

INVESTOR PRESENTATION
Q1 FY20 RESULTS
JUNE 2019



TRIBHOVANDAS BHIMJI ZAVERI
SHRIKANT ZAVERI GROUP

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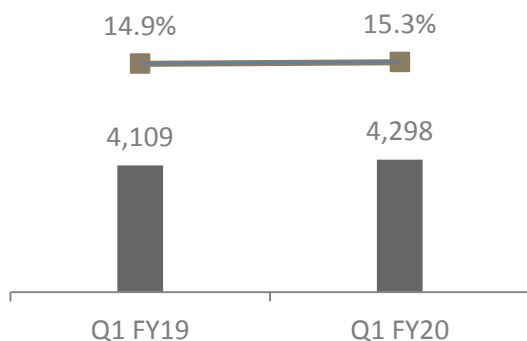
DISCUSSION SUMMARY

- [Q1 FY20 Results Update](#)
- About Us
- Operational Summary
- Business Model

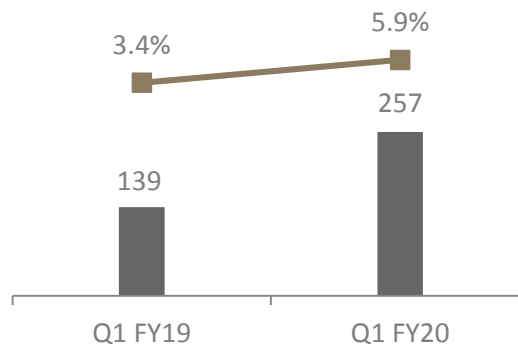
Q1 FY20 RESULT HIGHLIGHTS

In Rs Mn

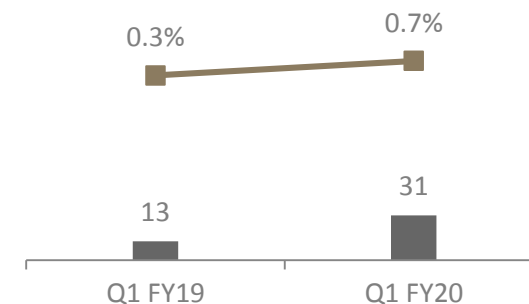
REVENUES & GROSS MARGIN



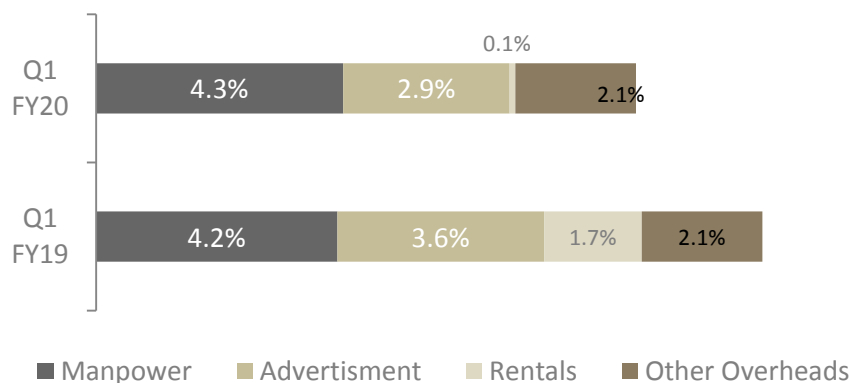
EBITDA & EBITDA MARGIN



PAT & PAT MARGIN



OPERATING COSTS (% of Total Revenue)



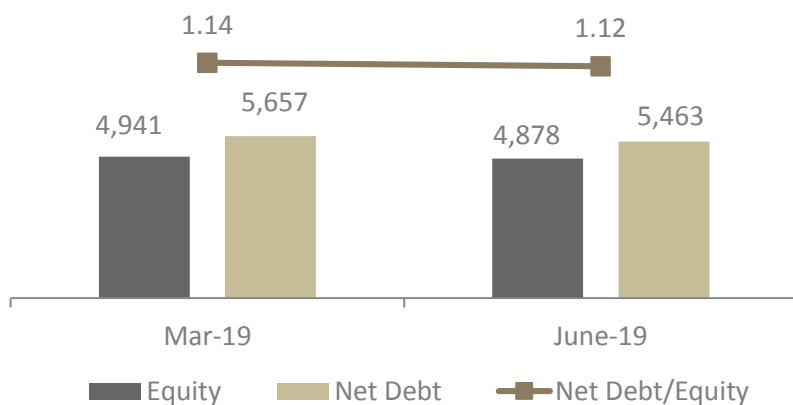
REVENUE ANALYSIS

Total Revenue Growth % - Q1 FY20	4.5%
Same Store Sales Growth % - Q1 FY20	1.2%
Share of Diamond Jewellery - Q1 FY20 (Q1 FY19)	22.8%(23.8%)

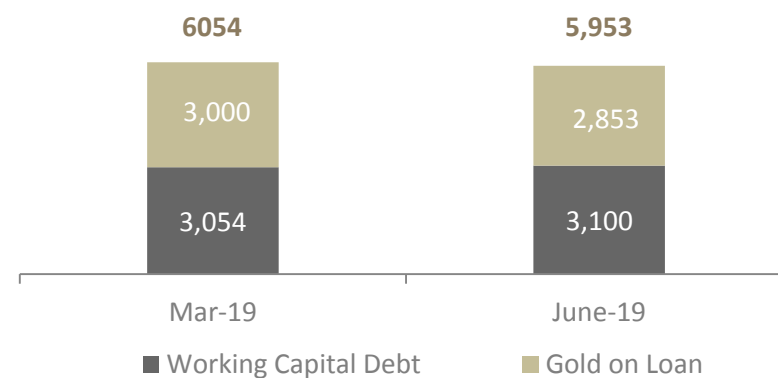
Q1 FY20 BALANCE SHEET UPDATE

In Rs Mn

LEVERAGE ANALYSIS



TOTAL DEBT BREAKUP



Notes:

- 1) Gold on Loan is shown as part of short term borrowings, while some of the listed peers show it under current liabilities / trade payables.
- 2) Of Total Gold inventory as on 30th June 2019 Gold on Loan is 52.2% as compared to 57.2% as on 31st March 2019.

Q1 FY20 - KEY RESULT TAKEAWAYS

REVENUE & MARGIN:

- Revenue Increased by 4.5% YoY mainly due to higher gold sales.
- EBITDA¹ have increased to Rs257 Mn (June 19) from Rs139 Mn (June 18) YOY partially due to improved gross margin. Higher Gross Profits led to overall absorption of overheads, thus leading to improvement in EBITDA margins from 3.4% to 5.9%
- Borrowing cost¹ has increased marginally from Rs108 Mn to Rs116 Mn.

BALANCE SHEET:

- Efficient working capital management led to reduction in Net Debt by Rs194 Mn (QoQ)
- Net Debt to Equity Ratio has improved from 1.14x in Q1 FY19 to 1.12x in Q1 FY20.



Note: 1) Refer reported EBITDA and Finance cost ; Post IND AS 116 impact

Impact of IND AS 116

IND-AS 116 (Accounting for leases) was mandated from 1st April 2019

This Ind-AS has the following impact:

- 1) On Profit & Loss: Lease Rental expenses is replaced by Depreciation and Interest Expenses.
- 2) On Balance sheet: The Accounting Standard essentially brings all the leases into the balance sheet as a “Right to use” on asset side with a corresponding “Lease obligation” on Liability Side.

The Company has opted to adopt “Modified Retrospective approach”, by which we go back to the start of the leases and arrive at the “Right to use assets” and the “Lease obligation” on 1st April 2019 and the difference between the liabilities and assets is reduced from the opening net worth as on 1st April 2019.

The actual impact of adoption of Ind-AS is as follows: -

1. For quarter ending 30th June 2019, Rent expenses has decreased by Rs77 mn offset by increase in depreciation by Rs54 mn and interest expense by Rs25 mn resulting in higher EBITDA by Rs77 mn and lower PBT by Rs2 mn.
2. As at 1 April 2019 we recognised Right to use assets of Rs794 mn and Lease liability of Rs956 mn and the difference of Rs106mn (net of deferred tax of Rs56mn.) has been adjusted in retained earnings.

Q1 FY20 - PROFIT & LOSS STATEMENT

Particulars (In Rs Mn) – Standalone	Q1 FY20	Q1 FY19	YoY %	FY19
Net Revenues	4,298	4,109	4.58%	17,638
COGS	3,639	3,497	4.04%	15,149
Gross Profit	659	612	7.67%	2,489
Gross Margin (%)	15.3%	14.9%	8 bps	14.1%
Personnel Expenses	185	173	7.4%	732
Other Expenses (refer slide no.7)	217	301	-27.9%	1,019
EBITDA	257	139	85.2%	738
EBITDA Margin (%)	5.8%	3.4%	260 bps	4.2%
Depreciation (refer slide no.7)	81	21	285.2%	99
Other Income	14	10	37.2%	56
Interest Expenses (refer slide no.7)	141	108	30.6%	464
Profit Before Tax	50	20	143.8%	231
Tax	19	7	158.8%	78
PAT	31	13.1	135.5%	153
PAT Margin (%)	0.7%	0.3%	40 bps	0.9%

Q1 FY20- BALANCE SHEET

Particulars (In Rs Mn) – Standalone	June-19	March-19
Shareholders Funds (refer slide no.7)	4,878	4,941
Loan Funds	5,953	6,054
Gold on Loan	2,853	3,000
Working Capital Loan	3,100	3,054
Other Long Term Liabilities (refer slide no.7)	998	77
Sources of Funds	11,829	11,073
Net Block (refer slide no.7)	1,797	1,075
Other Long Term Assets (refer slide no.7)	247	219
Inventory	11,901	11,869
Debtors	103	259
Cash and Bank Balance	490	397
Other Current Assets	495	492
Current Liabilities	3,204	3,239
Net Current Assets	9,785	9,778
Application of Funds	11,829	11,073

BRAND BUILDING & MARKETING INITIATIVES

- TBZ has been making consistent investments in its marketing activities to widen its customer base and promote the brand in India
- Recently TBZ appointed Bollywood actress Sara Ali Khan as new brand ambassador
- Sara Ali Khan will feature in several brand campaigns endorsing the 'TBZ-The Original' brand across India
- Launched Sitara – Affordable diamond jewellery collection range with Sara Ali Khan
- Launched Tatva- Affordable gold, jewellery collection with Sarah Ali Khan



SITARA
by
tbz[®]
The original since 1864

LATEST JEWELLERY DESIGNS & COLLECTIONS



LIGHT UP
THE WORLD

Diamond sets starting from
₹ 1lac

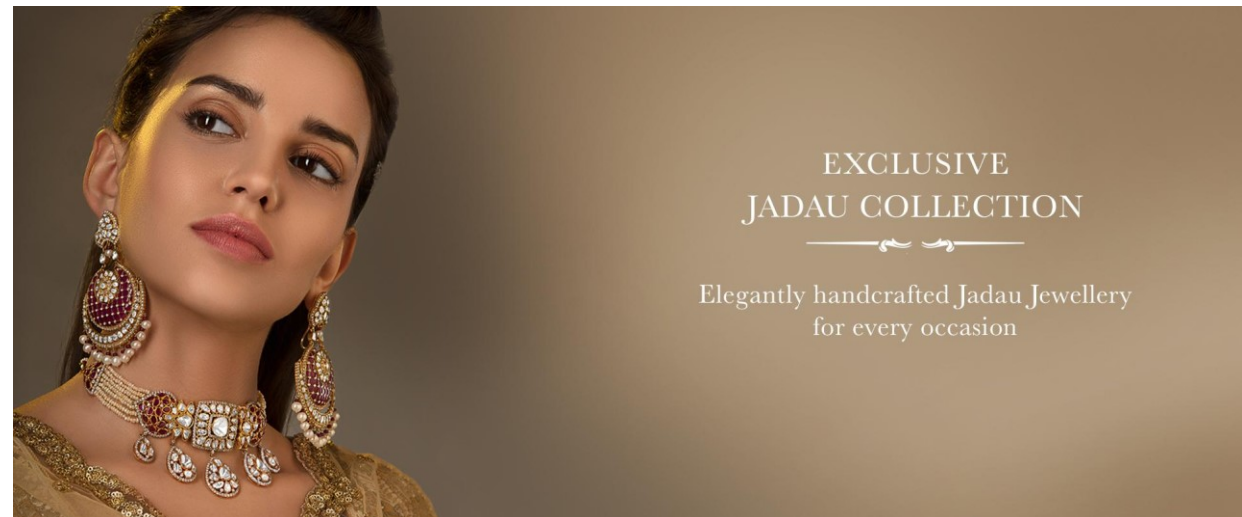
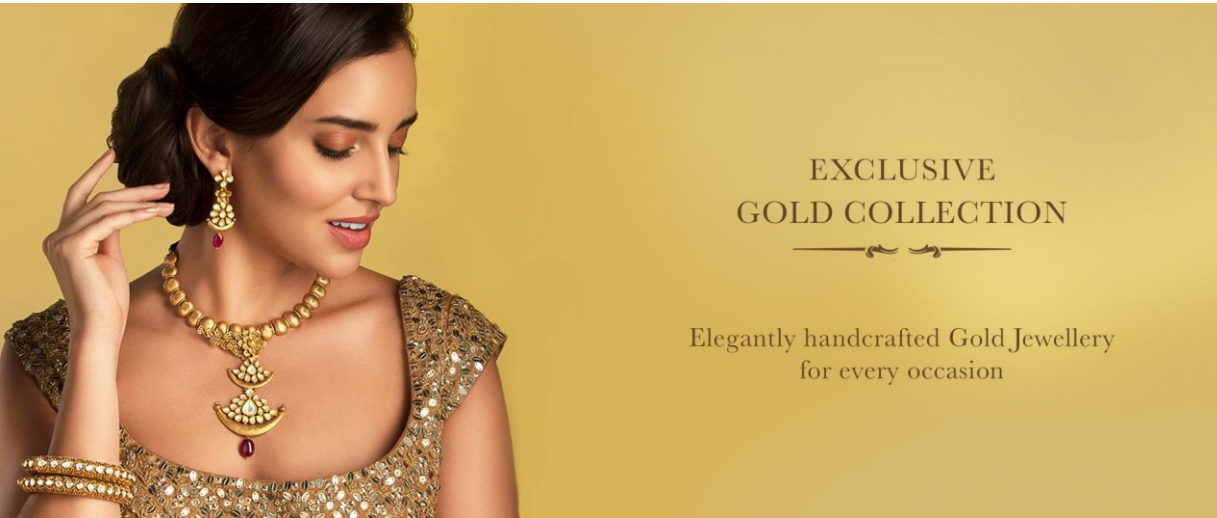
NOOR by **tbz**[®]
COLLECTION
The original since 1864



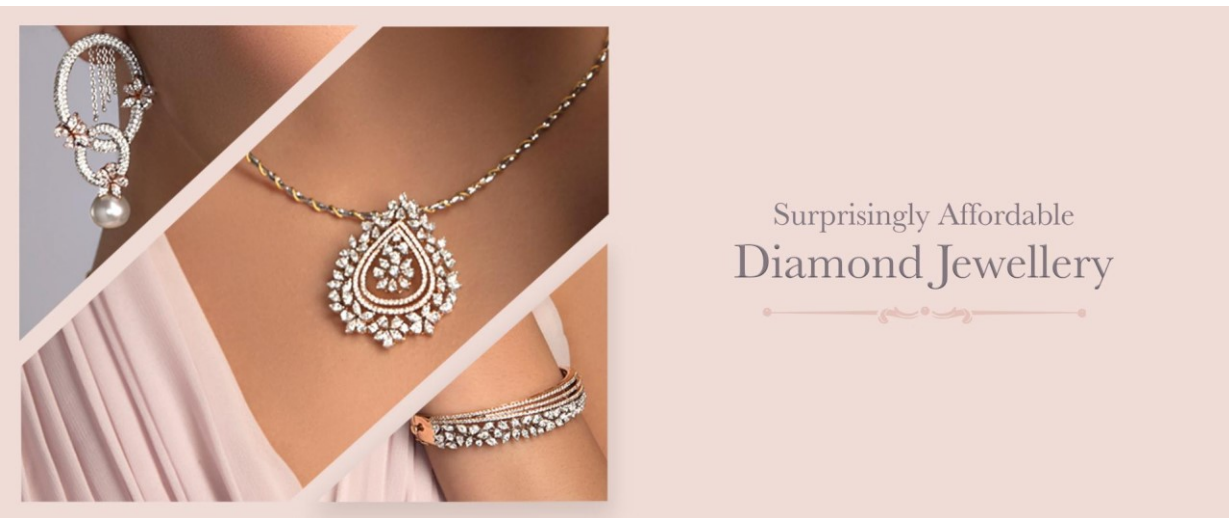
TRINITY by **tbz**[®]
The original since 1864

PRICES STARTING FROM ₹90,000/-

CONTEMPORARY JEWELLERY DESIGNS & COLLECTIONS



CONTEMPORARY JEWELLERY DESIGNS & COLLECTIONS



CONTEMPORARY JEWELLERY DESIGNS & COLLECTIONS



Riwayat

BRIDAL JEWELLERY

range starts from
₹3 lakhs



COLLECTION

EXCLUSIVE JEWELLERY PARTNER

GOLD COLLECTION IN STORES

CONTEMPORARY JEWELLERY DESIGNS & COLLECTIONS



JIVA *by* **tbz**[®]
The original since 1864

PLATINUM VOWS

Platinum couple bands to give your special day
that extra sparkle



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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 89 k, Diamond – Rs 103 k

Scalability & Reach

- 41 stores (120,595sq. ft.)
- Presence – 29 cities, 14 states

Expansion Plan -

- ~150,000 sq. ft.

TBZ

SUSTAINABLE COMPETITIVE ADVANTAGES

Specialty Wedding Jeweller

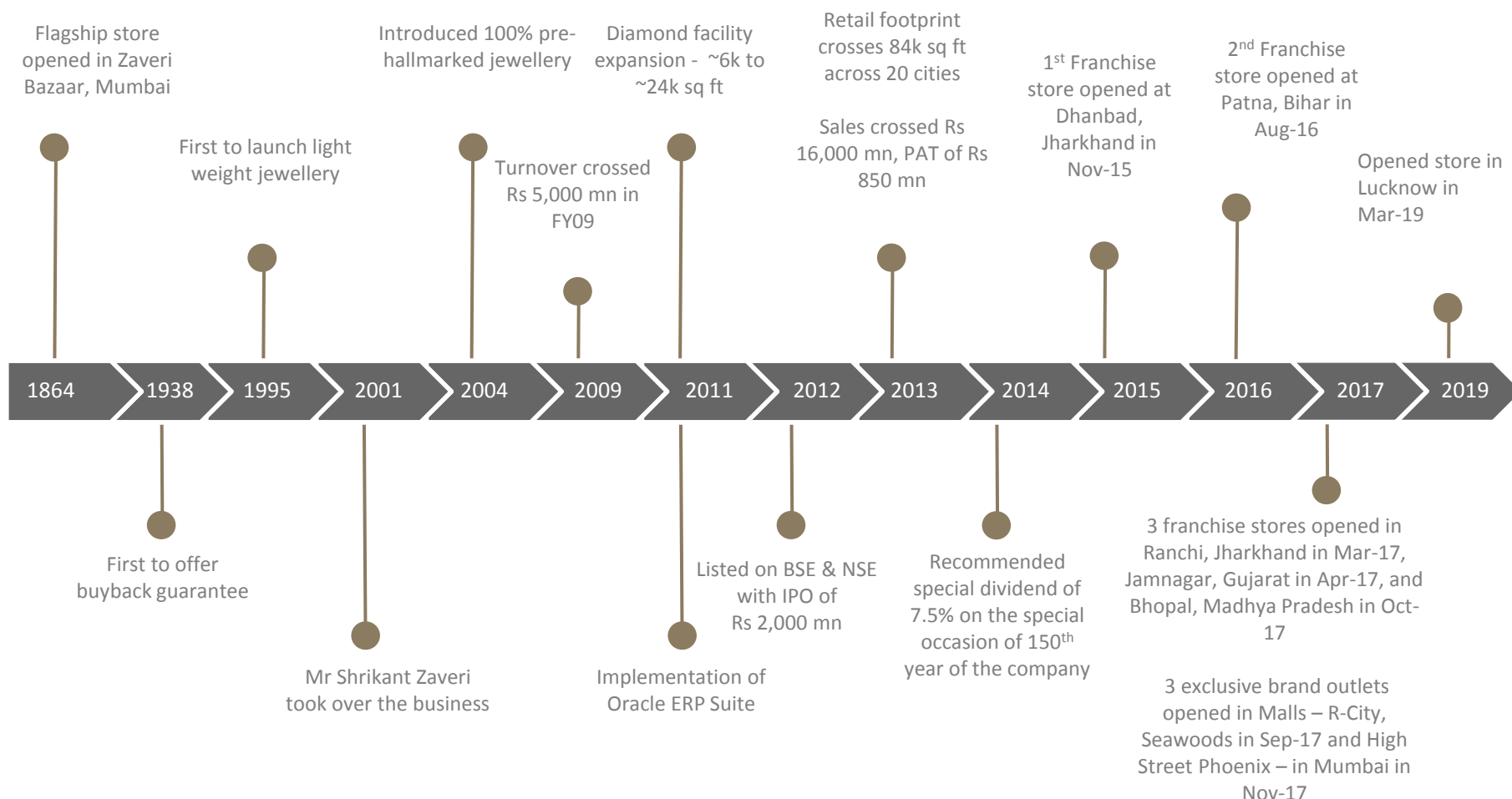
- ~ 65% of sales are wedding & wedding related purchases
- Compulsion buying
- Stable fixed budget purchases by customers

Design Exclusivity

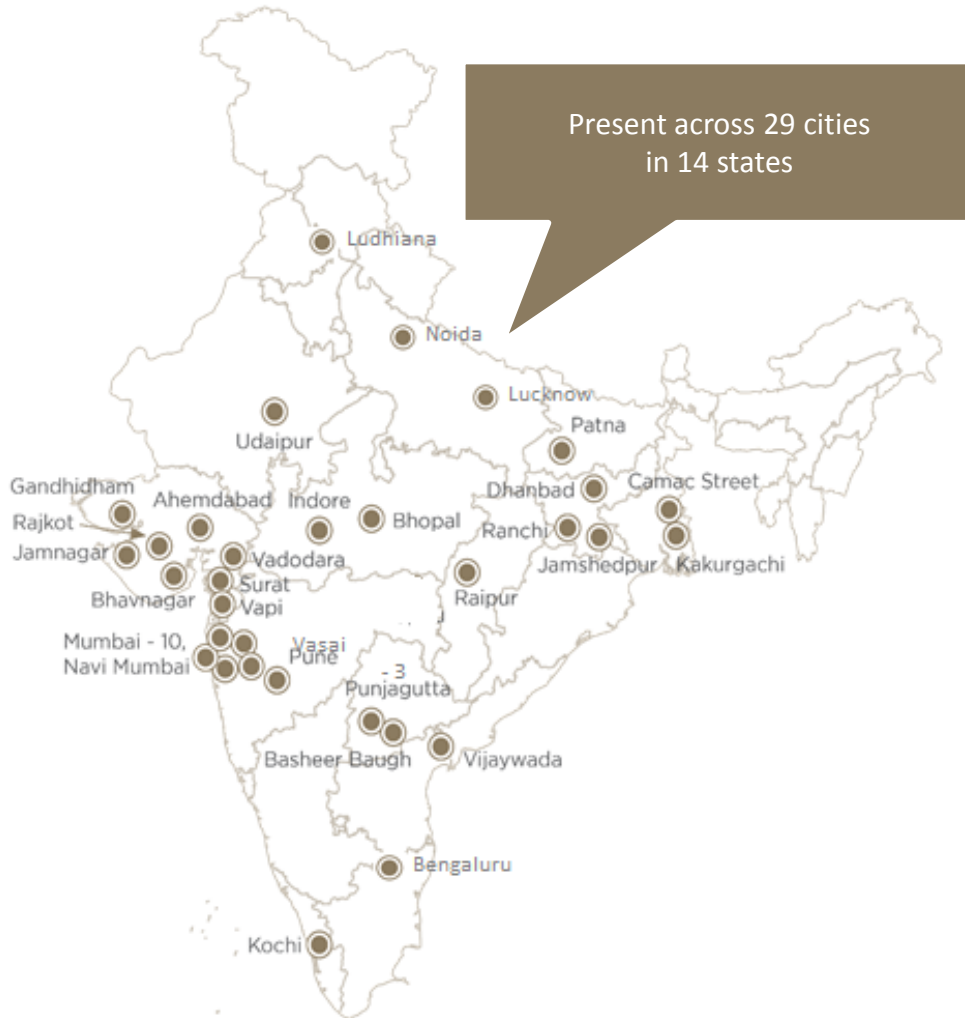
- 29 designers (incl. 14 CAD)
- 8 - 10 new jewellery lines/year
- In-house diamond jewellery production
- Customer loyalty
- Premium pricing

KEY MILESTONES

STRONG LEGACY OF MORE THAN 150 YEARS BUILT ON TRUST



RETAIL PRESENCE

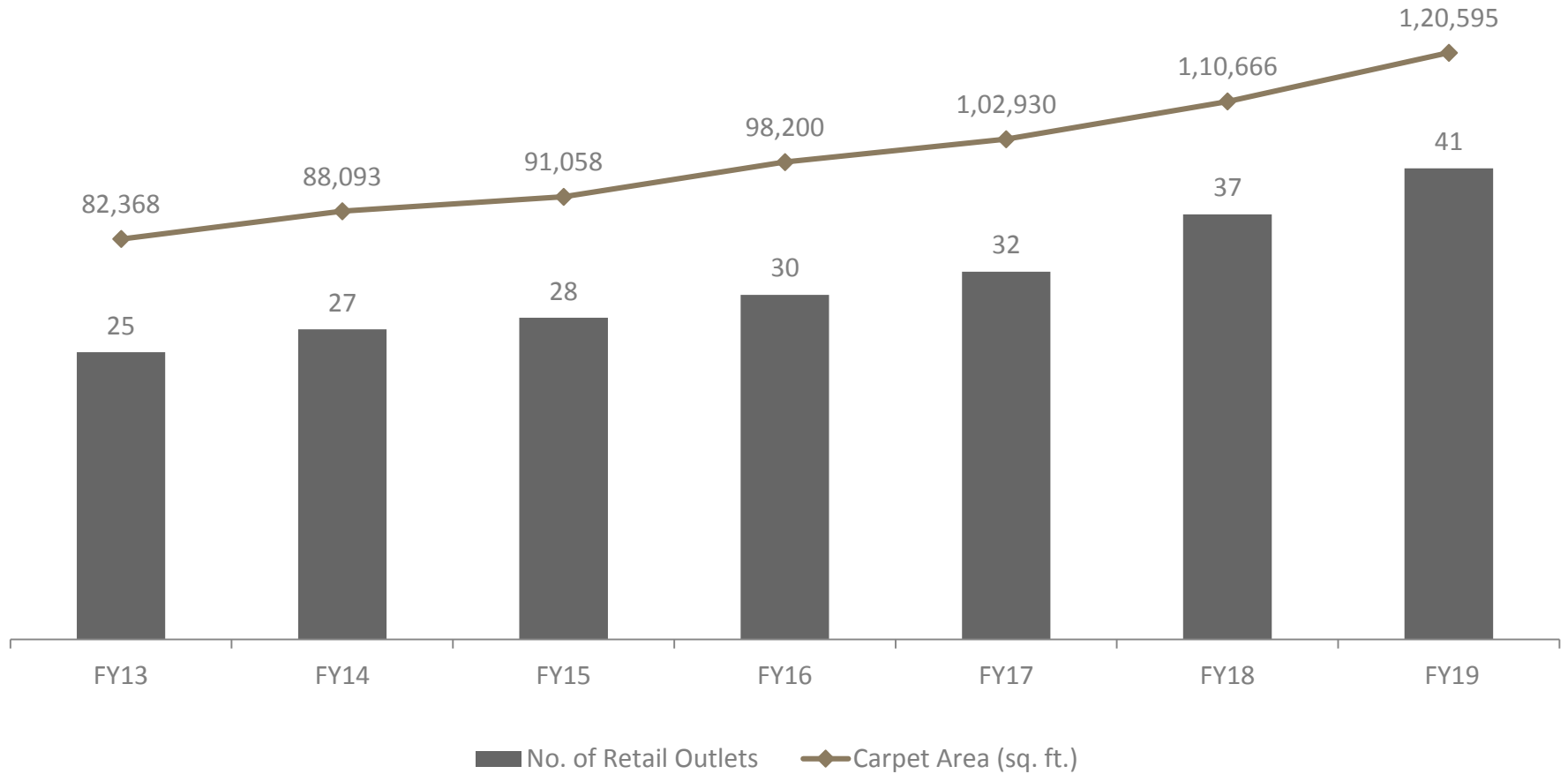


PAN-INDIA PRESENCE WITH 41 STORES
WITH A RETAIL SPACE OF ~120,595
SQ. FT. SPREAD ACROSS
29 CITIES IN 14 STATES

NUMBER OF STORES	TILL DATE
Large Format (> 2,000 sq. ft.)	31
Small Format (<= 2,000 sq. ft.)	10
Total Stores	41
Total Area	~120,595



RETAIL FOOTPRINT EXPANSION

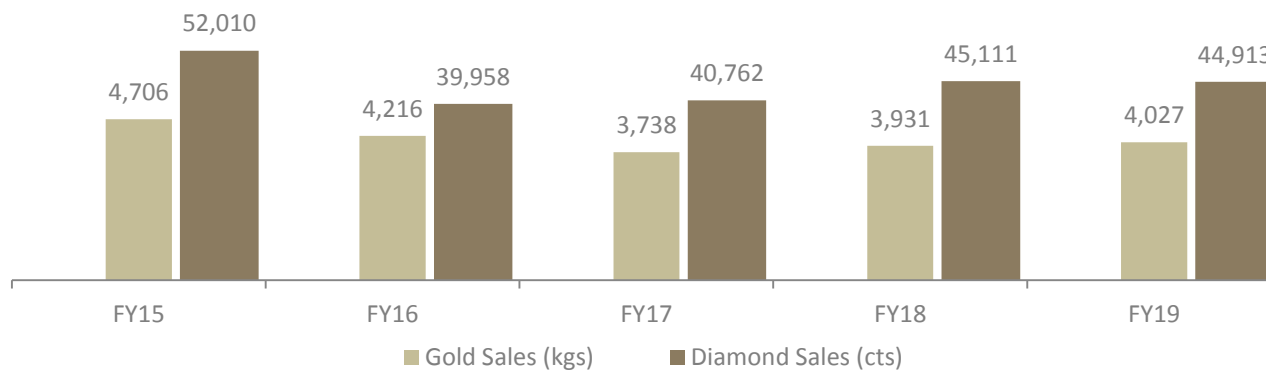


DISCUSSION SUMMARY

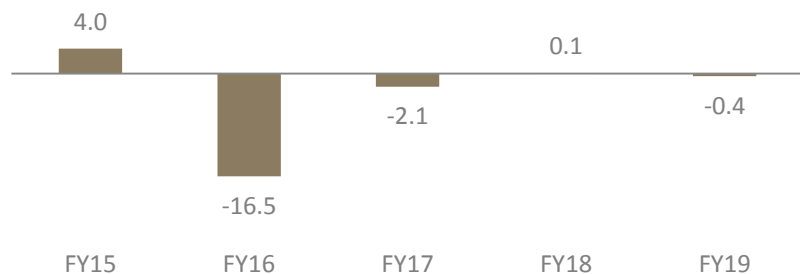
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OPERATIONAL SUMMARY

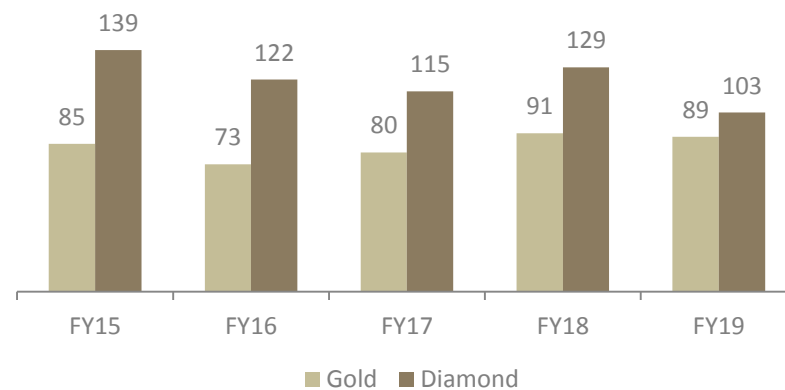
GOLD & DIAMOND VOLUMES



SSSG - TOTAL (%)



AVERAGE TICKET SIZE (RS '000)



SSSG: Same store sales value growth

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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

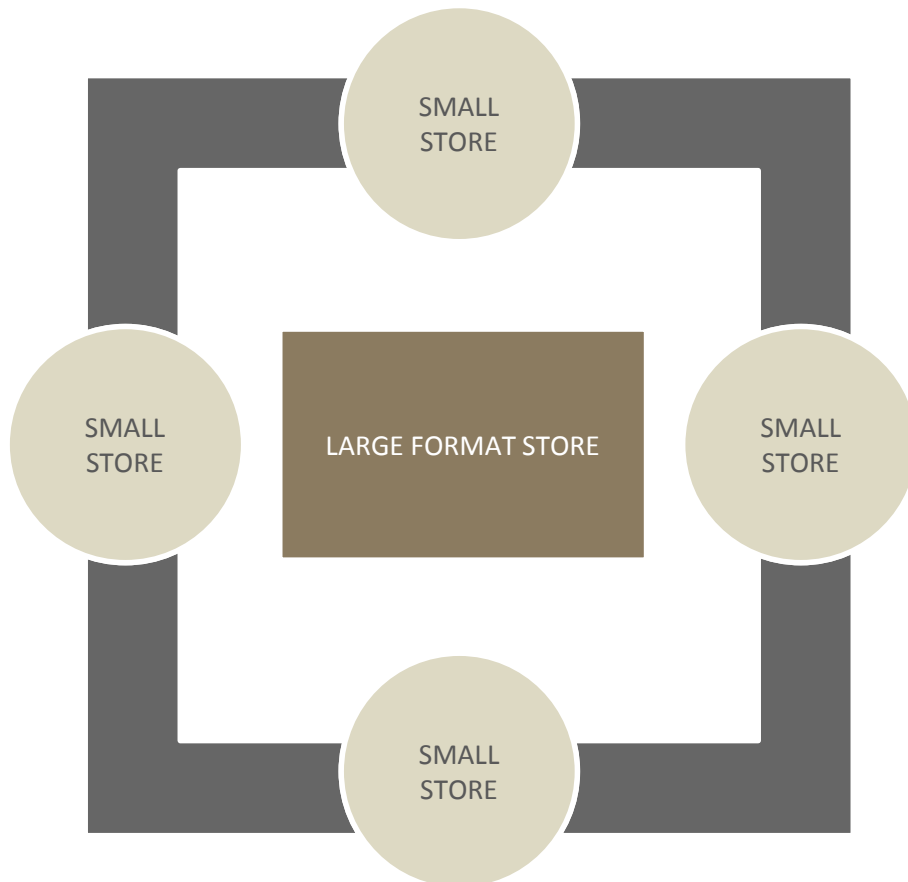
- In-house diamond jewellery manufacturing leading to exclusive designs, lower costs, and higher margins
- Manufacturing facility at Kandivali, Mumbai spread over ~24,000 sq ft with capacity of ~200,000 cts (on dual shift basis).
- The facility also has capacity for 4,000 kg of gold refining and 4,500 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 120,595 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	~120,595	~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 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

- “CONTEMPORARY DIAMOND JEWELLERY AWARD” & “TREASURE OF THE OCEAN “
GJC’S NATIONAL JEWELLERY AWARD 2018
- “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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