



The original since 1864

TRIBHOVANDAS BHIMJI ZAVERI
SHRIKANT ZAVERI GROUP

SECOND QUARTER FY14 RESULTS UPDATE

13TH NOVEMBER 2013

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ABOUT US: 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

- ❖ High sales productivity - ₹ 280,000 per sq ft per annum (at mature stores)
- ❖ High footfalls conversion - 80%
- ❖ High ticket size - Gold - ₹ 90,000, Diamond - ₹ 125,000

SCALABILITY & REACH

- ❖ 27 stores (~88,000 sq ft)
- ❖ Presence - 21 cities, 8 states

Expansion Plan -

- ❖ 57 stores (~150,000 sq ft)
- ❖ Presence - 43 cities, 14 states

TBZ

**SUSTAINABLE
COMPETITIVE
ADVANTAGES**

SPECIALTY WEDDING JEWELLER

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

STRONG FINANCIAL METRICS

- ❖ 5-Yr CAGR - Revenue - 26%, EBITDA - 44%, PAT - 80%
- ❖ FY13 ROCE - 24.5%, ROE - 29.8%, D/E - 1.0
- ❖ Store level ROCE - 30%

DESIGN EXCLUSIVITY

- ❖ 31 designers (incl. 9 CAD)
- ❖ 8 - 10 new jewellery lines/year
- ❖ In-house diamond jewellery production
- ❖ Customer loyalty
- ❖ Premium pricing

ABOUT US: KEY MILESTONES

STRONG LEGACY OF AROUND 150 YEARS BUILD ON TRUST

Flagship store opened in Zaveri Bazaar, Mumbai

Introduced 100% pre-hallmarked jewellery

Diamond facility expansion - ~6k to ~24k sq ft

27th store opened at Udaipur on 9th October 2013

First to launch light weight jewellery

Turnover crossed ₹ 5,000 mn in FY09

Retail footprint crosses 84k sq ft across 20 cities

1864

1938

1995

2001

2004

2008

2009

2011

2011

2012

2013

2013

2013

2013

First to offer buyback guarantee

Mr Shrikant Zaveri took over the business

Retail footprint crosses 42k sq ft across 13 stores

Implementation of Oracle ERP Suite

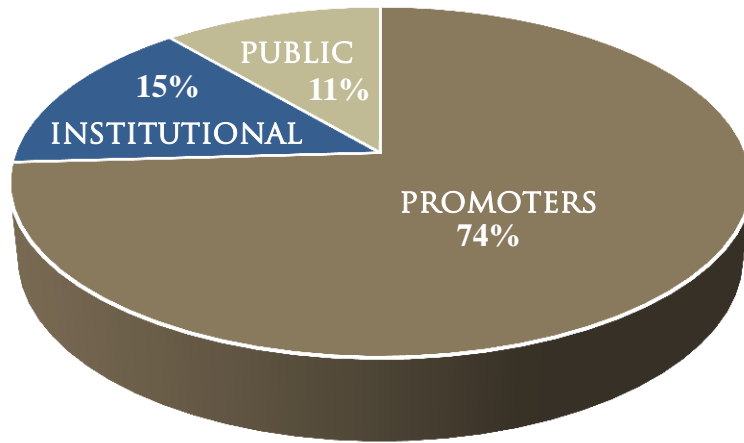
Listed on BSE & NSE with IPO of ₹ 2,000 mn

Sales crossed ₹ 16,000 mn, PAT of ₹ 850 mn

Introduced gold deposit plan

ABOUT US: SHAREHOLDING STRUCTURE

SHAREHOLDING PATTERN – SEPT 2013

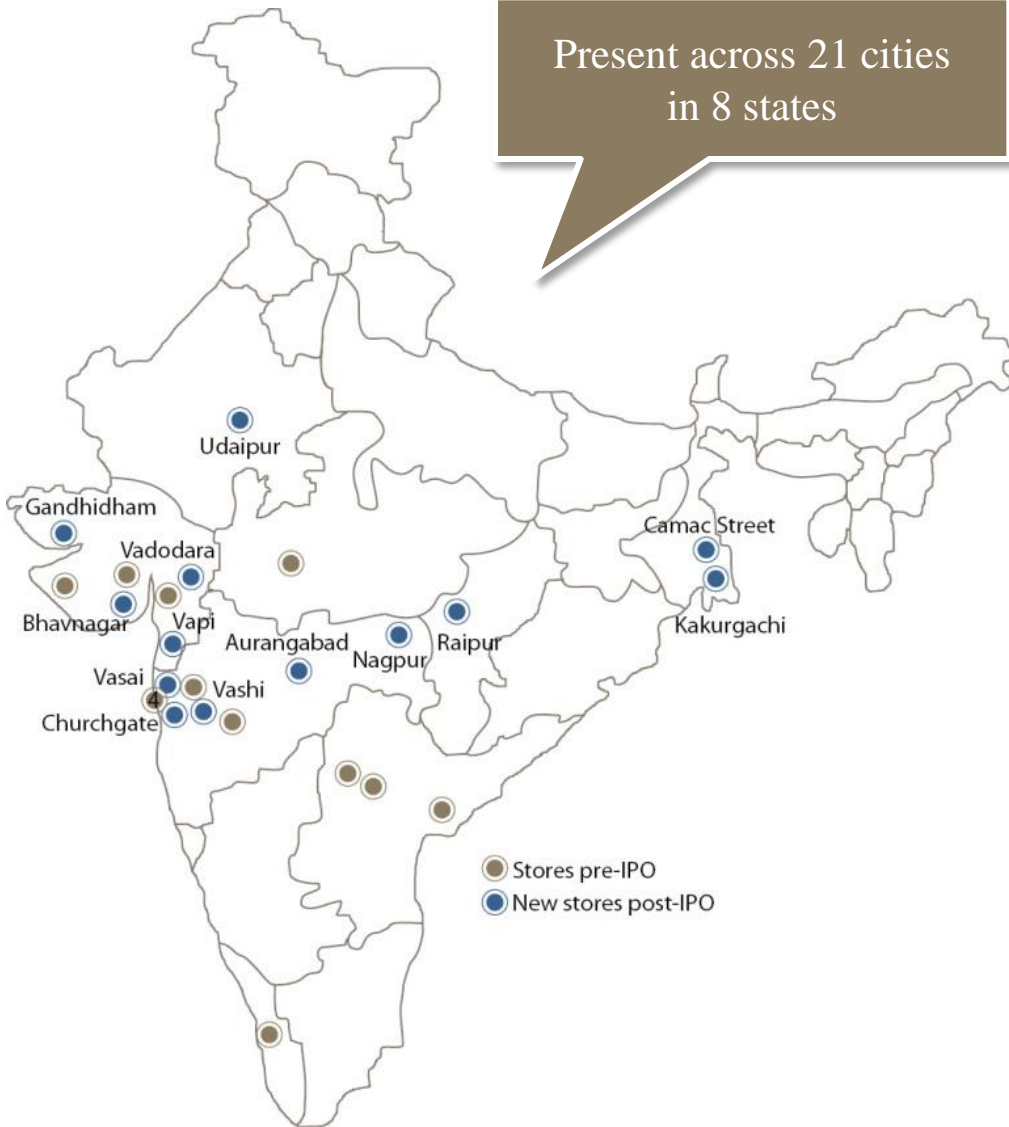


KEY INSTITUTIONAL INVESTORS	% HOLDING
Smallcap World Fund INC	5.16%
HSBC Global Investments	4.18%
Acacia Partners LP	1.32%
Morgan Stanley Asia	1.02%



ABOUT US: RETAIL PRESENCE

Present across 21 cities
in 8 states



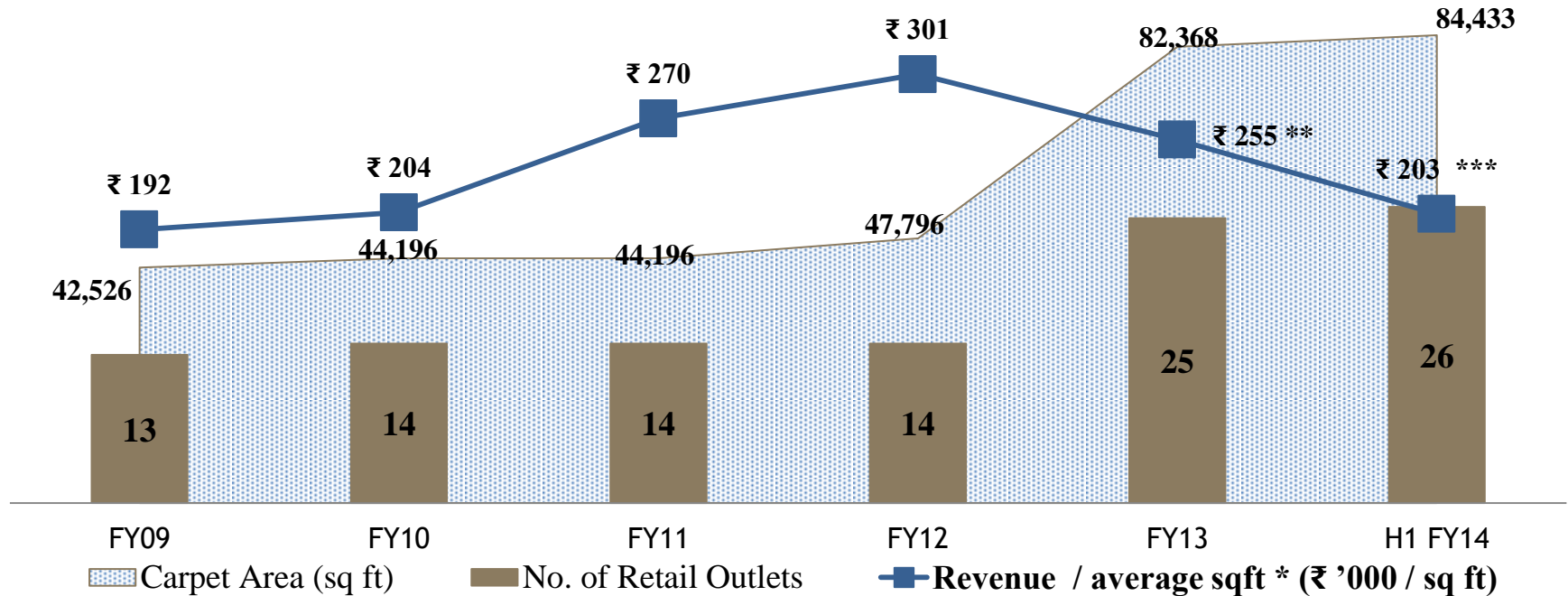
EXPANSION IS WELL ON TRACK WITH ADDITION OF 13 NEW STORES POST IPO WITH A RETAIL SPACE OF ~38,000 SQ.FT.

NUMBER OF STORES	TILL DATE
Large Format	21
Small Format	6
Tier I	17
Tier II	3
Metros	7
Total Stores	27
Total Area	~88,000



ABOUT US: RETAIL FOOTPRINT EXPANSION

HIGH SALES PRODUCTIVITY (REVENUE / YEAR / SQ_FT)



* Average of retail area at the beginning and at the end of the financial year

** Includes stores which were not fully operational

*** Annualized sales productivity over H1 FY14

Q2 & H1 FY14 BUSINESS SCENARIO

❖ CONTINUED OVERHANG OF DIFFICULT ECONOMIC CONDITIONS

- Slowest real GDP growth in last four years - 4.4% in Q1 FY14.
- High fiscal & current account deficit (CAD) - 5.8% & 5.3% respectively in Q1 FY13.
- Continued high inflationary pressure - CPI / WPI (9.4% / 4.8% to 9.8% / 6.5% in H1 FY14).
- Persistent high interest rates due to high inflation and weaker rupee (depreciated 17% in H1 FY14).

❖ WEAK DISCRETIONARY DEMAND & SUBDUED CONSUMER SENTIMENT

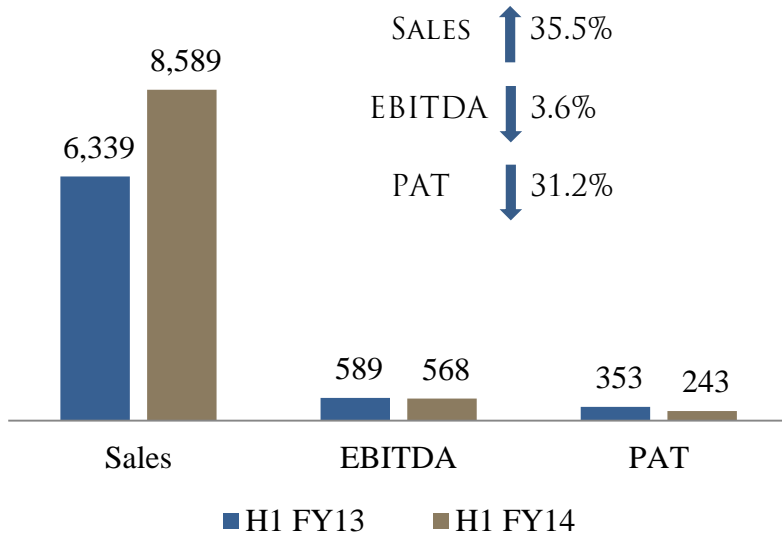
- Consumer durables sales down 11% YoY during H1 FY14 (CSO, GOI).
- Domestic passenger car sales down 6% YoY during H1 FY14 (SIAM).

❖ UNFAVOURABLE REGULATORY ENVIRONMENT (government's current measures to control CAD by reducing the gold imports)

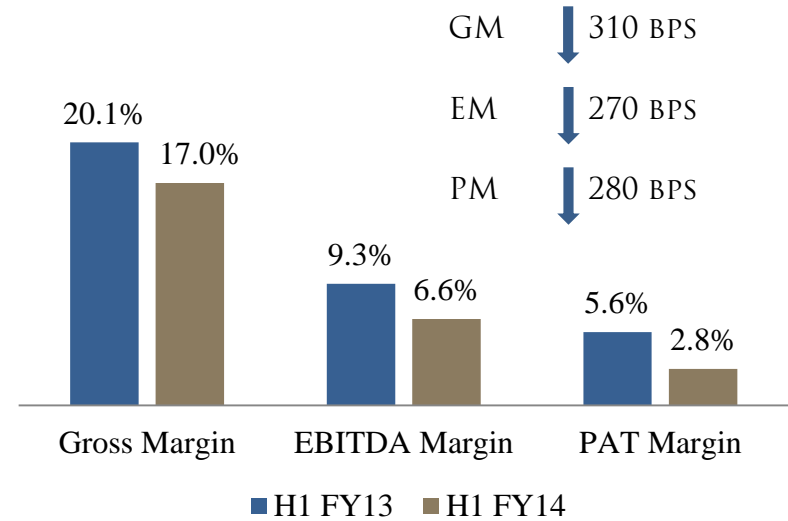
- Customs duty on gold imports hiked from 8% to 10% and on imported gold jewellery from 10% to 15%.
- Ban on import of gold coins and bars.
- Disallowance of gold lease model with no credit allowed in any form for gold imports.
- 80:20 gold import rule: 20% of gold imports required to be exported thus restricting the total gold imports in India.

H1 FY14 FINANCIAL UPDATE

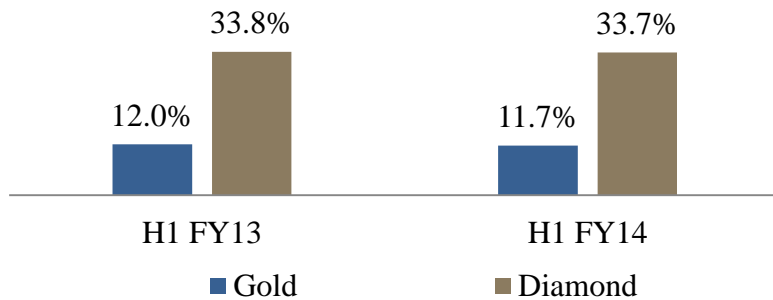
PROFIT ANALYSIS (RS MN)



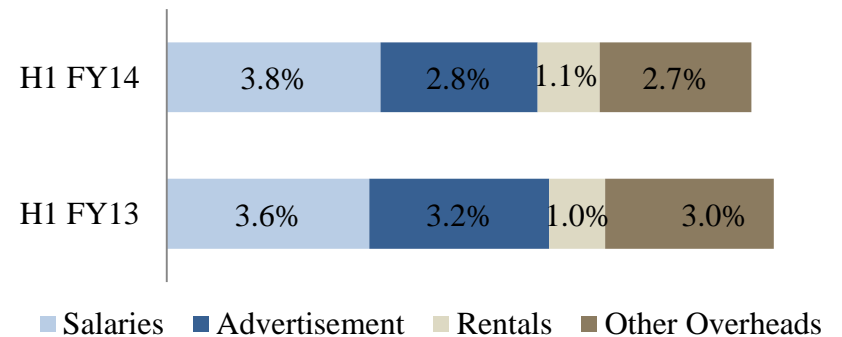
MARGIN ANALYSIS (%)



GROSS MARGINS (%)

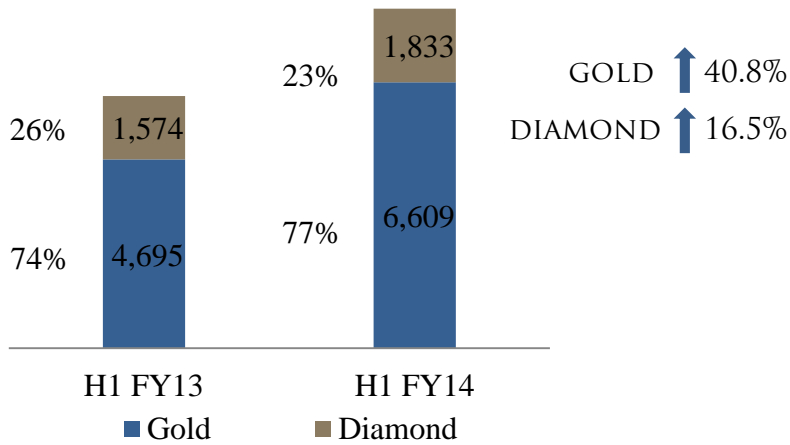


OPERATIONAL EFFICIENCY (%)

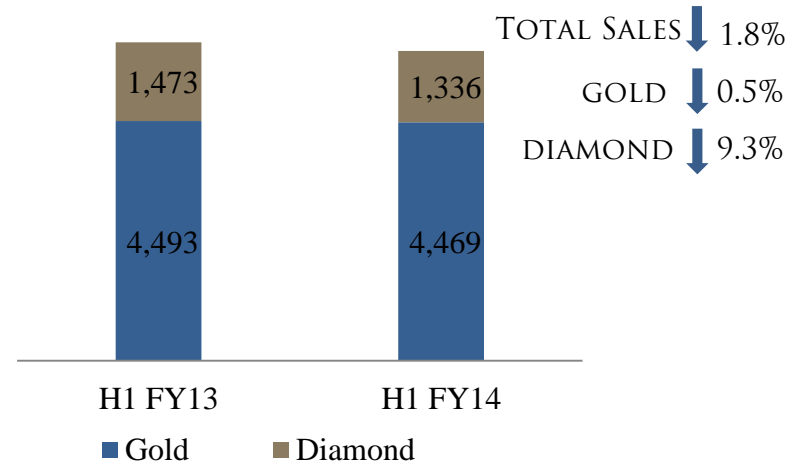


H1 FY14 OPERATIONAL UPDATE

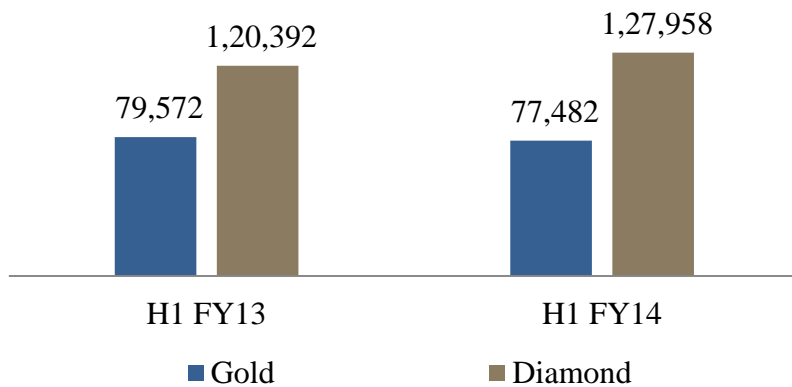
TOTAL SALES (RS MN)



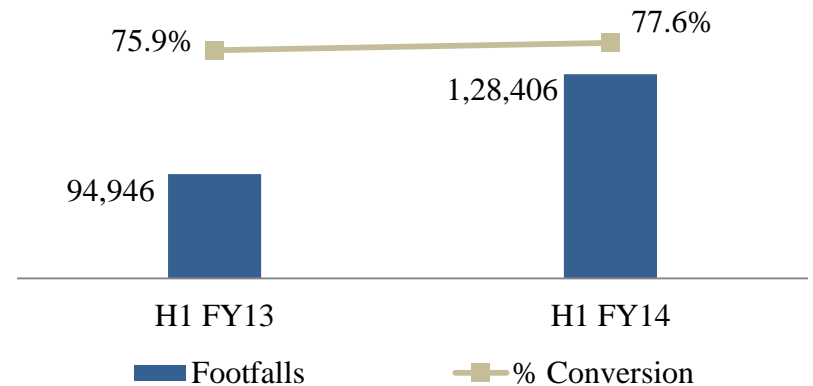
SAME STORE SALES (RS MN)



AVERAGE TICKET SIZE (RS)

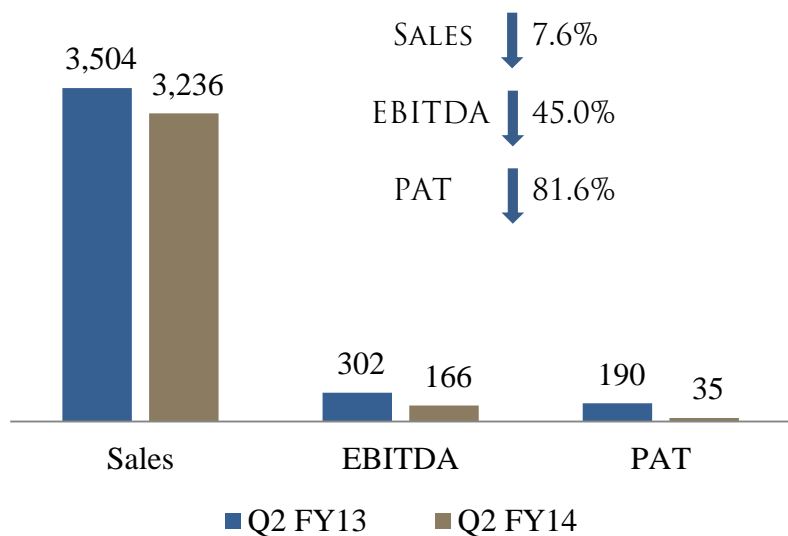


FOOTFALLS & CONVERSION

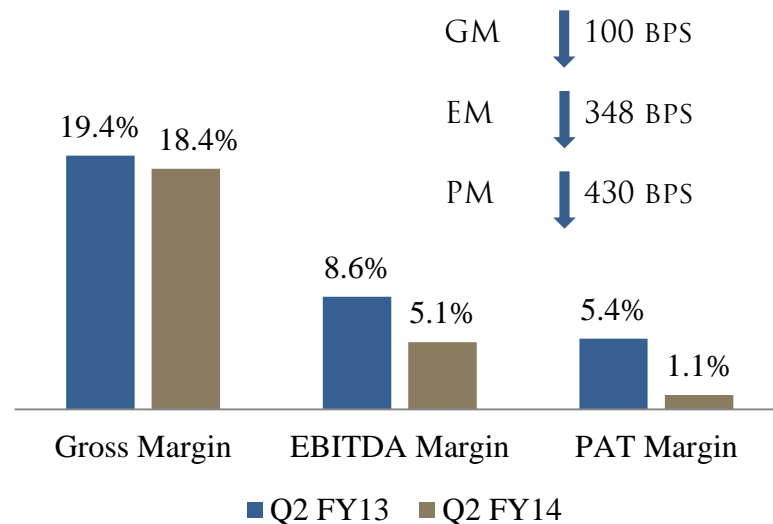


Q2 FY14 FINANCIAL UPDATE

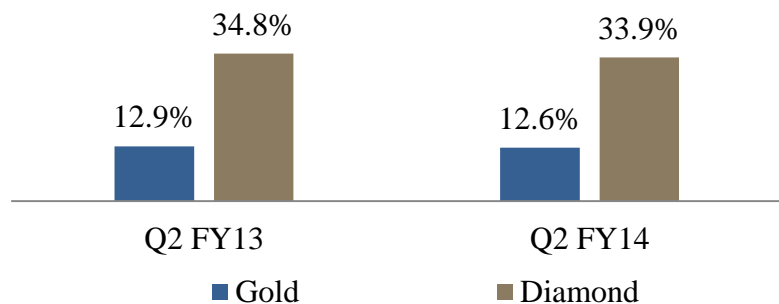
PROFIT ANALYSIS (RS MN)



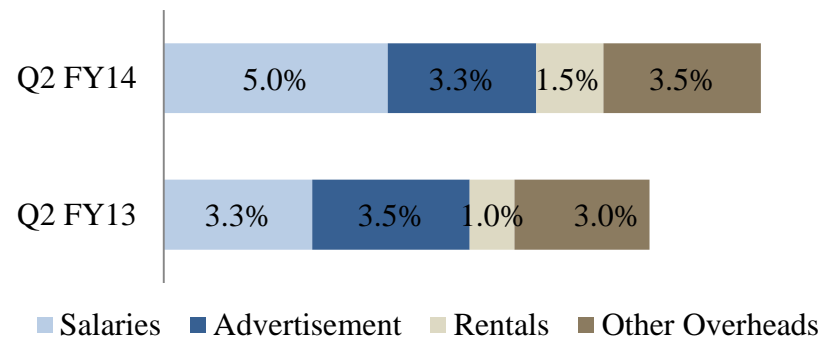
MARGIN ANALYSIS (%)



GROSS MARGINS (%)

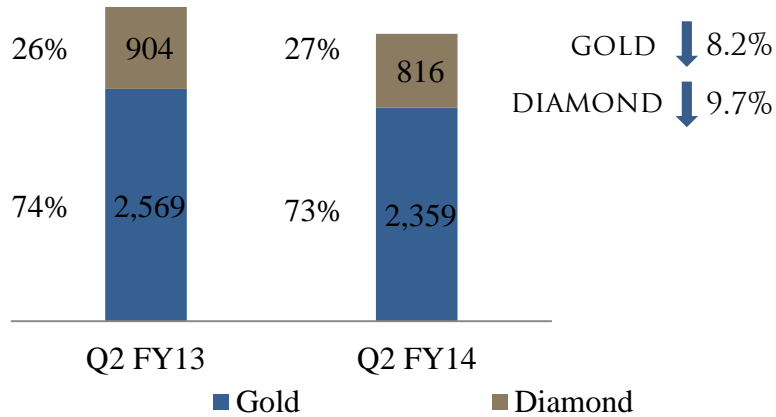


OPERATIONAL EFFICIENCY (%)

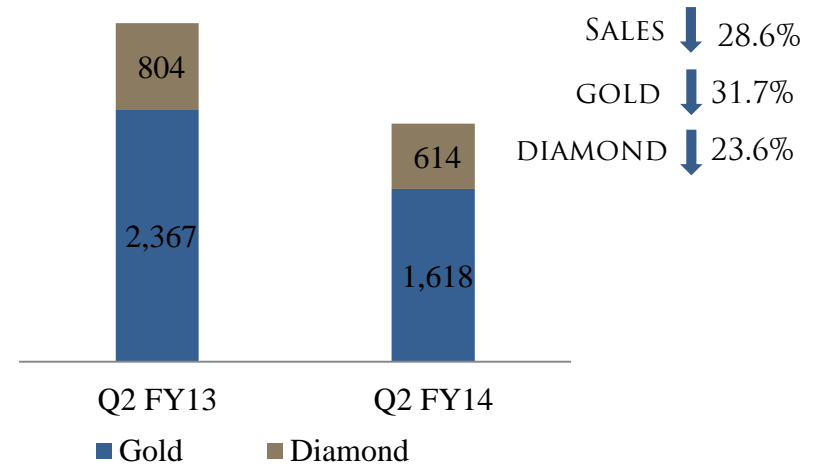


Q2 FY14 OPERATIONAL UPDATE

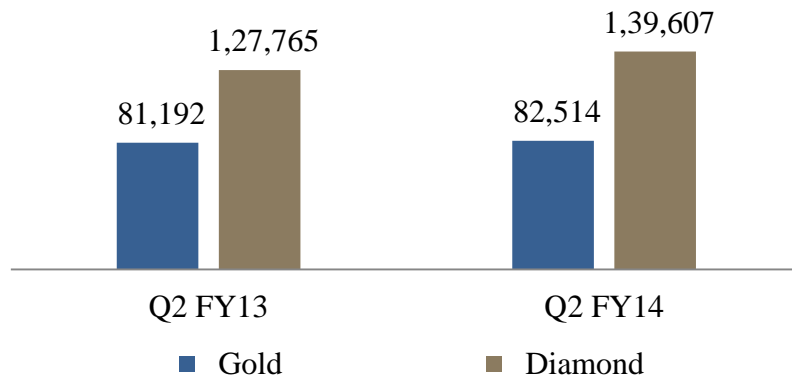
TOTAL SALES (RS MN)



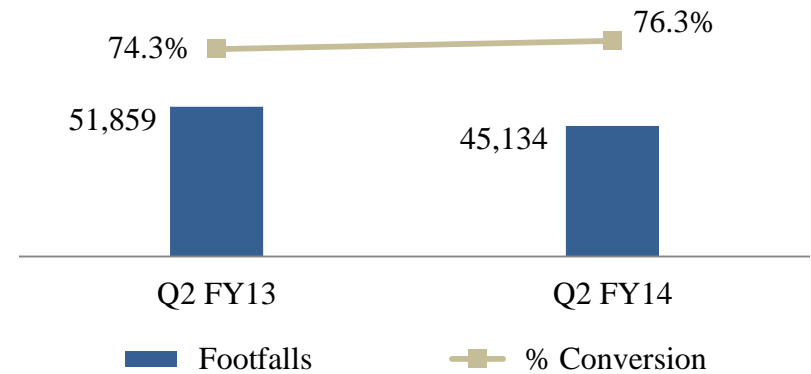
SAME STORE SALES (RS MN)



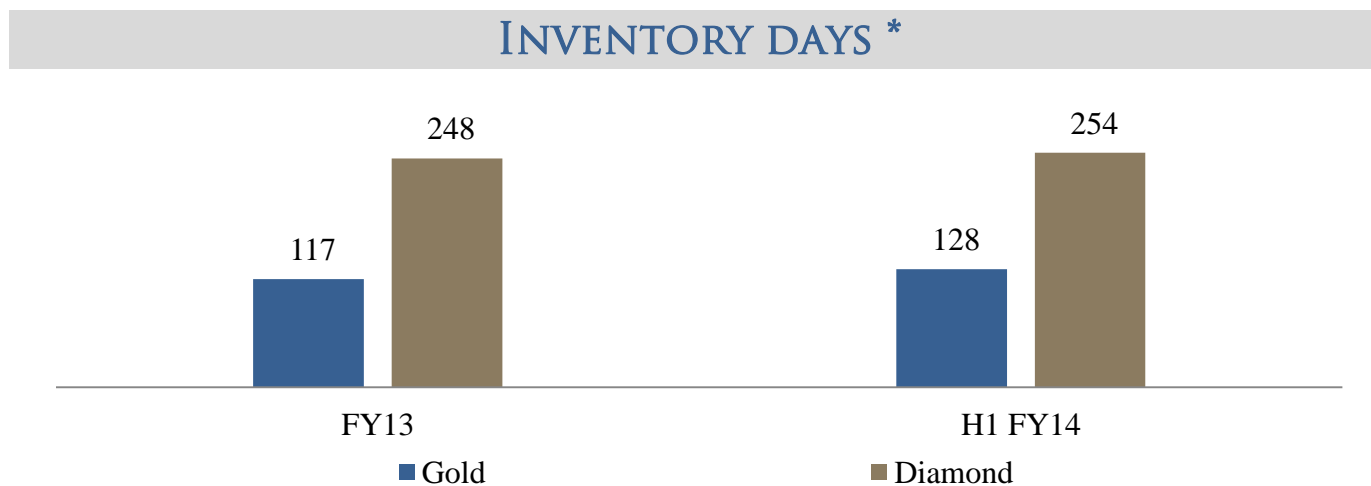
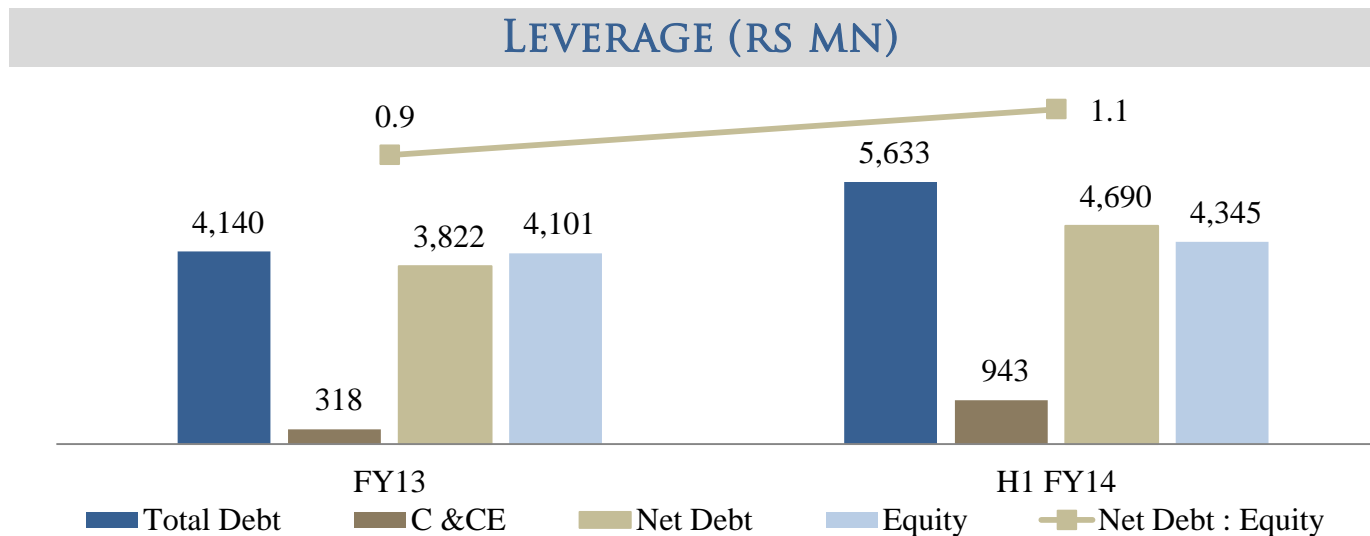
AVERAGE TICKET SIZE



FOOTFALLS & CONVERSION



SEP-14 BALANCE SHEET UPDATE



* Calculation is based on weighted average inventory

H1 & Q2 FY14 RESULTS HIGHLIGHTS

- ❖ Weak consumer sentiments & low discretionary demand driven by sluggish economic conditions, high interest rates, high inflation and volatility in gold prices.
- ❖ Overall industry-wide decline in jewellery sales, except for the temporary spurt in jewellery sales during April-May 2013.
- ❖ Slowdown in gold imports resulted in scarcity of the yellow metal driving up the cost of imported gold, leading to higher gold prices which further affected the consumer demand.
- ❖ 45% YoY decline in sales of coins & bars during Q2 FY14 due to the voluntary discontinuation of sale of coins & bars (Share of coins declined from 13.3% in Q2 FY13 to 7.9% in Q2 FY14).
- ❖ Gold jewellery sales excluding coins however increased 3.2% during Q2 FY14.
- ❖ Higher interest cost due to gradual phasing out of the gold lease model.
- ❖ Advances on account of Kalpavruksha Scheme were ₹ 1,246 mn (up 60% YoY and up 27.4% from Mar-13)
- ❖ Introduced new gold sourcing initiative in form of Gold Deposit Plan.
- ❖ Introduced new customer loyalty scheme – Suvarna Shristi (gold grammage scheme).

THANK YOU



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ANNEXURE

RESULTS UPDATE – SEPT 2013

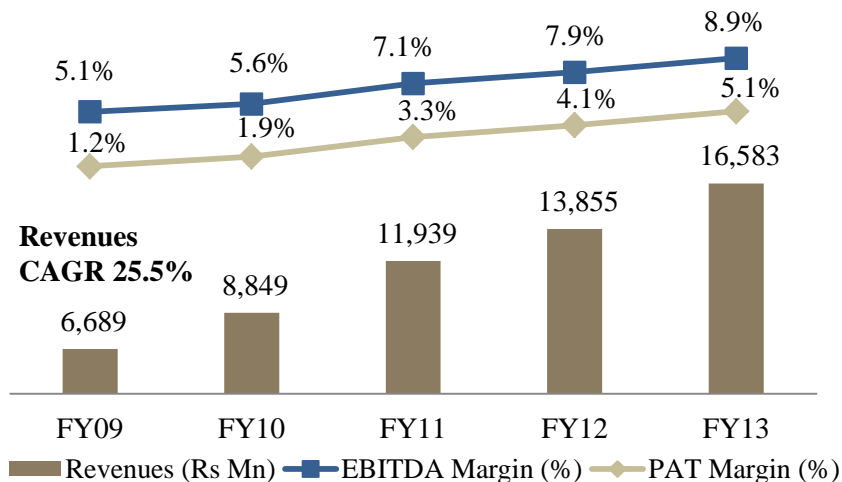
PARTICULARS (IN MN) (QUARTERLY UNAUDITED)	H1 FY14 (₹)	H1 FY13 (₹)	YoY %	Q2 FY14 (₹)	Q2 FY13 (₹)	YoY %	Q1 FY14 (₹)	QoQ %
Revenues	8,589	6,339	35.5%	3,236	3,504	-7.7%	5,353	-39.6%
COGS	7,126	5,068	40.6%	2,644	2,825	-6.4%	4,481	-41.0%
Gross Profit	1,463	1,271	15.1%	592	679	-12.8%	872	-32.1%
<i>Gross Margin (%)</i>	<i>17.0%</i>	<i>20.1%</i>		<i>18.3%</i>	<i>19.4%</i>		<i>16.3%</i>	
Personnel Expenses	330	226	46.0%	161	116	38.8%	170	-5.3%
Other Expenses	564	456	23.7%	264	261	1.2%	300	-12.0%
EBITDA	569	589	-3.4%	167	302	-44.7%	402	-58.5%
<i>EBITDA Margin (%)</i>	<i>6.6%</i>	<i>9.3%</i>		<i>5.2%</i>	<i>8.6%</i>		<i>7.5%</i>	
Depreciation	48	31	54.8%	24	18	33.3%	23	4.4%
Other Income	31	22	40.9%	16	13	23.1%	14	14.3%
Interest Expenses	184	80	130.0%	106	41	158.5%	78	35.9%
Profit Before Tax	368	500	-26.4%	53	256	-79.3%	315	-83.2%
Tax	125	147	-15.0%	18	66	-72.7%	107	-83.2%
PAT	243	353	-31.2%	35	190	-81.6%	208	-83.2%
<i>Profit Margin (%)</i>	<i>2.8%</i>	<i>5.6%</i>		<i>1.1%</i>	<i>5.4%</i>		<i>3.9%</i>	

RESULTS UPDATE – SEPT 2013

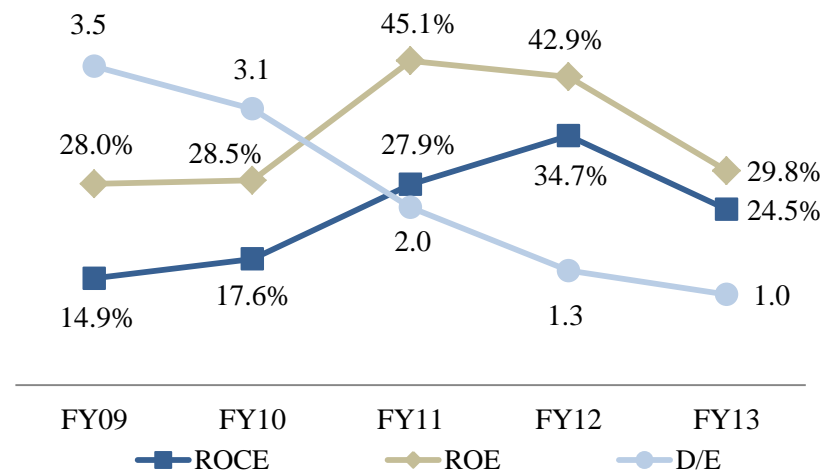
PARTICULARS (IN MN) (QUARTERLY UNAUDITED)	SEP-13 (₹)	FY13 (₹)	% CHANGE
Shareholders Funds	4,345	4,101	6.0%
Loan Funds	5,632	4,140	36.0%
Other Long Term Liabilities	76	62	22.6%
Sources of Funds	10,053	8,303	21.1%
Gross Block	1,178	1,122	5.0%
Less: Acc. Depreciation	277	230	20.4%
Net Block	901	892	1.0%
Other Long Term Assets	225	182	23.6%
Inventory	11,125	10,274	8.3%
Debtors	10	18	-44.4%
Cash and Bank Balance	943	318	196.5%
Other Current Assets	170	127	33.9%
Current Liabilities	3,321	3,508	-5.3%
Net Current Assets	8,927	7,229	23.5%
Application of Funds	10,053	8,303	21.1%

FINANCIAL SUMMARY

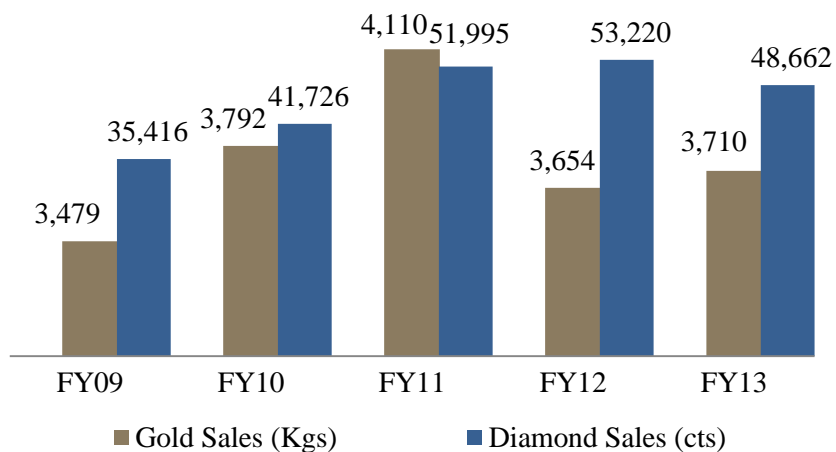
REVENUES & MARGIN ANALYSIS



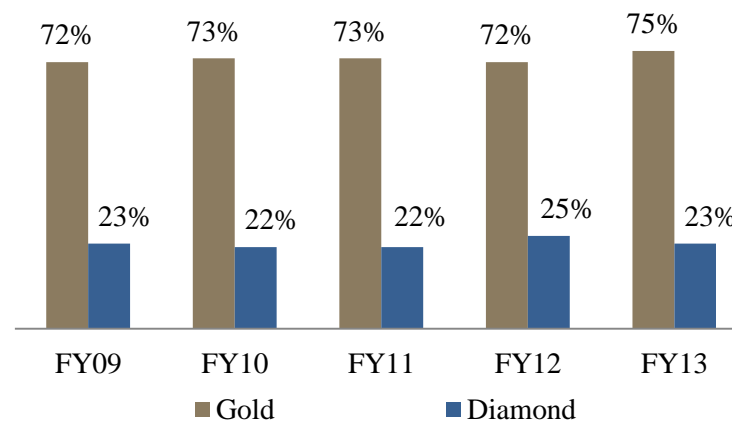
LEVERAGE & RETURN METRICS



GOLD AND DIAMOND VOLUMES



GOLD AND DIAMOND SALES MIX



AWARDS & RECOGNITION

- ❖ “EXCELLENCE IN ENTREPRENEURSHIP - GEMS & JEWELLERY CATEGORY”
MACCIA Award - 2013
- ❖ “RETAIL LEADERSHIP AWARD”
Asia Retail Congress Awards - 2013.
- ❖ “BEST BRANDED TRADITIONAL JEWELLERY”
Bombay Bullion Association Awards - 2012.
- ❖ “INNOVATIVE RETAIL CONCEPT OF THE YEAR”
Asia Retail Congress Awards - 2012.
- ❖ “BEST ADVERTISING CAMPAIGN OF THE YEAR (PRINT)”
National Jewellery Awards - 2012.



BUSINESS MODEL: PRODUCT

tbz[®]
The original since 1864
TRIBHOVANDAS BHIMJI ZAVERI
SHRIKANT ZAVERI GROUP
₹ 16,583 mn
FY13



GOLD
(75%)

Gross Margins – 11%
Stock Turns – 3x - 4 x



DIAMONDS
(25%)

Gross Margins – 35%
Stock Turns – 1.5 x



WEDDING (50%)



FASHION (50%)



WEDDING (40%)



FASHION (60%)

WEDDING SALES TO DRIVE STRONG VOLUMES
WEDDING & FASHION SALES TO DRIVE FUTURE GROWTH



GOLD

- ❖ Raw Material - Bullion

Sources:

- ❖ Exchange & purchase of old jewellery (26%)
- ❖ Bullion dealers
- ❖ Banks - imported gold
- ❖ Banks - domestic gold (gold deposits) on lease
- ❖ TBZ - gold deposit plan

- ❖ 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 (VVS grade)

Sources:

- ❖ DTC site holders
- ❖ Other vendors

MANUFACTURING

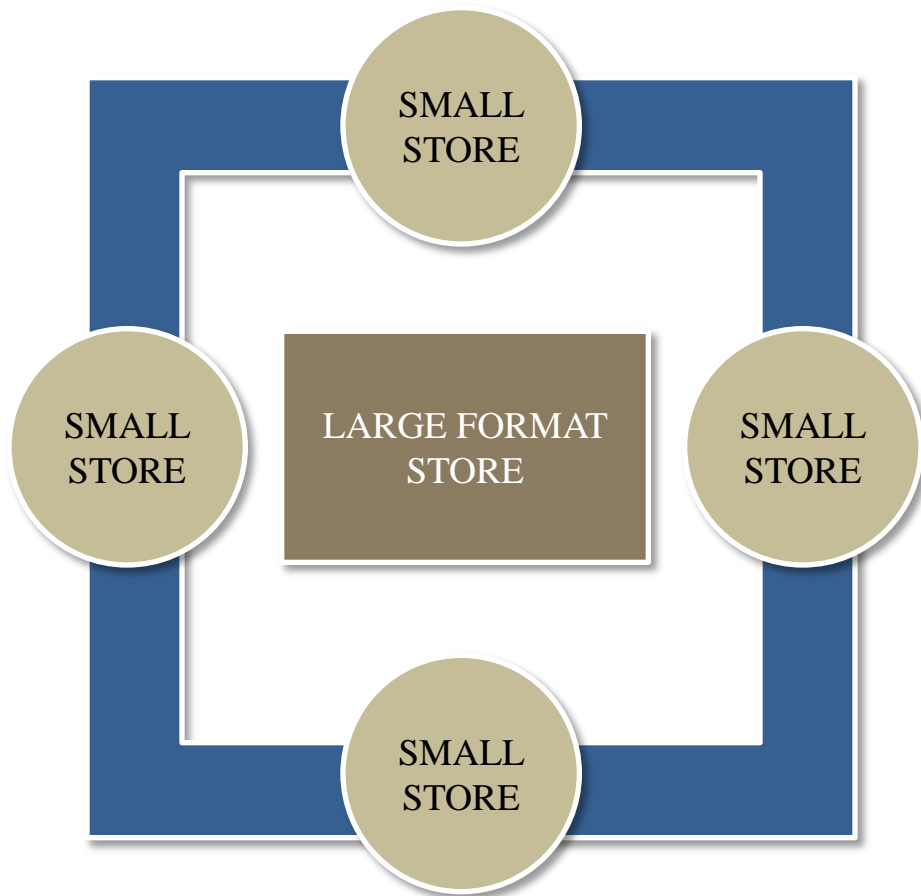
- ❖ In-house diamond jewellery manufacturing leading to exclusive designs, lower costs, and higher margins
- ❖ Manufacturing facility at Kandivali, Mumbai spread over ~24,000 sq ft with capacity of ~200,000 cts (on dual shift basis).
- ❖ The facility also has capacity for 4,000 kg of gold refining and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



BUSINESS MODEL: RETAIL

EFFICIENT INVENTORY MANAGEMENT

HUB & SPOKE MODEL - ROI OPTIMISATION



SMALL STORES

- ❖ 1,000 - 1,500 sq ft
- ❖ Across the city
- ❖ Smaller range
- ❖ Lower price points (up to ₹ 500k)
- ❖ Inventory - ₹ 93 mn
Gold : Diamond - 70 : 30

LARGE STORES

- ❖ 3,000 sq ft & above
- ❖ Standalone high street - heart of city
- ❖ Wider range
- ❖ Higher price points (up to ₹ 2,000k)
- ❖ Inventory - ₹ 280 mn
Gold : Diamond - 70 : 30

BUSINESS MODEL: ECONOMICS

PARTICULARS	LARGE FORMAT	SMALL FORMAT
Size sq ft	Above 3,000	1,000 – 1,500
Average Sales per sq ft 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)	₹ 18	₹ 7.5
Store Working Capital (mn)	₹ 280	₹ 93
ROCE	30%	
Store Cash BEP (in months)	6-8 months	



CAPEX / SQ FT (₹)

3,000

3,000

■ Furniture & Fixtures

■ 6 month Rent Deposit

BUSINESS MODEL: SCALABILITY

- ❖ TBZ has an aggressive expansion plan of tripling its retail network from 50,000 sq ft in FY12 to around 150,000 sq ft.
- ❖ TBZ has a plan to open 43 new stores (25 large format stores with average space of 3,000 sq ft and 18 small format stores with average space of 1,000 sq ft).
- ❖ All the 43 locations have already been identified backed by 2 years of extensive market research.
- ❖ It has successfully added 13 new stores (9 large format and 4 small format) post FY12 where the 13th store was opened on 9th October, 2013 in Udaipur.

	FY12		TILL DATE		TARGET
Number of Stores	14	➔	27	➔	57
Retail Sq ft	~48,000		~88,000		~150,000
Number of Cities	10		21		43

