



INVESTOR PRESENTATION

Q2 & H1 FY15 RESULTS UPDATE

05TH NOVEMBER, 2014

tbz[®]

The original since 1864

TRIBHOVANDAS BHIMJI ZAVERI
SHRIKANT ZAVERI GROUP

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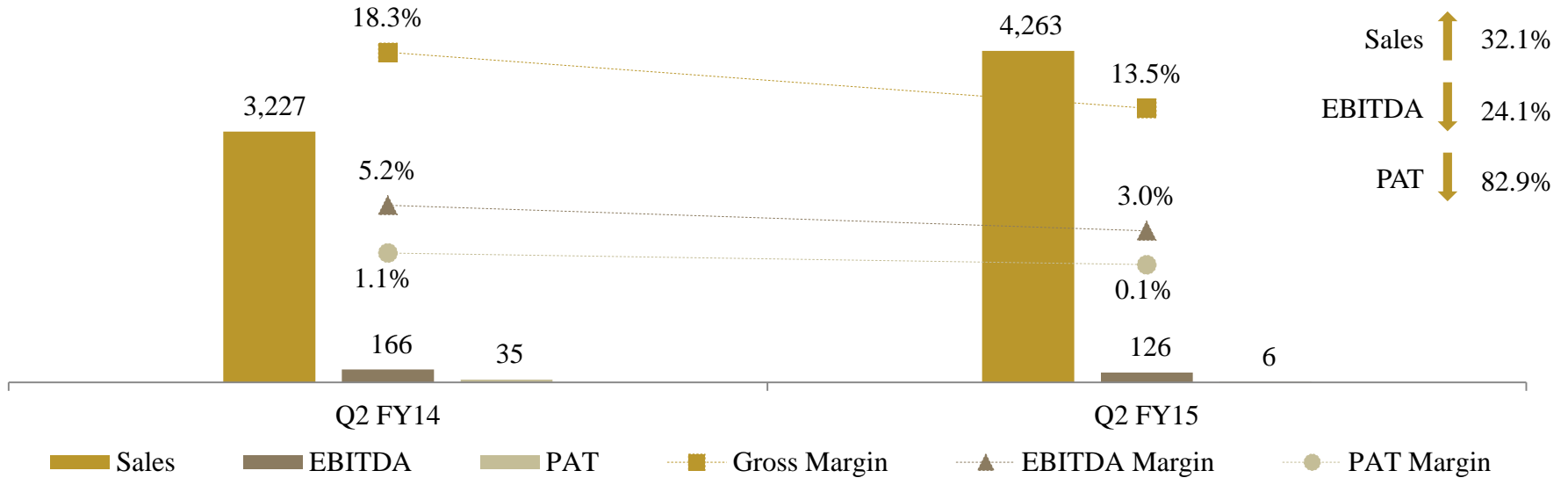


DISCUSSION SUMMARY

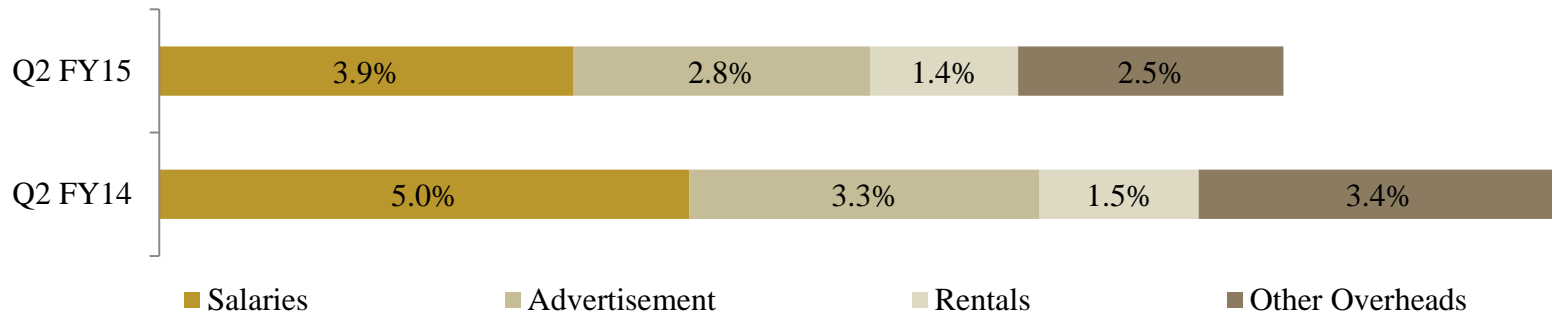
❖ Q2 & H1 FY15 Results Update	04 – 12
❖ Financial & Operational Summary	14 – 16
❖ About Us	18 – 22
❖ Annexure	25 – 32

Q2 FY15 RESULTS UPDATE

PROFIT ANALYSIS (RS MN)

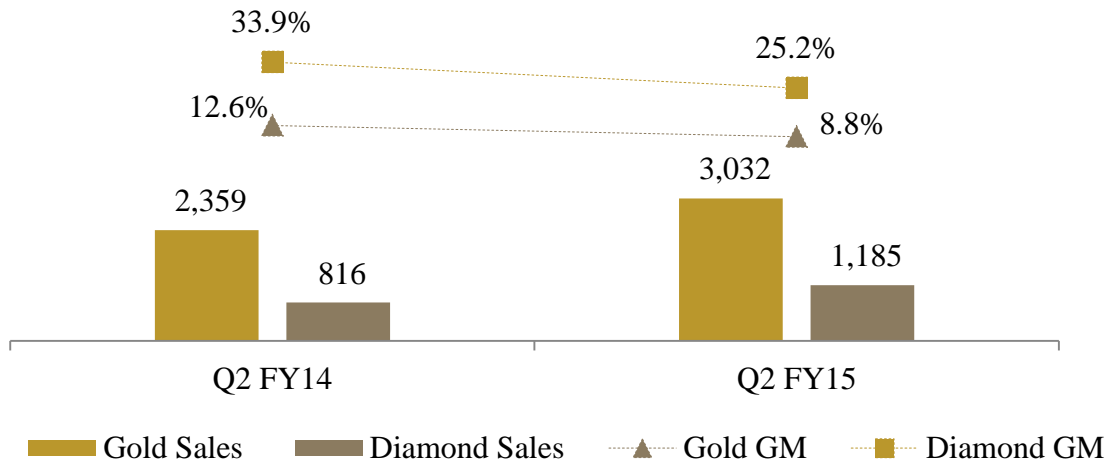


OPERATIONAL EFFICIENCY (%)



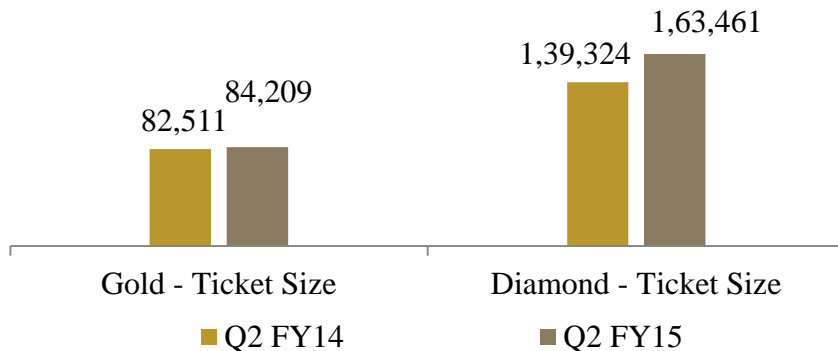
Q2 FY15 RESULTS UPDATE

REVENUE ANALYSIS (RS MN)

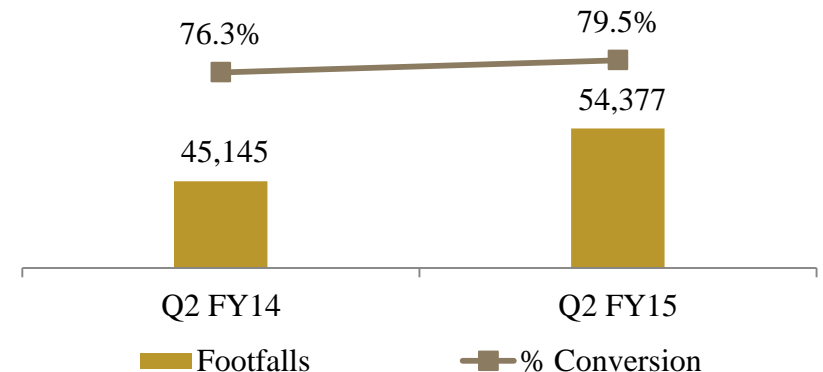


Q2 FY15	Gold	Diamond
% of Sales – Q2 FY15	71%	28%
% of Sales – Q2 FY14	73%	25%
Sales Growth %	28.5%	45.2%
SS Sales Growth %	23.2%	41.3%

AVERAGE TICKET SIZE (RS)

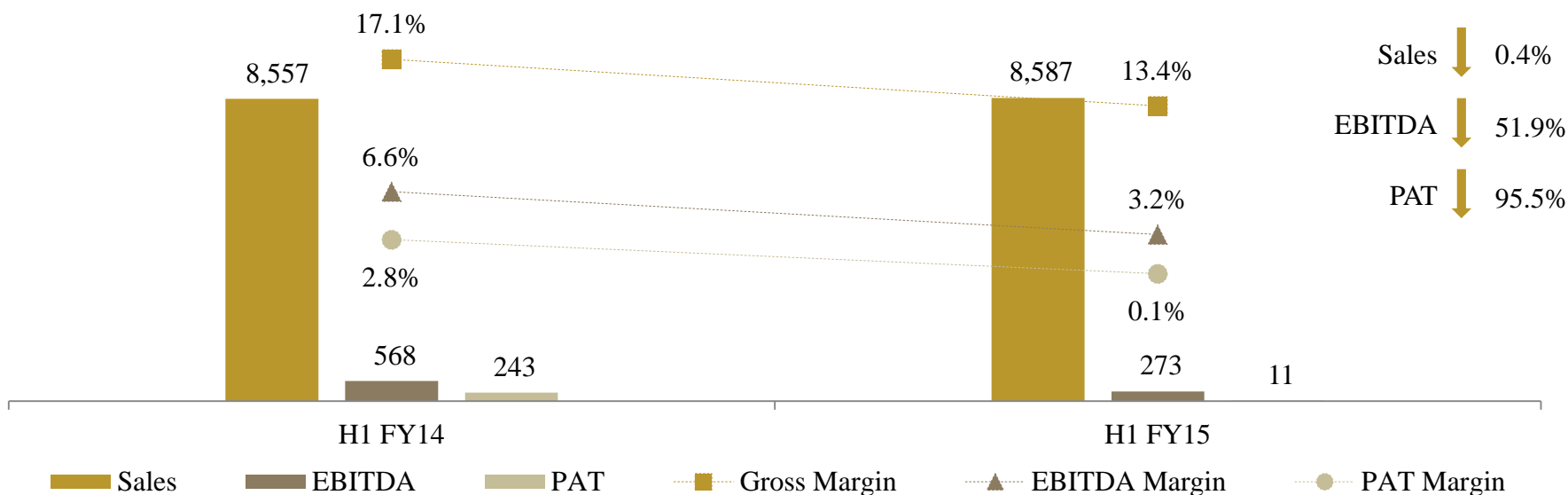


FOOTFALLS & CONVERSION

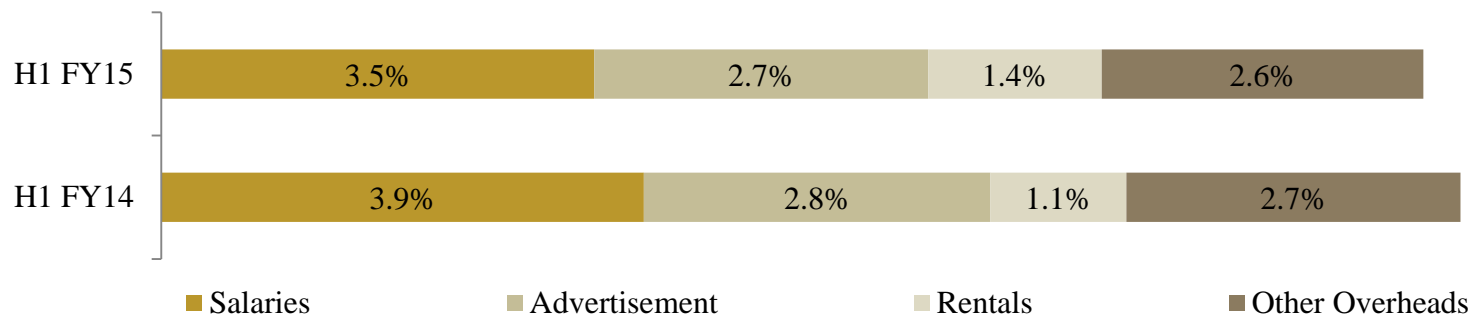


H1 FY15 RESULTS UPDATE

PROFIT ANALYSIS (RS MN)

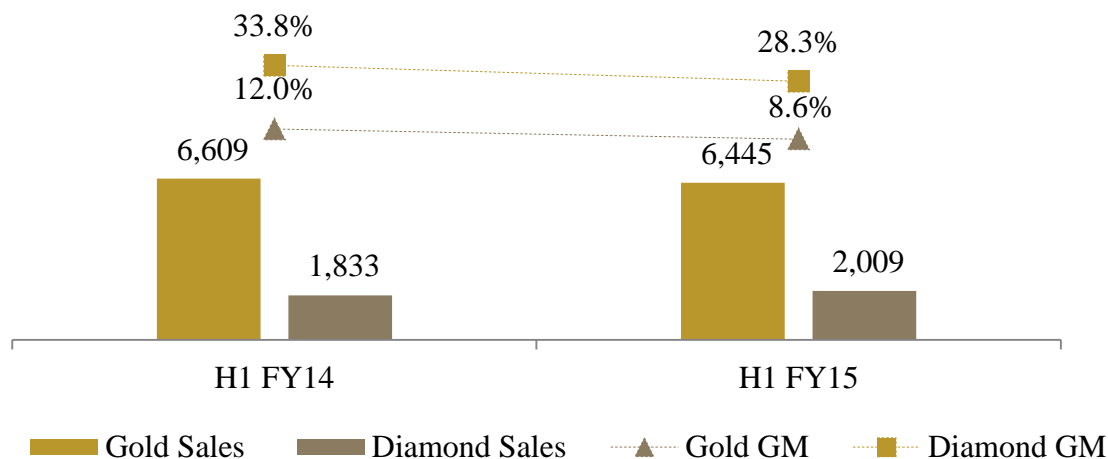


OPERATIONAL EFFICIENCY (%)



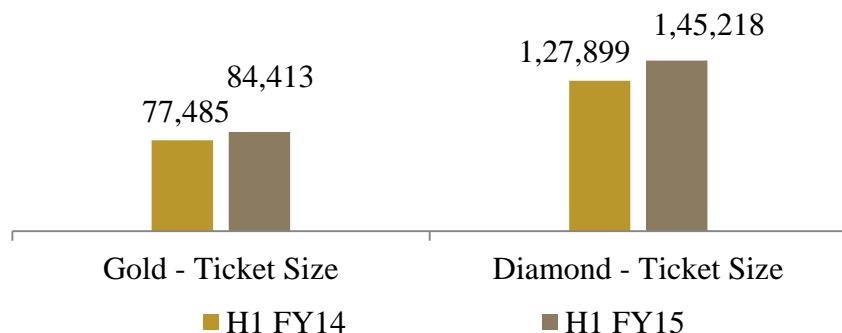
H1 FY15 RESULTS UPDATE

REVENUE ANALYSIS (RS MN)

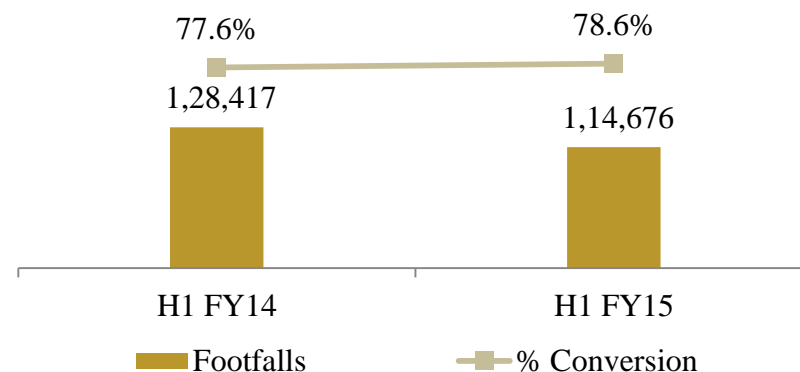


H1 FY15	Gold	Diamond
% of Sales – H1 FY15	75%	23%
% of Sales – H1 FY14	77%	21%
Sales Growth %	-2.5%	9.6%
SS Sales Growth %	-5.6%	7.0%

AVERAGE TICKET SIZE (RS)

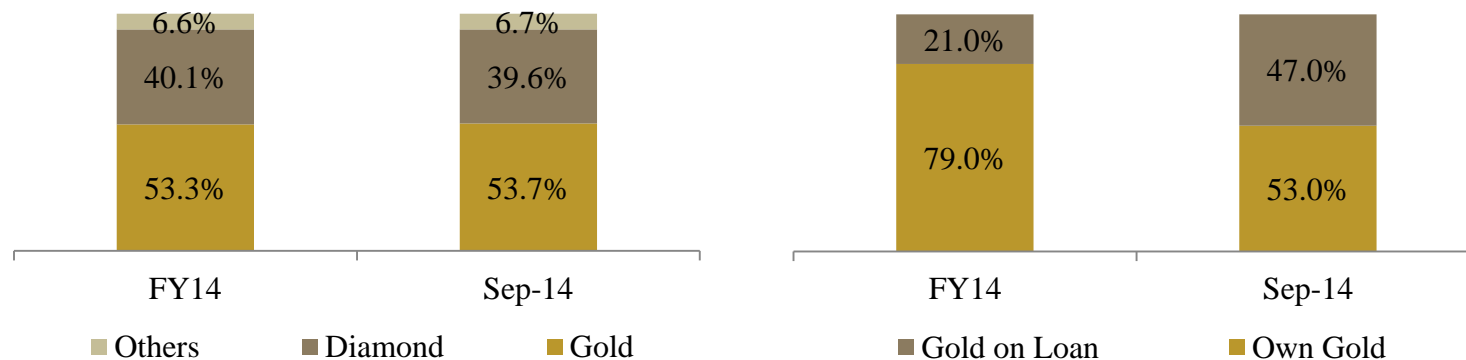


FOOTFALLS & CONVERSION

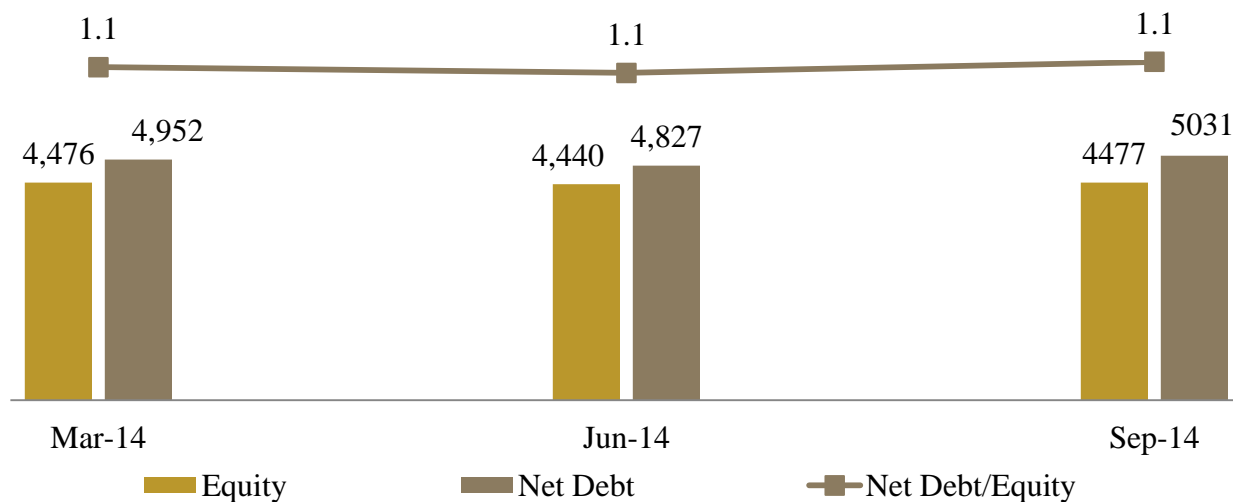


BALANCE SHEET UPDATE

INVENTORY BREAKUP (%)



LEVERAGE (RS MN)



BUSINESS SCENARIO

- ❖ Improved economic sentiments following the formation of stable government at the centre.
- ❖ Improved economic scenario coupled with lower inflationary pressure (CPI/WPI declining from 8.0% / 6.5% in Jul/14 to 5.4% / 2.4% in Sep/14) leading to gradual pickup in consumer discretionary spending.
- ❖ No change in the 80:20 gold import regulation and customs duty on gold.
- ❖ Improved gold availability leading to drop in gold price premiums.
- ❖ Average gold prices declined by 4% during Q2 FY15, wherein the gold prices declined 12% YoY in september.
- ❖ New store with a retail space of ~2,965 sq. ft. opened at Jamshedpur on 10th August 2014. The company now has 28 stores operational across 22 cities in 9 states, with a total retail space of ~91,000 sq. ft.

KEY RESULT TAKEAWAYS

- ❖ Q2 FY15 sales grew 32.1% YoY (on a lower base of Q2 FY14) driven by higher footfalls (up 25.5%) and higher average ticket size (up 5.3%).
- ❖ Gold : Diamond mix saw significant improvement from 73:25 in Q2 FY14 to 71:28 in Q2 FY15.
- ❖ Gross margin was largely impacted by the gold price volatility and tactical discount schemes.
- ❖ PAT margin contracted due to combination of lower gross margins, higher fixed costs in form of employee expenses, other overheads and interest costs.
- ❖ As on Sep-14, 47% of total gold inventory was on gold loan. Going forward the interest cost is expected to decrease as the share of inventory on gold loan increases.
- ❖ Leverage of 1.1x continues to remain within acceptable range.
- ❖ Advances on account of Kalpavruksha Scheme were ₹ 1,295 mn (₹ 1,470 as on Mar-14).

RESULTS UPDATE – SEP 2014

PARTICULARS (IN MN) (QUARTERLY UNAUDITED)	Q2 FY15 (₹)	Q2 FY14 (₹)	YoY %	Q1 FY15 (₹)	QoQ %	H1 FY15 (₹)	H1 FY14 (₹)	YoY %
Revenues	4,263	3,227	32.1%	4,324	-1.4%	8,587	8,557	0.3%
COGS	3,688	2,635	40.0%	3,752	-1.7%	7,440	7,094	4.9%
Gross Profit	576	592	-2.8%	571	0.8%	1,147	1,463	-21.6%
Gross Margin (%)	13.5%	18.3%	- 485 bps	13.2%	29 bps	13.4%	17.1%	- 374 bps
Personnel Expenses	165	161	2.5%	136	20.9%	301	331	-8.8%
Other Expenses	284	265	7.5%	288	-1.2%	572	564	1.5%
EBITDA	126	166	-24.2%	147	-14.1%	273	568	-52.0%
EBITDA Margin (%)	3.0%	5.2%	- 530 bps	3.4%	- 44 bps	3.2%	6.6%	- 346 bps
Depreciation	32	24	32.6%	36	-9.6%	68	48	41.5%
Other Income	37	16	123.4%	26	43.1%	62	31	102.2%
Interest Expenses	122	106	15.9%	129	-5.1%	251	184	36.9%
Profit Before Tax	8	53	-84.3%	8	5.2%	16	368	-95.6%
Tax	3	18	-84.2%	3	5.4%	6	125	-95.6%
PAT	6	35	-84.3%	5	5.1%	11	243	-95.6%
Profit Margin (%)	0.1%	1.1%	- 406 bps	0.1%	-	0.1%	2.8%	- 271 bps

RESULTS UPDATE – SEP 2014

PARTICULARS (IN MN) (QUARTERLY UNAUDITED)	SEP-14 (₹)	JUN-14 (₹)	MAR-14 (₹)
Shareholders Funds	4,477	4,440	4,476
Loan Funds	5,654	5,500	5,680
Other Long Term Liabilities	47	45	63
Sources of Funds	10,178	9,985	10,219
Gross Block	1,299	1,293	1,278
Less: Acc. Depreciation	385	354	322
Net Block	913	939	956
Other Long Term Assets	289	268	216
Inventory	10,781	10,799	11,119
Debtors	106	13	28
Cash and Bank Balance	623	673	728
Other Current Assets	155	140	109
Current Liabilities	2,689	2,847	2,937
Net Current Assets	8,976	8,778	9,047
Application of Funds	10,178	9,985	10,219



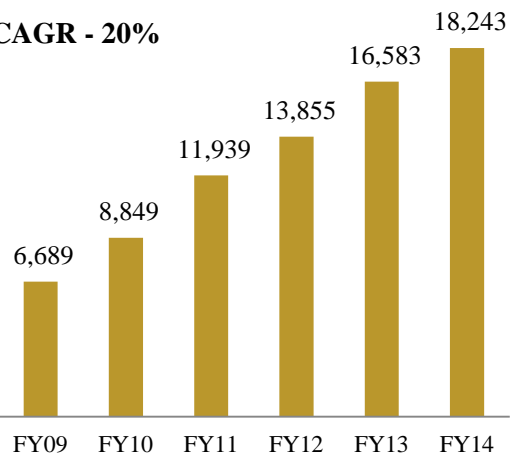
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FINANCIAL SUMMARY

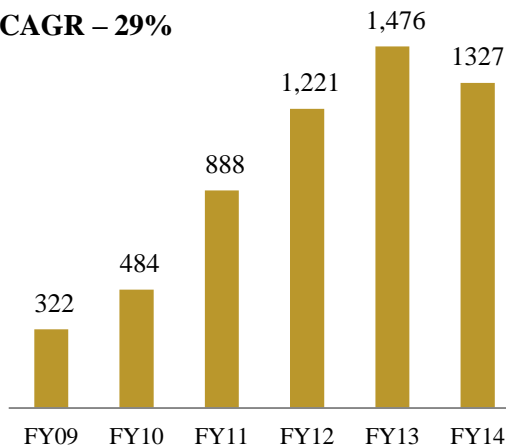
REVENUES (RS MN)

CAGR - 20%



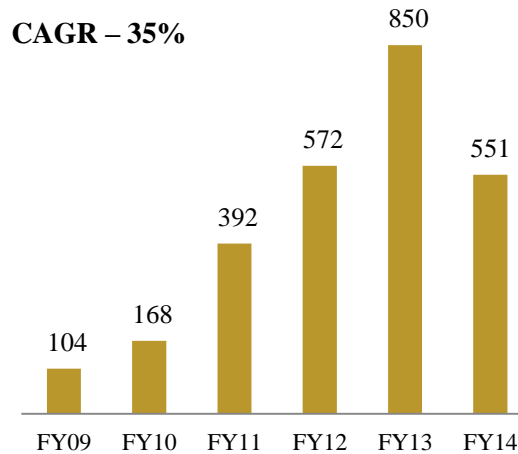
EBITDA (RS MN)

CAGR - 29%

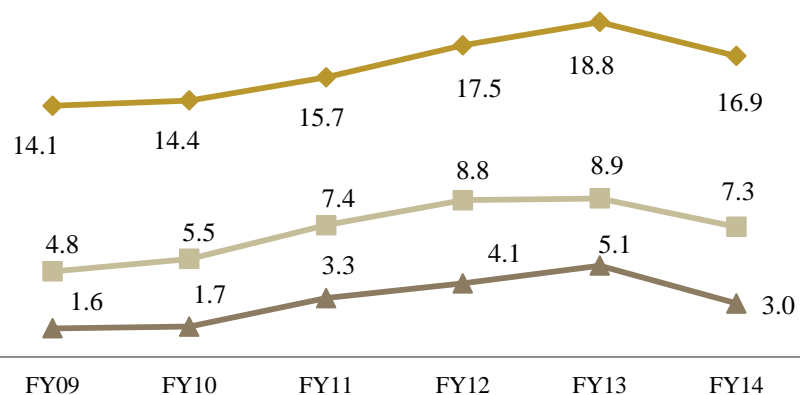


PAT (RS MN)

CAGR - 35%

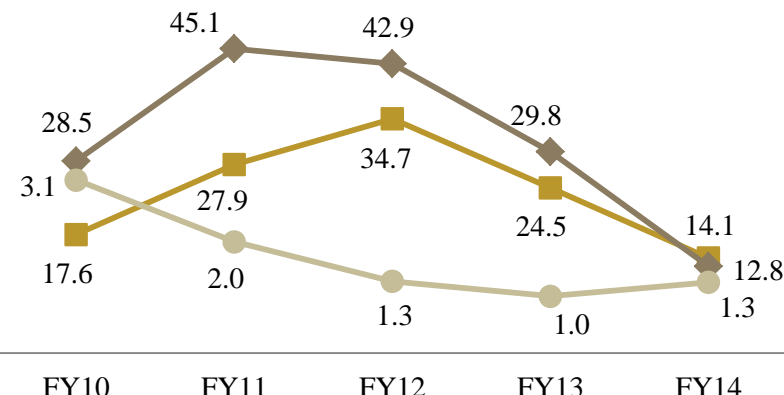


MARGINS (%)



◆ Gross Margin (%) ■ EBITDA Margin (%) ▲ PAT Margin (%)

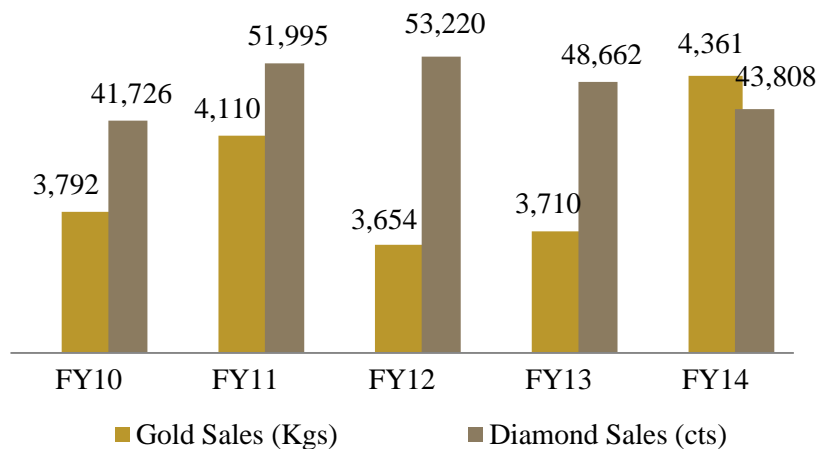
LEVERAGE & RETURN METRICS



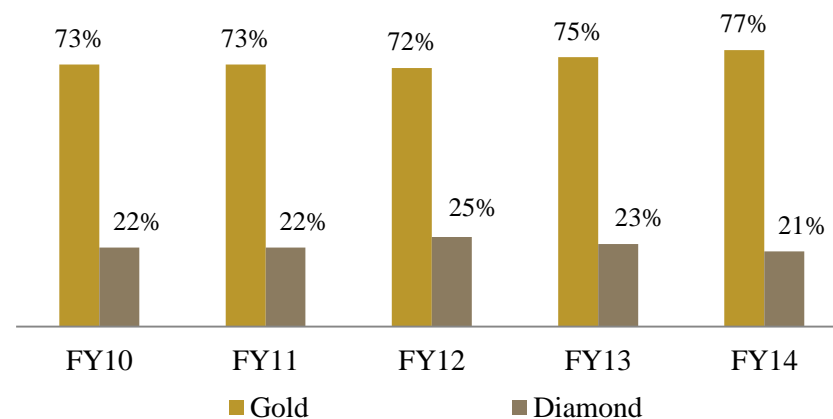
■ ROCE (%) ◆ ROE (%) ● D/E

OPERATIONAL SUMMARY

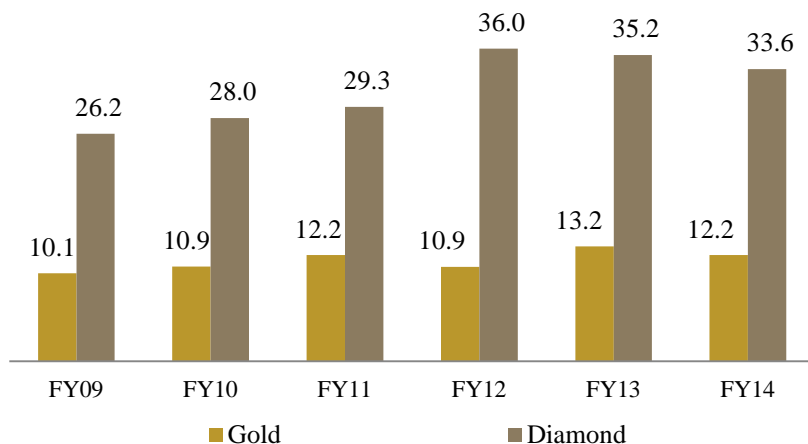
GOLD & DIAMOND VOLUMES



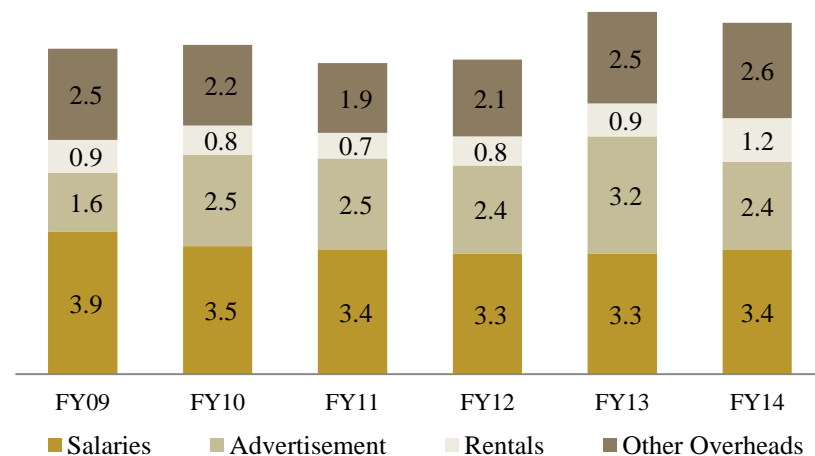
GOLD & DIAMOND SALES MIX (%)



GOLD & DIAMOND MARGINS (%)

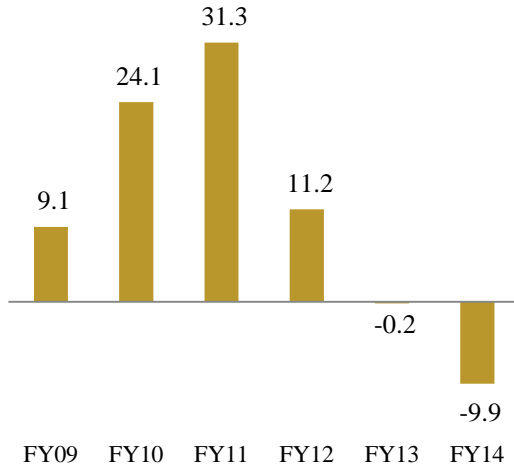


OPERATIONAL EFFICIENCY (%)

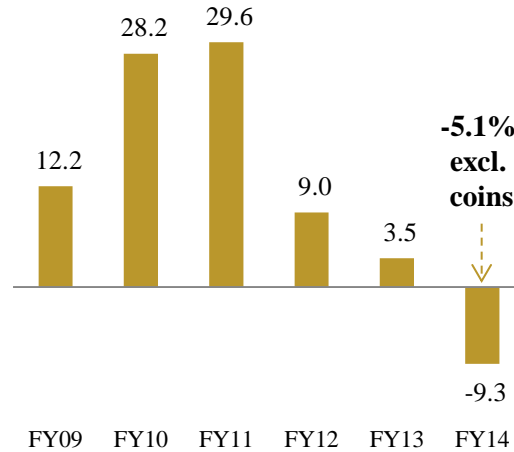


OPERATIONAL SUMMARY

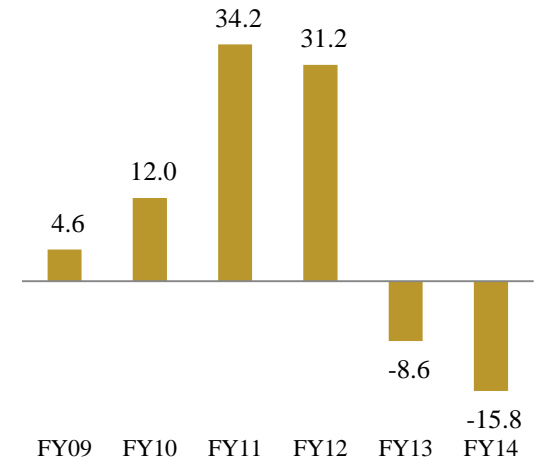
SSSG - TOTAL (%)



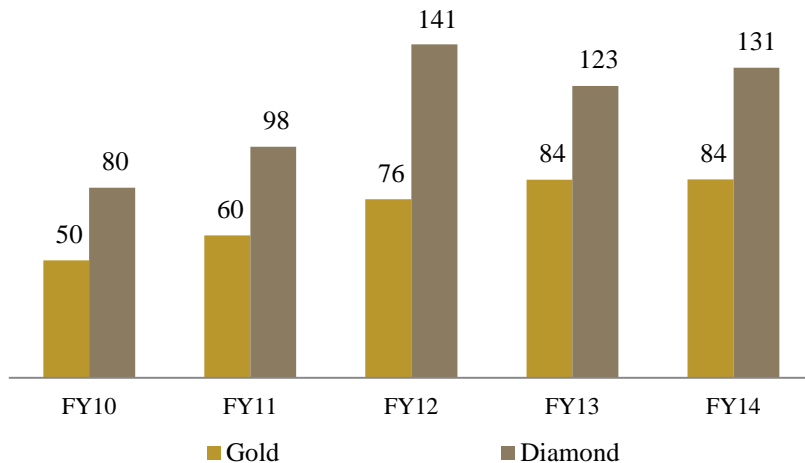
SSSG - GOLD (%)



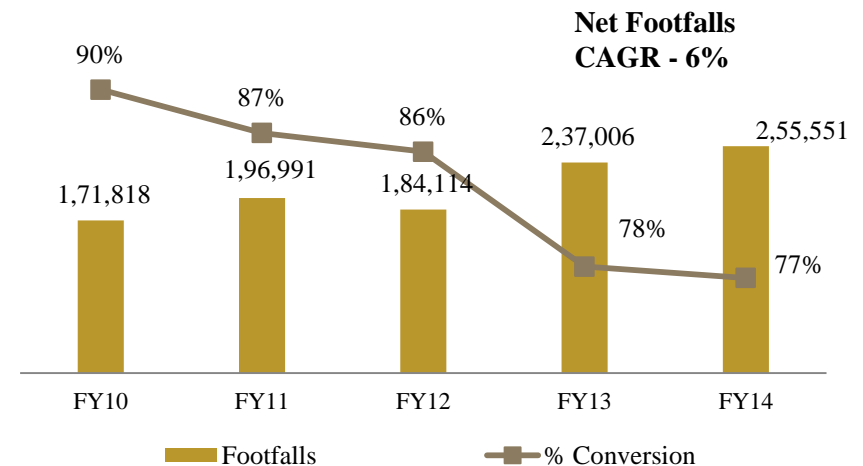
SSSG - DIAMOND (%)



AVERAGE TICKET SIZE (RS '000)



FOOTFALLS & CONVERSION





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- ❖ Annexure 25 – 32

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

- ❖ 28 stores (~91,000 sq ft)
- ❖ Presence - 22 cities, 9 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

- ❖ 34 designers (incl. 11 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

Recommended special dividend of 7.5% on the special occasion of 150th year of the company

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

2014

2014

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

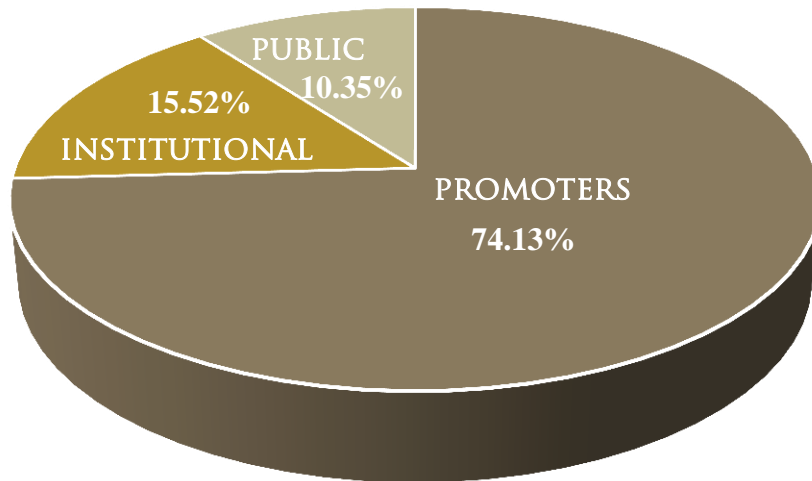
27th store opened at Udaipur on 9th October 2013

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

28th store opened at Jamshedpur on 10th August 2014

ABOUT US: SHAREHOLDING STRUCTURE

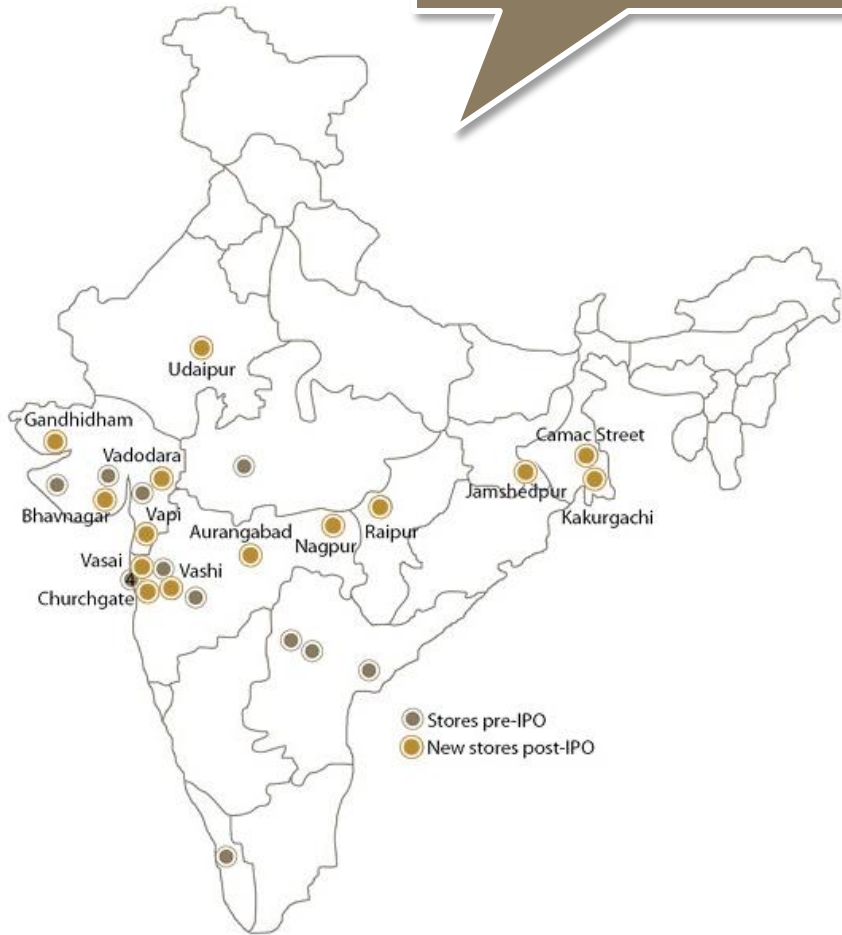
SHAREHOLDING PATTERN – SEP 2014



KEY INSTITUTIONAL INVESTORS	% HOLDING
Smallcap World Fund INC	6.50%
HSBC Global Investments	4.05%

ABOUT US: RETAIL PRESENCE

Present across 22 cities
in 9 states



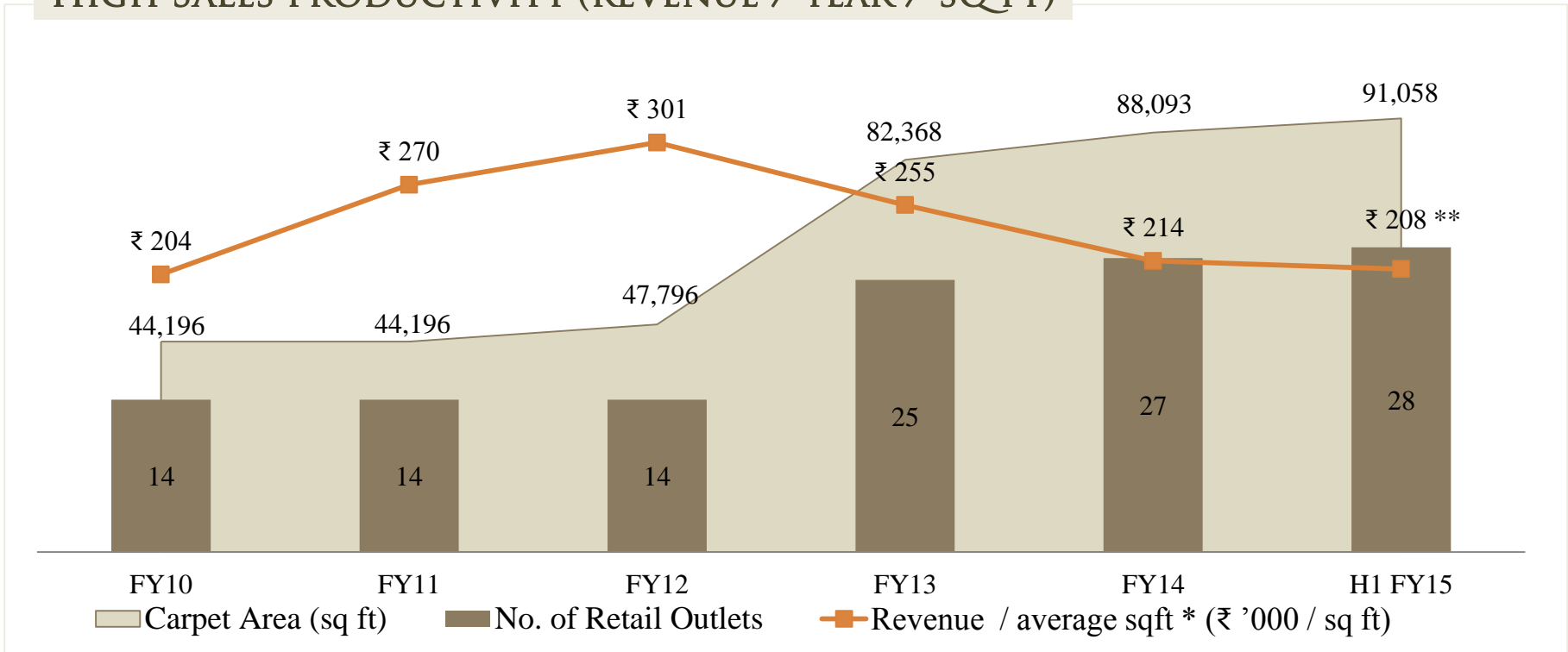
PAN-INDIA PRESENCE WITH 28 STORES WITH A RETAIL SPACE OF ~91,000 SQ. FT. SPREAD ACROSS 22 CITIES IN 9 STATES.

NUMBER OF STORES	TILL DATE
Large Format	22
Small Format	6
Tier I	17
Tier II	4
Metros	7
Total Stores	28
Total Area	~91,000



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

** Sales productivity over last 12 months. **Productivity at mature stores – ₹ 251 k per sq ft**

THANK YOU



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ANNEXURE

BUSINESS MODEL: PRODUCT



₹ 18,243 mn
FY14



GOLD
(75%)

Gross Margins – 11%
Stock Turns – 2.5x - 3x



DIAMONDS
(25%)

Gross Margins – 35%
Stock Turns – 1x



WEDDING (65%)



FASHION (35%)



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
- ❖ Bullion dealers
- ❖ Banks - imported gold
- ❖ Banks - domestic gold (gold deposits) on loan

- ❖ 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.



DIAMOND

- ❖ Raw Material - Cut & polished diamonds (VVS grade)

Sources:

- ❖ DTC site holders
- ❖ Other vendors

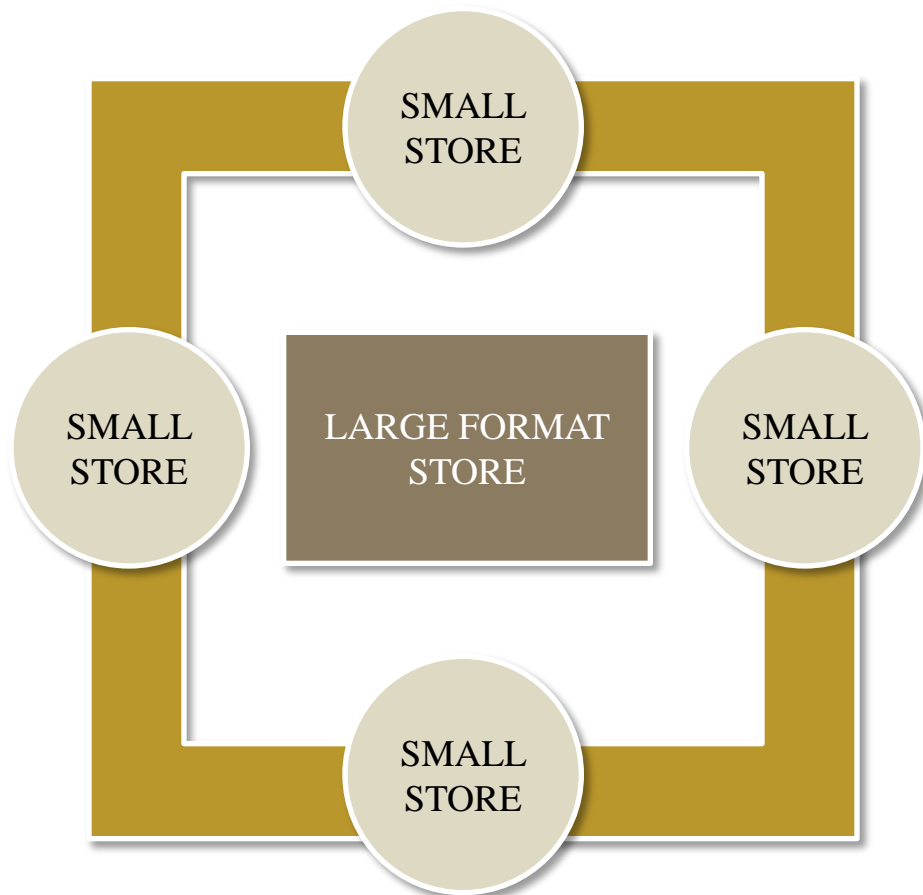
- ❖ In-house diamond jewellery manufacturing leading to exclusive designs, lower costs, and higher margins
- ❖ Manufacturing facility at Kandivali, Mumbai spread over ~24,000 sq ft with capacity of ~200,000 cts (on dual shift basis).
- ❖ The facility also has capacity for 4,000 kg of gold refining and 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 14 new stores (10 large format and 4 small format) post FY12 where the 14th new store was opened on 10th August, 2014 in Jamshedpur.

	FY12	→	TILL DATE	→	TARGET
Number of Stores	14		28		57
Retail Sq ft	~48,000		~91,000		~150,000
Number of Cities	10		22		43



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 ~5.50-6.85%

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 day1.
- ❖ 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 at ~5.50-6.85% compared to working capital borrowing cost of ~12-13%.
- ❖ **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 REPAYMENT

- ❖ **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

- ❖ “COLOURED GEMSTONE JEWELLERY OF THE YEAR”
Annual Gemfields & Nazraana Retail Jeweller India Awards - 2014
- ❖ “360 DEGREE MARKETING CAMPAIGN OF THE YEAR”
Annual Gemfields & Nazraana Retail Jeweller India Awards - 2014
- ❖ “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

