

INVESTOR PRESENTATION
Q2 & H1 FY21 RESULTS
November 2020



TRIBHOVANDAS BHIMJI ZAVERI
SHRIKANT ZAVERI GROUP

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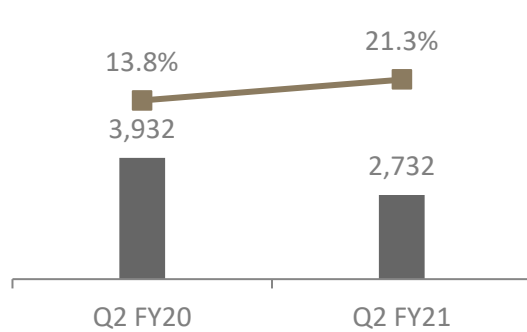
DISCUSSION SUMMARY

- [Q2 & H1 FY21 Results Update](#)
- [About Us](#)
- [Operational Summary](#)
- [Business Model](#)

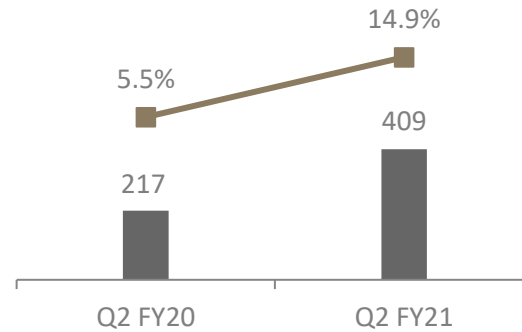
Q2 FY21 RESULT HIGHLIGHTS

In Rs Mn

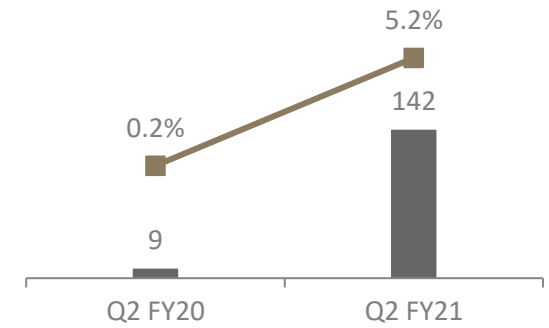
REVENUES & GROSS MARGIN



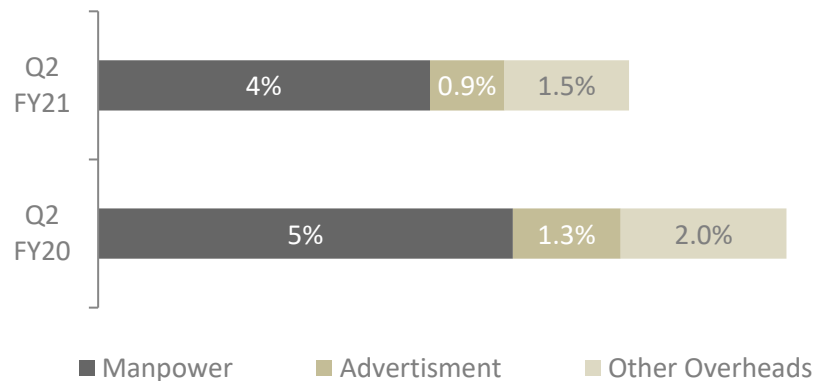
EBITDA



PAT



*OPERATING COSTS (% of Total Revenue)



Studded Share Ratio

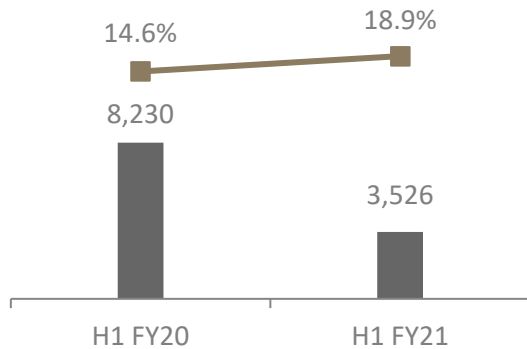
Share of Diamond - Q2 FY21 (Q2 FY20) 25%(24%)

* Rent waiver concession have been negotiated by the company during Q2 FY21.Total savings during Q2 FY21 was Rs 6.3Mn

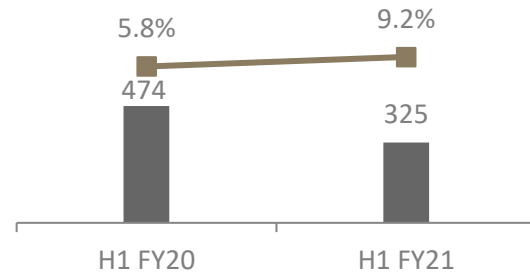
H1 FY21 RESULT HIGHLIGHTS

In Rs Mn

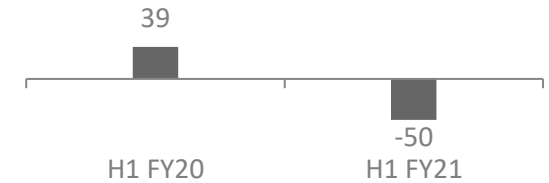
*REVENUES & GROSS MARGIN



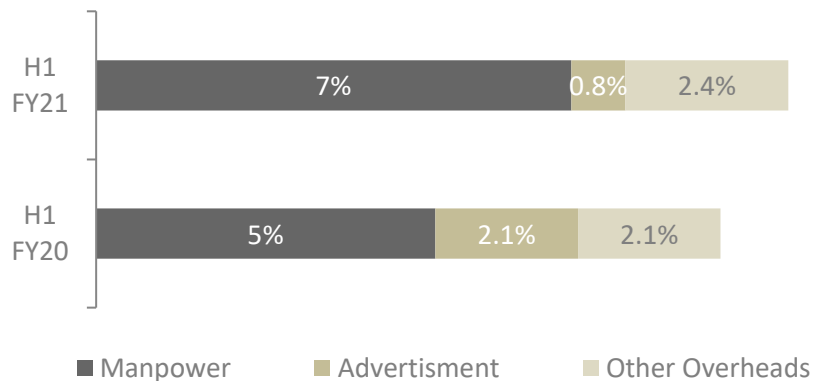
EBITDA



PAT



**OPERATING COSTS (% of Total Revenue)



Studded Share Ratio

Share of Diamond
- H1 FY21 (H1 FY20) 21%(20%)

*Actual Operational days for H1 FY21 was 107 days out of 180 days

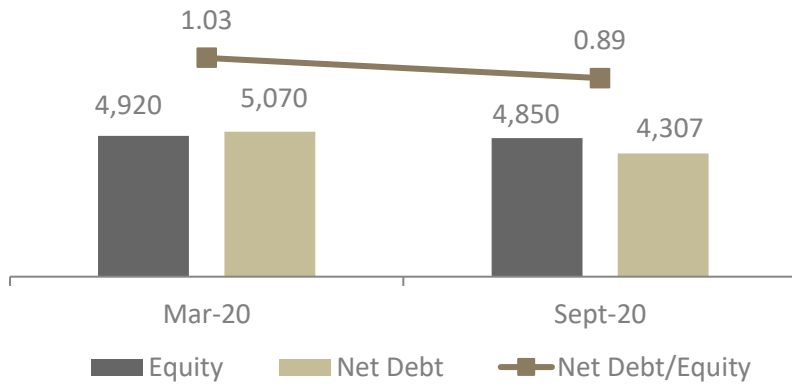
**On account of lower sales base, manpower expenses as % in H1 FY21 was higher than H1 FY20. Absolute manpower expenses have decreased by ~39% YoY

**Rent waiver concession has been negotiated by the company during H1 FY21. Total savings during H1 FY21 was Rs 35.3 Mn

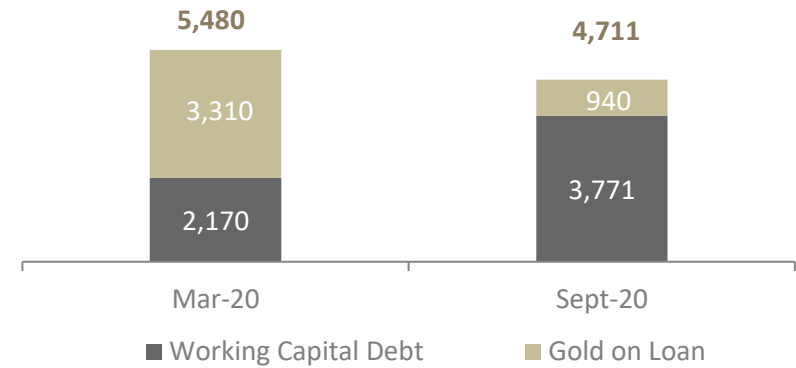
Q2 & H1 FY21 BALANCE SHEET UPDATE

In Rs Mn

LEVERAGE ANALYSIS



TOTAL DEBT BREAKUP



Notes:

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

Q2 & H1 FY21 - KEY RESULT TAKEAWAYS

REVENUE & MARGIN:

- Despite the overhang of the Pandemic and the lockdown that completely disrupted the 1st Quarter, the company witnessed a very positive response from customers during the 2nd Quarter resulting in an encouraging performance
- Gross margin improved from 13.8% in Q2 FY20 to 21.3% in Q2 FY21 primarily due to
 - i) Gold Price impact (Gold prices on an average has increased by 21% in H1 FY21)
 - ii) Better product mix (higher share of diamond Jewellery of 25% in Q2FY21 versus 24% in Q2FY20)
- EBITDA Margin during the quarter has improved due to judicious manpower rationalization, relevant marketing spends, rent waiver, automation & constant monitoring of other operating expenses



BALANCE SHEET & CASH FLOW:

- Reduction in total net debt by Rs 763Mn in Q2 FY21 led to improvement in Net Debt : Equity ratio from 1.03x in Q4 FY20 to 0.89x in Q2 FY21
- As part of our overall Inventory rationalization strategy, Inventory volumes have been further reduced during Q2FY21 by Rs 1,107Mn from Q1 FY21 (lower 9.67% QoQ). Fresh procurement by way of gold metal loan has been restricted to the minimum quantities required. This has resulted in further cash flow conservation during this quarter.



Q2 & H1 FY21 - PROFIT & LOSS STATEMENT

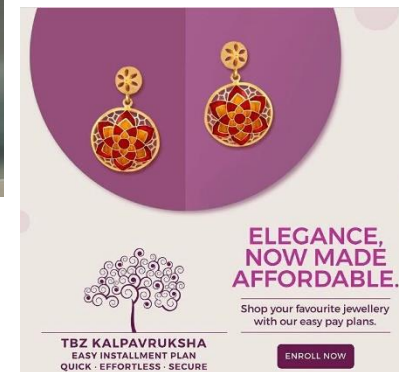
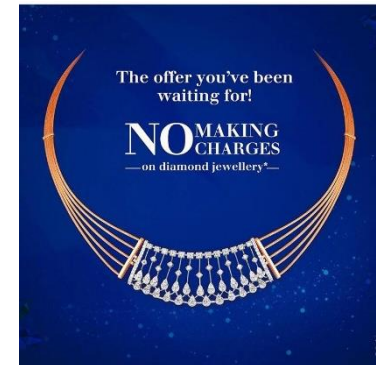
Particulars (In Rs Mn) – Standalone	Q2 FY21	Q2 FY20	H1 FY21	H1 FY20
Net Revenues	2,732	3,932	3,526	8,230
COGS	2,151	3,387	2,858	7,026
Gross Profit	581	545	668	1,204
Gross Margin (%)	21.3%	13.9%	18.9%	14.6%
Personnel Expenses	107	195	230	381
Other Expenses	65	132	113	349
EBITDA	409	218	325	474
EBITDA Margin (%)	15.0%	5.5%	9.2%	5.8%
Depreciation	73	74	142	156
Other Income	27	14	71	28
Interest Expenses	142	145	291	286
Profit Before Tax	221	13	-37	62
Tax	79	4	13	23
PAT	142	9	-50	39
PAT Margin (%)	5.2%	0.2%	-	0.5%

Q2 & H1 FY21 - BALANCE SHEET STATEMENT

Particulars (In Rs Mn) – Standalone	September-20	June-20	March-20
Shareholders Funds	4,864	4,730	4,920
Loan Funds	4,711	5,320	5,480
Gold on Loan	940	1,480	2,170
Working Capital Loan	3,771	3,840	3,310
Lease liability	564	800	880
Other Long -Term Liabilities	-	70	60
Sources of Funds	10,205	10,920	11,340
Net Block	1,565	1,620	1,685
Other Long -Term Assets	195	290	212
Inventory	10,343	11,450	11,910
Debtors	14	150	30
Cash and Bank Balance	404	490	411
Other Current Assets	343	470	512
Current Liabilities	2,659	3,550	3,420
Net Current Assets	8,445	9,010	9,443
Application of Funds	10,205	10,920	11,340

MARKETING INITIATIVES DURING THE QUARTER

- Focus on communicating with customers on safety and convenience via:-
 - Digital brochures
 - Video shopping
 - Safe to shop TBZ campaign
- Enhanced customer experience by providing completely online access of Kalpavruksha scheme
- Conducted various campaigns which were focused on TBZ positioning of being 'surprisingly affordable'
- Targeted local area marketing within the primary and secondary catchment areas of the stores
- Adopted influencer marketing strategies to achieve greater footfall
- Introduced tactical offers on Gold and Diamond jewellery collection



MARKETING INITIATIVES DURING THE QUARTER

SHINE EVERYDAY

Diamond jewellery starting at
₹30,000*

#SurprisinglyAffordable

OPP TREASURE ISLAND,
M. G. ROAD,
INDORE. PH.: 0731 662 5000



TBZ KALPAVRUKSHA
EASY INSTALLMENT PLAN
QUICK · EFFORTLESS · SECURE

IT PAYS TO STAY HOME.

Plan now to save big on your favourite piece of jewellery.

ENROLL NOW

SITARA ER_1

ON EVERY STORE VISIT,
GET VOUCHERS WORTH
₹5,000*

Diamond jewellery starting at ₹30,000*

OPP TREASURE ISLAND, M. G. ROAD, INDORE.
PH.: 0731 - 662 5000
Book your video call appointment
on www.tbztheoriginal.com/appointment



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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 110 k, Diamond – Rs 147 k

Scalability & Reach

- 36 stores (109,673sq. ft.)
- Presence – 27 cities, 13 states

TBZ

SUSTAINABLE COMPETITIVE ADVANTAGES

Specialty Wedding Jeweller

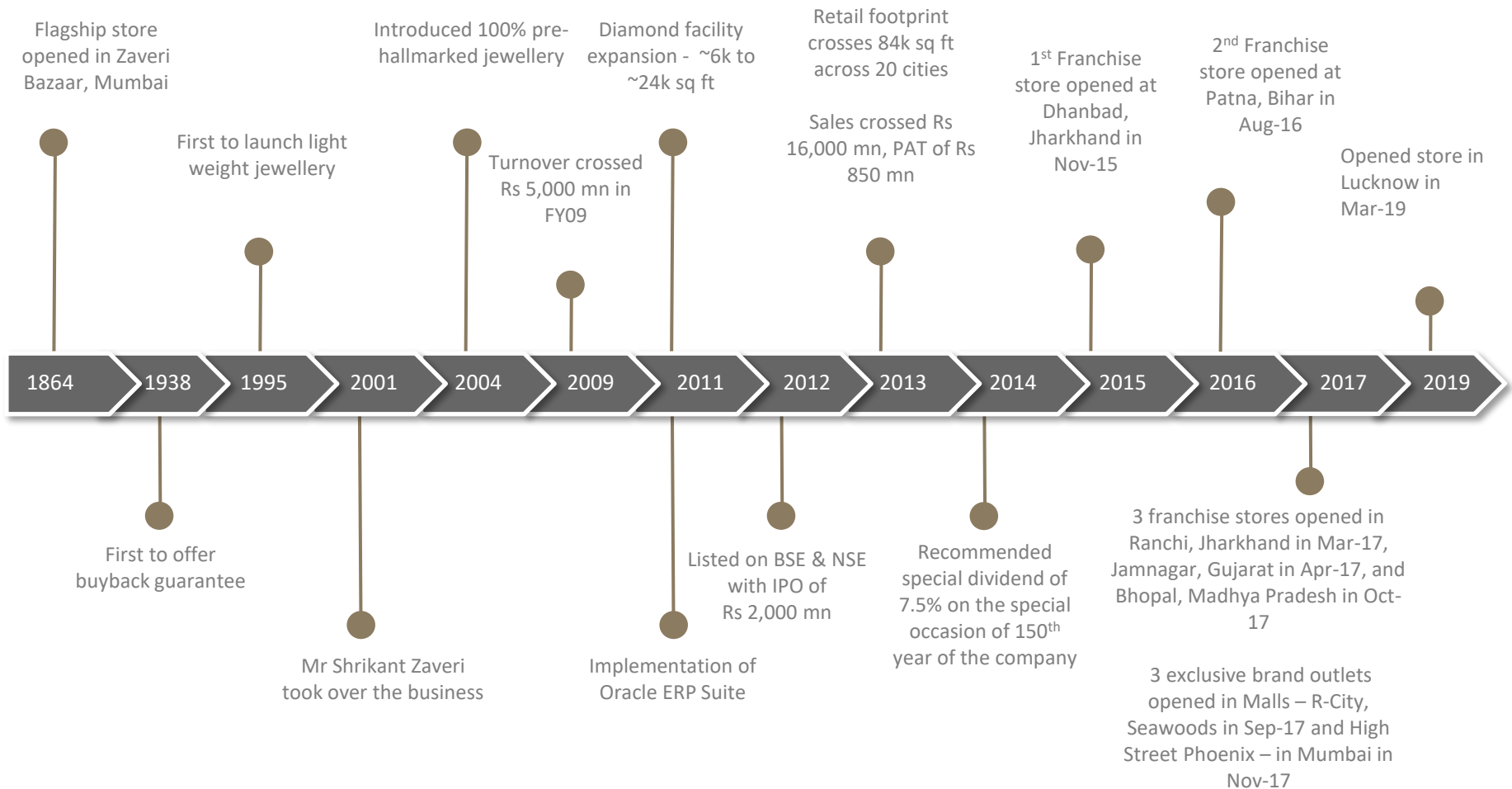
- ~ 65% of sales are wedding & wedding related purchases
- Compulsion buying
- Stable fixed budget purchases by customers

Design Exclusivity

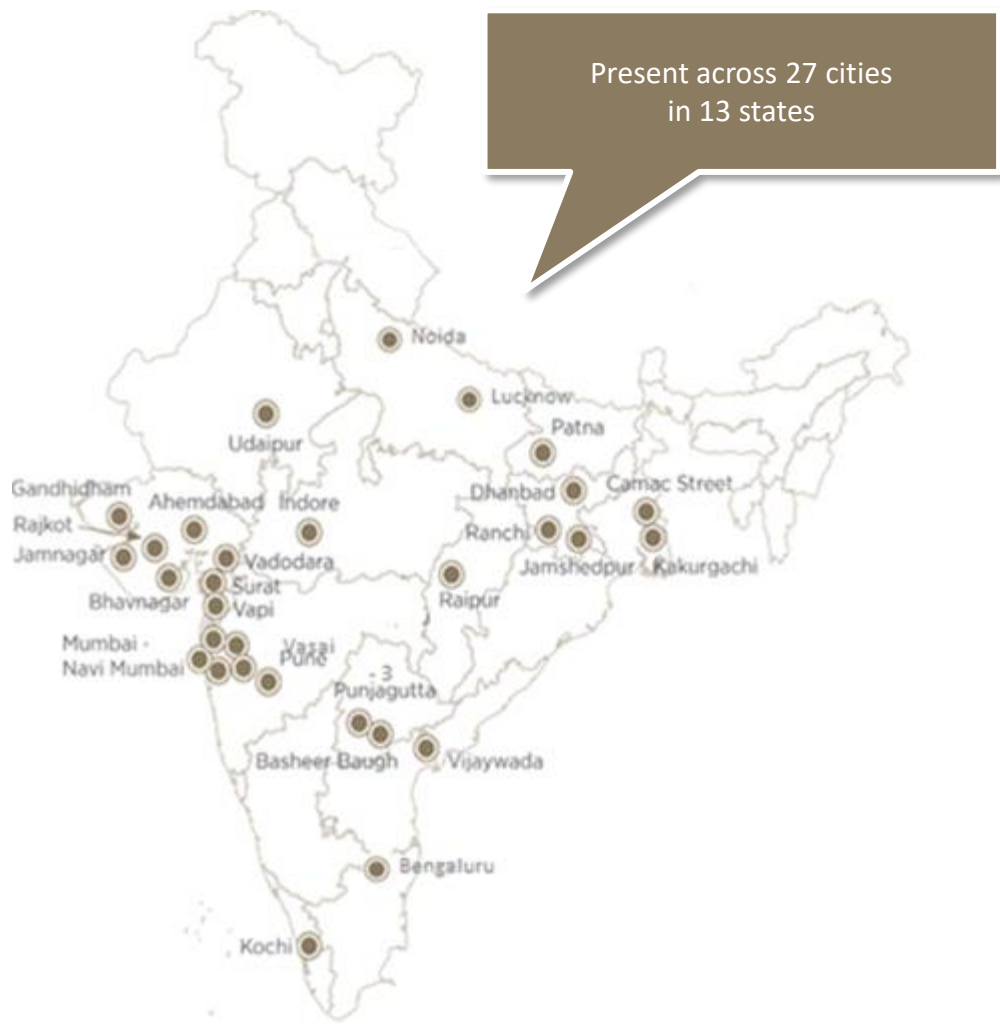
- 29 designers (incl. 14 CAD)
- 8 - 10 new jewellery lines/year
- In-house diamond jewellery production
- Customer loyalty
- Premium pricing

KEY MILESTONES

STRONG LEGACY OF MORE THAN 150 YEARS BUILT ON TRUST



RETAIL PRESENCE



PAN-INDIA PRESENCE WITH 36 STORES
WITH A RETAIL SPACE OF ~109,673
SQ. FT. SPREAD ACROSS
27 CITIES IN 13 STATES

NUMBER OF STORES	TILL DATE
Large Format (> 2,000 sq. ft.)	29
Small Format (<= 2,000 sq. ft.)	7
Total Stores	36
Total Area	~1,09,673

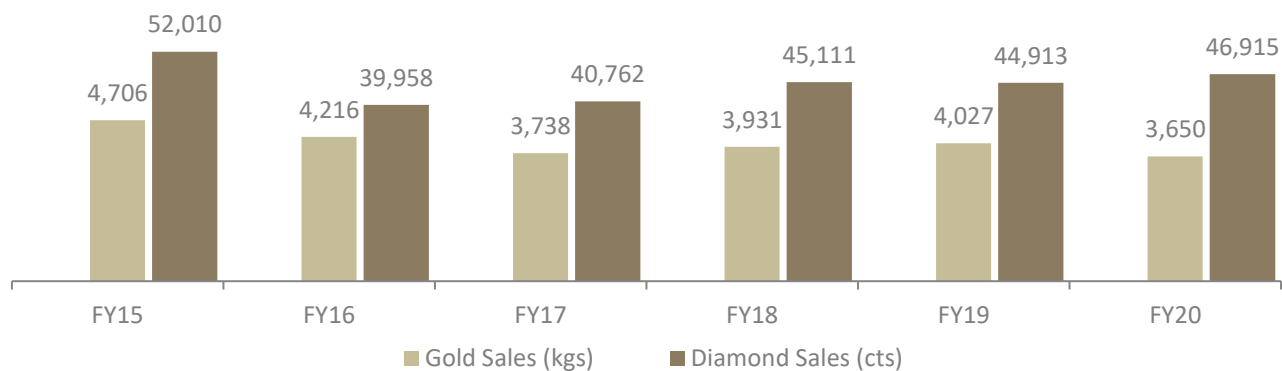


DISCUSSION SUMMARY

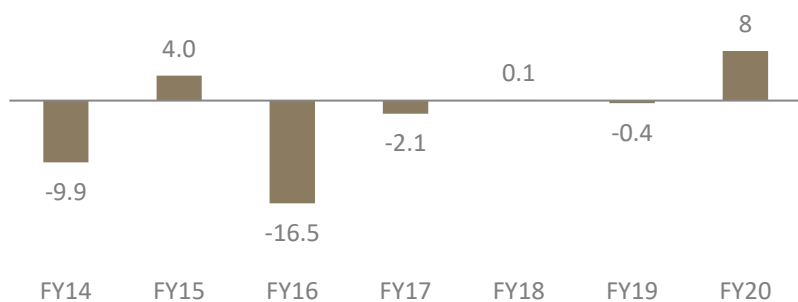
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OPERATIONAL SUMMARY

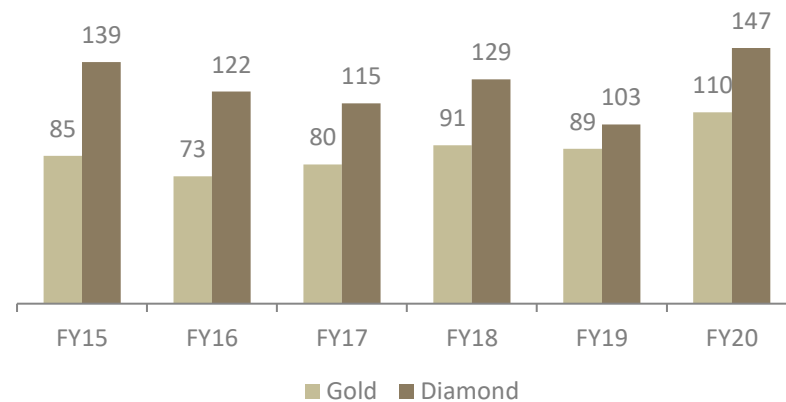
GOLD & DIAMOND VOLUMES



SSSG - TOTAL (%)



AVERAGE TICKET SIZE (RS '000)



SSSG: Same store sales value growth
FY20 SSG Growth is for the period April19 to February20

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BUSINESS MODEL: MANUFACTURING

PROCUREMENT

Gold

- Raw Material - Bullion

Sources:

- Banks – Gold on loan
- Exchange & purchase of old jewellery
- Bullion dealers

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

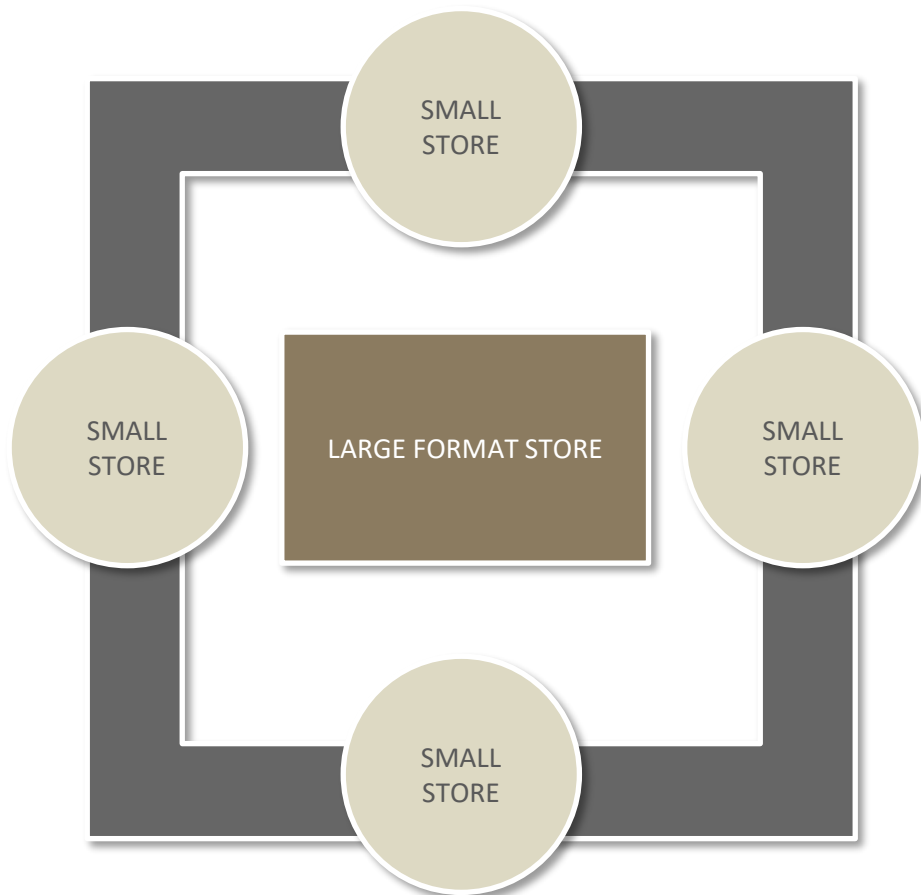
- In-house diamond jewellery manufacturing leading to exclusive designs, lower costs, and higher margins
- Manufacturing facility at Kandivali, Mumbai spread over ~24,000 sq ft with capacity of ~30,000 cts
- The facility also has capacity for 4,000 kg of gold refining and 4,500 kg of gold jewellery components 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)

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

- BEST BRACELET DESIGN AWARD AT THE 9TH EDITION OF JJS-IJ JEWELLERS CHOICE DESIGN AWARDS 2019
- “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





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