



First Quarter FY14 Results Update 12th August, 2013



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ABOUT US

PEDIGREE

- Over 149 years of history in jewellery business – 1st store opened in 1864 at Zaveri Bazaar, Mumbai.
- 5th generation of family is 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 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

- 26 retail stores - ~84,000 sqft - spread across 20 cities in 7 states.
- Expansion plan to increase the number of stores to 57 and retail space to ~150,000 sqft by 2015 spread over 43 cities in 14 States.

DESIGNS & MANUFACTURING

- 31 designers (including 9 computer aided designers); 8-10 new jewellery lines every year; designs are also sourced from Italy, Turkey and Thailand.
- Manufacturing facility at Kandivali, Mumbai spread over ~24,000 sqft: Diamond - ~200,000 cts (dual shift basis), Gold - 4,000 kg of gold refining and 4,500 kg of gold jewellery components.

TEAM

- 1,811 employees as of 30 June, 2013 including CEO, 8 functional heads, 54 line managers and 71 store managers and assistant managers, 1,194 retail staff, 165 employees at manufacturing unit and 31 jewellery designers.

STRONG BRAND VALUE

RELEVANCE OF BRANDED JEWELLERY



The original since 1864

TRIBHOVANDAS BHIMJI ZAVERI
SHRIKANT ZAVERI GROUP

- The power of brand in gold and diamond jewellery retail is a critical competitive advantage.
- Indians prefer to shop with jewellers who are trusted & transparent.
- TBZ has a legacy of enthralling India with stunning and inspiring wedding jewellery designs for last 149 years. Wedding buying being volume-led, trusted jeweller is the best option.

POWER OF THE BRAND “TBZ – THE ORIGINAL”

HIGH
CONVERSION

80%

Average across 14
stores

HIGHER BILL
VALUE

₹ 90k

for gold jewellery and
₹ 125k for diamond
Jewellery

HIGH
PRODUCTIVITY

₹ 280,000

per sqft per annum;
at mature stores

SCALEABILITY

10* – 43*

Brand TBZ is
popular across India.
*cities

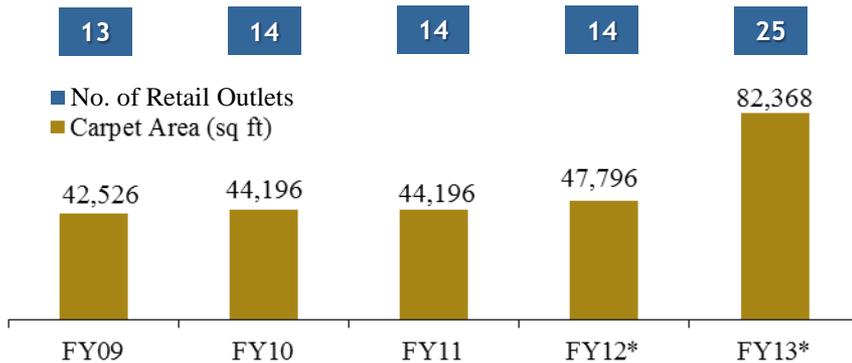
BETTER ROCE
PER STORE

~30%

Without gold lease.
**With gold lease
more than 80%**

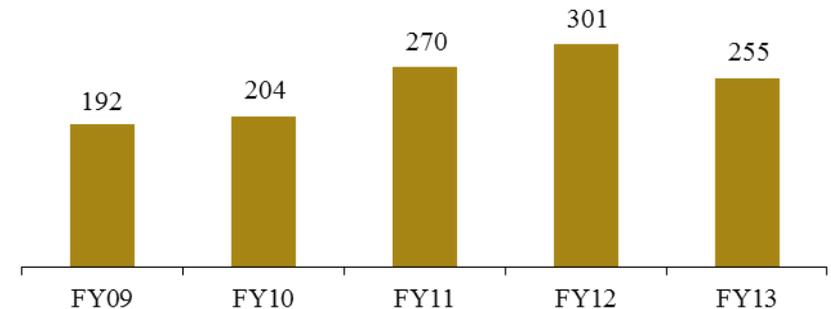
PAST 5 YEARS AT TBZ – THE ORIGINAL

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 upgraded the showroom in Pune from small format to large format showroom.

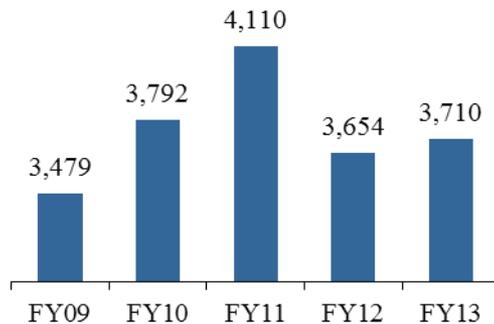
Revenue / average sqft * (₹ '000 / sqft)



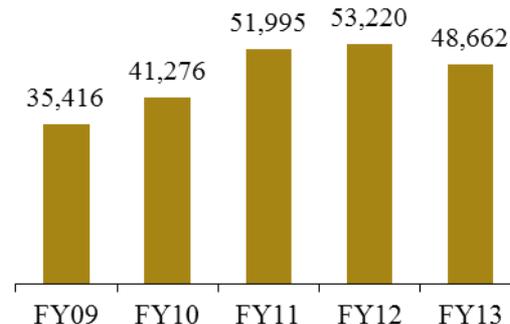
* Average is the average of sqft at the beginning and at the end of the period]

Gold and Diamond Volumes and Sales Mix*

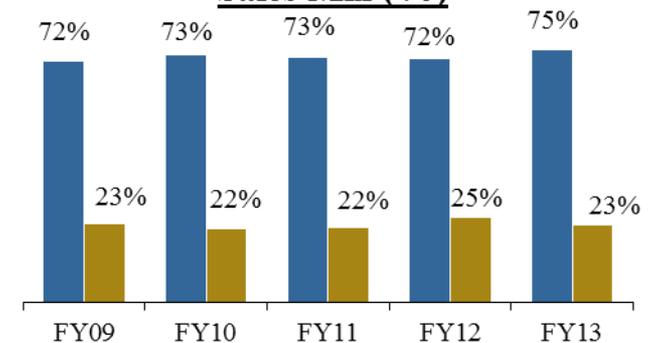
Gold Sales (Kgs)



Diamond Sales (Cts)



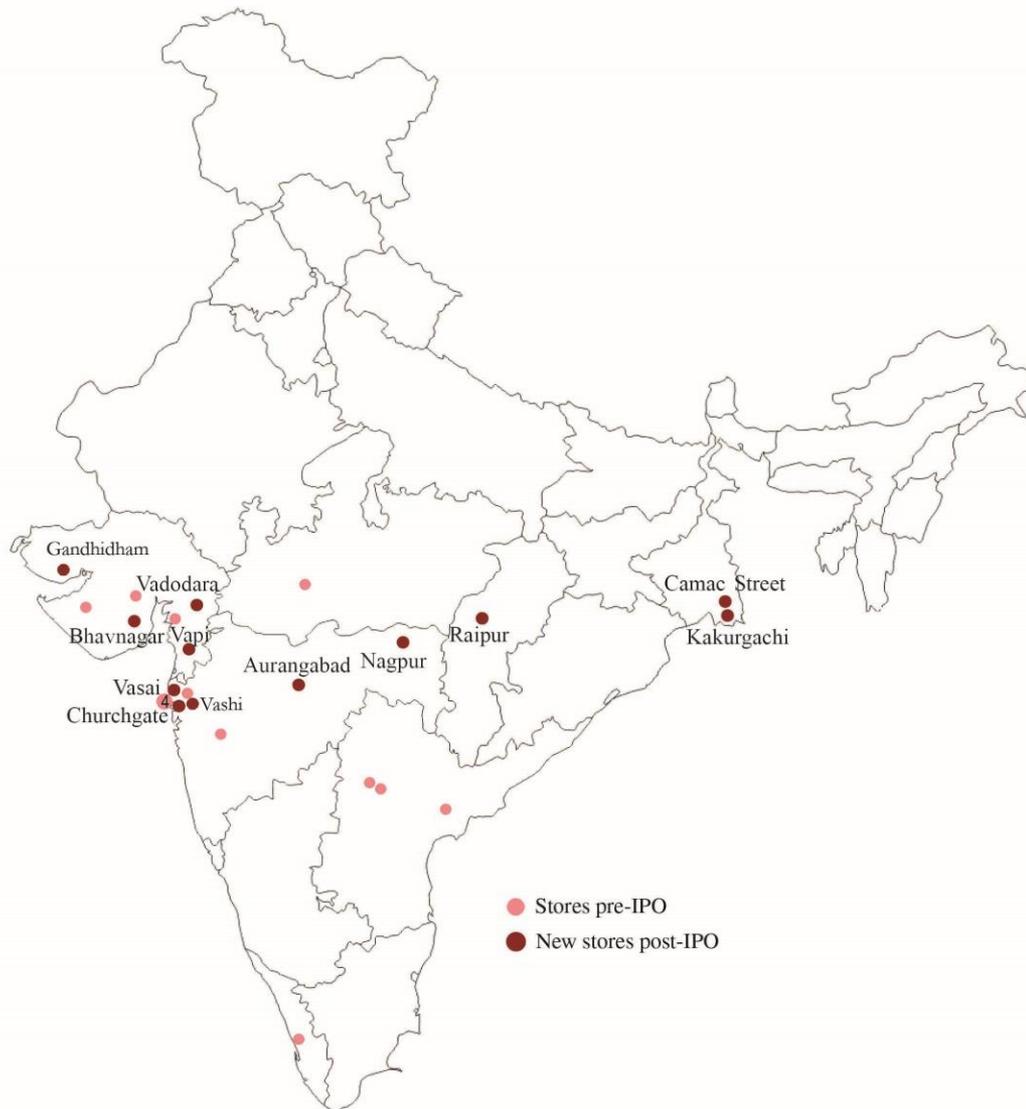
Sales Mix (%)



* Based on standalone financials

■ Gold ■ Diamond

EXPANSION UPDATE



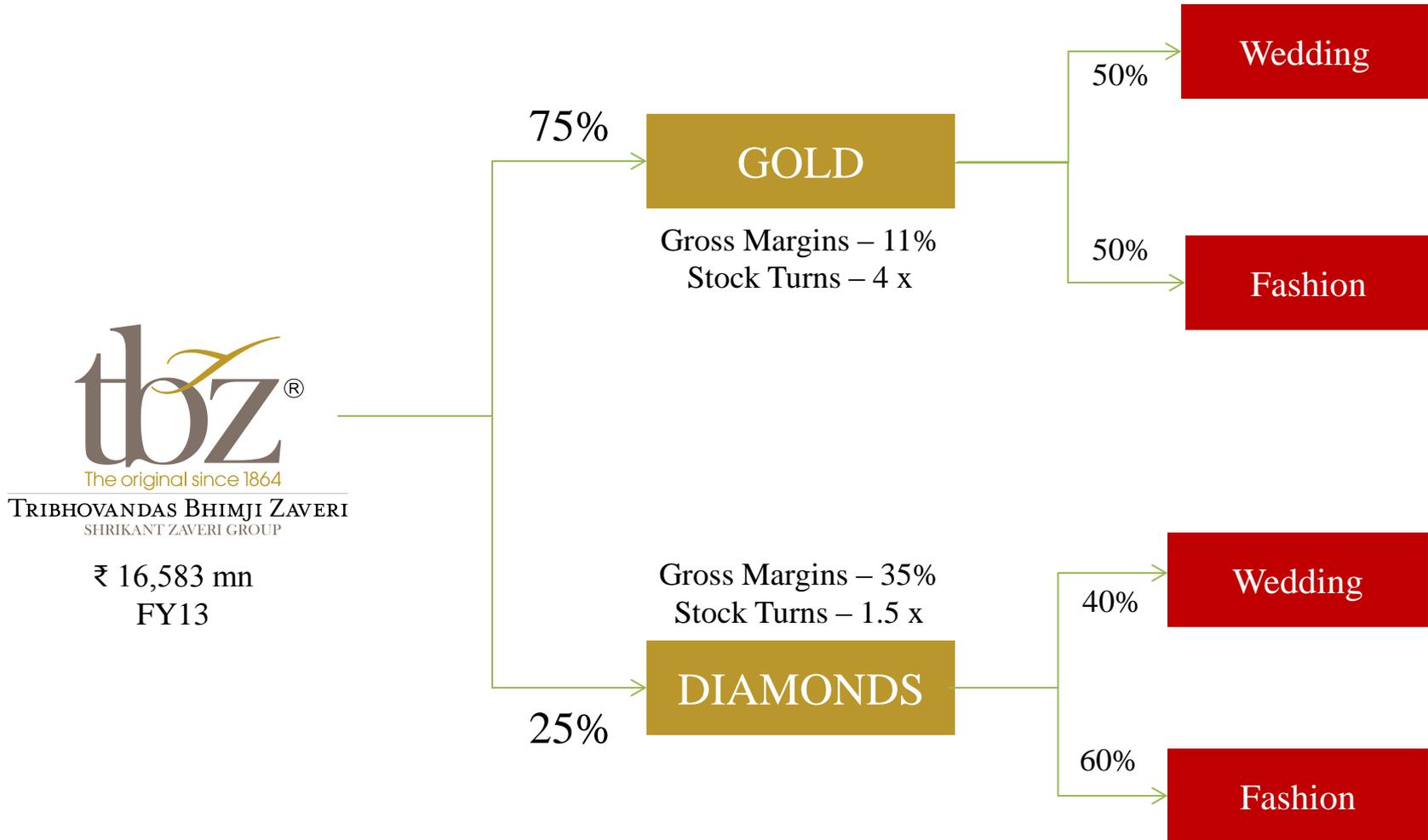
Expansion is well on track with addition of 12 new stores post IPO with a retail space of ~34,000 sqft.

Stores	Number	Area (sqft)
Pre-IPO	14	~50,000
Large Format	12	
Small Format	2	
Post-IPO	12	~34,000
Large Format	8	
Small Format	4	
Total	26	~84,000

EXPANSION UPDATE

NEW STORE ADDITION DURING FY13		
Month of Opening	Region	Carpet Area (sqft)
July 2012	Churchgate, Mumbai	1,230
August 2012	Vadodara, Gujarat	3,750
September 2012	Camac Street, Kolkata	5,000
September 2012	Kakurgachi, Kolkata	3,200
September 2012	Vapi, Gujarat	2,158
December 2012	Bhavnagar, Gujarat	2,400
December 2012	Vasai, Maharashtra	1,500
January 2013	Nagpur	2,624
January 2013	Aurangabad	4,789
March 2013	Raipur, Chattisgarh	2,900
March 2013	Vashi, Navi Mumbai	2948
April 2013	Gandhidham, Gujarat	2100

BUSINESS MODEL: PRODUCT



WEDDING JEWELLERY SALES GENERATE STRONG VOLUMES;
AND FASHION JEWELLERY SALES OFFER GROWTH

BUSINESS MODEL : RETAIL

HUB & SPOKE MODEL OPTIMIZES ROI

LARGE FORMAT STORE

- 3,000 sqft & above
- Standalone high street - heart of city
- Wider range
- Higher price points (up to ₹ 2,000k)
- Inventory - ₹ 300 mn (Gold sourced through gold loan)
- G:D - 70:30

SMALL
STORE

SMALL
STORE

SMALL
STORE

SMALL
STORE

- 1,000 - 1,500 sqft
- Across the city
- Smaller range
- Lower price points (up to ₹ 500k)
- Inventory - ₹ 100 mn (Gold sourced through gold loan)
- G:D - 70:30

BUSINESS MODEL: ECONOMICS

Particulars	Large Format	Small Format
Size sqft	Above 3,000	1,000 – 1,500
Average Sales per sqft in Year 1 (₹)	275,000	250,000
Gold : Diamond	75:25	75:25
Gross Margin - Gold : Diamond	11% : 35%	11% : 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	11.1%	11.1%
Store Capex (mn)	₹ 17.1	₹ 7.3
Store Working Capital w/o Gold Lease (mn)	₹ 280	₹ 93
Store Working Capital with Gold Lease (mn)	₹ 54	₹ 23
Store Cash BEP (in months)	4.5 months	4.5 months

RESULTS UPDATE – JUNE 2013

Income Statement in (mn) (Quarterly unaudited)	Q1FY14 (₹)	Q1FY13 (₹)	YoY %	Q4FY13 (₹)	QoQ %	FY13 (₹)	FY12 (₹)	YoY %
Income from Operations	5,353	2,835	88.8	4,473	19.7	16,583	13,855	19.7
Expenditure:								
Raw Materials Consumed	4,482	2,244	99.7	3,608	24.2	13,463	11,424	17.8
Employee Costs	170	110	54.5	190	-10.9	551	457	20.5
Other Expenditure	300	195	53.7	226	32.5	1,095	753	45.5
Total Expenditure	4,951	2,549	94.3	4,025	23.0	15,109	12,634	19.6
EBITDA	402	286	40.1	449	-10.4	1,474	1,221	20.8
<i>EBITDA Margin (%)</i>	<i>7.5</i>	<i>10.1</i>		<i>10.0</i>		<i>8.9</i>	<i>8.8</i>	
Depreciation	24	13	80.6	28	-15.9	80	53	52.8
Other Income	14	9	63.6	25	-37.9	59	16	266.7%
Net Interest Expense	78	39	99.3	77	1.2	215	315	-31.7%
Prior period adjustment	-	-	-	2	-	(2)	-	-
Profit Before Tax	315	243	29.3	367	-14.2	1,236	869	42.2
Tax	107	80	32.3	117	-8.9	386	297	29.7
Profit After Tax	208	163	27.7	250	-16.7	850	572	48.6
<i>PAT Margin (%)</i>	<i>3.9</i>	<i>5.7</i>		<i>5.6</i>		<i>5.1</i>	<i>4.1</i>	

RESULTS UPDATE – JUNE 2013

Balance Sheet (in mn)	Q1FY14 (₹)	FY13 (₹)
Sources of Funds		
Equity	4,311	4,101
Loan Funds	4,320	4,140
Other Long Term Liabilities	126	63
Total Sources of Funds	8,757	8,303
Application of Funds:		
Gross Block	1,130	1,106
Less: Depreciation	253	230
Net Block	876	876
CWIP	28	16
Investments	30	30
Deferred Tax Assets	59	52
Long Term Loans & Advances	86	101
Current Assets: Inventories	10,642	10,274
Debtors	56	18
Cash and Bank Balance	692	318
Short Term Loans & Advances	157	127
Less: Current Liabilities	3,868	3,509
Total Application of Funds	8,757	8,303

MARGIN ANALYSIS

	Q1 FY14	Q1FY13	Q4 FY13	FY13	FY12
Gross Margins:					
Gold Jewellery	11.7%	14.3%	14.5%	13.2%	10.9%
Diamond Jewellery	33.7%	39.4%	34.3%	35.2%	35.9%
Blended Margins	16.3%	20.4%	19.3%	18.8%	17.5%
Expenses (as a % of Sales):					
Salaries	3.2%	3.3%	4.2%	3.3%	3.3%
Advertisement	2.5%	2.4%	2.4%	3.2%	2.4%
Rentals	0.9%	0.8%	1.0%	0.9%	0.8%
Other Overheads	2.2%	2.5%	1.7%	2.5%	2.1%
EBITDA Margins	7.5%	10.1%	10.0%	8.9%	8.8%

RESULTS UPDATE: INCOME STATEMENT

Income from Operations:

- Income from operations during Q1FY14 increased by 88.8% YoY primarily due to –
 - Addition of 12 new showrooms between Jun/12 and Apr/13.
 - Higher jewellery sales volumes across all 26 showrooms due to the combination of decline in gold prices in Apr/13 and presence of auspicious days like Akshay Tritiya, Guru Pushya and Gudi Padwa during the quarter.
- Income from operations during Q1FY14 increased by 19.7% QoQ primarily due to –
 - Addition of 1 new showroom on Apr/13.
 - Higher jewellery sales volumes as mentioned above.

RESULTS UPDATE: INCOME STATEMENT

Gross Margin:

- Gross margin during Q1FY14 decreased by 410 bps YoY and 300 bps QoQ primarily due to –
 - Gold : Diamond ratio of 80 : 20 during Q1FY14 compared to 76 : 24 during Q1FY13.
 - Change in gold jewellery product sales mix. However the gold jewellery gross margin of 11.7% continues to be above the average margins of around 11%.
 - Incentivization of diamond jewellery sales given the weak consumer sentiments.

Other Expenses:

- Other expenses during Q1FY14 increased by 53.7% YoY and 32.5% QoQ primarily due to –
 - Adv. expenses increased by ₹ 48.7 mn YoY and ₹ 29.9 mn QoQ, driven by larger nationwide presence across 20 cities vs. 10 cities during Q1FY13. However the adv. spend as a percentage of sales remained stable.
 - Rent expenses increased by ₹ 17.5 mn YoY and ₹ 1.2 mn QoQ, driven by opening of 12 new showrooms. However the rent as a percentage of sales remained stable.

RESULTS UPDATE: BALANCE SHEET

Loan Funds:

- Total loan funds increased in line with the increase in overall inventory.
- However the interest expense during Q1FY14 remained stable compared to Q4FY13.
- Gold on lease has been classified in Loan Funds as per prudent practices leading to increase in Loan Funds at the end of the year.
- 50% of gold inventory was on lease at ₹ 2,515 mn (excluding making charges and overheads).

Inventory

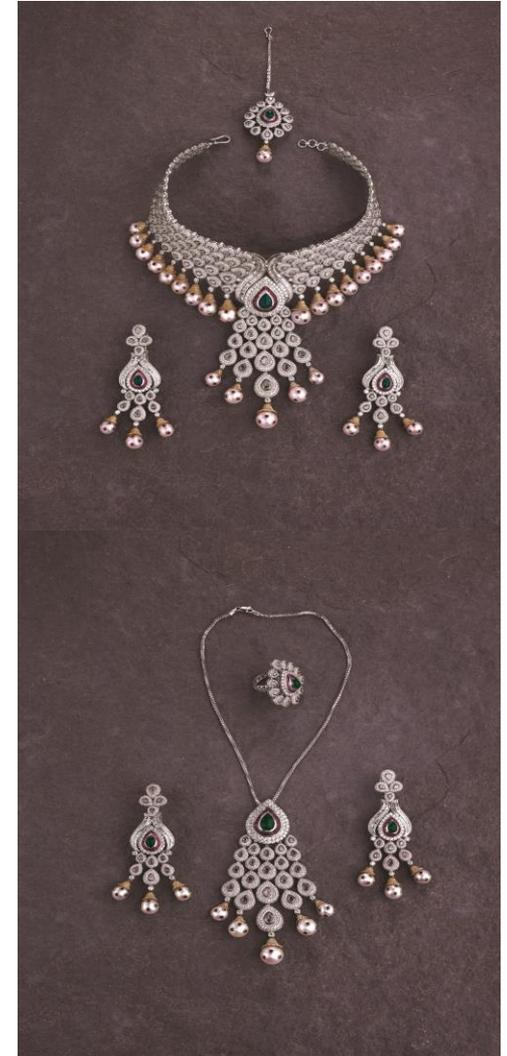
- Inventory increased due to the inventory buildup for upcoming showrooms.

Kalpavruksha Scheme:

- Advances on account of Kalpavruksha scheme increased by 11% from ₹ 978 mn at Mar/13 to ₹ 1,093 mn at Jun/13.

OUTLOOK FOR FY14

- With the successful completion of first year of expansion, TBZ would continue expanding into new regions across India in FY14.
- The company shall continue to stimulate the consumer demand through innovative designs and various tactical offers to counter the general economic sluggishness.
- The wedding segment is expected to show improved performance in FY14 driven by higher number of wedding days (74 days vs. 49 days in FY13) and auspicious days which will last till end of Jun/14, highest in the last decade.
- Launch of new collections and designs would further drive volumes and margin expansion.



Thank you

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