

INVESTOR PRESENTATION  
Q4 & FY19 RESULTS  
MAY 2019



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TRIBHOVANDAS BHIMJI ZAVERI  
SHRIKANT ZAVERI GROUP

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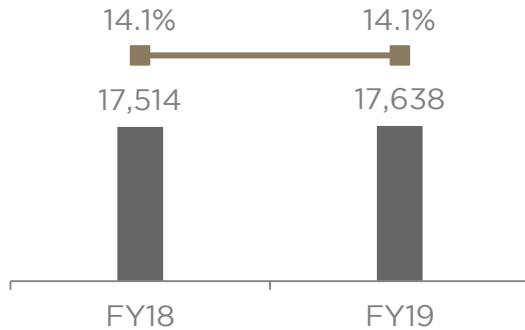
## DISCUSSION SUMMARY

- Q4 & FY19 Results Update
- About Us
- Operational Summary
- Business Model

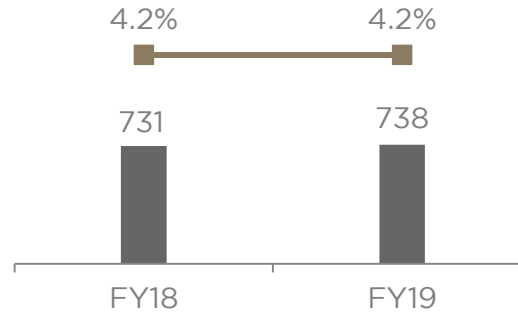
# FY19 RESULT HIGHLIGHTS

In Rs Mn

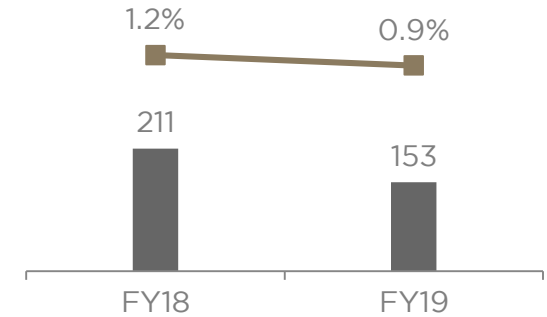
## REVENUES \* & GROSS MARGIN



## EBITDA & EBITDA MARGIN

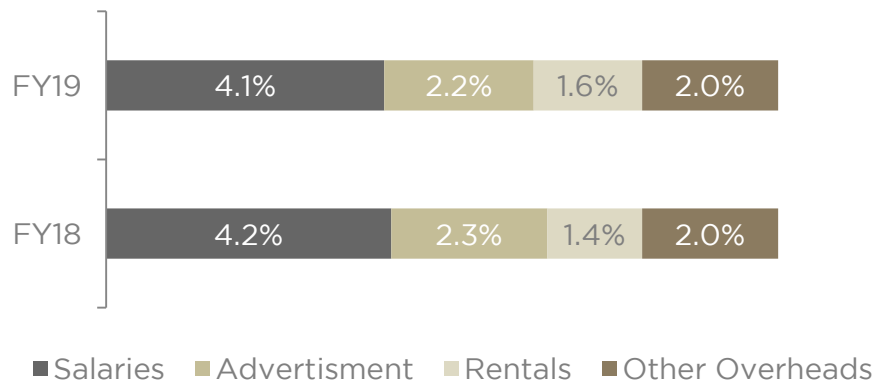


## PAT & PAT MARGIN



\* Net of Excise Duty

## OPERATING COSTS (%)



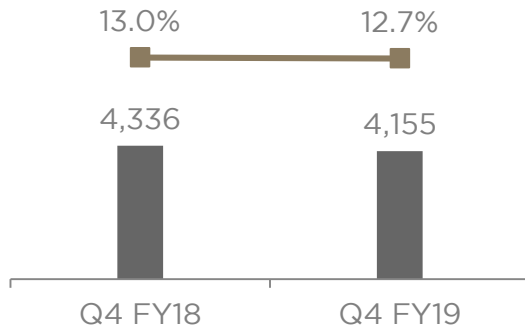
## REVENUE ANALYSIS

Total Revenue Growth % - FY19	0.7%
Same Store Sales Growth % - FY19	-0.4%
Share of Diamond Jewellery - FY19 (FY18)	22.0% (23.4%)

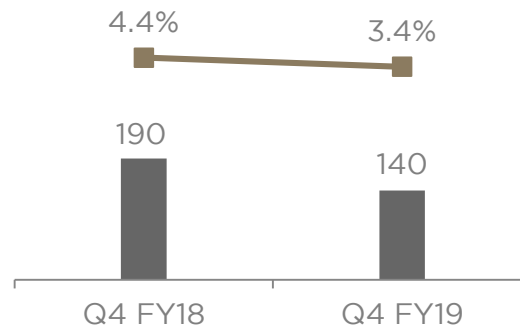
# Q4 FY19 RESULT HIGHLIGHTS

In Rs Mn

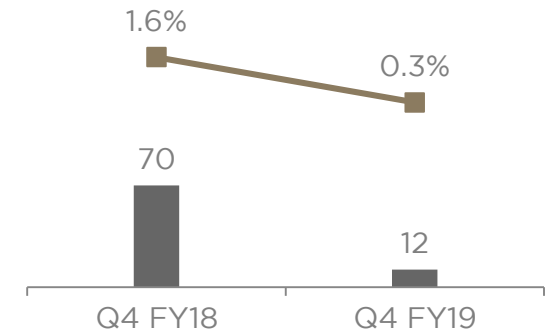
## REVENUES & GROSS MARGIN



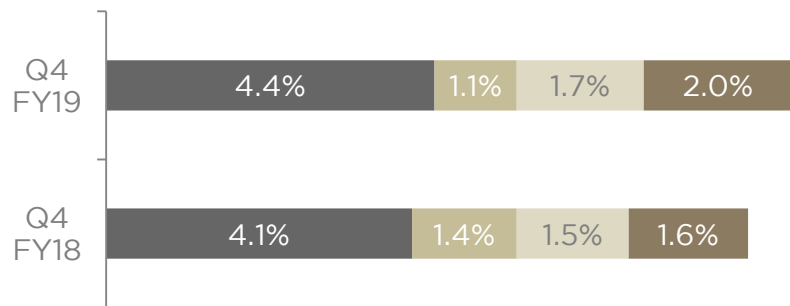
## EBITDA & EBITDA MARGIN



## PAT & PAT MARGIN



## OPERATING COSTS (%)



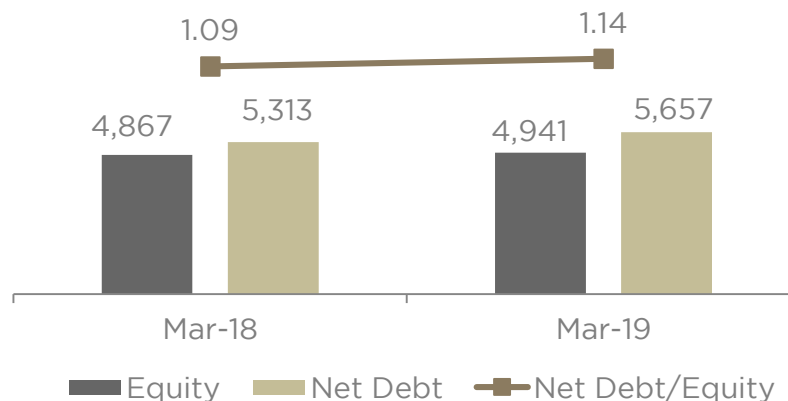
■ Salaries 
 ■ Advertisement 
 ■ Rentals 
 ■ Other Overheads

## REVENUE ANALYSIS

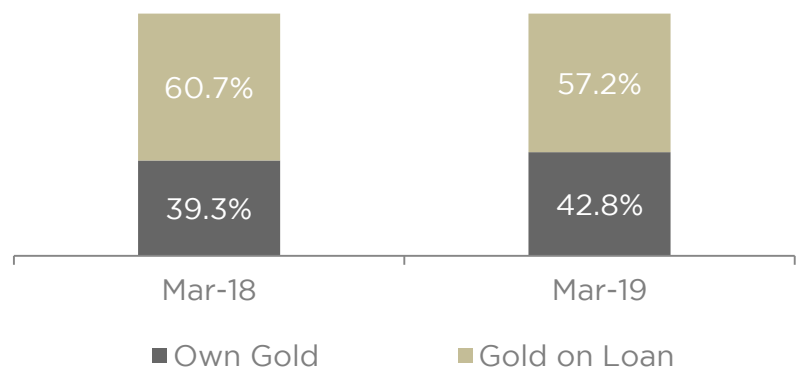
Total Revenue Growth % - Q4 FY19	-4.2%
Same Store Sales Growth % - Q4 FY19	-8.2%
Share of Diamond Jewellery - Q4 FY19 (Q4 FY18)	19.1% (20.9%)

# FY19 BALANCE SHEET UPDATE

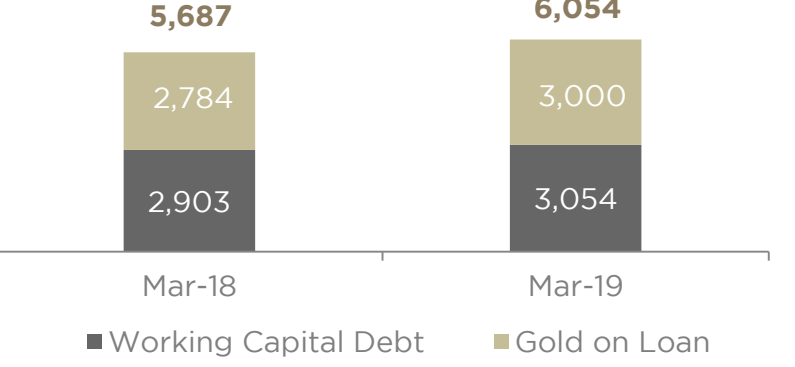
## LEVERAGE ANALYSIS (RS MN)



## 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

# Q4 & FY19 - KEY RESULT TAKEAWAYS

## REVENUES & OPERATING MARGINS:

- Revenues declined by 4.2% YoY
  - No contribution from Gudi Padwa festival which occurred in April 2019 compared to March 2018
  - Higher redemptions under KP scheme in Q4 FY18
- Gross margin declined marginally from 13.0% to 12.7% due to lower share of diamond jewellery (19.1% in Q4 FY19 vs. 20.9% in Q4 FY18)
- EBITDA & EBITDA margin declined in line with lower sales, while there was a modest increase in operating expenses

## BALANCE SHEET:

- Inventory and total debt remained stable during Q4 FY19
- During FY19, inventory increased by 16.2% and debt increased by 6.4%, as the company added 5 new stores
- Finance Cost increased in line with incremental debt. The average cost of debt was 7.9% in FY19 compared to 7.1% in FY18

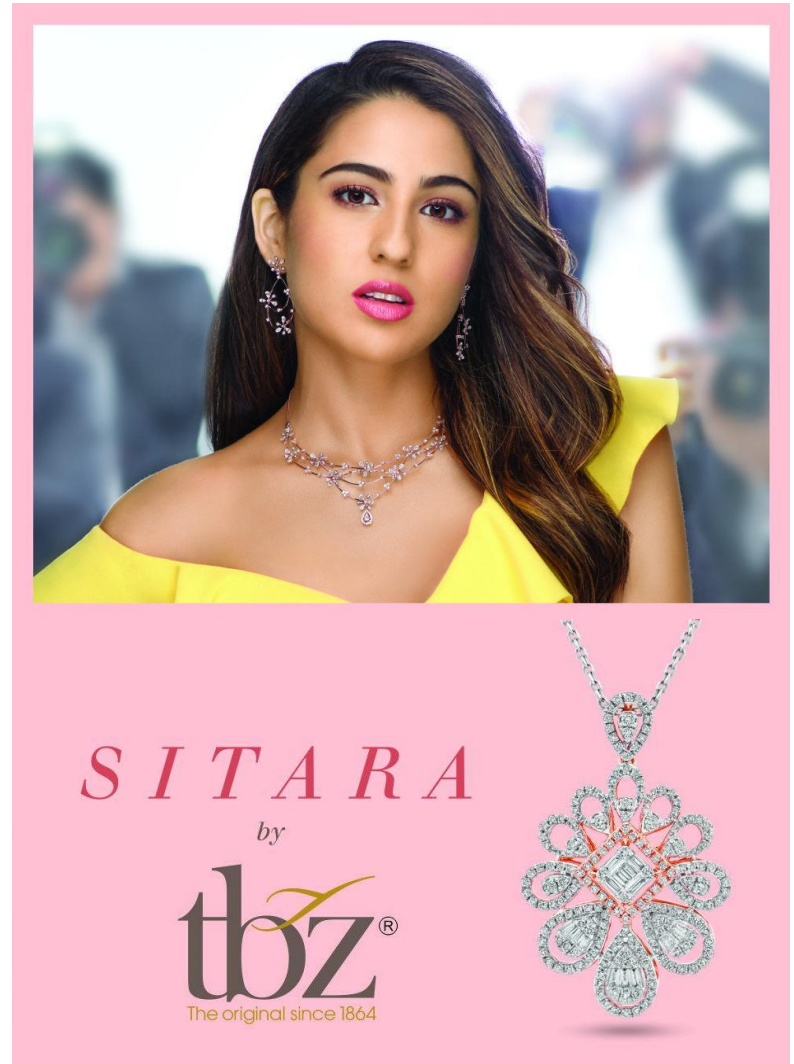
## RETAIL SPACE ADDITION

- 5 new stores were added in FY19
- Lucknow – March 2019, Bengaluru – January 2019, Ludhiana – November 2018, Pune – October 2018 and Noida – August 2018
- Total store count - 42 stores with ~123,219 sq. ft. spread across 30 cities in 14 states



# BRAND BUILDING & MARKETING INITIATIVES

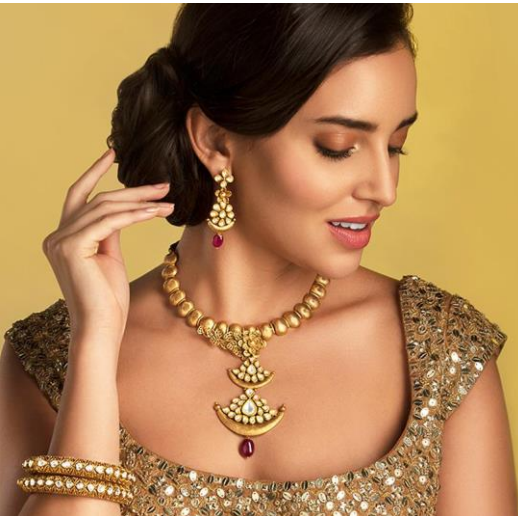
- TBZ has been making consistent investments in its marketing activities to widen its customer base and promote the brand in India
- Recently TBZ appointed Bollywood actress Sara Ali Khan as new brand ambassador
- Sara Ali Khan will feature in several brand campaigns endorsing the 'TBZ-The Original'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



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




# CONTEMPORARY JEWELLERY DESIGNS & COLLECTIONS



EXCLUSIVE  
GOLD COLLECTION

— — — — —

Elegantly handcrafted Gold Jewellery  
for every occasion



EXCLUSIVE  
JADAU COLLECTION

— — — — —

Elegantly handcrafted Jadau Jewellery  
for every occasion

# CONTEMPORARY JEWELLERY DESIGNS & COLLECTIONS



Surprisingly Affordable  
**Diamond Jewellery**

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# CONTEMPORARY JEWELLERY DESIGNS & COLLECTIONS



## Riwayat

BRIDAL JEWELLERY

range starts from  
₹3 lakhs



COLLECTION 

EXCLUSIVE JEWELLERY PARTNER

GOLD COLLECTION IN STORES

# CONTEMPORARY JEWELLERY DESIGNS & COLLECTIONS

*Rosabelle*  
COLLECTION

Stylish jewellery in Rose Gold with a flattering feminine pastel hue



## PLATINUM VOWS

Platinum couple bands to give your special day that extra sparkle



## Q4 & FY19 - PROFIT & LOSS STATEMENT

Particulars (In Rs Mn) – Standalone	Q4 FY19	Q4 FY18	YoY %	FY19	FY18	YoY %
<b>Net Revenues</b>	<b>4,155</b>	<b>4,336</b>	<b>-4.2%</b>	<b>17,638</b>	<b>17,514</b>	<b>0.7%</b>
COGS	3,629	3,774	-3.8%	15,149	15,053	0.6%
<b>Gross Profit</b>	<b>526</b>	<b>562</b>	<b>-6.4%</b>	<b>2,489</b>	<b>2,461</b>	<b>1.1%</b>
<b>Gross Margin (%)</b>	<b>12.7%</b>	<b>13.0%</b>	<b>-30 bps</b>	<b>14.1%</b>	<b>14.1%</b>	<b>6 bps</b>
Personnel Expenses	185	177	4.2%	732	730	0.2%
Other Expenses	201	195	3.1%	1,019	1,000	2.0%
<b>EBITDA</b>	<b>140</b>	<b>190</b>	<b>-26.1%</b>	<b>738</b>	<b>731</b>	<b>1.0%</b>
<b>EBITDA Margin (%)</b>	<b>3.4%</b>	<b>4.4%</b>	<b>-100 bps</b>	<b>4.2%</b>	<b>4.2%</b>	<b>1 bps</b>
Depreciation	28	21	33.6%	99	85	16.8%
Other Income	24	32	-22.8%	56	70	-20.4%
Interest Expenses	121	99	22.9%	464	397	16.7%
<b>Profit Before Tax</b>	<b>15</b>	<b>101</b>	<b>-85.4%</b>	<b>231</b>	<b>319</b>	<b>-27.6%</b>
Tax	3	31	-89.9%	78	108	-28.0%
<b>PAT</b>	<b>12</b>	<b>70</b>	<b>-83.4%</b>	<b>153</b>	<b>211</b>	<b>-27.3%</b>
<b>PAT Margin (%)</b>	<b>0.3%</b>	<b>1.6%</b>	<b>-134 bps</b>	<b>0.9%</b>	<b>1.2%</b>	<b>-33 bps</b>

# FY19 - BALANCE SHEET

Particulars (In Rs Mn) – Standalone	March-19	December-18	September-18	June-18	March-18
Shareholders Funds	4,941	4,931	4,823	4,879	4,867
Loan Funds	6,054	6,129	6,292	6,082	5,687
Gold on Loan	3,000	2,957	2,933	2,975	2,784
Working Capital Loan	3,054	3,172	3,359	3,107	2,903
Other Long Term Liabilities	77	97	76	70	62
<b>Sources of Funds</b>	<b>11,073</b>	<b>11,157</b>	<b>11,191</b>	<b>11,031</b>	<b>10,615</b>
Net Block	1,075	1,101	1,024	994	1,001
Other Long Term Assets	219	184	252	268	258
Inventory	11,869	11,880	11,558	10,765	10,218
Debtors	259	267	221	111	230
Cash and Bank Balance	397	403	328	415	374
Other Current Assets	492	475	401	170	116
Current Liabilities	3,239	3,153	2,593	1,692	1,581
Net Current Assets	9,778	9,872	9,915	9,769	9,357
<b>Application of Funds</b>	<b>11,073</b>	<b>11,157</b>	<b>11,191</b>	<b>11,031</b>	<b>10,615</b>

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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 5<sup>th</sup> 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

- 42 stores (123,219 sq. ft.)
  - Presence - 30 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

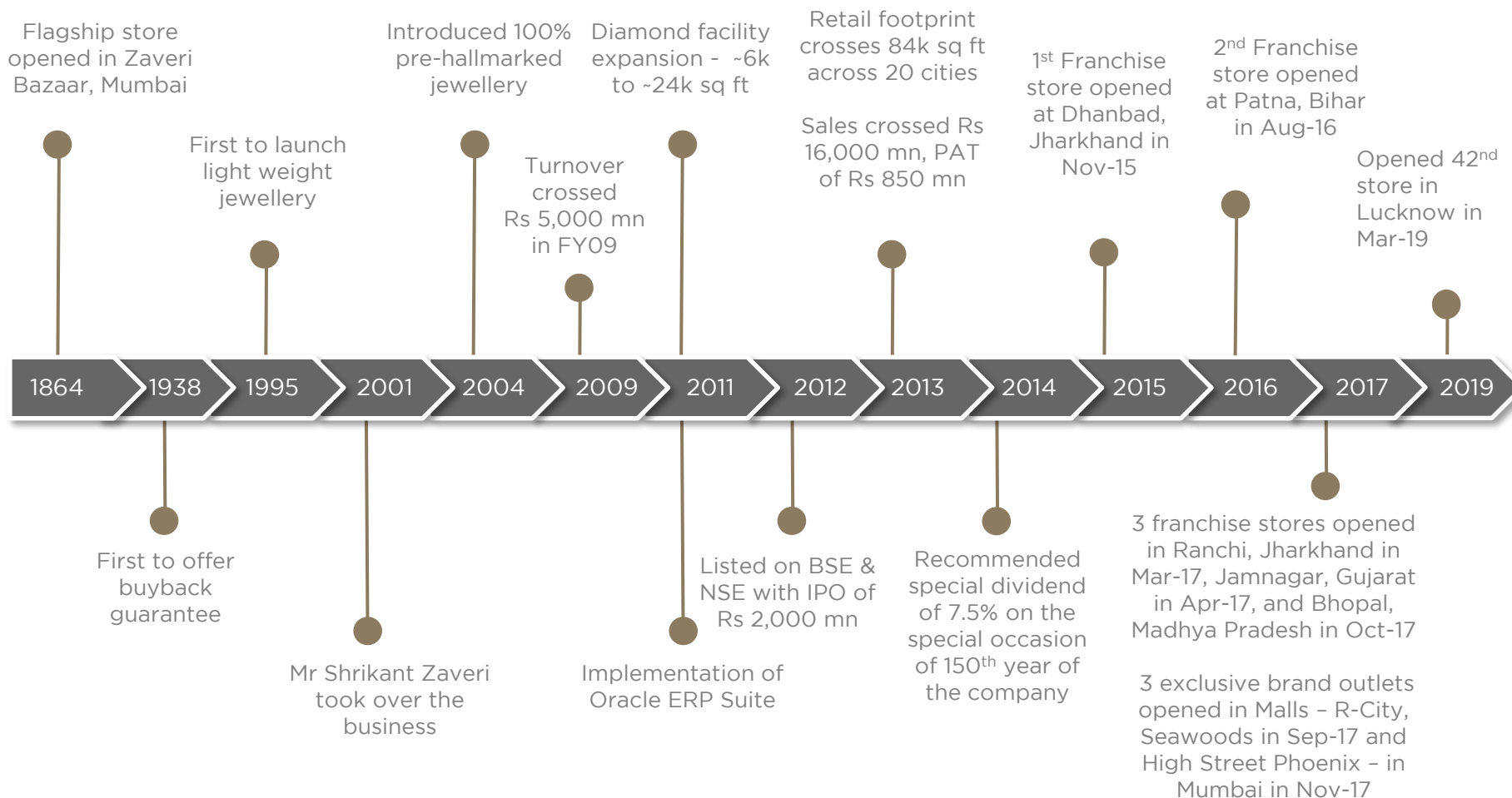
## Design Exclusivity

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



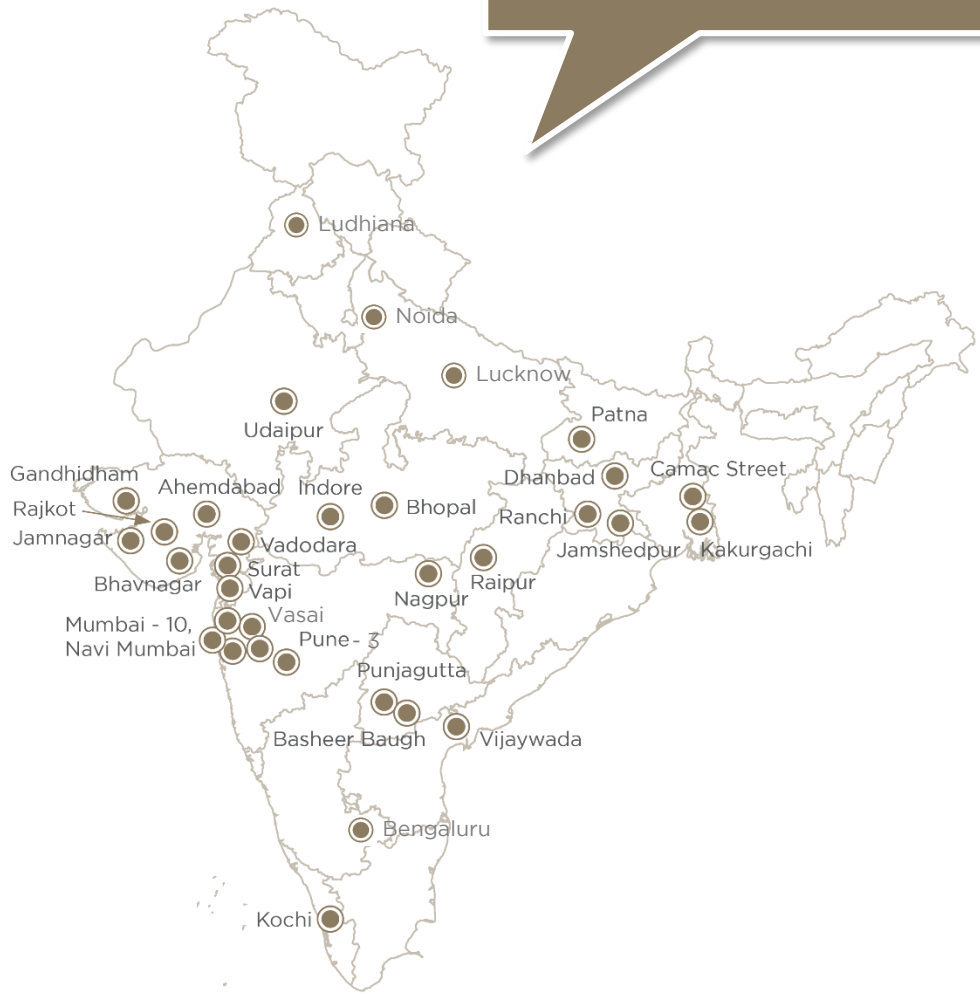
# KEY MILESTONES

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



# RETAIL PRESENCE

Present across 30 cities  
in 14 states

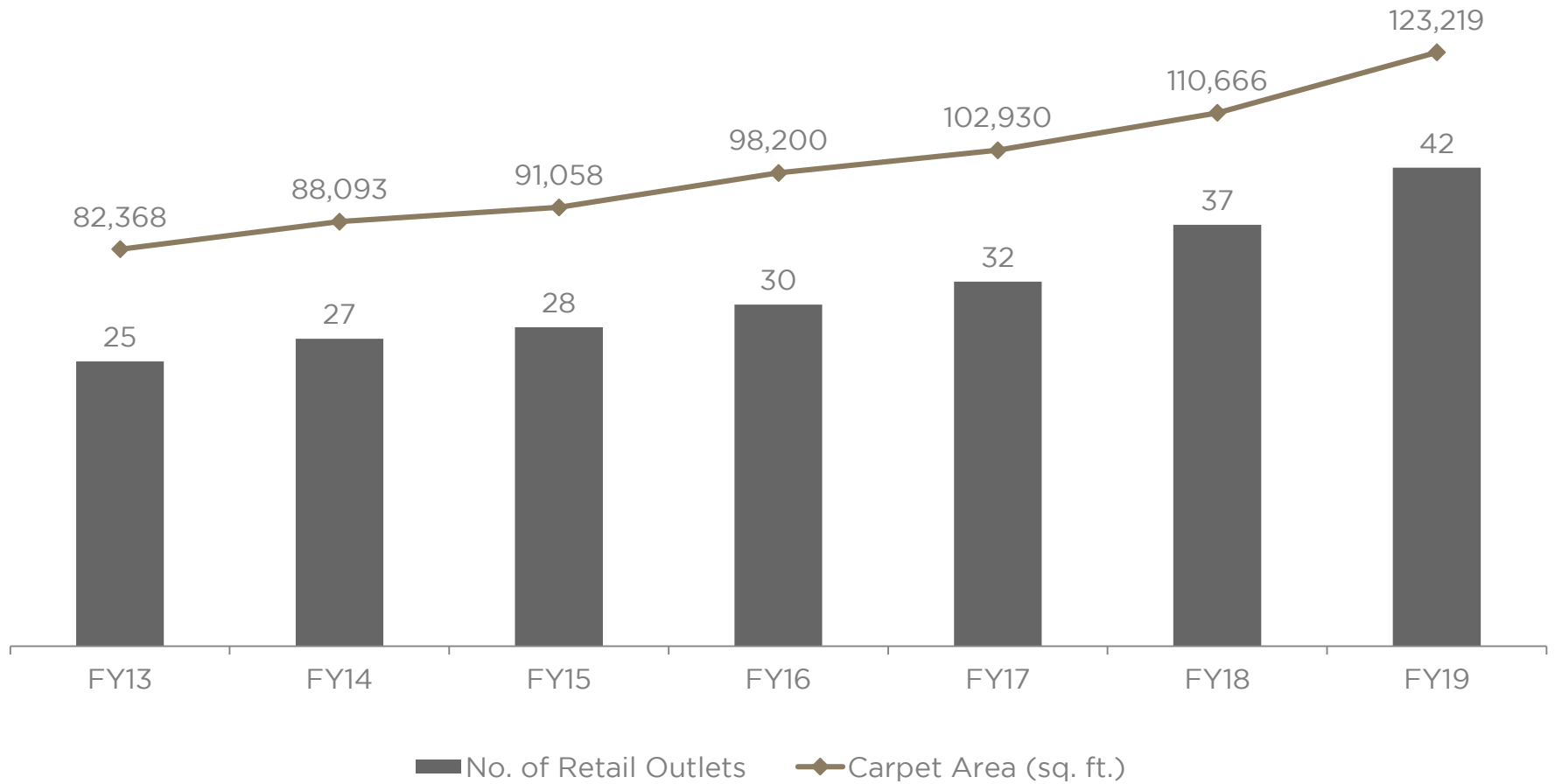


PAN-INDIA PRESENCE WITH 42 STORES  
WITH A RETAIL SPACE OF ~123,219  
SQ. FT. SPREAD ACROSS  
30 CITIES IN 14 STATES

NUMBER OF STORES	TILL DATE
Large Format (> 2,000 sq. ft.)	32
Small Format (<= 2,000 sq. ft.)	10
Total Stores	42
Total Area	~123,219



# RETAIL FOOTPRINT EXPANSION

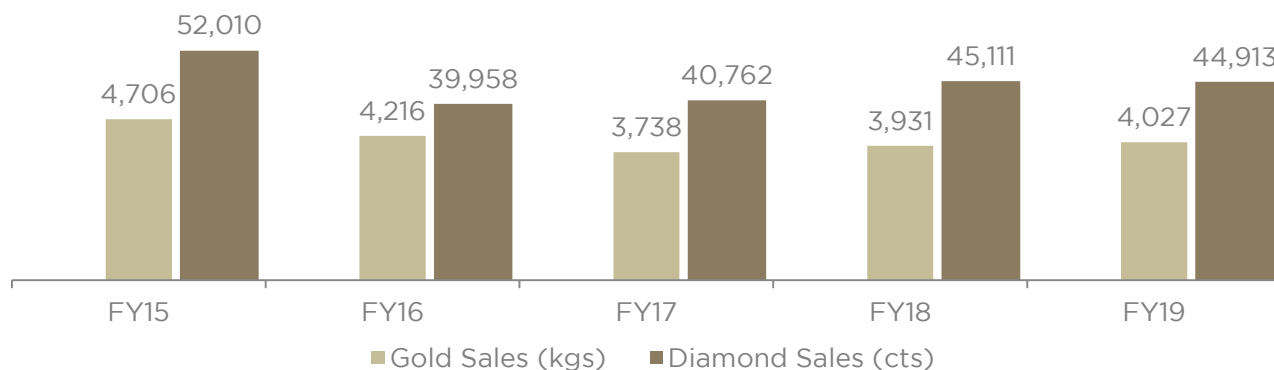


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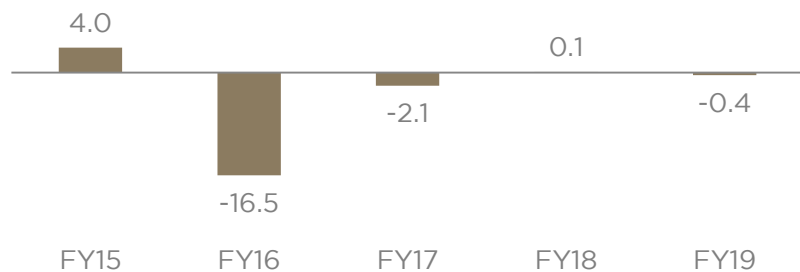
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# OPERATIONAL SUMMARY

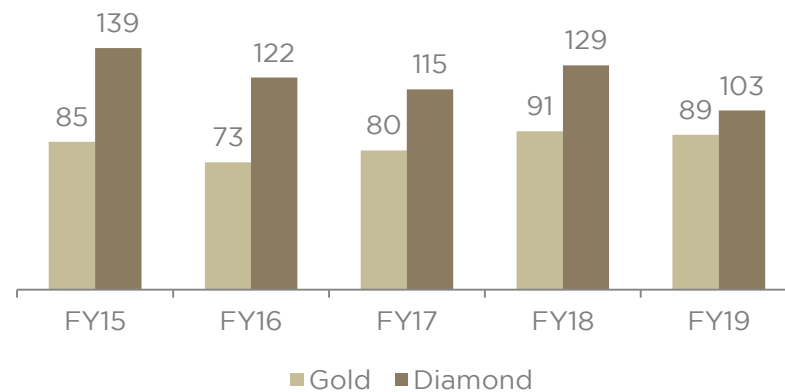
## GOLD & DIAMOND VOLUMES



## 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.

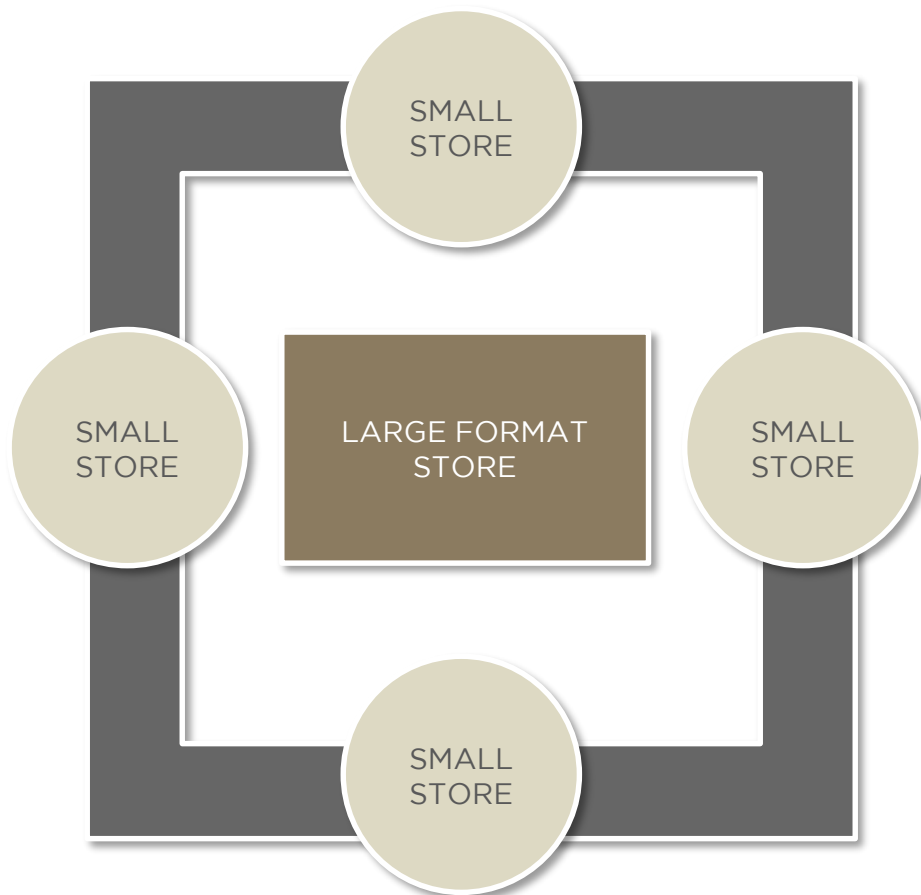




# BUSINESS MODEL: RETAIL

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 123,219 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	42	
Retail Sq ft	~48,000	~123,219	<b>~1,50,000</b>
Number of Cities	10	30	



# 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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