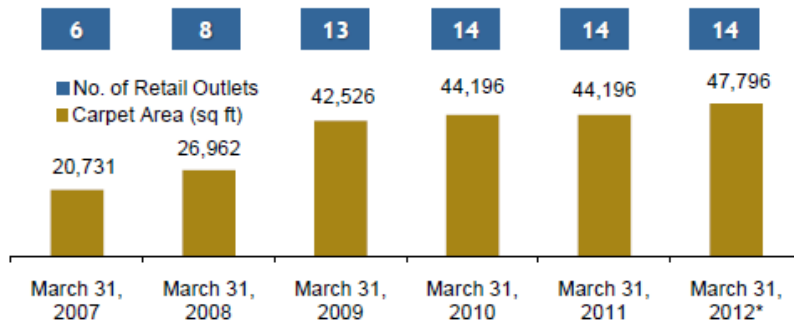
TEAM

- 1,198 employees as at June 30, 2012 including CEO, CFO, 9 functional heads and 34 showroom managers and assistant managers, 703 retail staff, 168 employees at manufacturing unit and 30 designers, including 10 CAD designers.



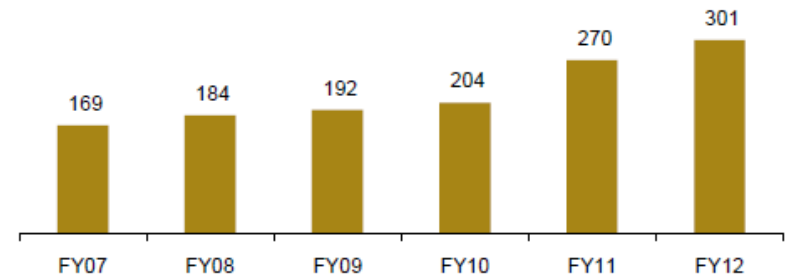
LAST 5 YEARS AT TBZ

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, giving us a total carpet area of 48,818 sq ft.

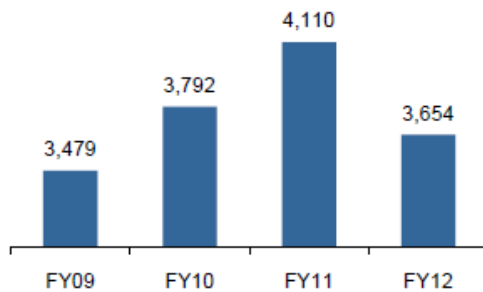
Increase in Revenue / average sq ft* (Rs '000 / sq ft)



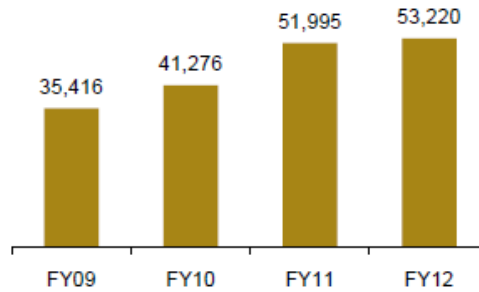
* Average is the average of sq ft at the beginning and the end of the period

Gold and Diamond Volumes and Shifting Sales Mix*

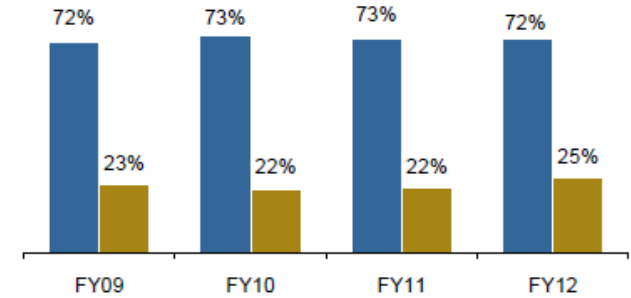
Gold Sales (Kgs)



Diamond Sales (Cts)



Sales Mix



* Based on standalone financials

■ Gold ■ Diamond

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 across 14 stores

HIGHER BILL
VALUE

80K

for Gold jewellery and
Rs 125K for Diamond
Jewellery

HIGH
PRODUCTIVITY

300,000

Rs per sft per annum;
average across 14 stores

SCALEABILITY

10* – 43*

The brand TBZ is as
popular across India.
*cities by 2015

BETTER ROCE

32%

Without gold lease.
With gold lease, much higher.

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. 15 locations, 10 cities, 5 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.

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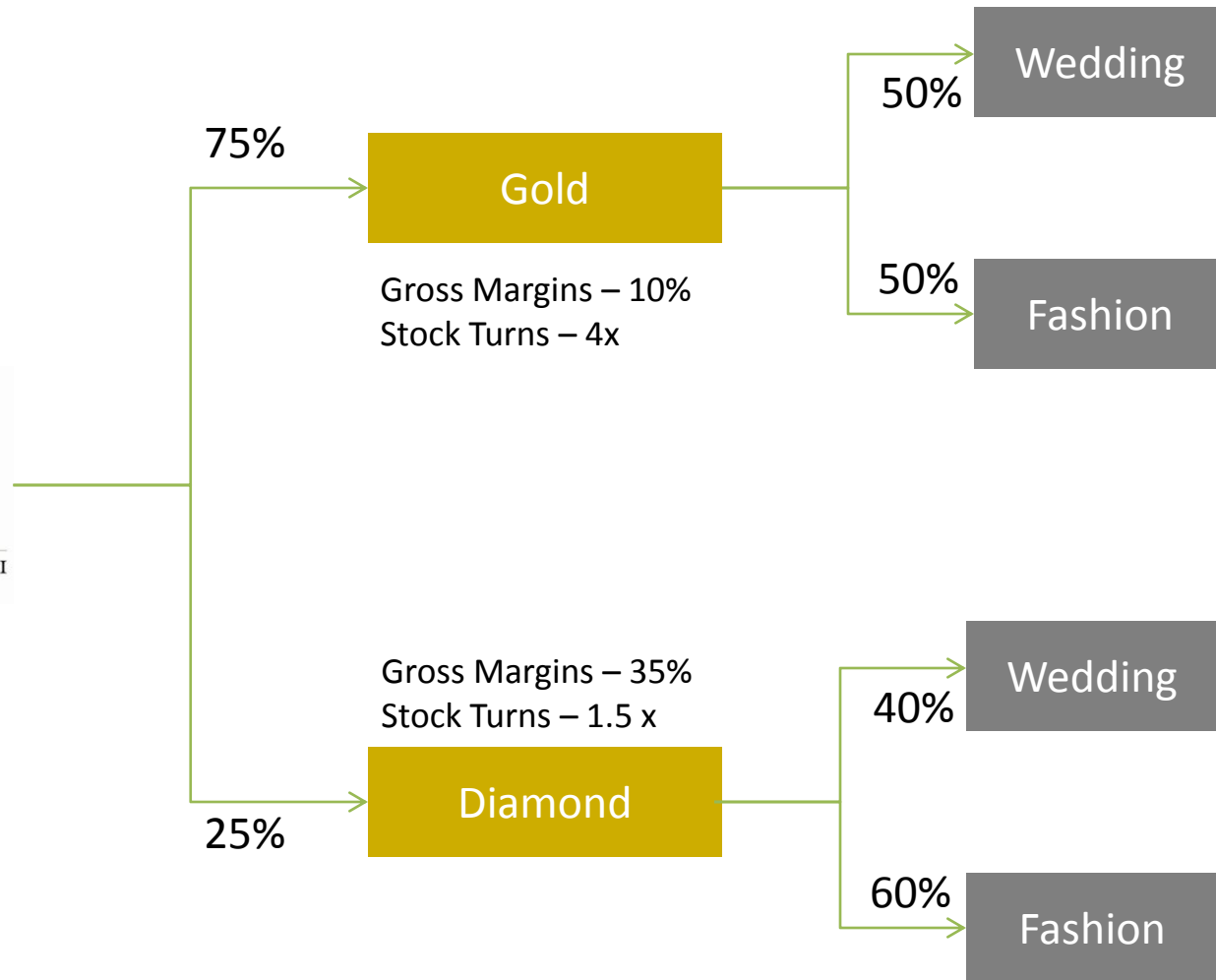


Results update

BUSINESS MODEL: PRODUCT



Rs13.9 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 w/o gold loan (Rs m)	280	92.5
Store working capital with gold loan (Rs m)	54	22.5
Store Cash BEP (in months)	4.5 month	4.5 month

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INDUSTRY ENVIRONMENT

- Lower Wedding Days during the quarter along with relatively tougher economic environment and high gold prices impacted demand environment during the quarter.
 - 7 wedding days compared to 28 days in the same quarter last year.
- The industry witnessed significant volume de-growth which was partially compensated by price increase.
- Gudi Padwa, the Maharashtrian festival was celebrated in the quarter last year, but was not in this quarter. Its an auspicious day for gold purchase through out Maharashtra.
- Diamond focused jewelers continue to do better than the overall industry.
- Jeweler strike (17th March to 7th April) during the quarter also impacted volumes.
- Overall volumes expected to recover during the 2nd half of FY13.

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EXPANSION UPDATE

- New small format showroom opened at Churchagate on 6th July 2012 with retail area of 1,260 sq ft.
 - In July 2012, the store achieved productivity of Rs 55,700 per sft for the month
- LOI's signed for 4 upcoming locations.
- 4 more stores to be added in the 2QFY13 (July to September) with an incremental retail area of 15,260 sq ft.
 - Second store post IPO opening on August 16, 2012 in Vadodara, Gujarat of 3,700 sft
- 12 stores to be added in 2012-13:
 - 9 Large Format Stores (Above 3,000 sq ft)
 - 3 Small Format Stores (1000-3000 sq ft).
- On track to expand to 57 stores by 2014-15

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RESULTS UPDATE – JUNE 2012

(Rs m)	Q1 FY13	FY12
Income from Operations	2,835	13,854
Expenditure:		
Raw Materials Consumed	2,244	11,280
Employee Costs	110	496
Other Expenditure	195	843
Total Expenditure	2,549	12,619
EBITDA	286	1,235
<i>EBITDA Margins (%)</i>	<i>10.1</i>	<i>8.9</i>
Depreciation	13	55
Other Income	9	5
Interest Expense (Net)	39	315
Profit Before Tax	243	871
Tax	80	299
Profit After Tax	163	572
<i>PAT Margins (%)</i>	<i>5.7</i>	<i>4.1</i>

RESULTS UPDATE – JUNE 2012

(Rs m)	June 30, 2012	FY12
Sources of Funds		
Equity	3,595	1,596
Loan Funds	909	2,036
Total Sources of Funds	4,504	3,632
Application of Funds:		
Gross Block	667	642
Less: Depreciation	163	150
Net Block	504	492
CWIP	-	7
Investments	131	30
Deferred Tax Assets	35	34
Current Assets: Inventories	5,303	5,019
Debtors	12	30
Cash and Bank Balance	563	53
Other Current assets	429	161
Total Current Assets	6,307	5,263
Total Current Liabilities	2,473	2,194
Net Current Assets	3,834	3,069
Total Application of Funds	4,504	3,632

MARGIN ANALYSIS



	1Q FY13	FY12
Gross Margins:		
Gold Jewellery	14.3%	10.9%
Diamond Jewellery	39.4%	35.9%
Blended Margins	20.4%	17.5%
Expenses (as a % of Sales):		
Salaries	3.8%	3.3%
Advertisement	3.0%	2.4%
Rentals	1.0%	0.8%
Other Overheads	2.5%	2.1%
EBITDA Margins	10.1%	8.9%

DEVELOPMENTS THIS QUARTER

- Launched *Dohra* Collection, a multi utility detachable jewelry in gold and diamond during the quarter.
- Moved to Gold on Lease Scheme during the quarter which has the following advantages:
 - Lower Working Capital Intensity.
 - Lower cost of carrying Inventory.
 - Higher Free Cash Generation and better ROCE.
 - Carries no commodity price risk
- 80% of Diamond Jewelry demand for the quarter met through Kandivali factory. Own manufacturing has higher margin.
- Utilization of IPO Proceeds as follows:
 - IPO money raised: Rs 2000 mn
 - IPO money utilized: Rs 214.1 mn



THANK YOU!

For further information
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