

INVESTOR PRESENTATION
Q3 & 9M FY19 RESULTS
FEBRUARY 2019



TRIBHOVANDAS BHIMJI ZAVERI
SHRIKANT ZAVERI GROUP

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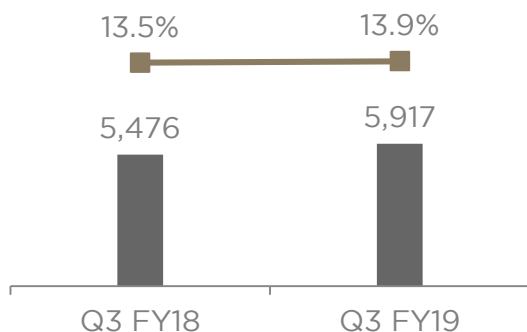
DISCUSSION SUMMARY

- Q3 & 9M FY19 Results Update
- About Us
- Operational Summary
- Business Model

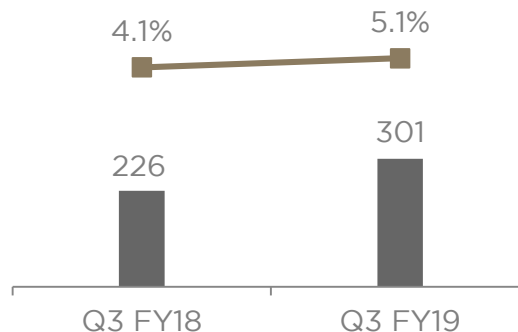
Q3 FY19 RESULT HIGHLIGHTS

In Rs Mn

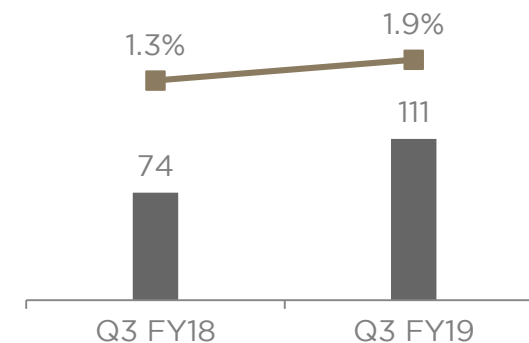
REVENUES & GROSS MARGIN



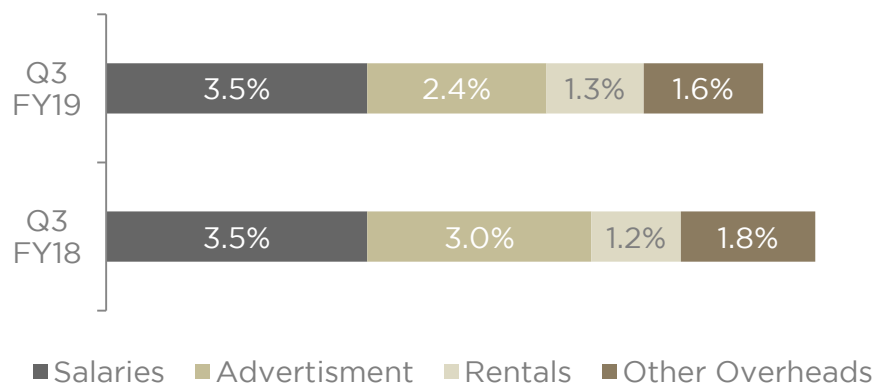
EBITDA & EBITDA MARGIN



PAT & PAT MARGIN



OPERATING COSTS (%)



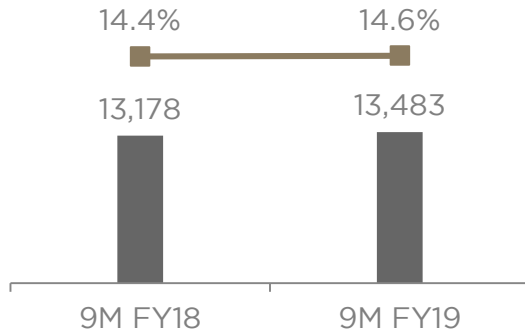
REVENUE ANALYSIS

Total Revenue Growth % - Q3 FY19	8.1%
Same Store Sales Growth % - Q3 FY19	7.0%
Share of Diamond Jewellery - Q3 FY19 (Q3 FY18)	23.4% (22.1%)

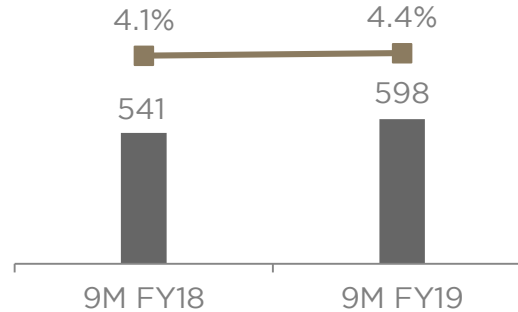
9M FY19 RESULT HIGHLIGHTS

In Rs Mn

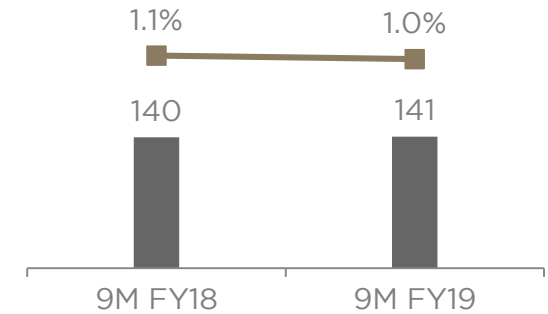
REVENUES * & GROSS MARGIN



EBITDA & EBITDA MARGIN

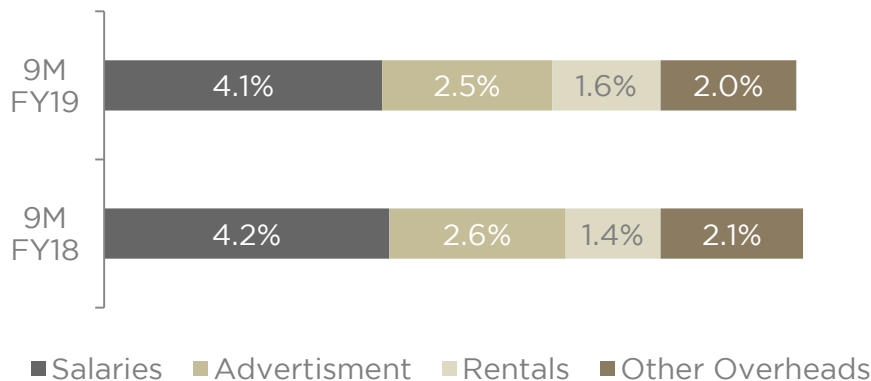


PAT & PAT MARGIN



* Net of Excise Duty

OPERATING COSTS (%)

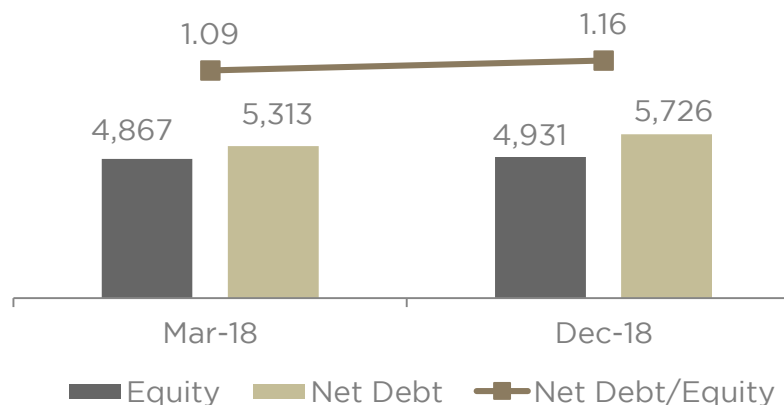


REVENUE ANALYSIS

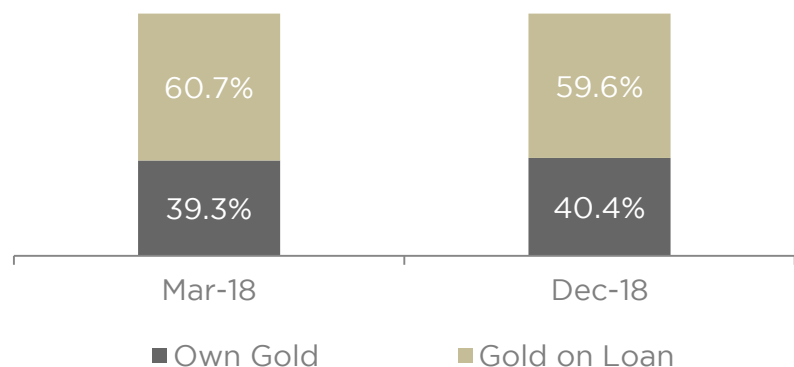
Total Revenue Growth % - 9M FY19	2.3%
Same Store Sales Growth % - 9M FY19	1.8%
Share of Diamond Jewellery - 9M FY19 (9M FY18)	22.8% (24.2%)

Q3 FY19 BALANCE SHEET UPDATE

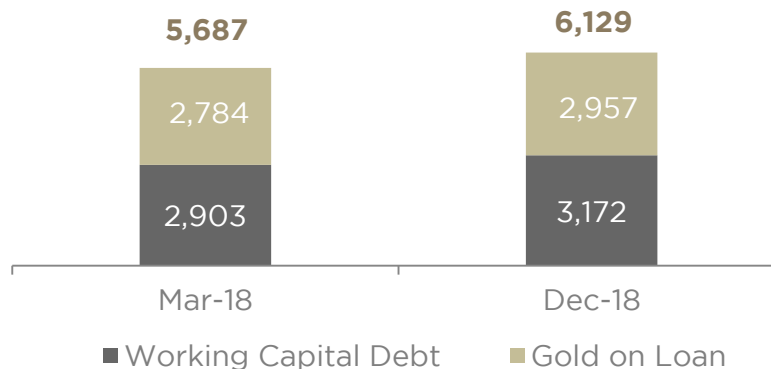
LEVERAGE ANALYSIS (RS MN)



GOLD INVENTORY BREAKUP (%)



TOTAL DEBT BREAKUP (RS MN)



Note: Gold on Loan is shown as part of short term borrowings, while some of the listed peers show it under current liabilities / trade payables

Q3 FY19 - KEY RESULT TAKEAWAYS

REVENUES:

- Revenues increased by 8.1% YoY
 - Led by 7.0% same store sales growth
 - Healthy consumer sentiments during festivals and wedding season

MARGINS:

- Gross margin improved YoY from 13.5% to 13.9% in Q3 FY19 driven by improved gold and diamond mix
- EBITDA increased by 33.3% YoY and EBITDA margin increased from 4.1% to 5.1%, led by growth in sales and strict control on operating costs

BALANCE SHEET:

- Inventory increased during the quarter due to build-up ahead of new store opening in Bengaluru in January 2019
- Total Debt grew from Rs 5,687 Mn in Mar-18 to Rs 6,129 Mn in Dec-18, inline with the increase in inventory
- Finance Cost increased inline with incremental debt. The average cost of debt was 7.6%
- Three new stores opened – one in Pune, Maharashtra in October 2018, second in Ludhiana, Punjab in November 2018 and third in Bengaluru, Karnataka in January 2019.
- Our total store count has reached to 41 stores with a retail area of ~120,699 sq. ft. spread across 29 cities in 14 states



Q3 & 9M FY19 - PROFIT & LOSS STATEMENT

Particulars (In Rs Mn) - Standalone	Q3 FY19	Q3 FY18	YoY %	9M FY19	9M FY18	YoY %	FY18
Net Revenues	5,917	5,476	8.1%	13,483	13,178	2.3%	17,514
COGS	5,098	4,735	7.7%	11,520	11,279	2.1%	15,053
Gross Profit	820	741	10.6%	1,963	1,899	3.4%	2,461
Gross Margin (%)	13.9%	13.5%	31 bps	14.6%	14.4%	15 bps	14.1%
Personnel Expenses	204	188	8.5%	547	553	-1.1%	730
Other Expenses	314	327	-4.0%	818	805	1.7%	1,000
EBITDA	301	226	33.3%	598	541	10.5%	731
EBITDA Margin (%)	5.1%	4.1%	96 bps	4.4%	4.1%	33 bps	4.2%
Depreciation	27	22	20.8%	71	64	11.2%	85
Other Income	14	8	79.8%	32	39	-18.5%	70
Interest Expenses	118	97	22.1%	342	299	14.6%	397
Profit Before Tax	170	115	48.2%	216	218	-0.7%	319
Tax	59	41	43.9%	75	78	-3.4%	108
PAT	111	74	50.6%	141	140	0.9%	211
PAT Margin (%)	1.9%	1.3%	53 bps	1.0%	1.1%	-1 bps	1.2%

Q3 & 9M FY19 - BALANCE SHEET

Particulars (In Rs Mn) – Standalone	December-18	September-18	June-18	March-18	December-17
Shareholders Funds	4,931	4,823	4,879	4,867	4,803
Loan Funds	6,129	6,292	6,082	5,687	5,283
Gold on Loan	2,957	2,933	2,975	2,784	2,595
Working Capital Loan	3,172	3,359	3,107	2,903	2,688
Other Long Term Liabilities	97	76	70	62	73
Sources of Funds	11,157	11,191	11,031	10,615	10,159
Net Block	1,101	1,024	994	1,001	1,022
Other Long Term Assets	184	252	268	258	251
Inventory	11,880	11,558	10,765	10,218	10,377
Debtors	267	221	111	230	209
Cash and Bank Balance	403	328	415	374	436
Other Current Assets	475	401	170	116	125
Current Liabilities	3,153	2,593	1,692	1,581	2,261
Net Current Assets	9,872	9,915	9,769	9,357	8,886
Application of Funds	11,157	11,191	11,031	10,615	10,159

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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

- Healthy sales productivity
- High footfalls conversion - 80%
- High ticket size - Gold - Rs 91 k, Diamond - Rs 129 k

Scalability & Reach

- 41 stores (120,699 sq. ft.)
- Presence - 29 cities, 14 states

Expansion Plan -

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

TBZ

SUSTAINABLE COMPETITIVE ADVANTAGES

Specialty Wedding Jeweller

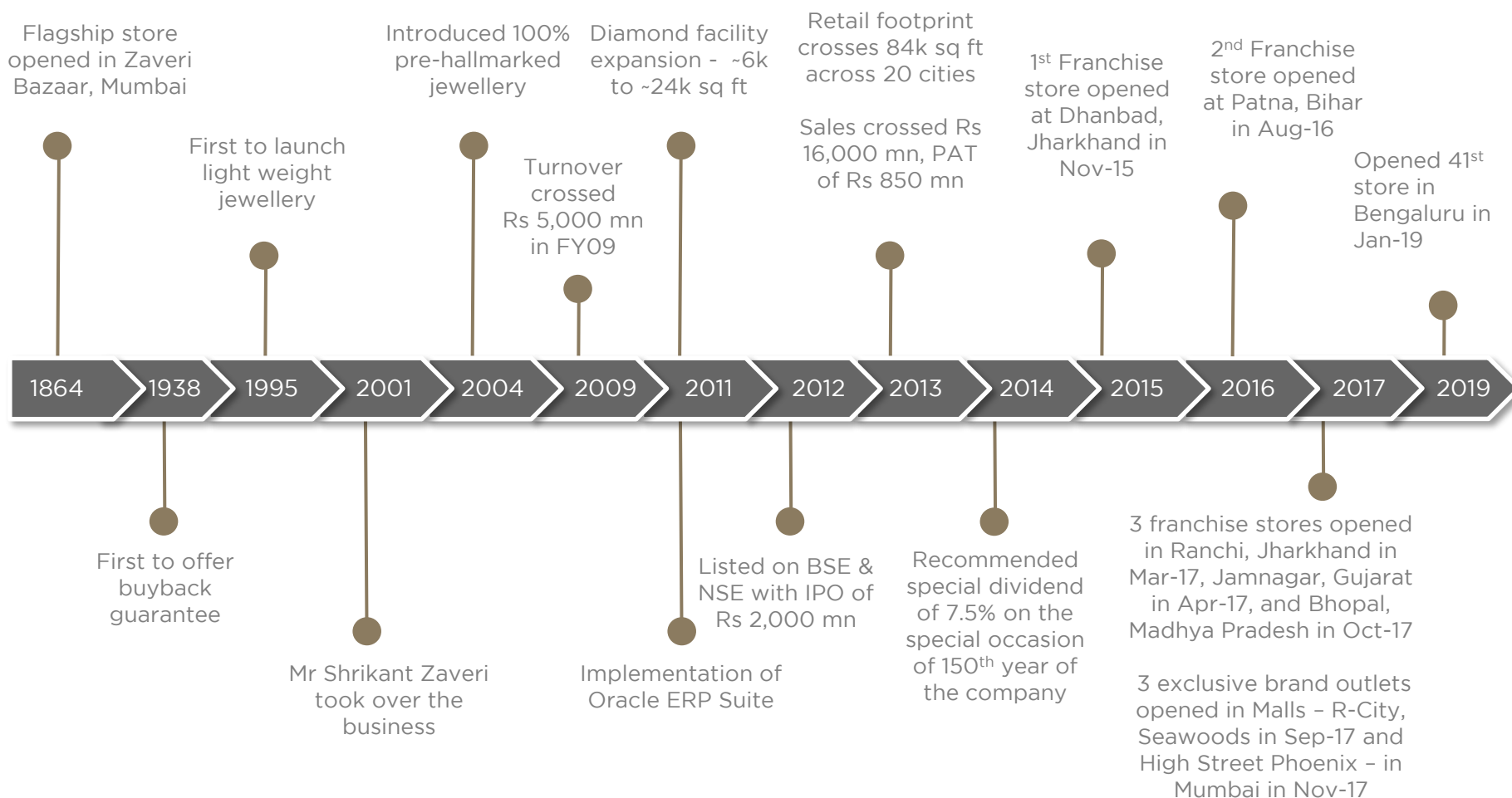
- ~ 65% of sales are wedding & wedding related purchases
- Compulsion buying
- Stable fixed budget purchases by customers

Design Exclusivity

- 35 designers (incl. 16 CAD)
- 8 - 10 new jewellery lines/year
- In-house diamond jewellery production
- Customer loyalty
- Premium pricing

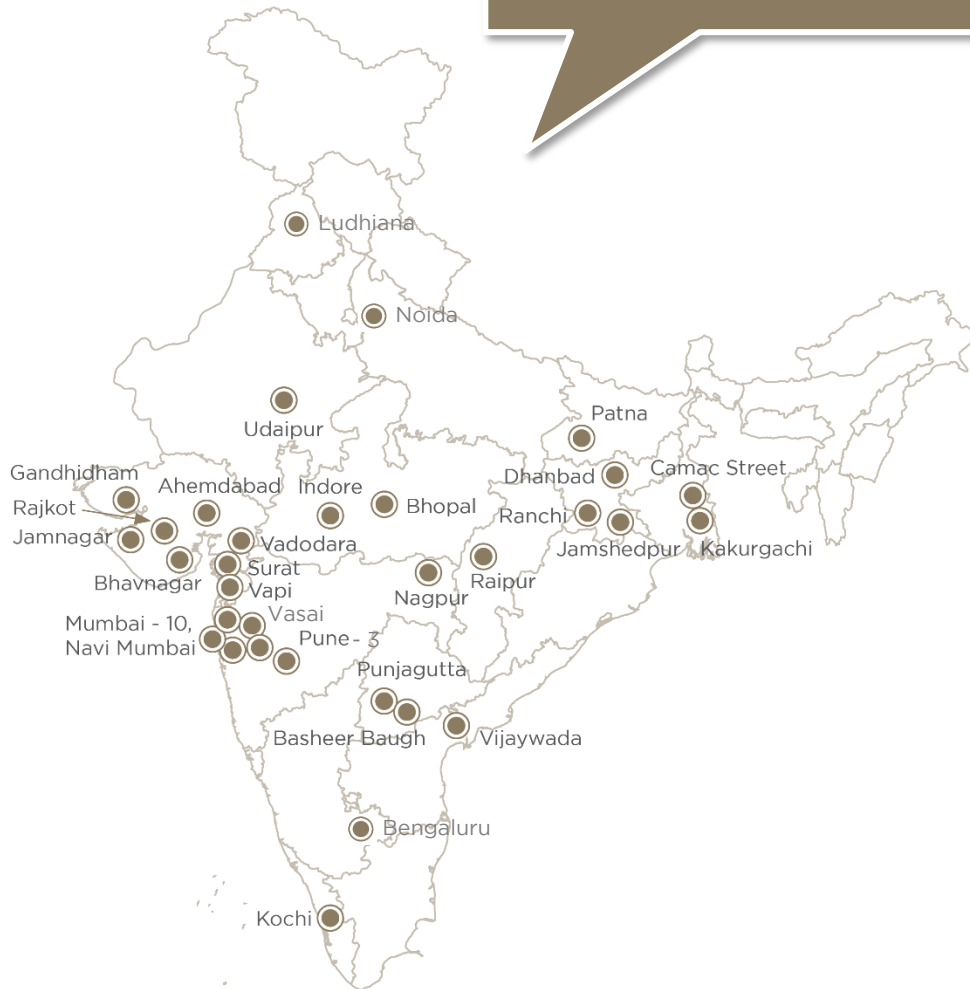
KEY MILESTONES

STRONG LEGACY OF MORE THAN 150 YEARS BUILT ON TRUST



RETAIL PRESENCE

Present across 29 cities
in 14 states

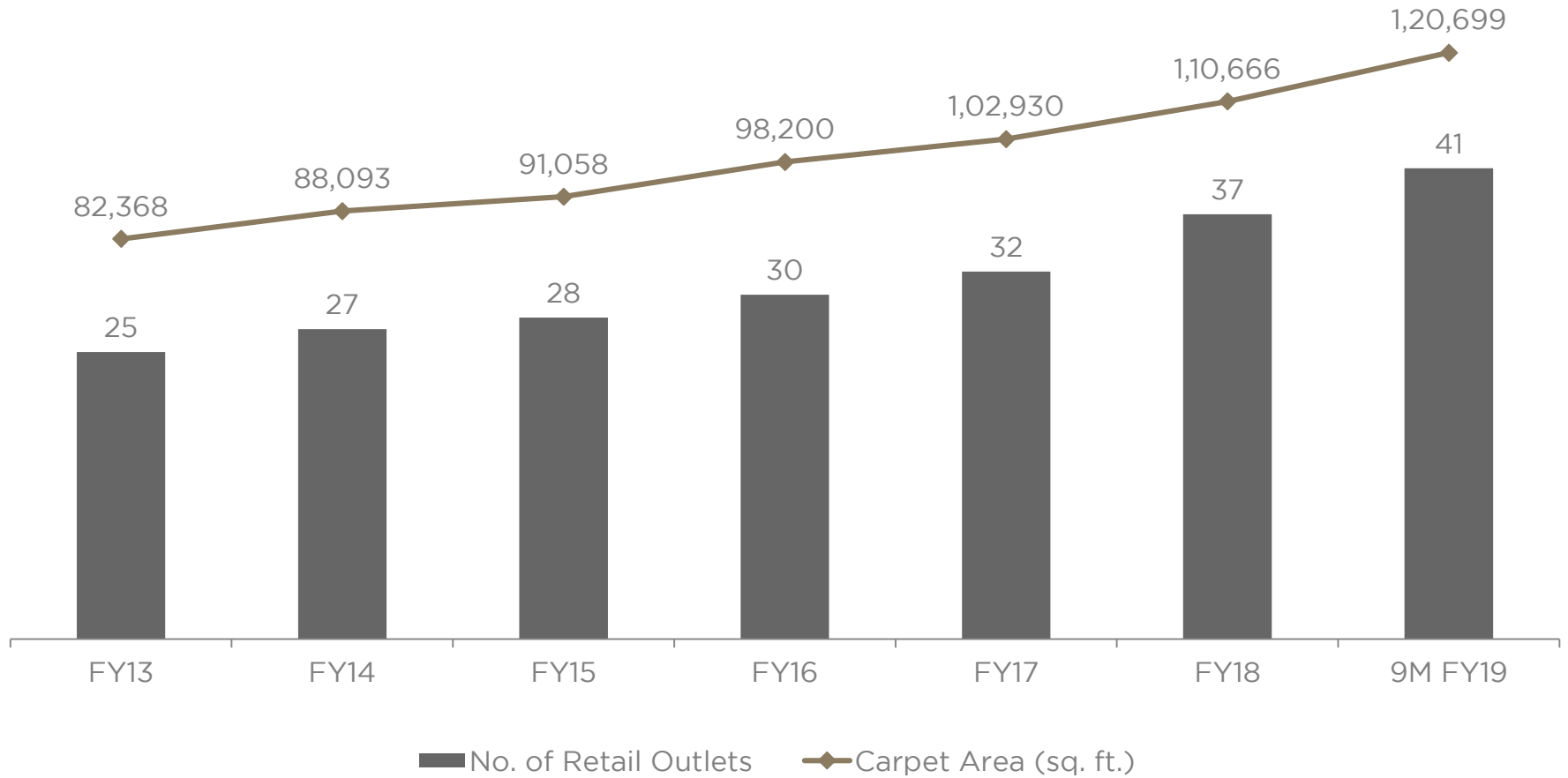


PAN-INDIA PRESENCE WITH 41 STORES
WITH A RETAIL SPACE OF ~120,699
SQ. FT. SPREAD ACROSS
29 CITIES IN 14 STATES

NUMBER OF STORES	TILL DATE
Large Format (> 2,000 sq. ft.)	31
Small Format (<= 2,000 sq. ft.)	10
Total Stores	41
Total Area	~120,699



RETAIL FOOTPRINT EXPANSION

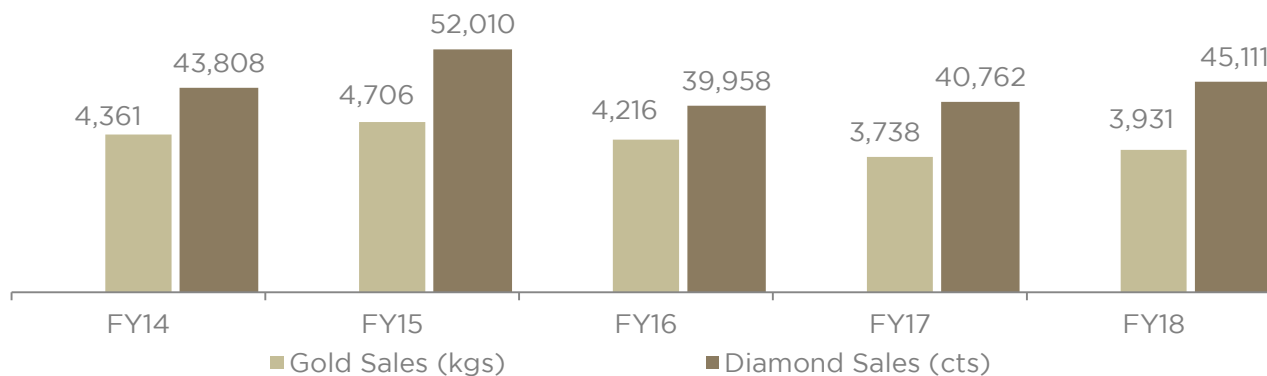


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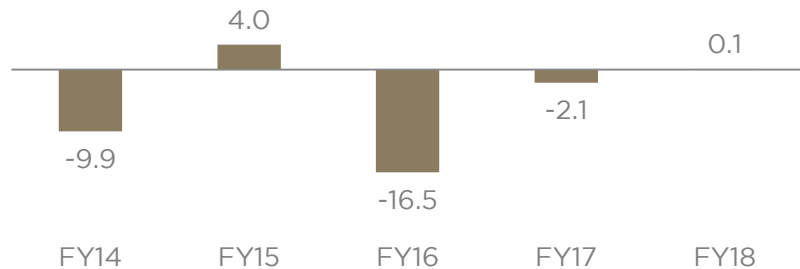
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OPERATIONAL SUMMARY

GOLD & DIAMOND VOLUMES

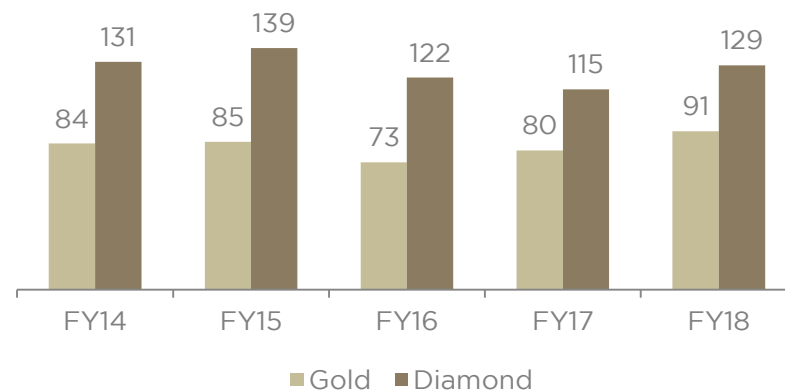


SSSG - TOTAL (%)



SSSG: Same store sales value growth

AVERAGE TICKET SIZE (RS '000)



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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

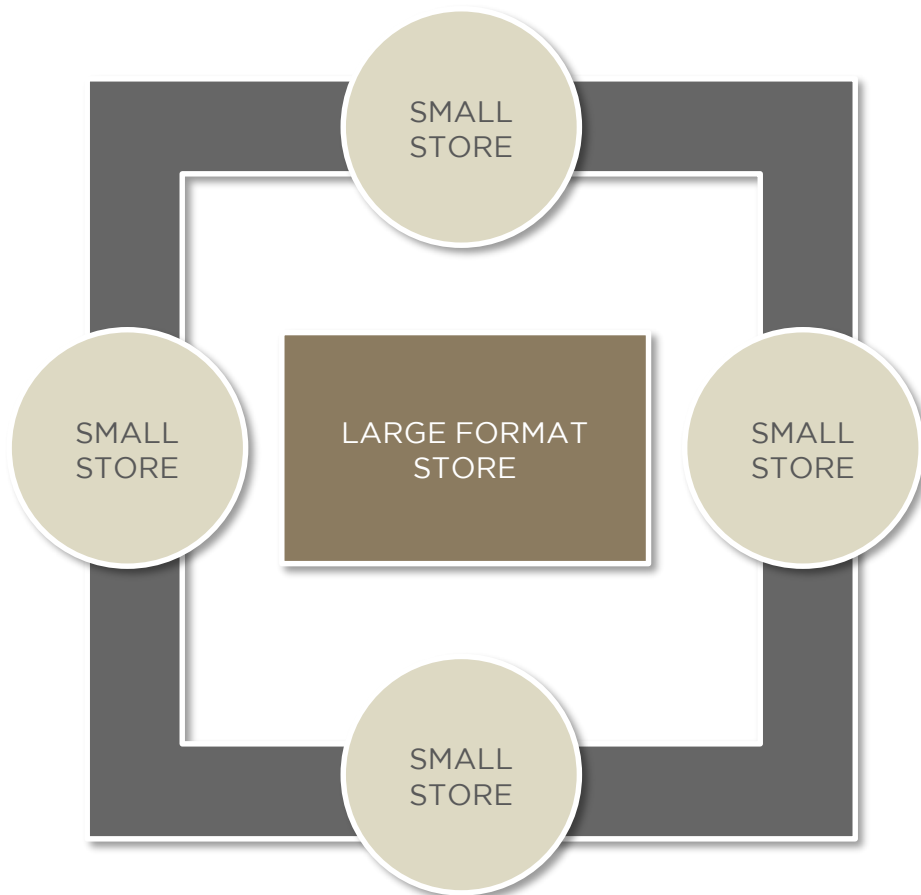
- In-house diamond jewellery manufacturing leading to exclusive designs, lower costs, and higher margins
- Manufacturing facility at Kandivali, Mumbai spread over ~24,000 sq ft with capacity of ~200,000 cts (on dual shift basis).
- The facility also has capacity for 4,000 kg of gold refining and 4,500 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 ~120,699 sq. ft. at present to around 1,50,000 sq. ft. over near term.
- TBZ plans to carry out the expansion through mix of franchisee route and 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	41	
Retail Sq ft	~48,000	~120,699	~1,50,000
Number of Cities	10	29	



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 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 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

- “DIAMOND VIVAH JEWELLERY OF THE YEAR”
Retail Jeweller India Awards - 2018
- “INDIA’S MOST PREFERRED JEWELLERY BRAND”
UBM India - 2017
- “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





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