



The original since 1864

TRIBHOVANDAS BHIMJI ZAVERI
SHRIKANT ZAVERI GROUP

FOURTH QUARTER & FULL YEAR FY14
RESULTS UPDATE

21TH MAY 2014

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OUTLINE

- 🌀 About Us 04 - 08
- 🌀 Q4 & 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 - ₹ 250,000 per sq ft per annum (at mature stores)
- ❖ High footfalls conversion - 80%
- ❖ High ticket size - Gold - ₹ 84k, Diamond - ₹ 131k

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

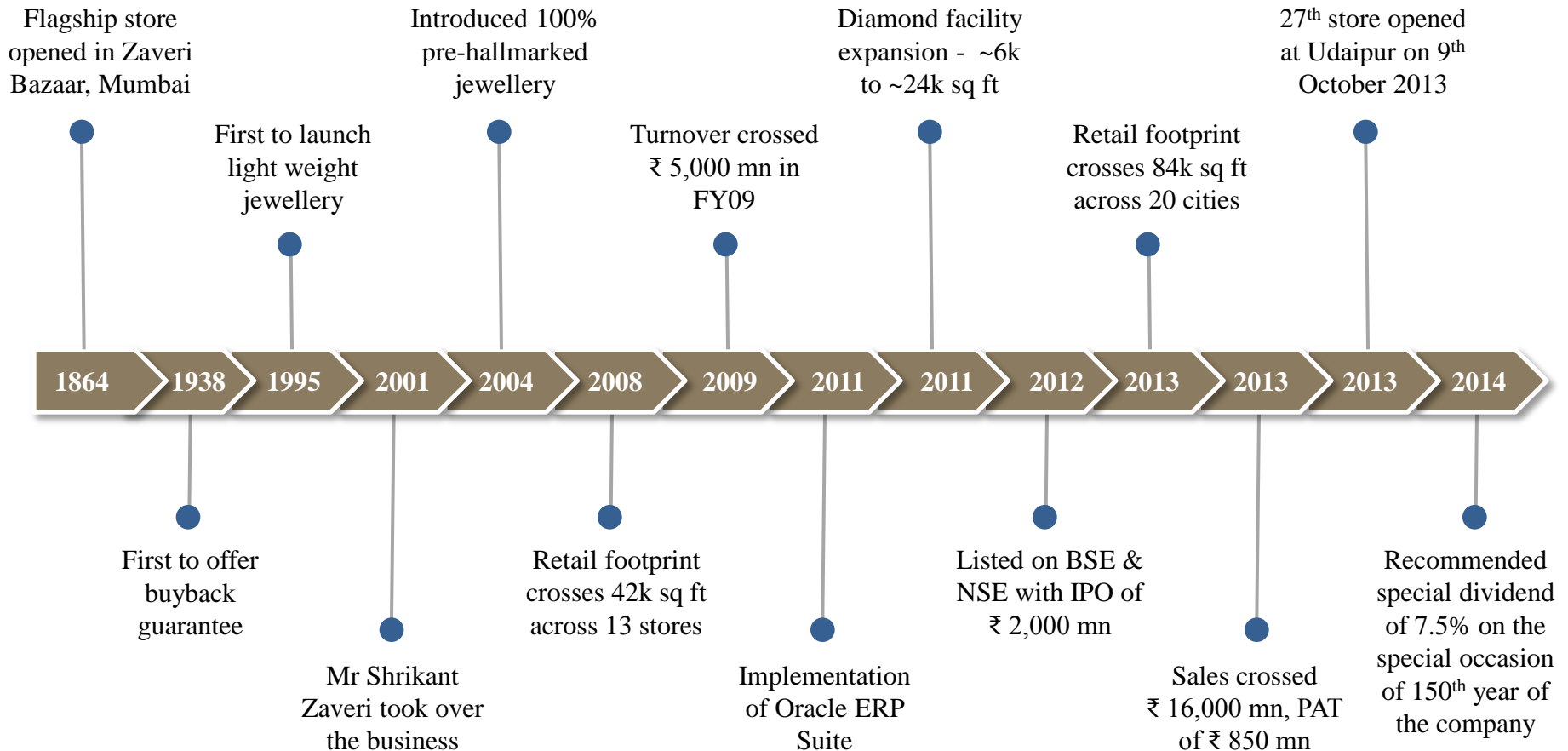
- ❖ 5-Yr CAGR - Revenue - 20%, EBITDA - 29%, PAT - 35%
- ❖ FY14 ROCE - 14%, ROE - 13%, Net D/E - 1.1

DESIGN EXCLUSIVITY

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

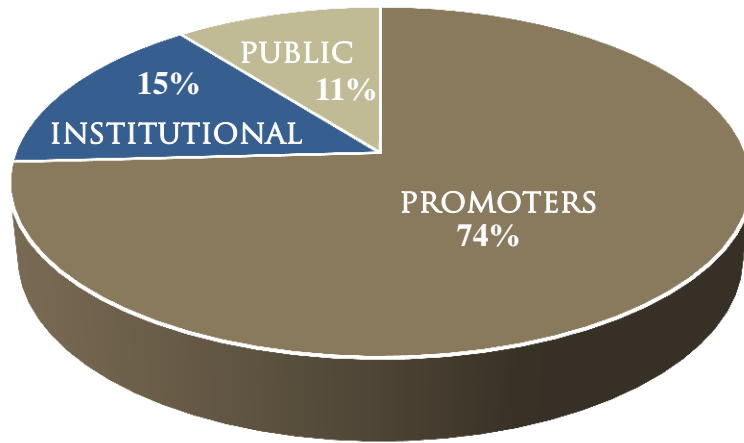
ABOUT US: KEY MILESTONES

STRONG LEGACY OF AROUND 150 YEARS BUILD ON TRUST



ABOUT US: SHAREHOLDING STRUCTURE

SHAREHOLDING PATTERN – MAR 2014

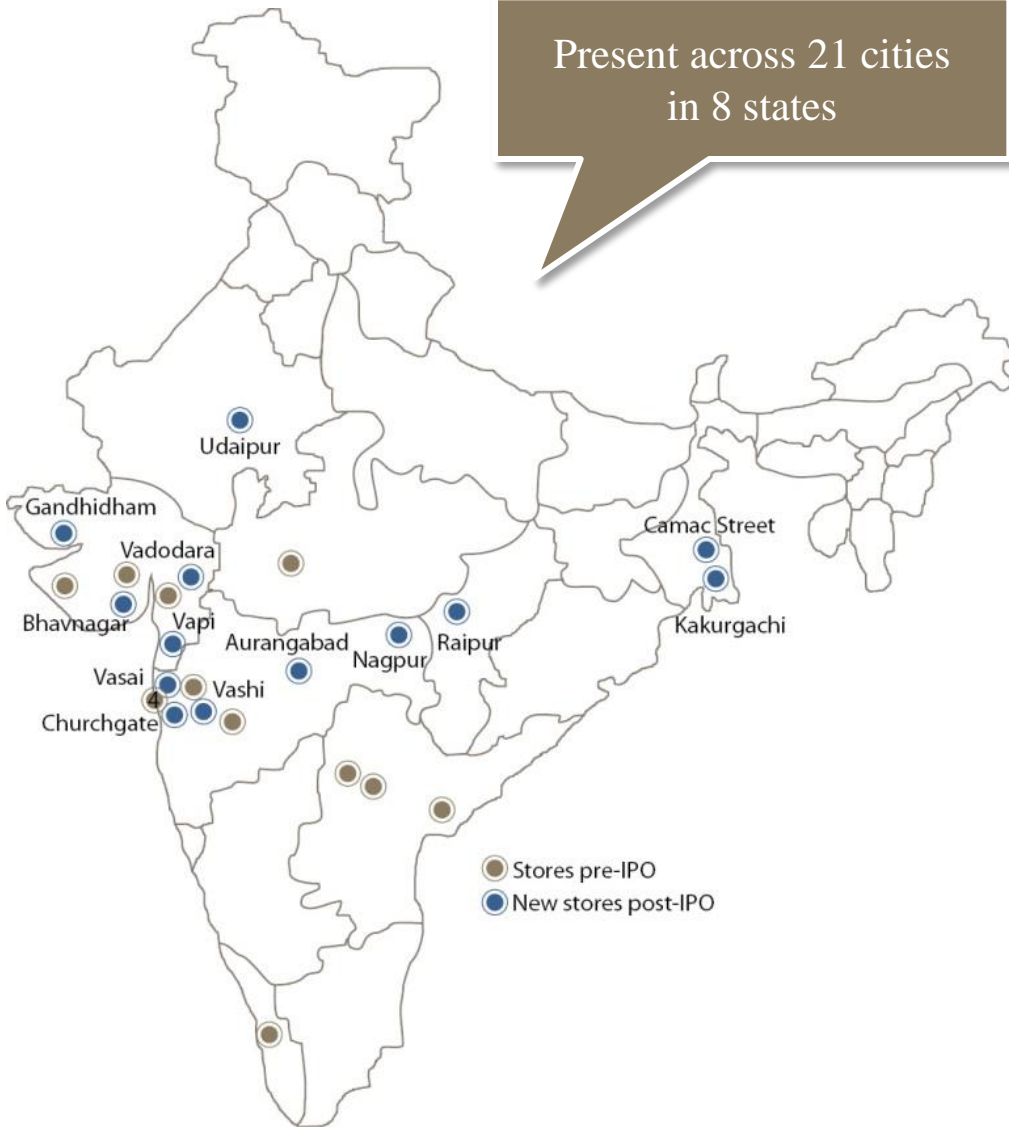


KEY INSTITUTIONAL INVESTORS	% HOLDING
Smallcap World Fund INC	6.50%
HSBC Global Investments	4.18%
Acacia Partners LP	1.32%



ABOUT US: RETAIL PRESENCE

Present across 21 cities
in 8 states



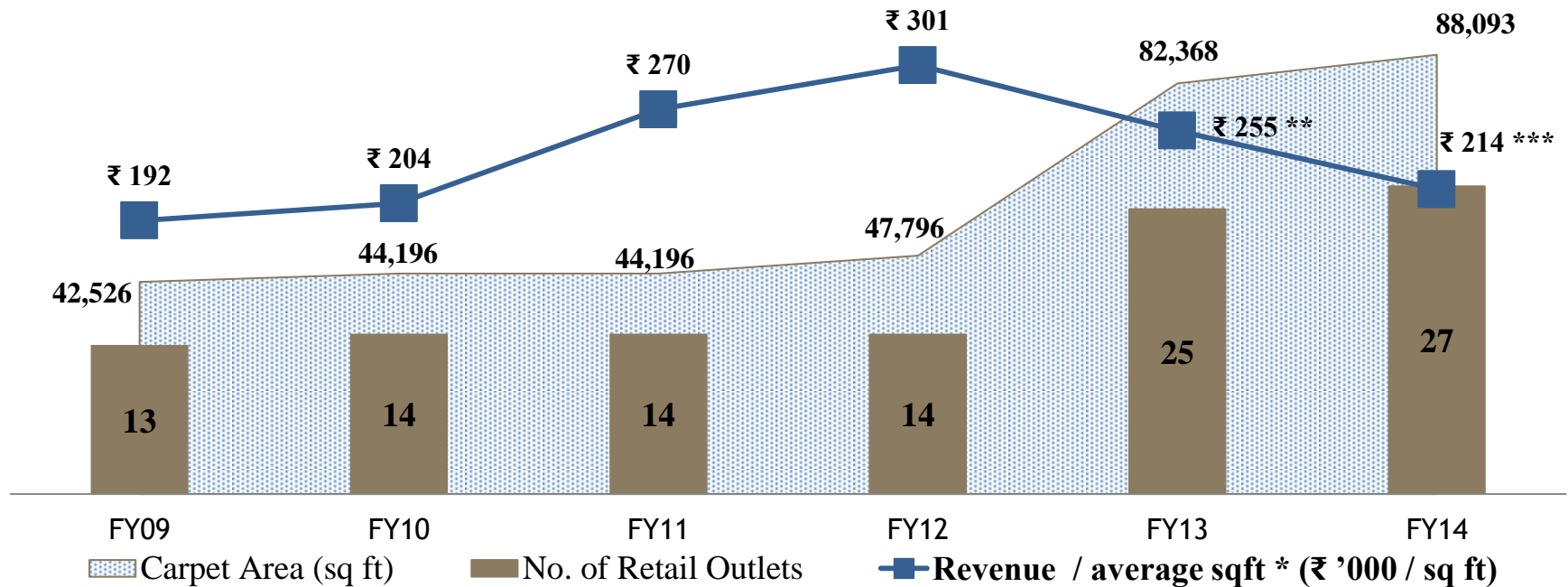
EXPANSION IS WELL ON TRACK WITH ADDITION OF 13 NEW STORES POST IPO WITH A RETAIL SPACE OF ~38,000 SQ.FT.

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 new stores opened during the year

*** Productivity at mature stores – ₹ 250 k per sq ft

Q4 & FY14 BUSINESS SCENARIO

❖ CONTINUED OVERHANG OF DIFFICULT ECONOMIC CONDITIONS

- Sluggish real GDP growth - 4.8% in Q3 FY14 (4.9% in Q4 FY14 as per the CSO advance estimate).
- 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 (8.6% / 5.2% in December).
- Persistent high interest rates due to high inflation and weaker rupee.

❖ WEAK DISCRETIONARY DEMAND & SUBDUED CONSUMER SENTIMENT

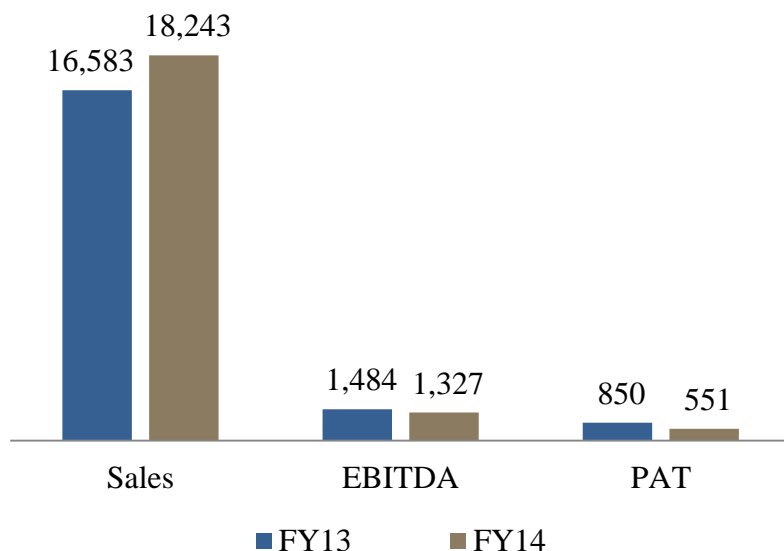
- The discretionary demand remained subdued due to muted economic growth and rising cost of living.
- Uncertainty on economic revival impacted the consumer sentiments.

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

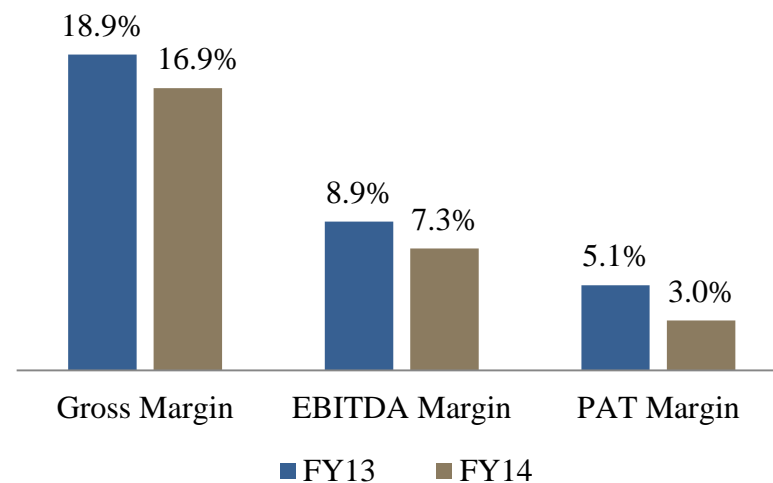
- Ban on import of gold coins and bars continues.
- Discontinuation of gold loan model with no credit terms allowed in any form for gold imports.
- 80:20 gold import regulation – higher premium on gold supply.

FY14 FINANCIAL UPDATE

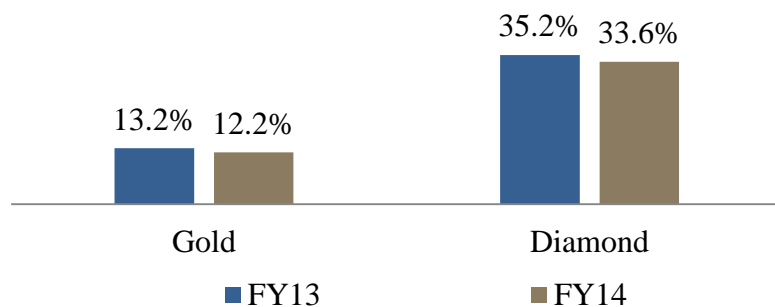
PROFIT ANALYSIS (RS MN)



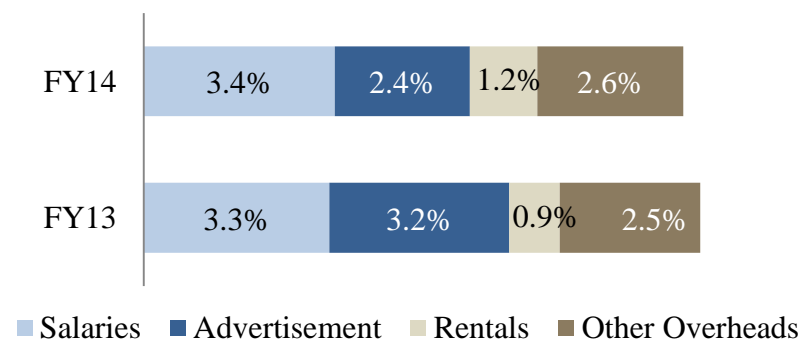
MARGIN ANALYSIS (%)



GROSS MARGINS (%)

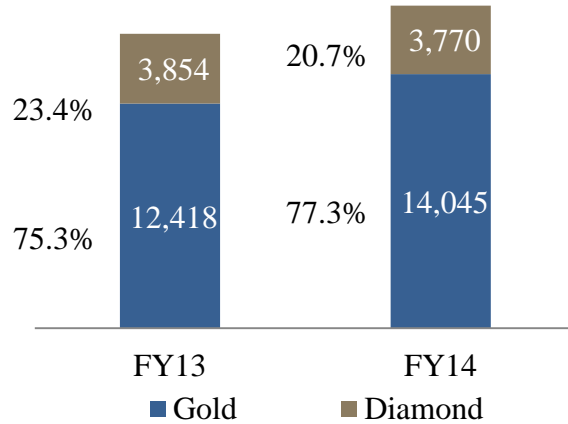


OPERATIONAL EFFICIENCY (%)

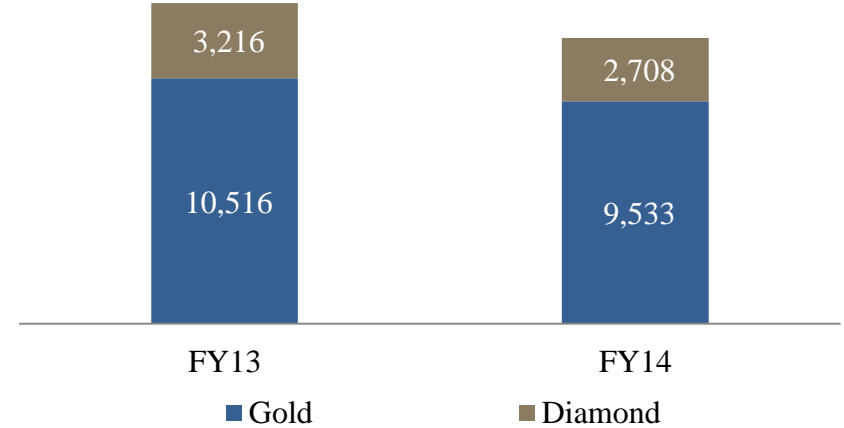


FY14 OPERATIONAL UPDATE

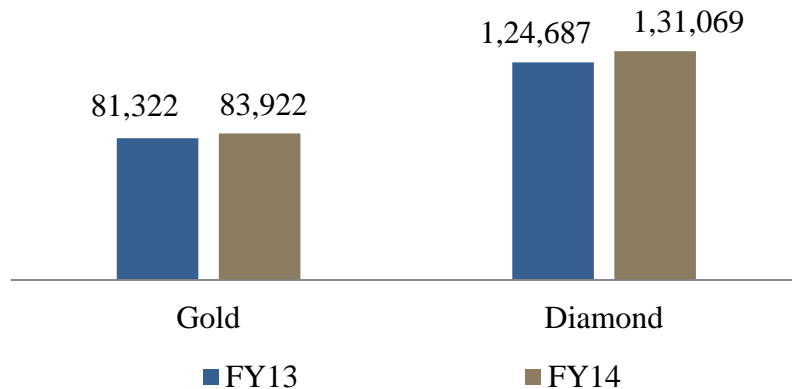
TOTAL SALES (RS MN)



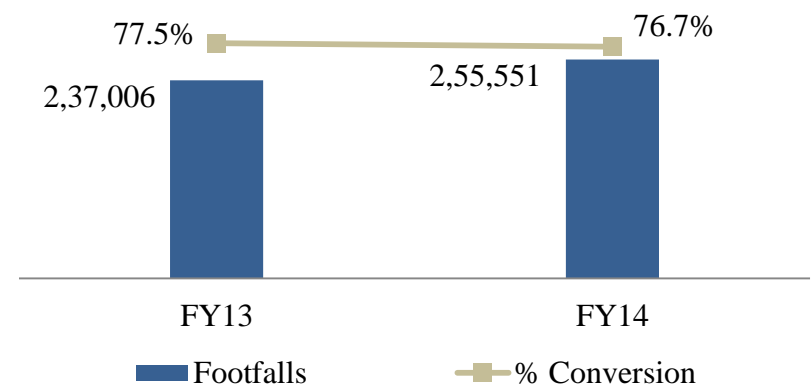
SAME STORE SALES (RS MN)



AVERAGE TICKET SIZE (RS)

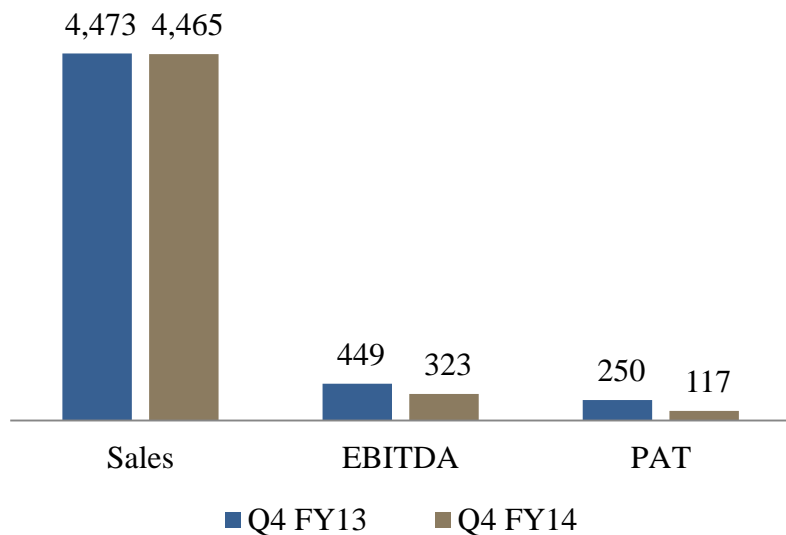


FOOTFALLS & CONVERSION

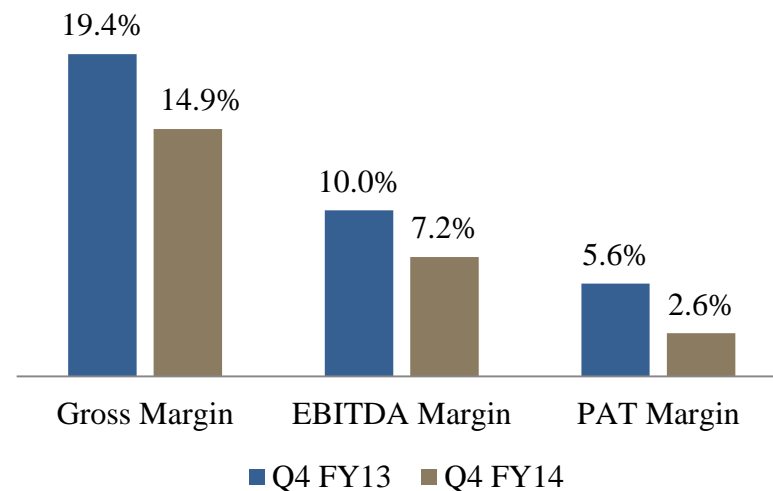


Q4 FY14 FINANCIAL UPDATE

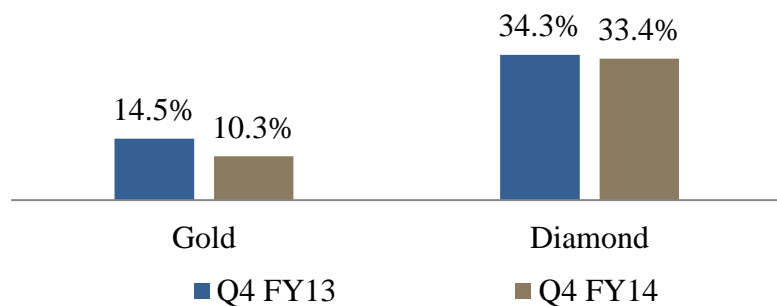
PROFIT ANALYSIS (RS MN)



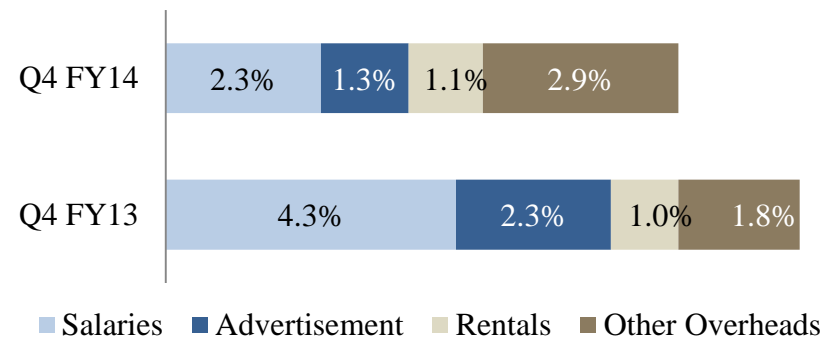
MARGIN ANALYSIS (%)



GROSS MARGINS (%)

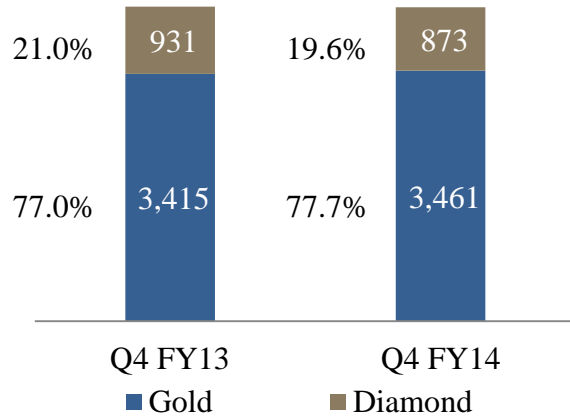


OPERATIONAL EFFICIENCY (%)

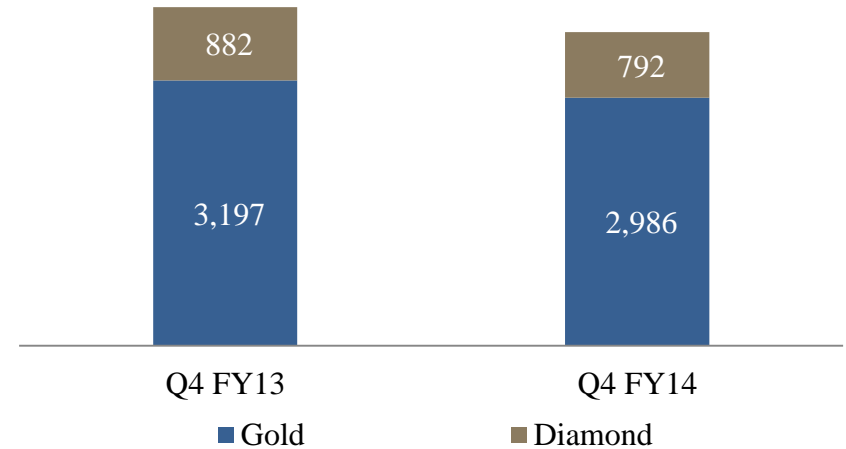


Q4 FY14 OPERATIONAL UPDATE

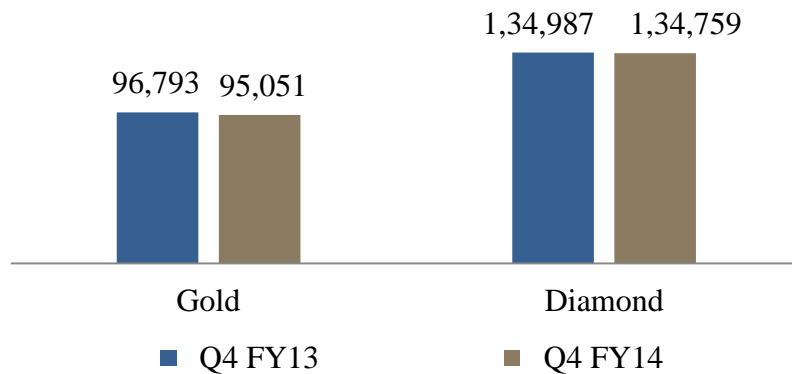
TOTAL SALES (RS MN)



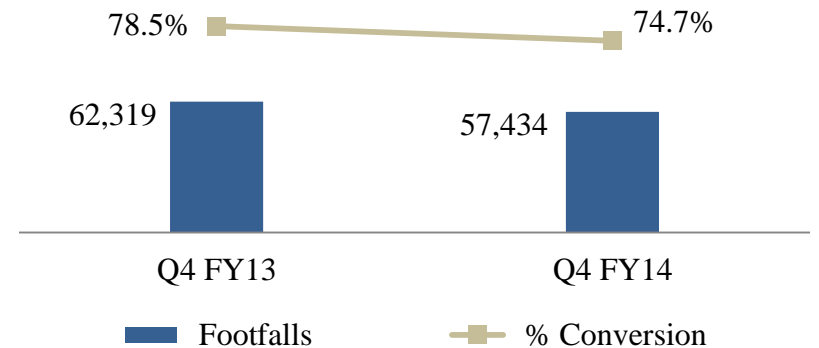
SAME STORE SALES (RS MN)



AVERAGE TICKET SIZE

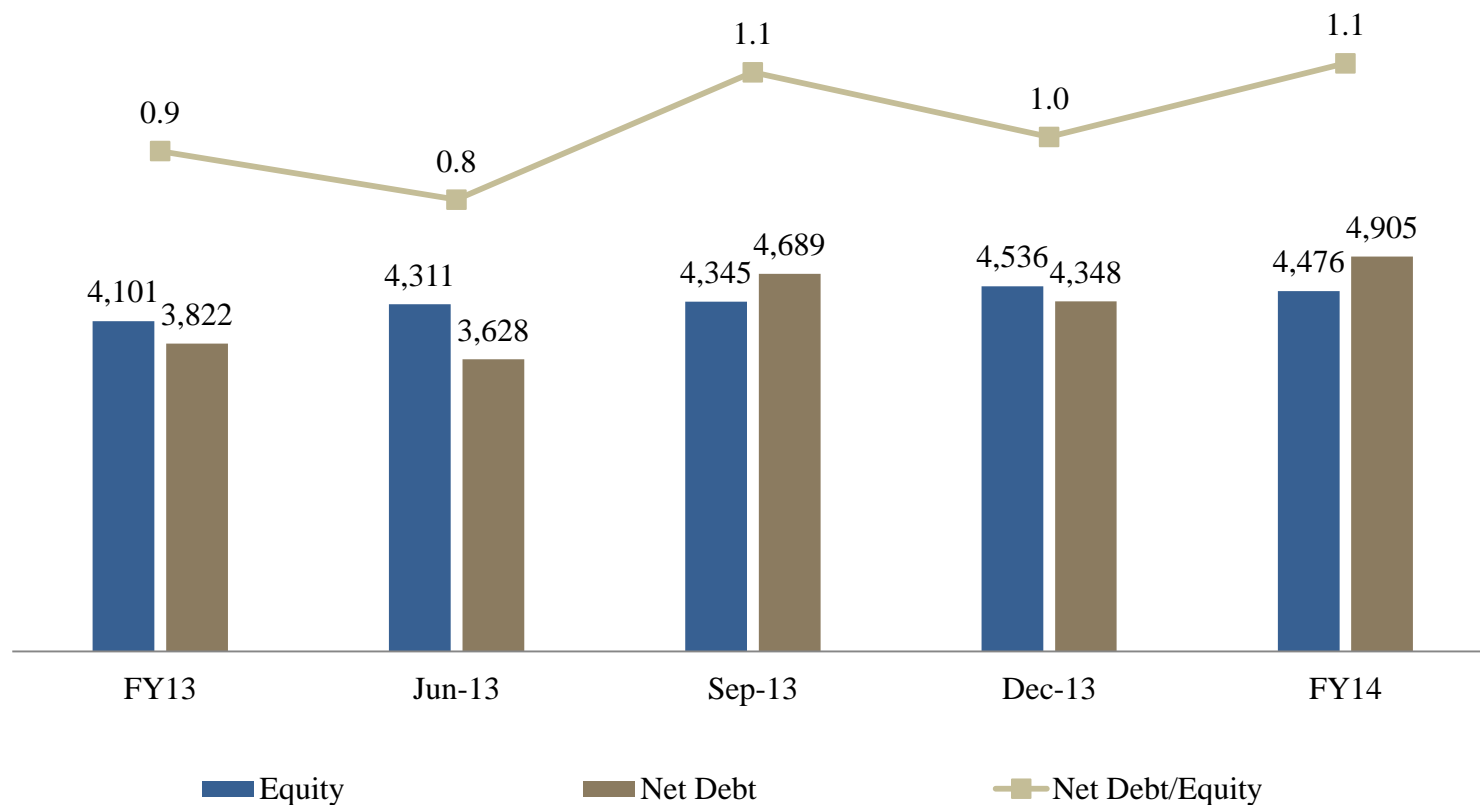


FOOTFALLS & CONVERSION



MAR-14 BALANCE SHEET UPDATE

LEVERAGE (RS MN)



Q4 & FY14 RESULTS HIGHLIGHTS

- ❖ Jewellery demand remained subdued due to weak consumer sentiments.
- ❖ Gold segment sales were primarily impacted due to reduced sale of coins which declined 14% YoY during FY14 and 29% during Q4 FY14. (Share of coins was lower at 9.7% for FY14 and 8.1% for Q4 FY14).
 - ❖ FY14 - Gold segment sales up 13.1% YoY (up 18.4% excl. coins). SOS gold segment sales down 9.3% YoY (down 5.1% excl. coins).
 - ❖ Q4 FY14 – Gold segment sales up 1.3% YoY (up 6.6% excl. coins). SOS gold segment sales down 6.6% YoY (down 1.4% excl. coins).
- ❖ Gross margins declined due to weak demand environment which led to tactical discount schemes during Q4 FY14.
- ❖ Overheads were appropriately controlled and contained within acceptable limits.
- ❖ Interest costs increased due to gradual phasing out of the gold loan model. However, the leverage of 1.1x continues to remain within acceptable range. Going forward the company expects the average financing cost of around 9-10%.
- ❖ Advances on account of Kalpavruksha Scheme were ₹ 1,450 mn (up 49% YoY).
- ❖ Gold Deposit Plan collected 121 kg of gold up to Mar-14.

THANK YOU



The original since 1864

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ANNEXURE

RESULTS UPDATE – MAR 2014

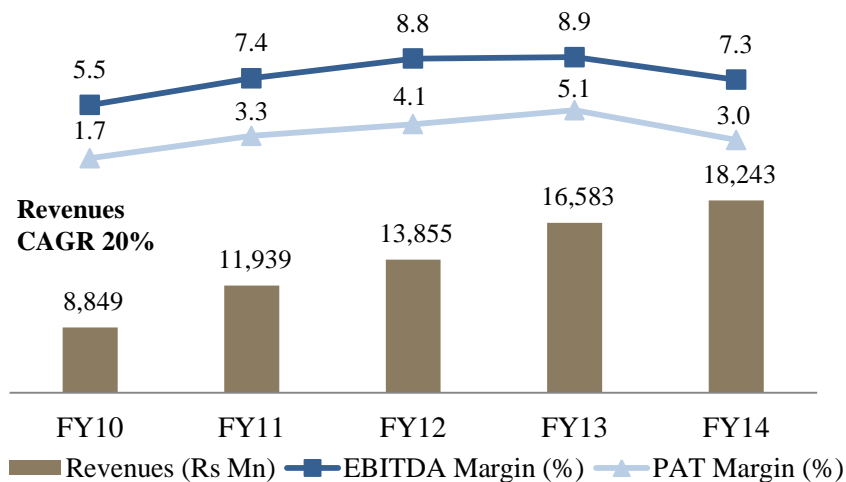
PARTICULARS (IN MN) (QUARTERLY UNAUDITED)	FY14 (₹)	FY13 (₹)	YoY %	Q4 FY14 (₹)	Q4 FY13 (₹)	YoY %	Q3 FY14 (₹)	QoQ %
Revenues	18,243	16,583	10.0%	4,465	4,473	-0.2%	5,189	-14.0%
COGS	15,159	13,453	12.7%	3,801	3,608	5.4%	4,232	-10.2%
Gross Profit	3,085	3,130	-1.5%	664	866	-23.3%	958	-30.6%
<i>Gross Margin (%)</i>	<i>16.9%</i>	<i>18.9%</i>		<i>14.9%</i>	<i>19.4%</i>		<i>18.5%</i>	
Personnel Expenses	614	551	11.5%	104	190	-45.6%	180	-42.5%
Other Expenses	1,144	1,095	4.4%	238	226	5.4%	341	-30.2%
EBITDA	1,327	1,484	-10.6%	323	449	-28.2%	436	-26.0%
<i>EBITDA Margin (%)</i>	<i>7.3%</i>	<i>8.9%</i>		<i>7.2%</i>	<i>10.0%</i>		<i>8.4%</i>	
Depreciation	100	80	24.2%	27	28	-2.5%	25	10.1%
Other Income	66	49	35.2%	21	25	-15.4%	14	48.3%
Interest Expenses	463	215	115.6%	145	77	88.4%	135	8.0%
Profit Before Tax	830	1,236	-32.8%	171	367	-53.4%	291	-41.2%
Tax	279	386	-27.6%	54	117	-53.8%	100	-46.1%
PAT	551	850	-35.2%	117	250	-53.2%	191	-38.7%
<i>Profit Margin (%)</i>	<i>3.0%</i>	<i>5.1%</i>		<i>2.6%</i>	<i>5.6%</i>		<i>3.7%</i>	

RESULTS UPDATE – MAR 2014

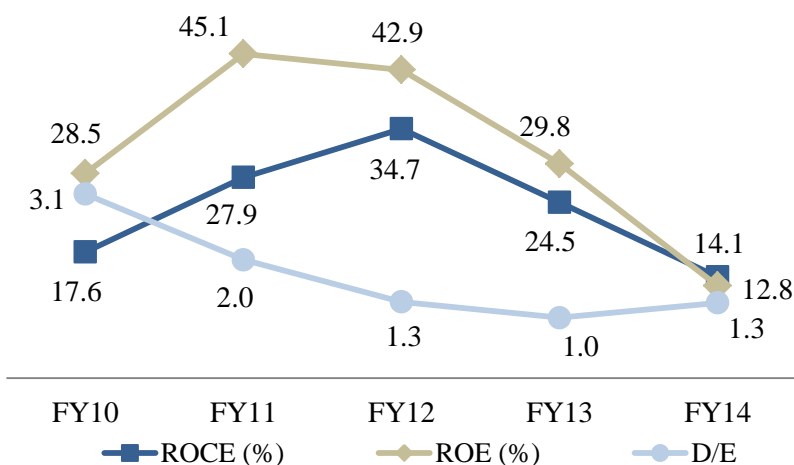
PARTICULARS (IN MN) (QUARTERLY UNAUDITED)	FY14 (₹)	DEC-13 (₹)	SEP-13 (₹)	JUN-13 (₹)	FY13 (₹)
Shareholders Funds	4,476	4,536	4,345	4,311	4,101
Loan Funds	5,634	5,018	5,632	4,320	4,140
Other Long Term Liabilities	63	87	76	126	62
Sources of Funds	10,173	9,641	10,053	8,757	8,303
Gross Block	1,278	1,189	1,178	1,130	1,122
Less: Acc. Depreciation	322	302	277	253	230
Net Block	956	887	901	877	892
Other Long Term Assets	216	286	225	201	182
Inventory	11,119	11,161	11,125	10,642	10,274
Debtors	28	18	10	56	18
Cash and Bank Balance	728	670	943	692	318
Other Current Assets	109	96	170	157	127
Current Liabilities	2,983	3,477	3,321	3,868	3,508
Net Current Assets	9,001	8,468	8,927	7,679	7,229
Application of Funds	10,173	9,641	10,053	8,757	8,303

FINANCIAL SUMMARY

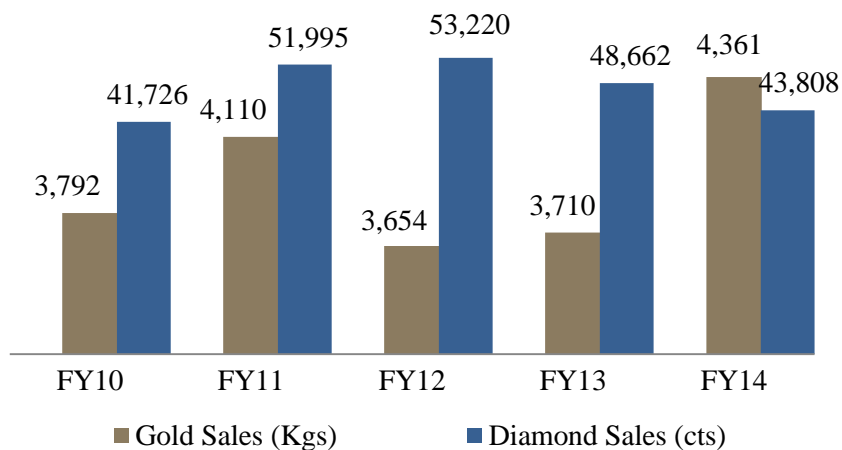
REVENUES & MARGIN ANALYSIS



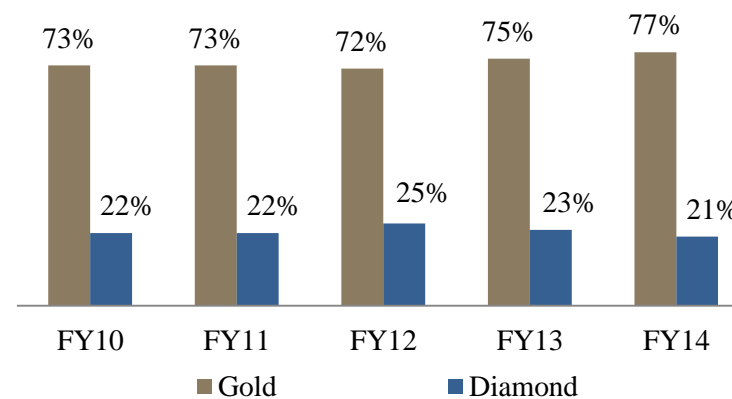
LEVERAGE & RETURN METRICS



GOLD AND DIAMOND VOLUMES



GOLD AND DIAMOND SALES MIX



AWARDS & RECOGNITION

- ❖ **“BEST RETAIL MARKETING CAMPAIGN – NEW AGE BRIDE”**
Asia Retail Congress - 2014
- ❖ **“BEST USE OF SOCIAL MEDIA IN MARKETING – BAND BAJA BRIDE”**
Asia Retail Congress - 2014
- ❖ **“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.



BUSINESS MODEL: PRODUCT

tbz[®]
The original since 1864
TRIBHOVANDAS BHIMJI ZAVERI
SHRIKANT ZAVERI GROUP
₹ 18,243 mn
FY14



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



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
- ❖ TBZ - gold deposit plan

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 (VVS grade)

Sources:

- ❖ DTC site holders
- ❖ Other vendors

MANUFACTURING

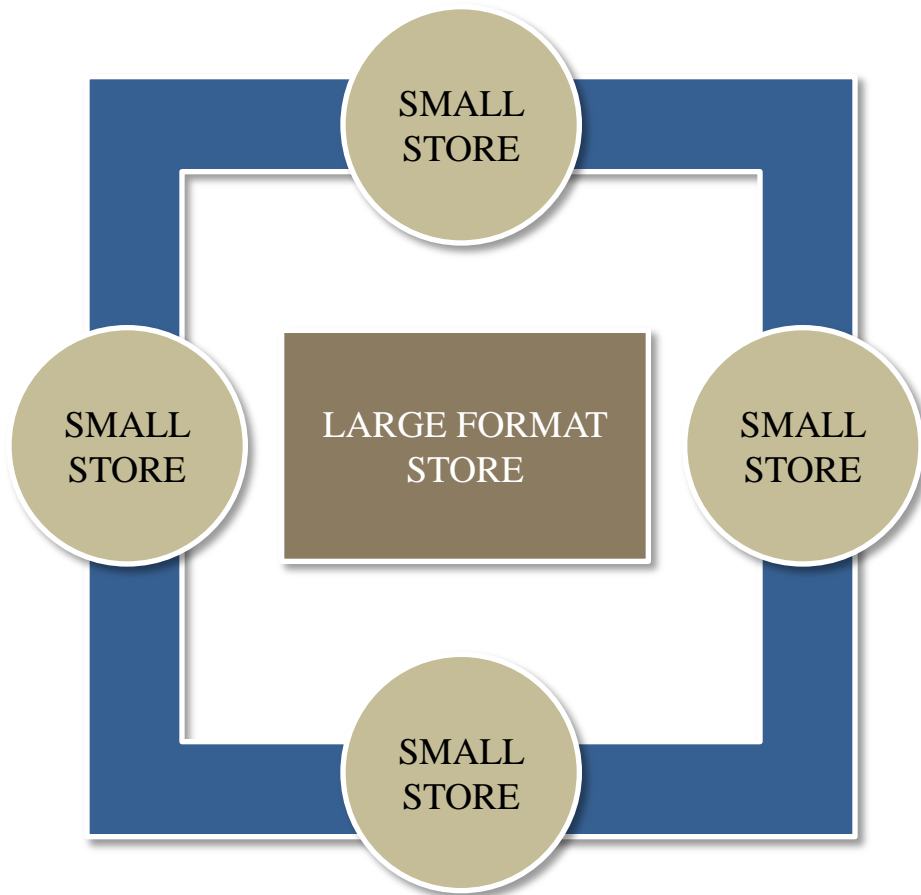
- ❖ In-house diamond jewellery manufacturing leading to exclusive designs, lower costs, and higher margins
- ❖ Manufacturing facility at Kandivali, Mumbai spread over ~24,000 sq ft with capacity of ~200,000 cts (on dual shift basis).
- ❖ The facility also has capacity for 4,000 kg of gold refining and 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 (₹)	250,000	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	28%	
Store Cash BEP (in months)	8-10 months	



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

