



The original since 1864

TRIBHOVANDAS BHIMJI ZAVERI
SHRIKANT ZAVERI GROUP

THIRD QUARTER FY14 RESULTS UPDATE

06TH FEBRUARY 2014

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OUTLINE

- 🌀 About Us 04 - 08
- 🌀 9M & Q3 FY14 Results 09 - 15
- 🌀 Annexure 17 - 27



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

Retail footprint crosses 42k sq ft across 13 stores

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

Introduced gold deposit plan

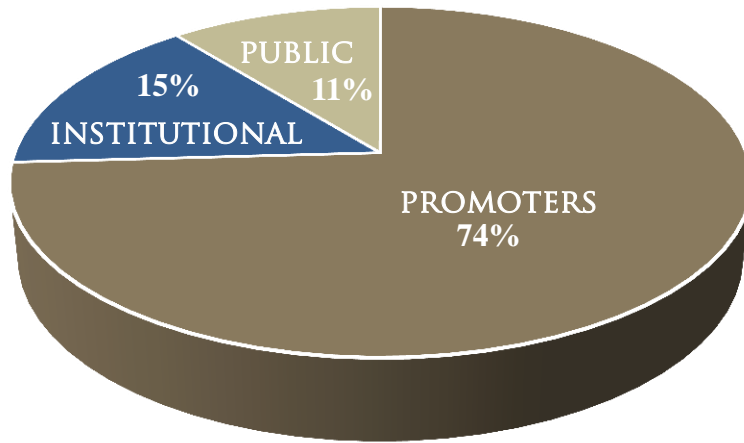
Mr Shrikant Zaveri took over the business

Implementation of Oracle ERP Suite

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

ABOUT US: SHAREHOLDING STRUCTURE

SHAREHOLDING PATTERN – DEC 2013

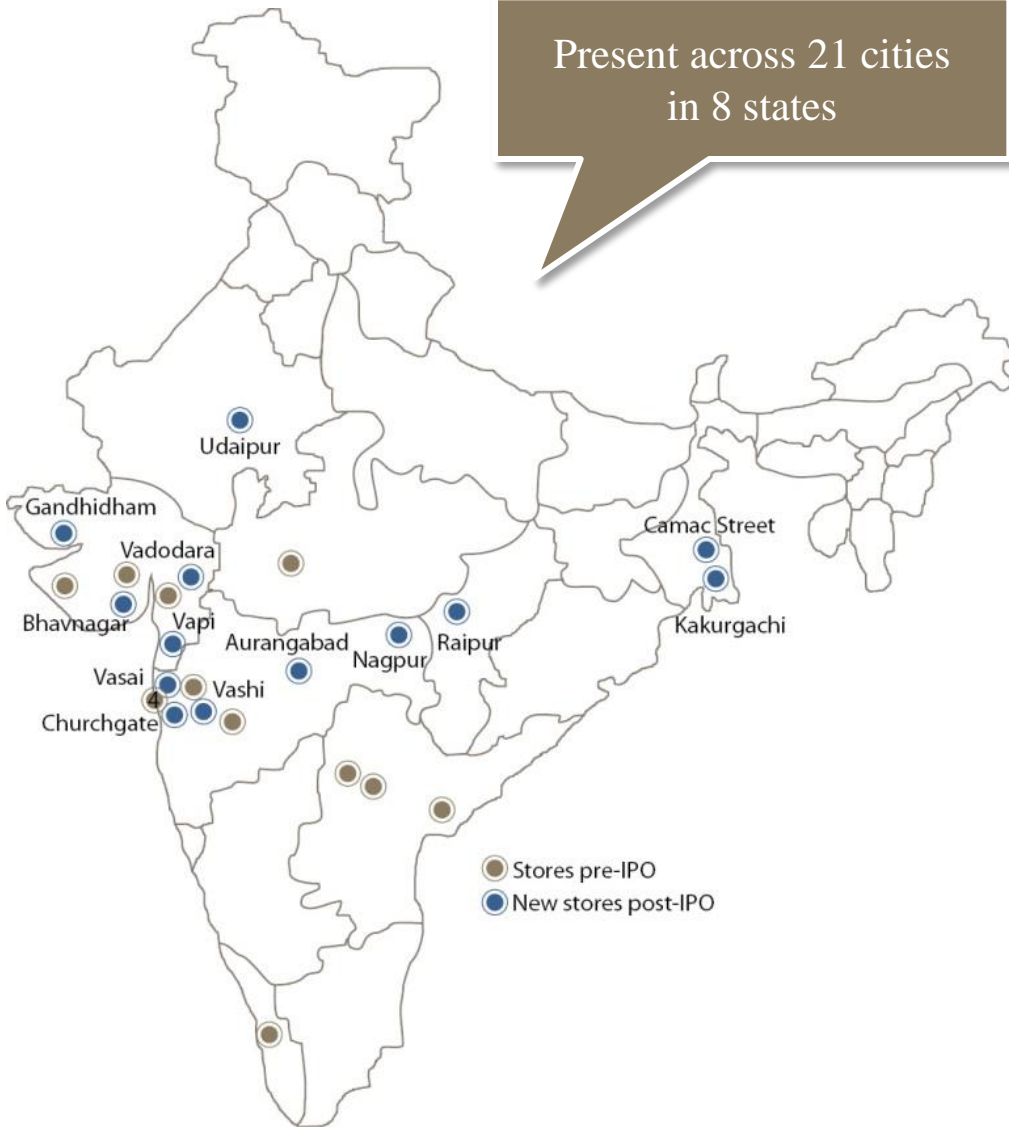


KEY INSTITUTIONAL INVESTORS	% HOLDING
Smallcap World Fund INC	6.17%
HSBC Global Investments	4.18%
Acacia Partners LP	1.32%



ABOUT US: RETAIL PRESENCE

Present across 21 cities
in 8 states



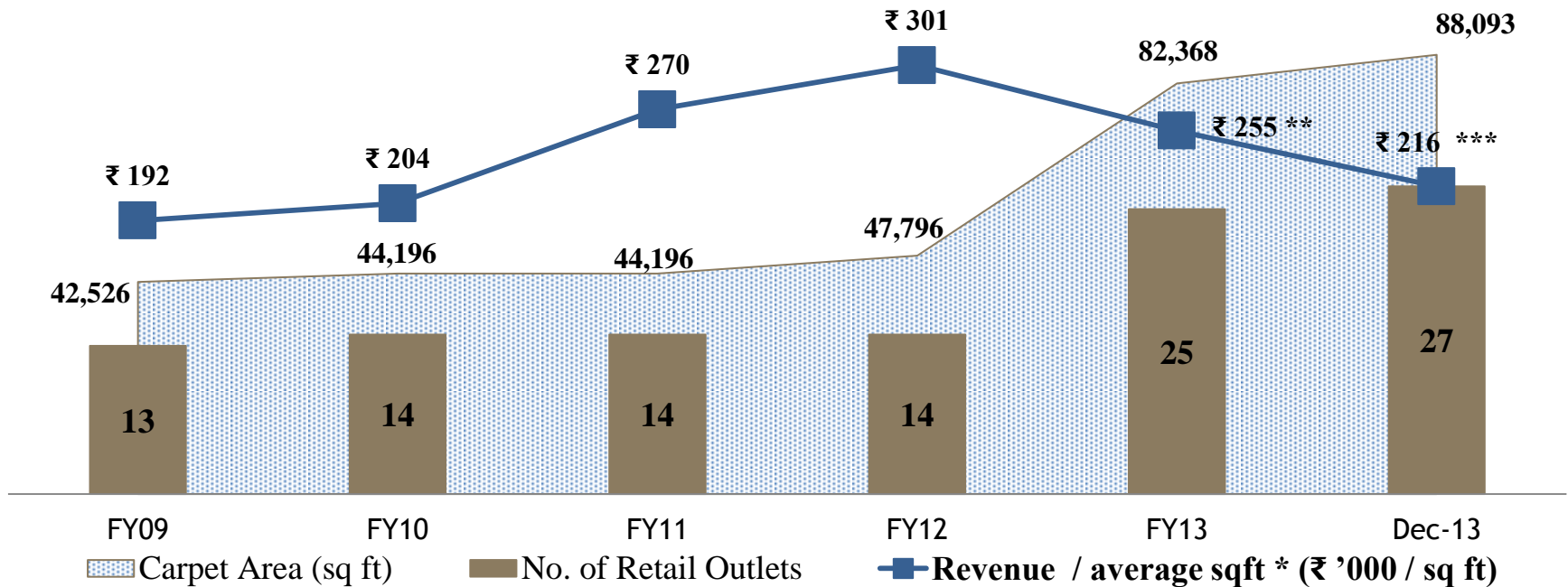
EXPANSION IS WELL ON TRACK WITH ADDITION OF 13 NEW STORES POST IPO WITH A RETAIL SPACE OF ~38,000 SQ.FT.

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 9M FY14

Q3 & 9M FY14 BUSINESS SCENARIO

❖ CONTINUED OVERHANG OF DIFFICULT ECONOMIC CONDITIONS

- Sluggish real GDP growth - 4.8% in Q3 FY14.
- High fiscal deficit - Apr-Nov deficit reached 94% of the government's FY14 targeted fiscal deficit.
- Current account deficit (CAD) improved to 1.2% of GDP primarily due to gold import curbs.
- Continued high inflationary pressure - CPI / WPI (9.9% / 6.2% in December).
- Persistent high interest rates due to high inflation and weaker rupee.

❖ WEAK DISCRETIONARY DEMAND & SUBDUED CONSUMER SENTIMENT

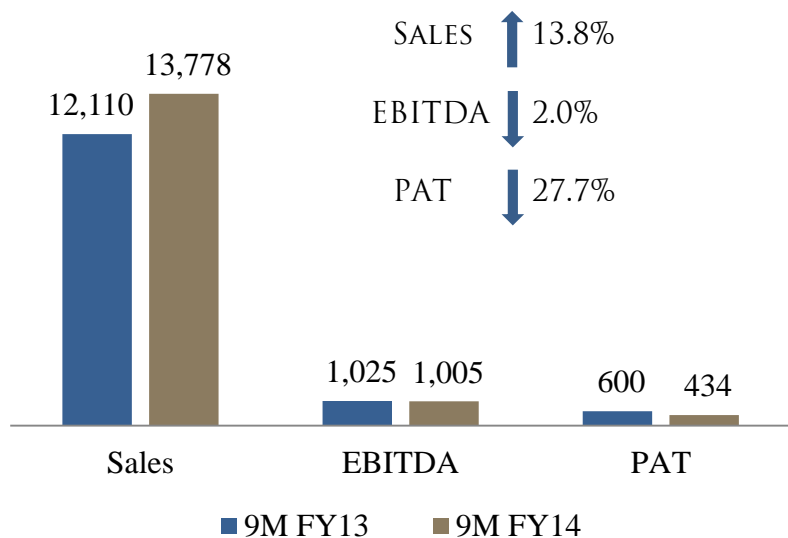
- The discretionary demand continued to remain under pressure due to muted economic growth and rising cost of living causing the jewellery industry to witness a substantial decline in demand during Q3 FY14.

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

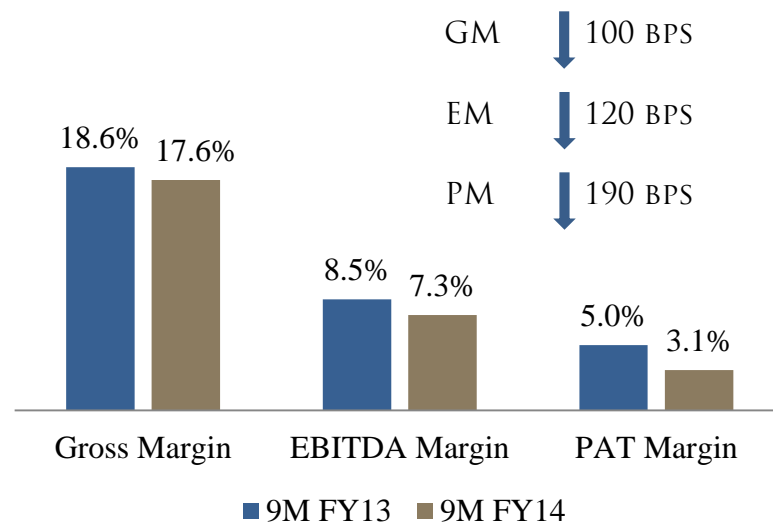
- Ban on import of gold coins and bars continues.
- Disallowance of gold loan model continues with no credit terms allowed in any form for gold imports.
- 80:20 gold import rule continues – leading to gold supply issues and premiums rising to around 10% of gold rate during 3Q FY14.

9M FY14 FINANCIAL UPDATE

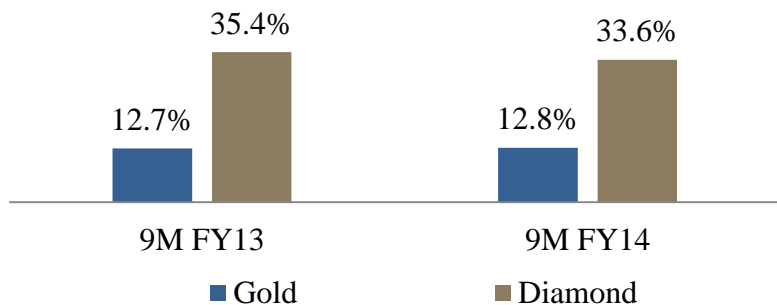
PROFIT ANALYSIS (RS MN)



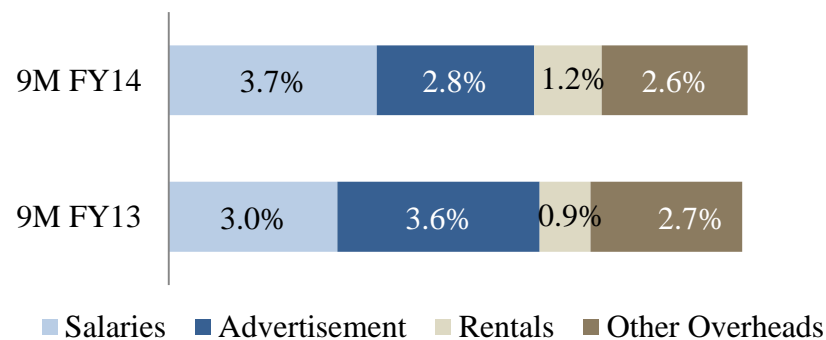
MARGIN ANALYSIS (%)



GROSS MARGINS (%)

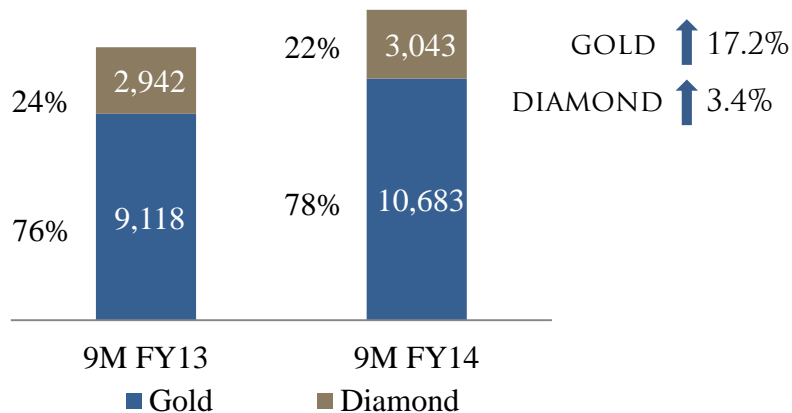


OPERATIONAL EFFICIENCY (%)

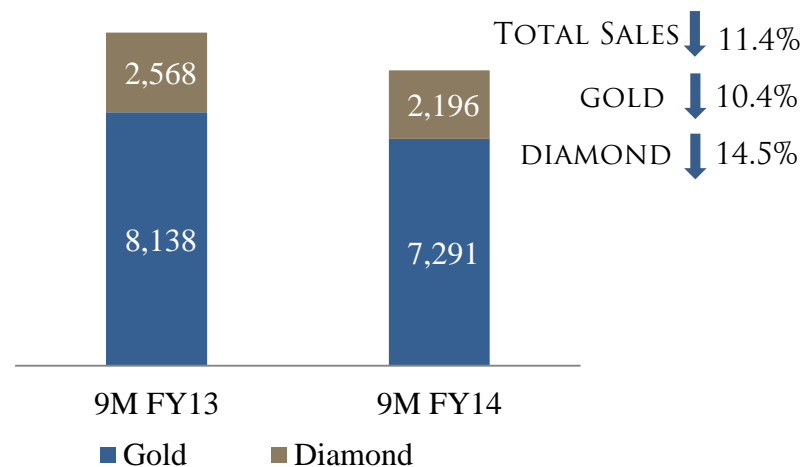


9M FY14 OPERATIONAL UPDATE

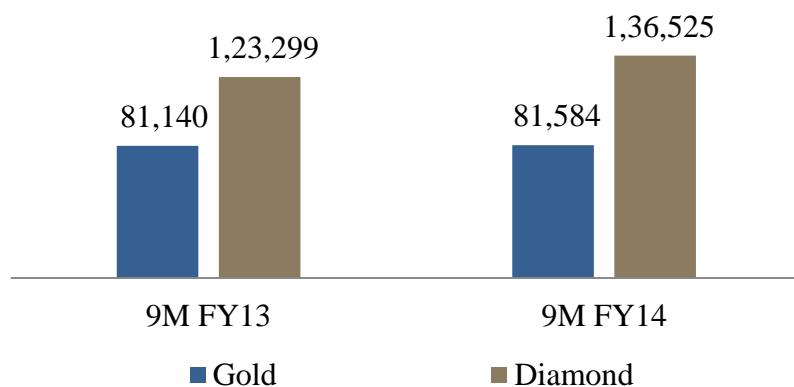
TOTAL SALES (RS MN)



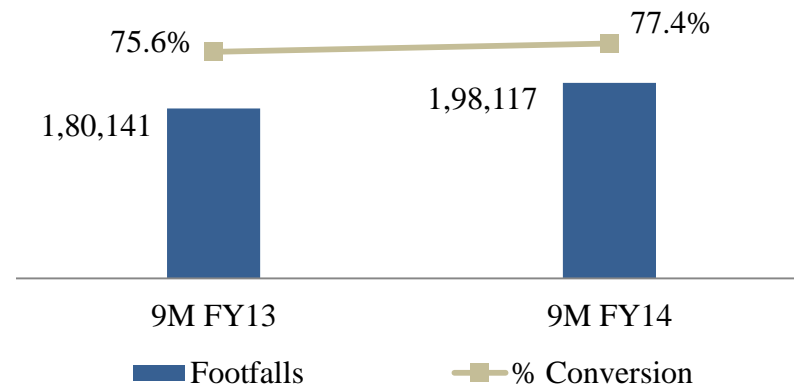
SAME STORE SALES (RS MN)



AVERAGE TICKET SIZE (RS)

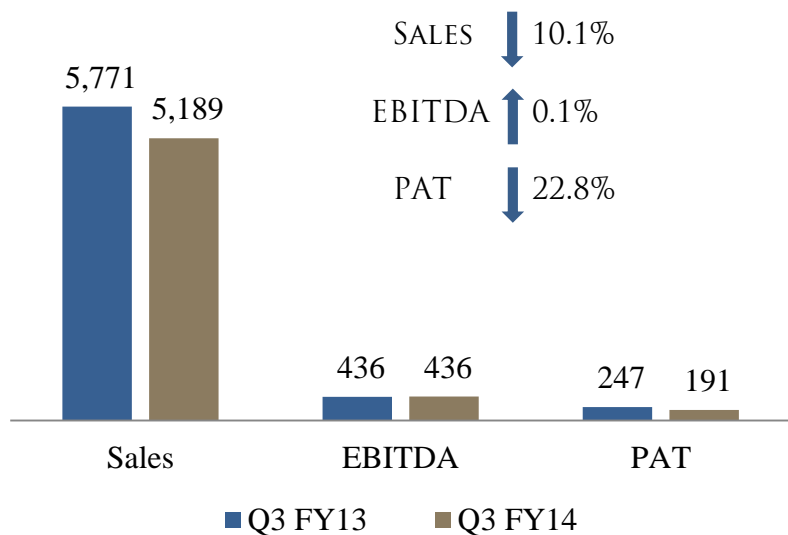


FOOTFALLS & CONVERSION

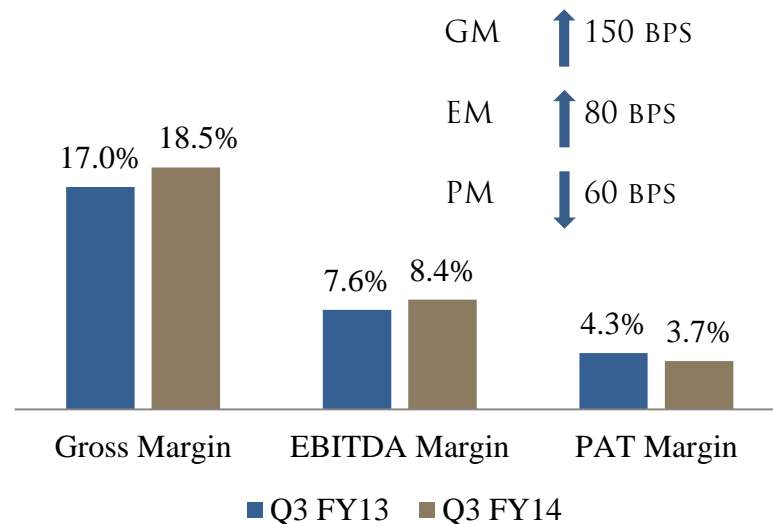


Q3 FY14 FINANCIAL UPDATE

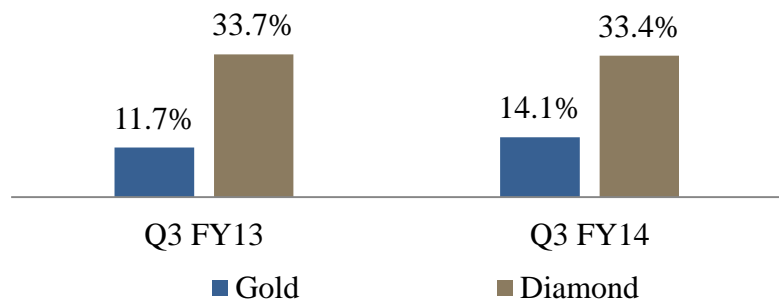
PROFIT ANALYSIS (RS MN)



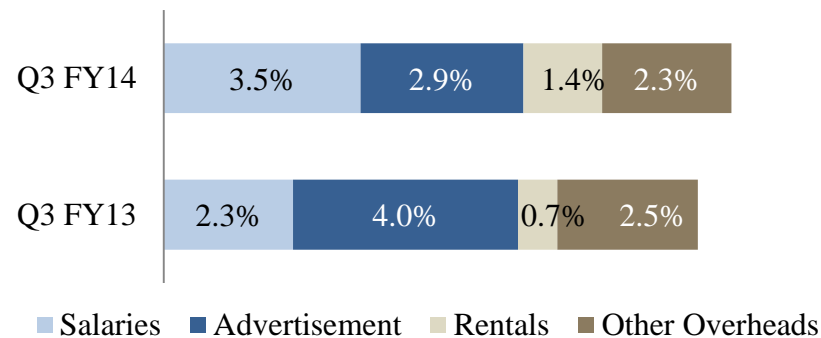
MARGIN ANALYSIS (%)



GROSS MARGINS (%)

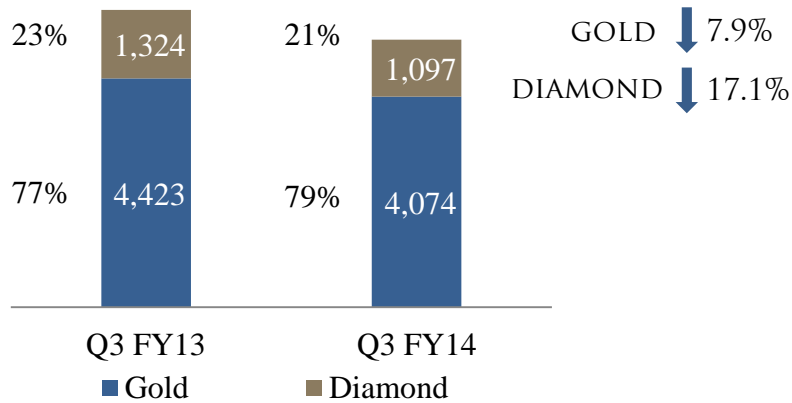


OPERATIONAL EFFICIENCY (%)

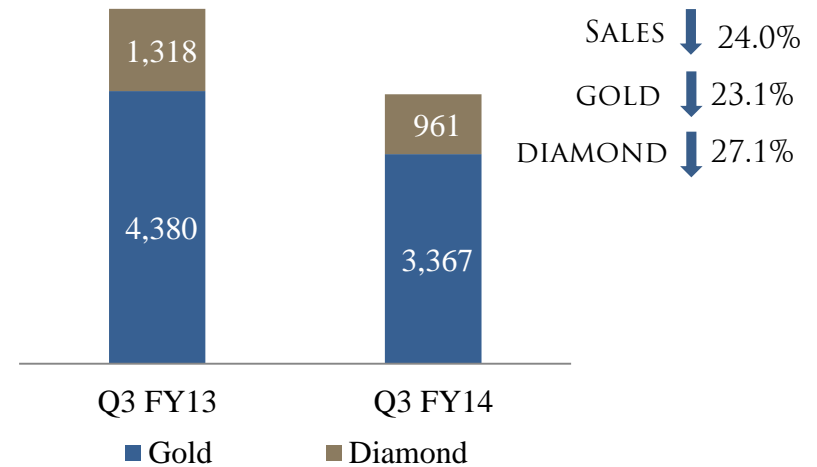


Q3 FY14 OPERATIONAL UPDATE

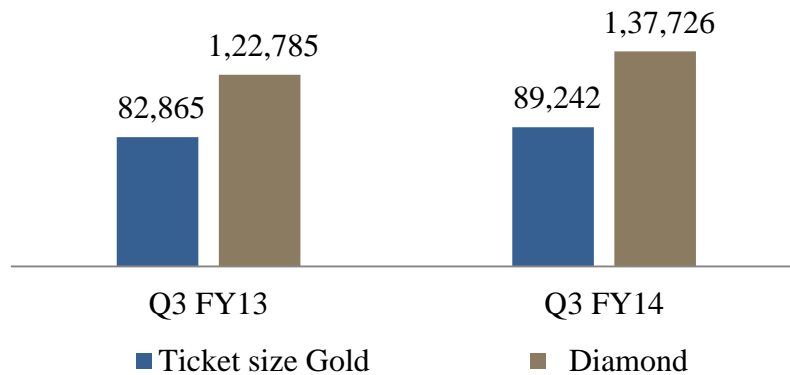
TOTAL SALES (RS MN)



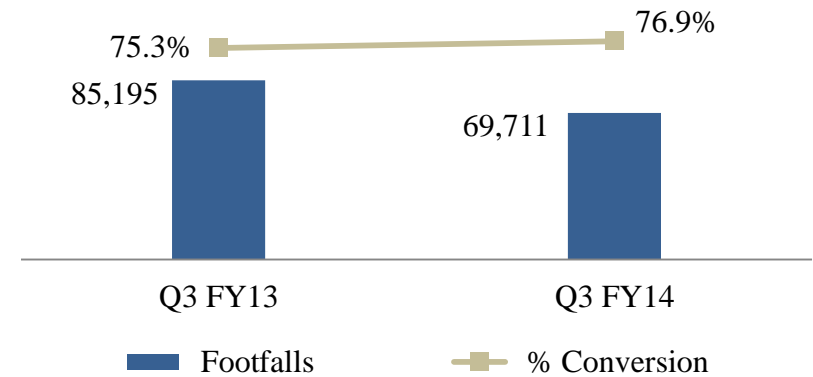
SAME STORE SALES (RS MN)



AVERAGE TICKET SIZE

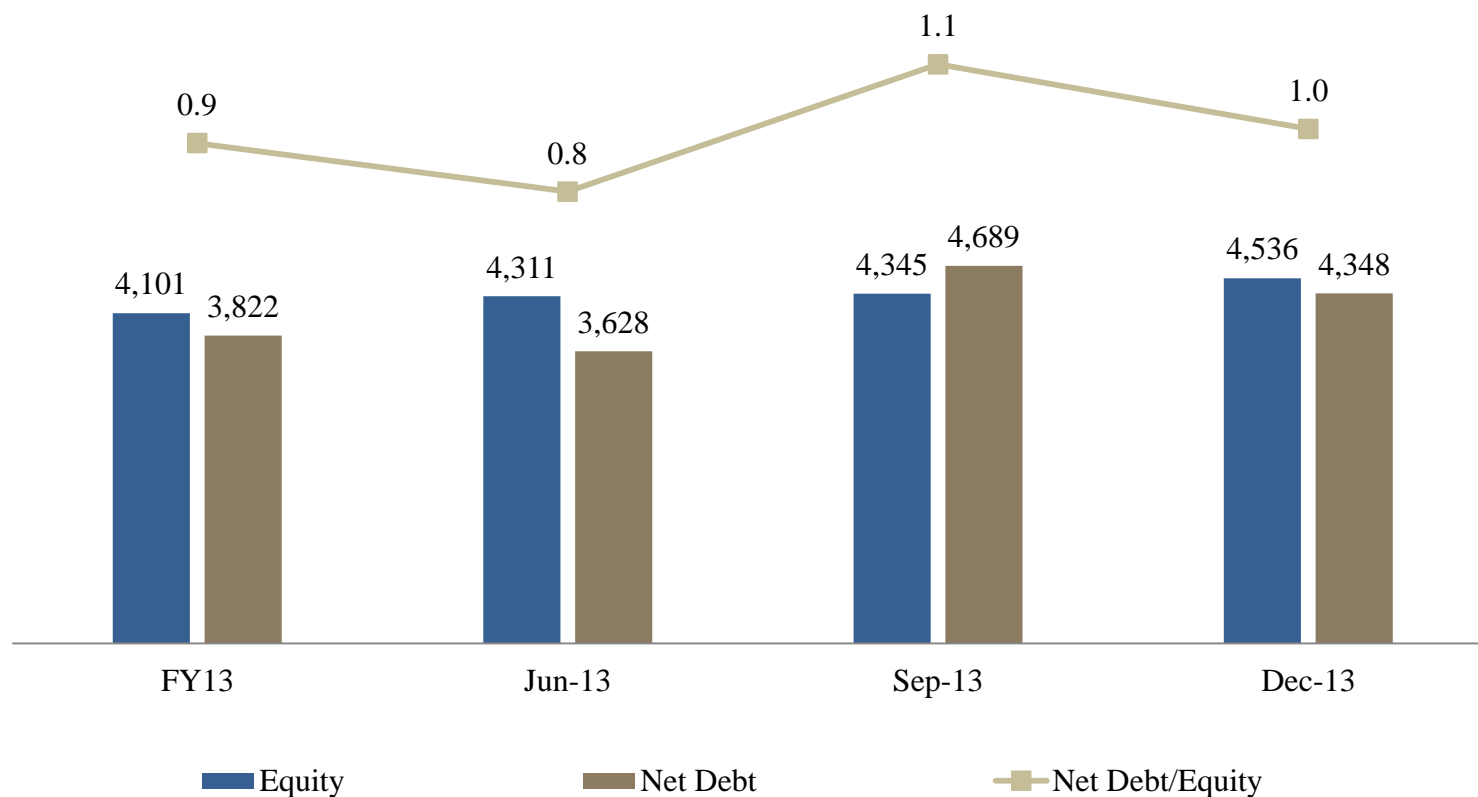


FOOTFALLS & CONVERSION



DEC-13 BALANCE SHEET UPDATE

LEVERAGE (RS MN)



9M & Q3 FY14 RESULTS HIGHLIGHTS

- ❖ Jewellery demand continued to remain under pressure due to weak consumer sentiments.
- ❖ The jewellery industry witnessed a substantial decline in demand during Q3 FY14.
- ❖ Gold import restrictions continued to constrain the gold supply leading to higher premiums. TBZ, being a reputed jeweller, has however successfully managed to secure adequate gold supplies.
- ❖ Gold jewellery sales excluding coins declined by only 4% YoY during Q3. Sales of coins during Q3 were down 27% YoY (Share of coins declined from 13.5% in Q3 FY13 to 11% in Q3 FY14) leading to improved gold gross margins.
- ❖ Overheads were appropriately controlled and contained within acceptable limits.
- ❖ Interest costs during Q3 increased due to gradual phasing out of the gold loan model. However, the company has managed to reduce the debt by 11% during Q3 using cash and internal accruals. Going forward the company expects the average financing cost of around 8-9%.
- ❖ Advances on account of Kalpavruksha Scheme were ₹ 1,326 mn (up 61% YoY and up 36% from Mar-13).
- ❖ Gold Deposit Plan started from 13th Sep-13 is gaining momentum and collected around 74 kg of gold by Dec-13.

THANK YOU



The original since 1864

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ANNEXURE

RESULTS UPDATE – DEC 2013

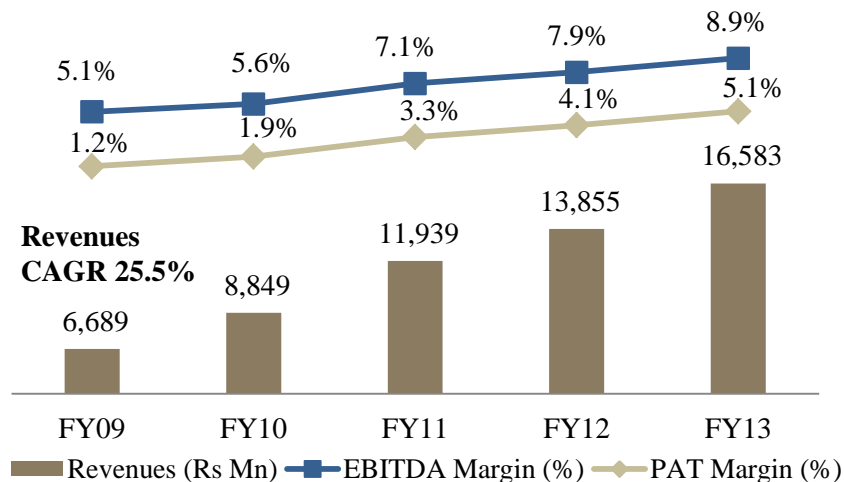
PARTICULARS (IN MN) (QUARTERLY UNAUDITED)	9M FY14 (₹)	9M FY13 (₹)	YoY %	Q3 FY14 (₹)	Q3 FY13 (₹)	YoY %	Q2 FY14 (₹)	QoQ %
Revenues	13,778	12,110	13.8%	5,189	5,771	-10.1%	3,236	60.4%
COGS	11,358	9,855	15.2%	4,232	4,787	-11.6%	2,644	60.1%
Gross Profit	2,421	2,255	7.3%	958	984	-2.7%	592	61.7%
<i>Gross Margin (%)</i>	<i>17.6%</i>	<i>18.6%</i>		<i>18.5%</i>	<i>17.0%</i>		<i>18.3%</i>	
Personnel Expenses	511	361	41.6%	180	134	34.1%	161	11.8%
Other Expenses	905	869	4.1%	341	414	-17.5%	265	29.0%
EBITDA	1005	1025	-2.0%	436	436	0.1%	166	162.1%
<i>EBITDA Margin (%)</i>	<i>7.3%</i>	<i>8.5%</i>		<i>8.4%</i>	<i>7.6%</i>		<i>5.1%</i>	
Depreciation	73	52	38.5%	25	21	17.0%	24	2.5%
Other Income	45	33.8	33.1%	14.3	11.6	23.3%	16	-12.8%
Interest Expenses	318	138	130.9%	135	58	132.3%	106	27.4%
Profit Before Tax	659	868	-24.1%	291	368	-20.9%	53	449.2%
Tax	225	268	-16.1%	100	121	-17.0%	18	460.9%
PAT	434	600	-27.7%	191	247	-22.9%	35	443.2%
<i>Profit Margin (%)</i>	<i>3.1%</i>	<i>5.0%</i>		<i>3.7%</i>	<i>4.3%</i>		<i>1.1%</i>	

RESULTS UPDATE – DEC 2013

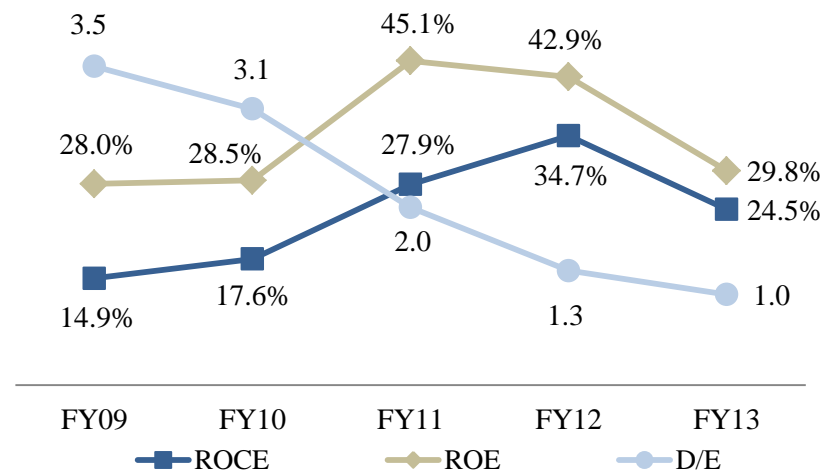
PARTICULARS (IN MN) (QUARTERLY UNAUDITED)	DEC-13 (₹)	SEP-13 (₹)	JUN-13 (₹)	FY13 (₹)
Shareholders Funds	4,536	4,345	4,311	4,101
Loan Funds	5,018	5,632	4,320	4,140
Other Long Term Liabilities	87	76	126	62
Sources of Funds	9,641	10,053	8,757	8,303
Gross Block	1,189	1,178	1,130	1,122
Less: Acc. Depreciation	302	277	253	230
Net Block	887	901	877	892
Other Long Term Assets	286	225	201	182
Inventory	11,161	11,125	10,642	10,274
Debtors	18	10	56	18
Cash and Bank Balance	670	943	692	318
Other Current Assets	96	170	157	127
Current Liabilities	3,477	3,321	3,868	3,508
Net Current Assets	8,468	8,927	7,679	7,229
Application of Funds	9,641	10,053	8,757	8,303

FINANCIAL SUMMARY

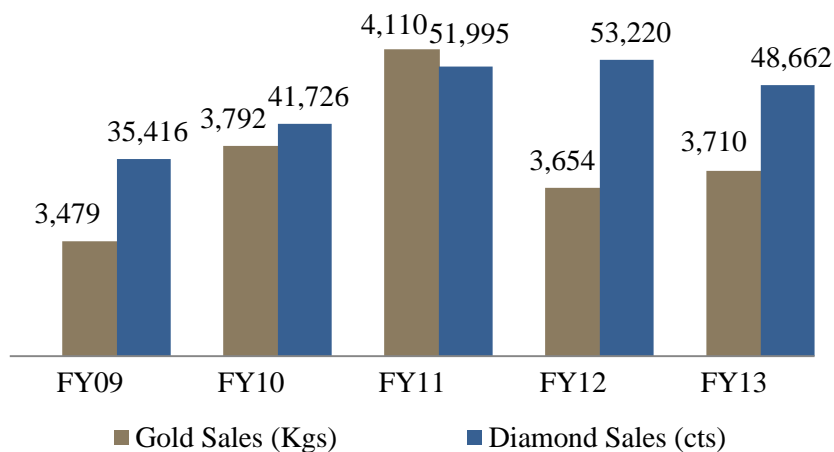
REVENUES & MARGIN ANALYSIS



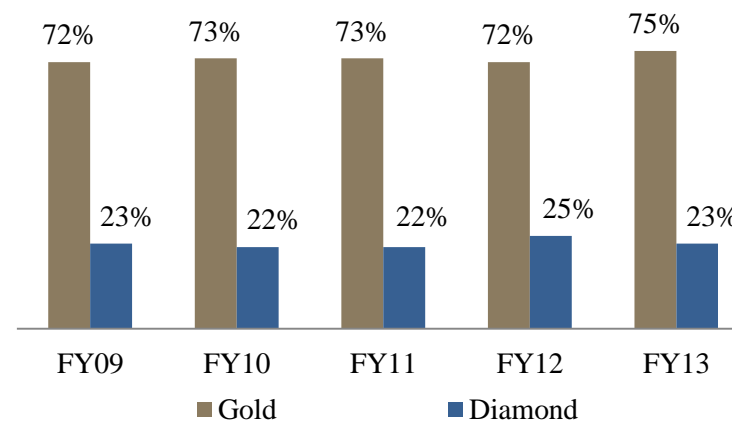
LEVERAGE & RETURN METRICS



GOLD AND DIAMOND VOLUMES



GOLD AND DIAMOND SALES MIX



AWARDS & RECOGNITION

- ❖ **“BEST DESIGNER JEWELLERY “**
Jaipur Jewellery Show – Jewellers’ Choice Design Awards - 2013
- ❖ **“BEST BRIDAL DESIGN”**
Jaipur Jewellery Show – Jewellers’ Choice Design Awards - 2013
- ❖ **“EDITOR’S CHOICE AWARD – BEST BRIDAL”**
Jaipur Jewellery Show – Jewellers’ Choice Design Awards - 2013
- ❖ **“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.



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 loan
- ❖ 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

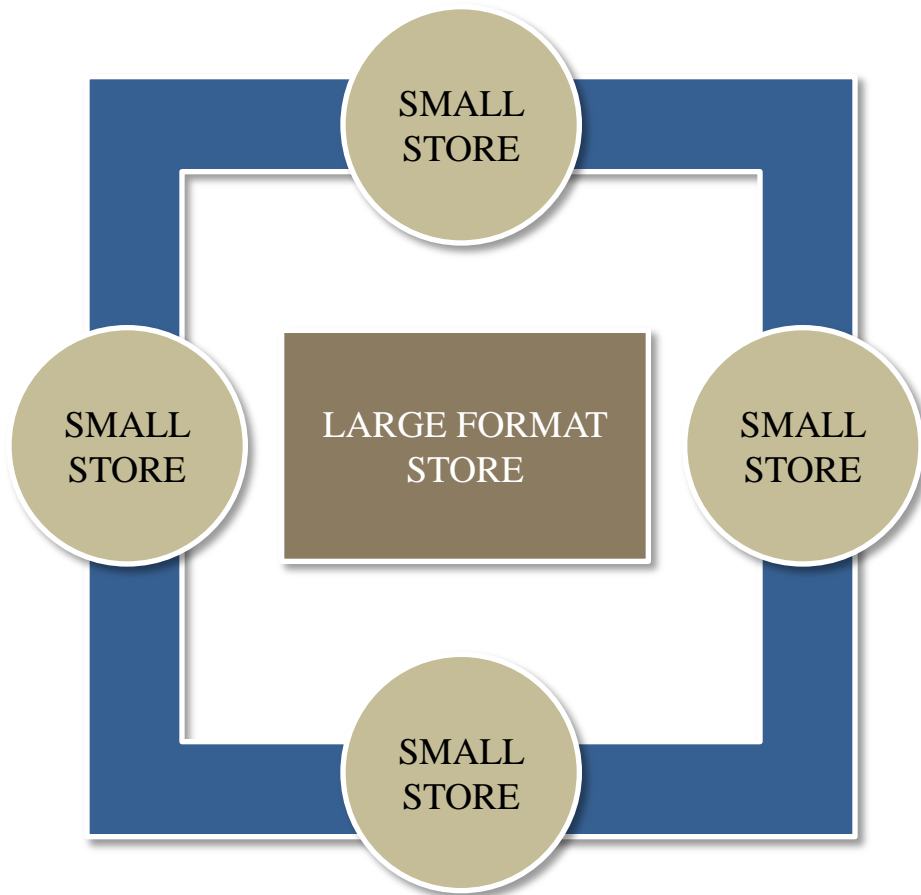
- ❖ In-house diamond jewellery manufacturing leading to exclusive designs, lower costs, and higher margins
- ❖ Manufacturing facility at Kandivali, Mumbai spread over ~24,000 sq ft with capacity of ~200,000 cts (on dual shift basis).
- ❖ The facility also has capacity for 4,000 kg of gold refining and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

