

INVESTOR PRESENTATION  
Q3 & 9M FY18 RESULTS  
FEBRUARY 2018



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TRIBHOVANDAS BHIMJI ZAVERI  
SHRIKANT ZAVERI GROUP

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## DISCUSSION SUMMARY

- Q3 & 9M FY18 Results Update
- About Us
- Operational Summary
- Business Model

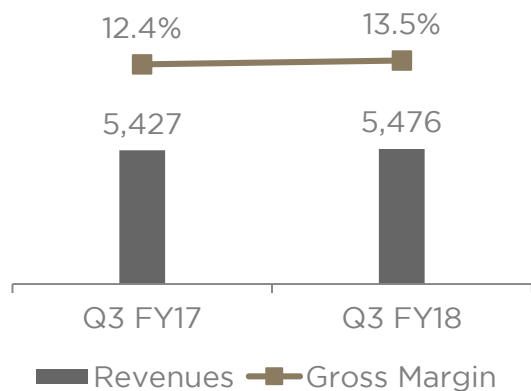
## KEY HIGHLIGHTS

- Q3 FY18 PBT grew by 44% on YoY basis
- Q3 FY18 PBT margin improved to 2.1% compared to 1.5% in Q3 FY17
- Q3 FY18 EBITDA grew by 17% on YoY basis
- Q3 FY18 EBITDA margin improved to 4.1% compared to 3.6% in Q3 FY17
- The third quarter sales gathered momentum after the revocation of the PMLA Circular in first week of October. Sales during October were lower on YoY basis due to impact of PMLA and absence of sales during Navratri and Dussehra which occurred in September this year. Sales during November and December were 29% higher on YoY basis driven by the onset of wedding season.
- Q3 FY18 Revenues grew marginally by 1% on YoY basis
- Q3 FY18 Gross margin improved to 13.5% compared to 12.4% in Q3 FY17
- Q3 FY18 Finance cost decreased by 16% on YoY basis

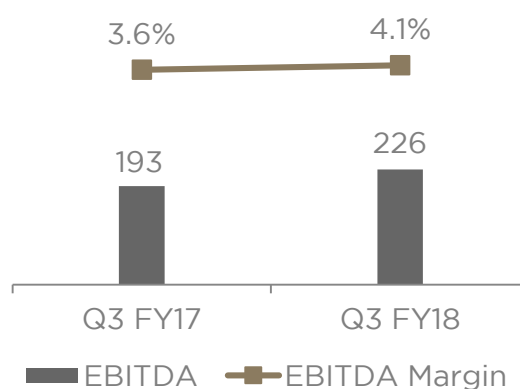
# Q3 FY18 RESULTS UPDATE

In Rs Mn

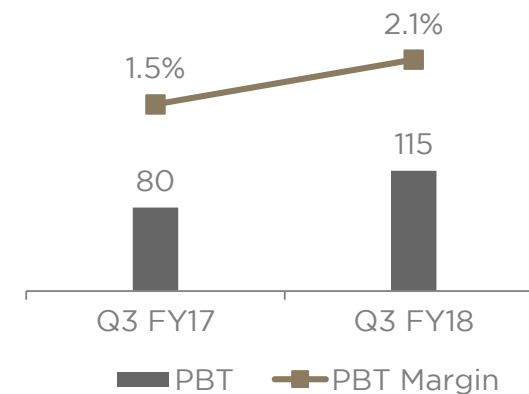
## REVENUES & GROSS MARGIN



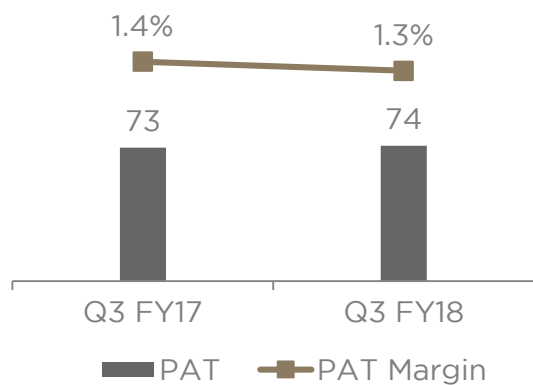
## EBITDA & EBITDA MARGIN



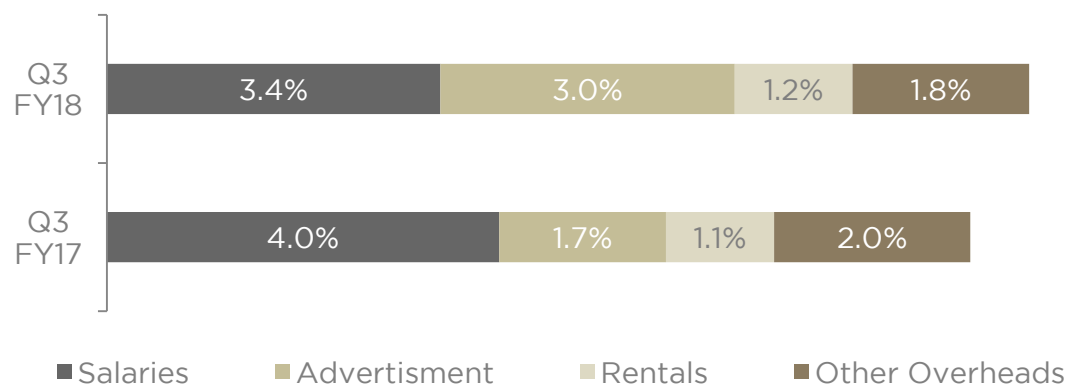
## PBT & PBT MARGIN



## PAT & PAT MARGIN



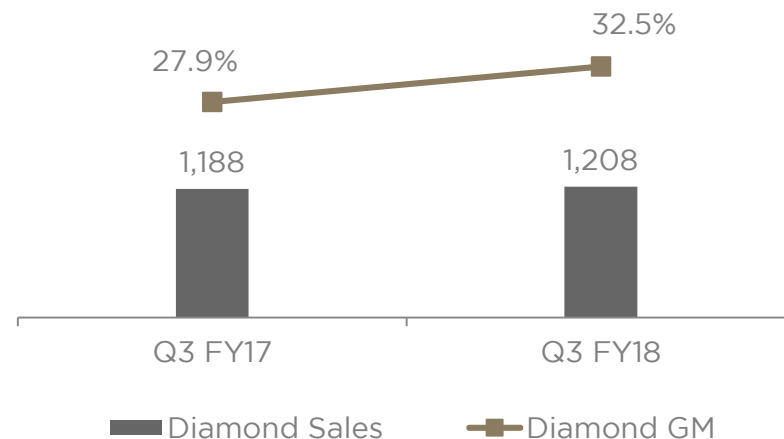
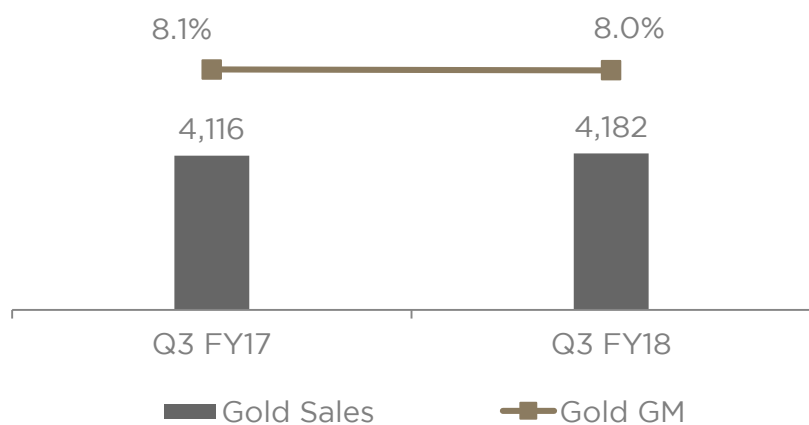
## OPERATING COSTS (%)



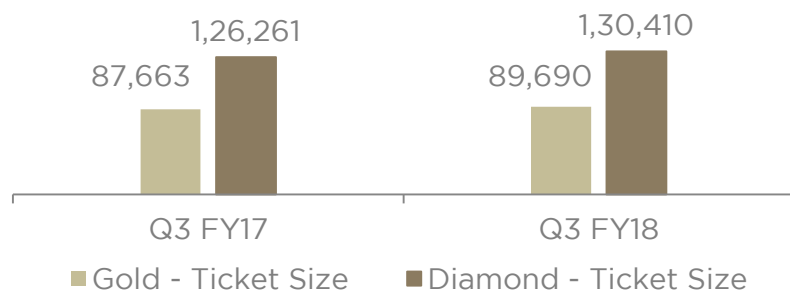
# Q3 FY18 RESULTS UPDATE

In Rs Mn

## REVENUE ANALYSIS



## AVERAGE TICKET PRICE



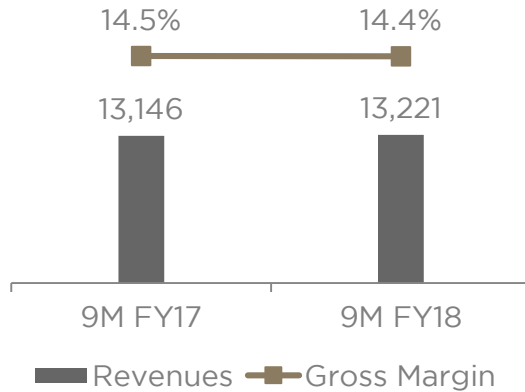
Q3 FY18	Gold	Diamond
% of Sales - Q3 FY18	76.4%	22.1%
% of Sales - Q3 FY17	75.9%	21.9%
SS Sales Growth %	Stable	

SS: Same store sales value growth

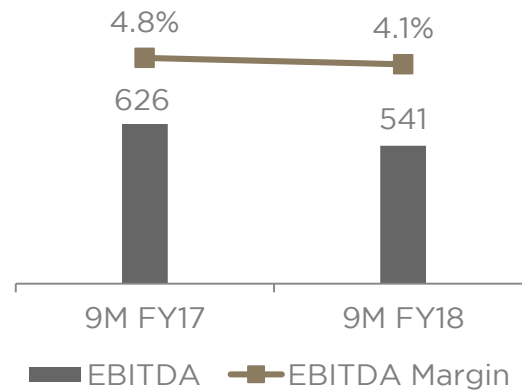
# 9M FY18 RESULTS UPDATE

In Rs Mn

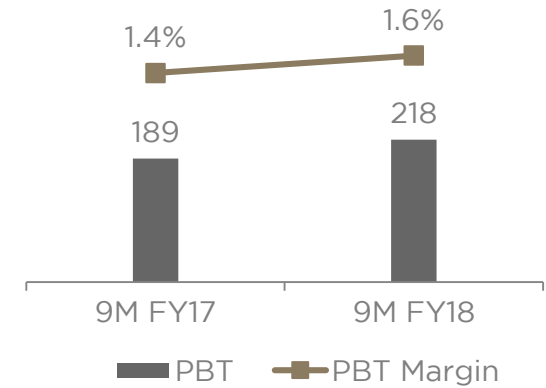
## REVENUES & GROSS MARGIN



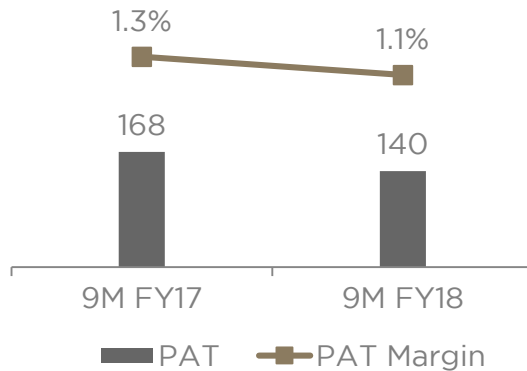
## EBITDA & EBITDA MARGIN



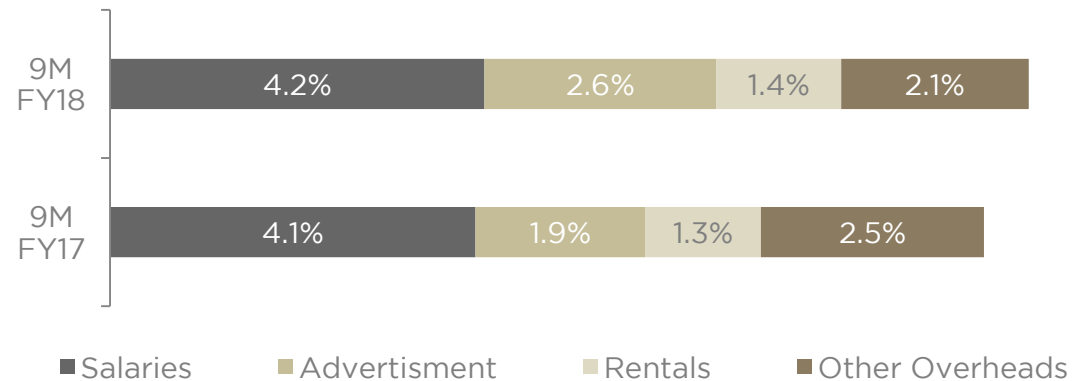
## PBT & PBT MARGIN



## PAT & PAT MARGIN



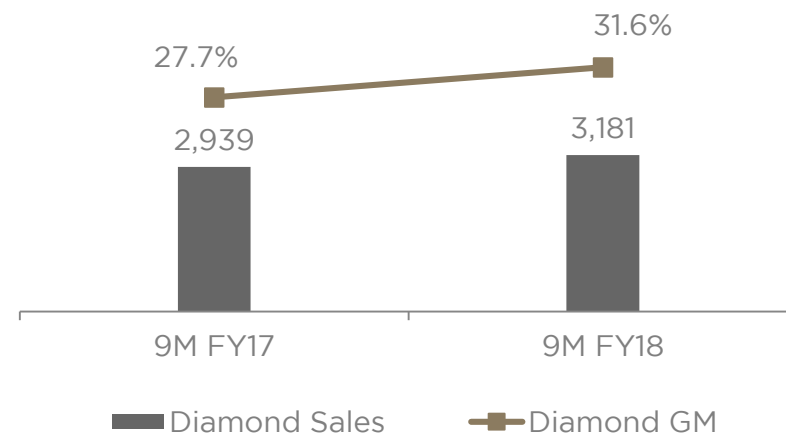
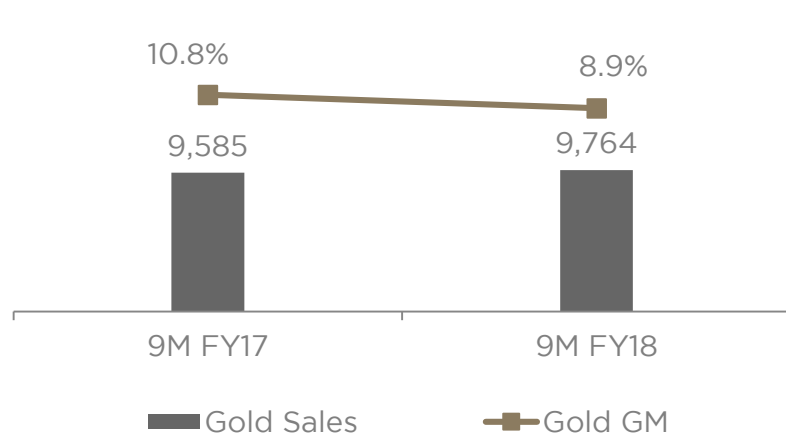
## OPERATING COSTS (%)



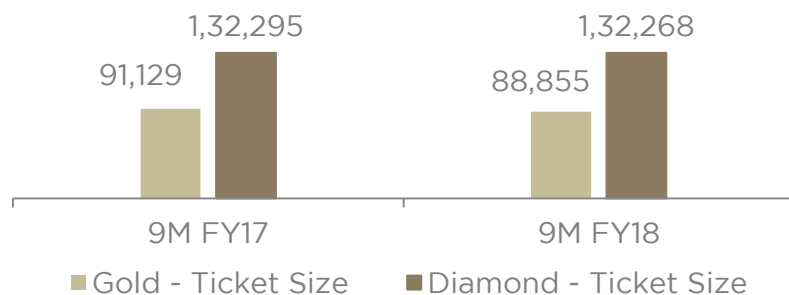
# 9M FY18 RESULTS UPDATE

In Rs Mn

## REVENUE ANALYSIS



## AVERAGE TICKET PRICE



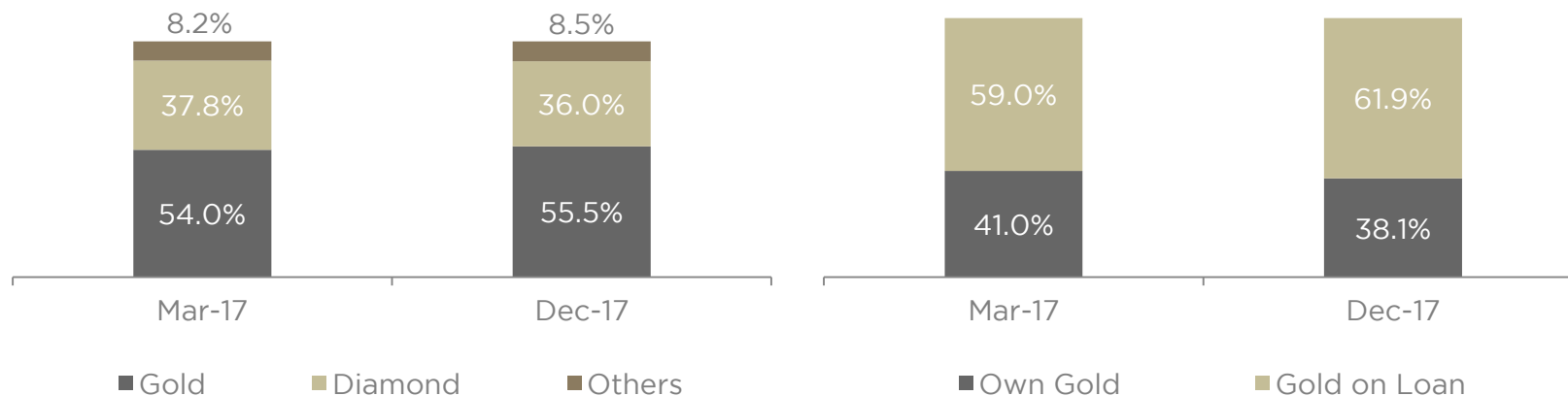
9M FY18	Gold	Diamond
% of Sales - 9M FY18	73.8%	24.1%
% of Sales - 9M FY17	73.1%	22.4%
SS Sales Growth %	Stable	

SS: Same store sales value growth

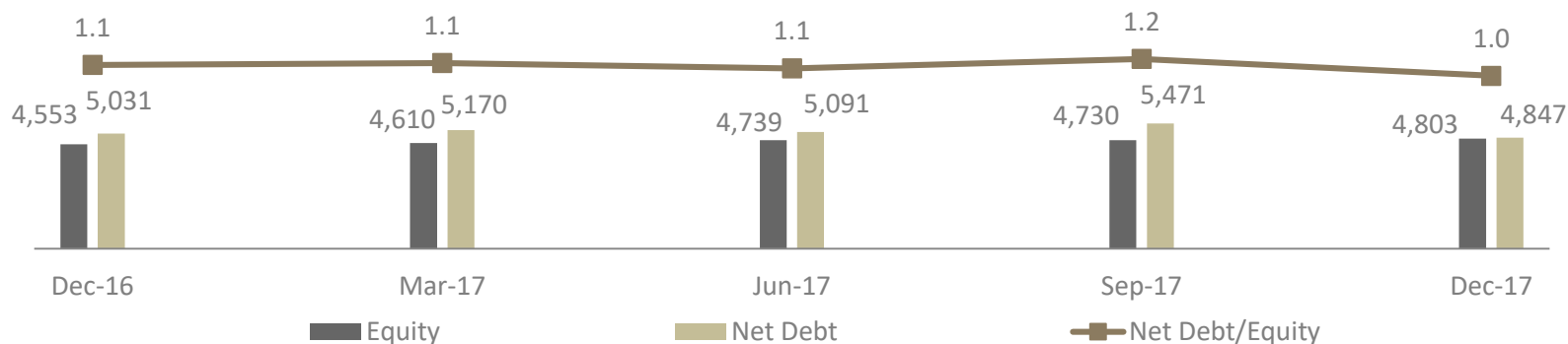


# Q3 & 9M FY18 RESULTS UPDATE

## INVENTORY BREAKUP (%)



## LEVERAGE (RS MN) \*



Note: \* Figures for March 2017 and prior periods are based on I-GAAP

# KEY RESULT TAKEAWAYS

## REVENUES:

- Q3 FY18 revenues marginally increased by 1% YoY –
  - Sales during October were lower on YoY basis due to impact of PMLA in the first week and absence of sales during Navratri and Dussehra which occurred in September this year.
  - Sales during November and December were 29% higher on YoY basis driven by the onset of wedding season.
  - Share of diamond jewellery improved to 22.1% compared to 21.9% in Q3 FY17.
- 9M FY18 revenues have remained stable on YoY basis

## MARGINS:

- Q3 FY18 gross margin increased to 13.5% compared to 12.4% in Q3 FY17. This was due to higher diamond gross margin and higher share of diamond jewellery sales.
- There was an increase in the investment in marketing and brand building activities in Q3 FY18 and the benefits of this will accrue in near term.
- Other operating expenses were largely stable on YoY basis.
- Q3 FY18 EBITDA increased by 17% and EBITDA margin increased to 4.1% compared to 3.6% in Q3 FY17.



## KEY RESULT TAKEAWAYS

### BALANCE SHEET:

- Inventory returned to its normal level of Rs 10,377 mn as on Dec-17, compared to Rs 11,145 mn as on Sep-17 (ahead of the festive and wedding season).
- Total Debt decreased to Rs 5,283 mn as on Dec-17 compared to Rs 6,041 mn as on Sep-17, in line with lower inventory.
- Net Debt / Equity improved to 1.0x as on Dec-17 compared to 1.2x as on Sep-17.
- Finance Cost declined by 16% YoY to Rs 97 mn in Q3 FY18. The average cost of debt was 6.9% in Q3 FY18 compared to 7.8% in Q3 FY17.
- Advances under Kalpavruksha Scheme were Rs 610 mn as on Dec-17 (Rs 526 mn as on Mar-17).

### RETAIL SPACE ADDITION:

- We re-launched our Churchgate store at Marine Drive, Mumbai on 5<sup>th</sup> October 2017 to a bigger and grander store with area of 2,350 sq. ft. compared to earlier store with area of 1,230 sq. ft., in the same vicinity.
- We opened our 5<sup>th</sup> franchise store in Bhopal, Madhya Pradesh on 13<sup>th</sup> October 2017 with area of 1,850 sq. ft.
- We opened our 3<sup>rd</sup> mall store at High Street Phoenix Mall, Lower Parel, Mumbai on 29<sup>th</sup> November 2017 with area of 1,000 sq. ft.



# PROFIT & LOSS STATEMENT

Particulars (In Rs Mn)	Q3 FY18	Q3 FY17	YoY %	9M FY18	9M FY17	YoY %
<b>Net Revenues</b>	<b>5,476</b>	<b>5,427</b>	<b>0.9%</b>	<b>13,221</b>	<b>13,146</b>	<b>0.6%</b>
COGS	4,735	4,753	-0.4%	11,322	11,239	0.7%
<b>Gross Profit</b>	<b>741</b>	<b>674</b>	<b>10.0%</b>	<b>1,899</b>	<b>1,907</b>	<b>-0.4%</b>
<b>Gross Margin (%)</b>	<b>13.5%</b>	<b>12.4%</b>	<b>112 bps</b>	<b>14.4%</b>	<b>14.5%</b>	<b>-14 bps</b>
Personnel Expenses	188	218	-13.6%	553	537	2.9%
Other Expenses	327	263	24.3%	805	743	8.3%
<b>EBITDA</b>	<b>226</b>	<b>193</b>	<b>17.1%</b>	<b>541</b>	<b>626</b>	<b>-13.5%</b>
<b>EBITDA Margin (%)</b>	<b>4.1%</b>	<b>3.6%</b>	<b>57 bps</b>	<b>4.1%</b>	<b>4.8%</b>	<b>-67 bps</b>
Depreciation	22	22	2.2%	64	67	-5.3%
Other Income	8	24	-68.2%	39	30	30.7%
Interest Expenses	97	116	-16.4%	299	400	-25.3%
<b>Profit Before Tax</b>	<b>115</b>	<b>80</b>	<b>44.0%</b>	<b>218</b>	<b>189</b>	<b>15.5%</b>
<b>Profit Margin (%)</b>	<b>2.1%</b>	<b>1.5%</b>	<b>63 bps</b>	<b>1.6%</b>	<b>1.4%</b>	<b>21 bps</b>
Tax	41	6	-	78	21	-
<b>PAT</b>	<b>74</b>	<b>73</b>	<b>0.5%</b>	<b>140</b>	<b>168</b>	<b>-16.5%</b>
<b>Profit Margin (%)</b>	<b>1.3%</b>	<b>1.4%</b>	<b>0 bps</b>	<b>1.1%</b>	<b>1.3%</b>	<b>-22 bps</b>

# BALANCE SHEET

Particulars (In Rs Mn)	December-17	September-17	June-17
Shareholders Funds	4,803	4,730	4,739
Loan Funds	5,283	6,041	5,511
Other Long Term Liabilities	73	71	57
<b>Sources of Funds</b>	<b>10,159</b>	<b>10,842</b>	<b>10,307</b>
Net Block	1,022	1,033	1,021
Other Long Term Assets	251	257	233
Inventory	10,377	11,145	10,293
Debtors	209	70	84
Cash and Bank Balance	436	570	420
Other Current Assets	125	176	107
Current Liabilities	2,261	2,410	1,851
Net Current Assets	8,886	9,552	9,053
<b>Application of Funds</b>	<b>10,159</b>	<b>10,842</b>	<b>10,307</b>

## DISCUSSION SUMMARY

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## WHY IS TBZ DIFFERENT ?

### Pedigree

- 150+ years in jewellery business
- First jeweller to offer buyback guarantee in 1938
- Professional organisation spearheaded by 5<sup>th</sup> generation of the family

### Strong Brand Value

- Healthy sales productivity
- High footfalls conversion - 80%
- High ticket size - Gold - Rs 89 k, Diamond - Rs 132 k

### Scalability & Reach

- 36 stores (~1,09,670 sq. ft.)
- Presence - 26 cities, 11 states

#### Expansion Plan -

- ~150,000 sq. ft. (75% of expansion through franchise route)

### TBZ

#### SUSTAINABLE COMPETITIVE ADVANTAGES

### Specialty Wedding Jeweller

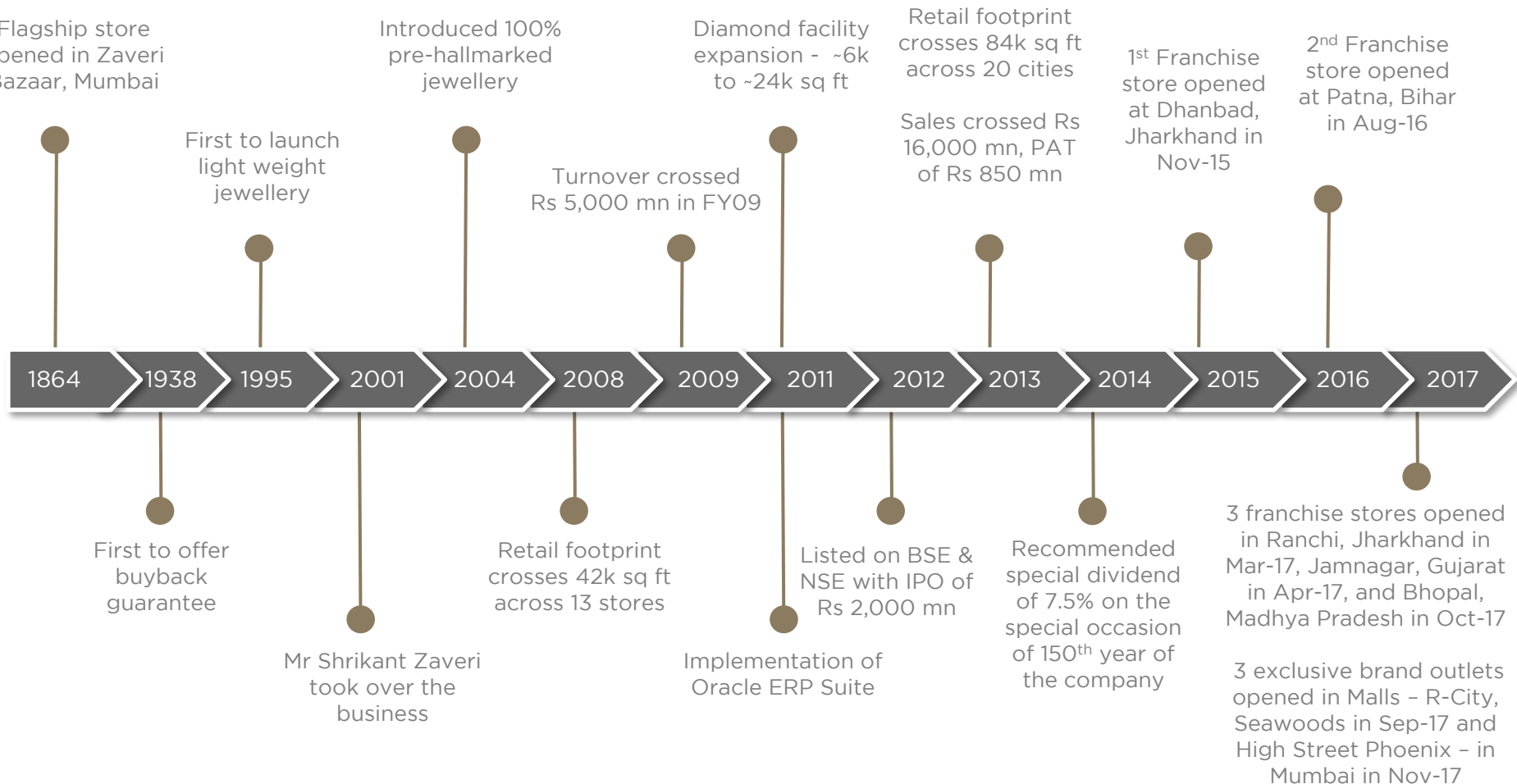
- ~ 65% of sales are wedding & wedding related purchases
- Compulsion buying
- Stable fixed budget purchases by customers

### Design Exclusivity

- 33 designers (incl. 12 CAD)
- 8 - 10 new jewellery lines/year
- In-house diamond jewellery production
- Customer loyalty
- Premium pricing

# KEY MILESTONES

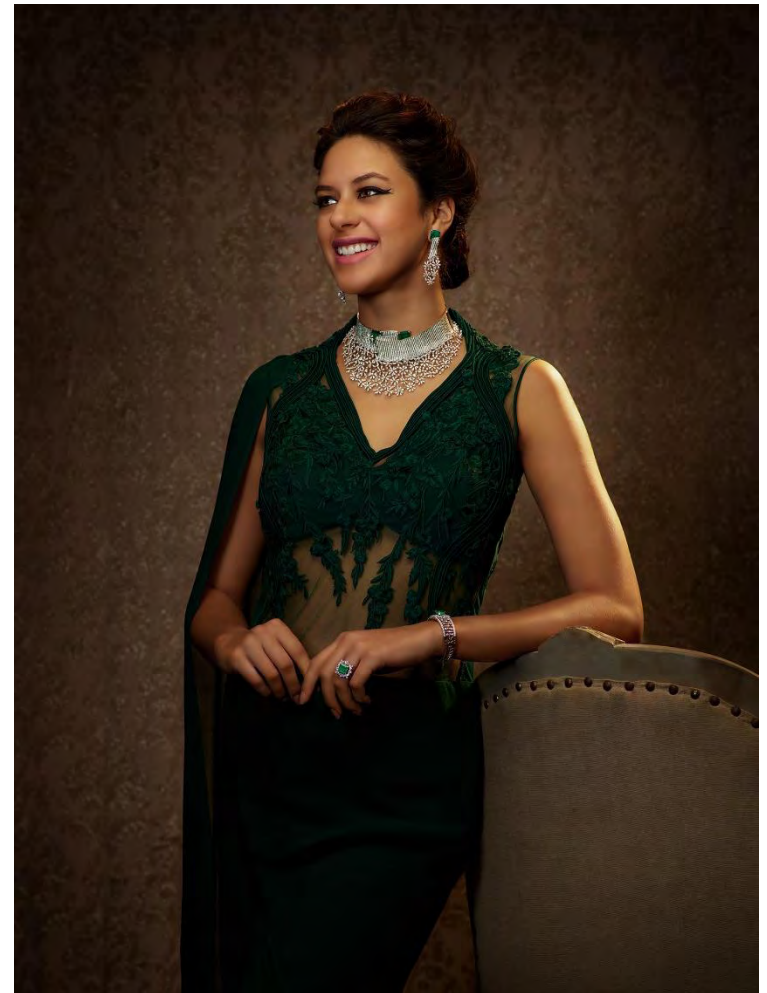
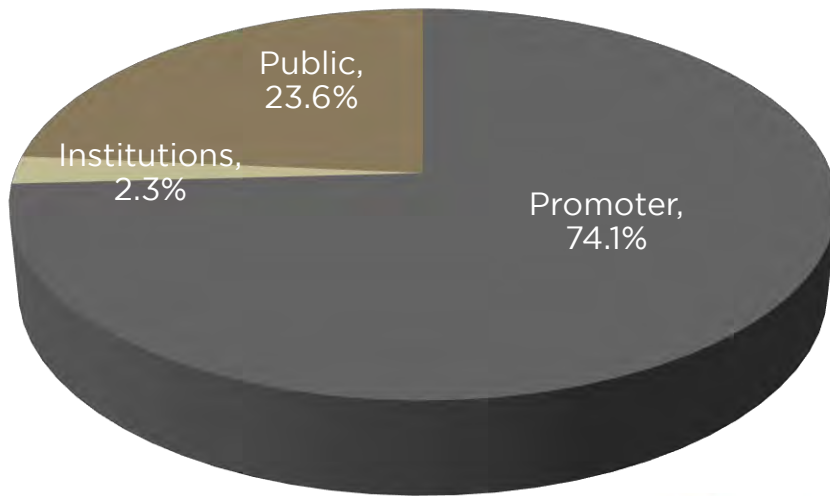
## STRONG LEGACY OF MORE THAN 150 YEARS BUILT ON TRUST





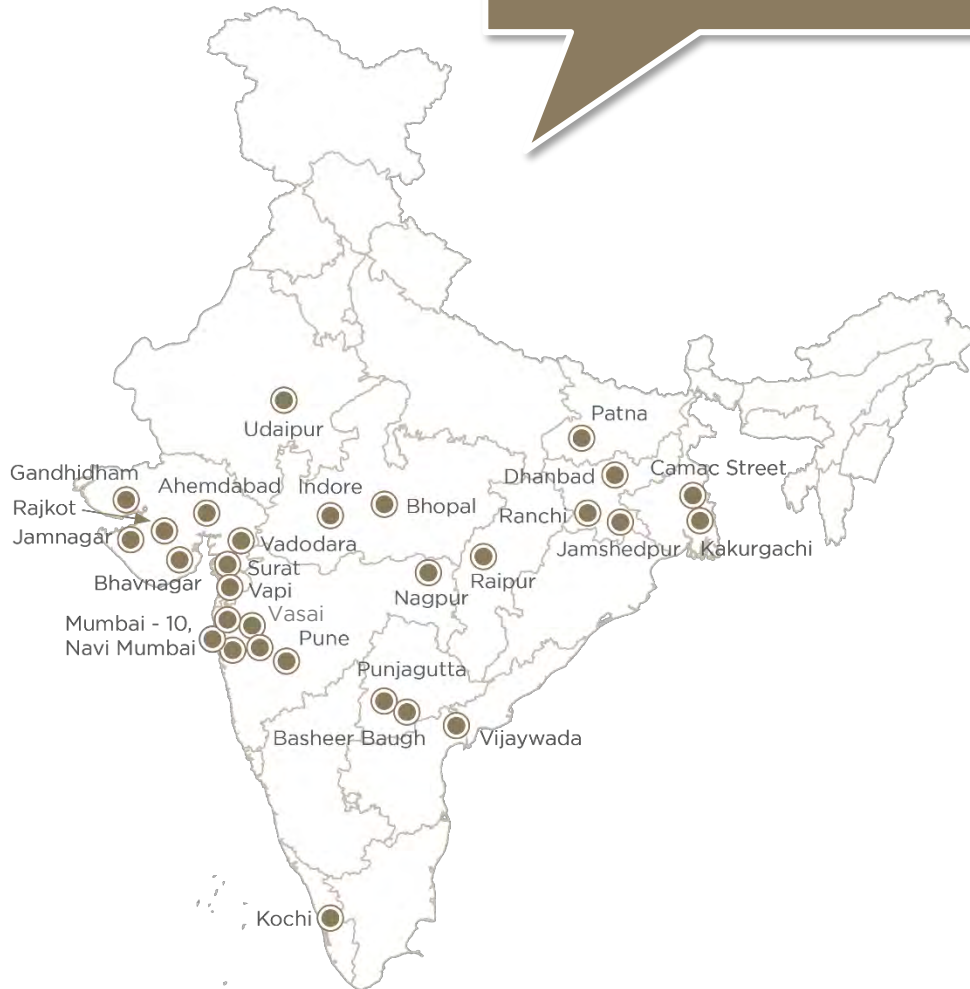
# KEY MILESTONES

SHAREHOLDING PATTERN - DECEMBER 2017



# RETAIL PRESENCE

Present across 26 cities  
in 11 states

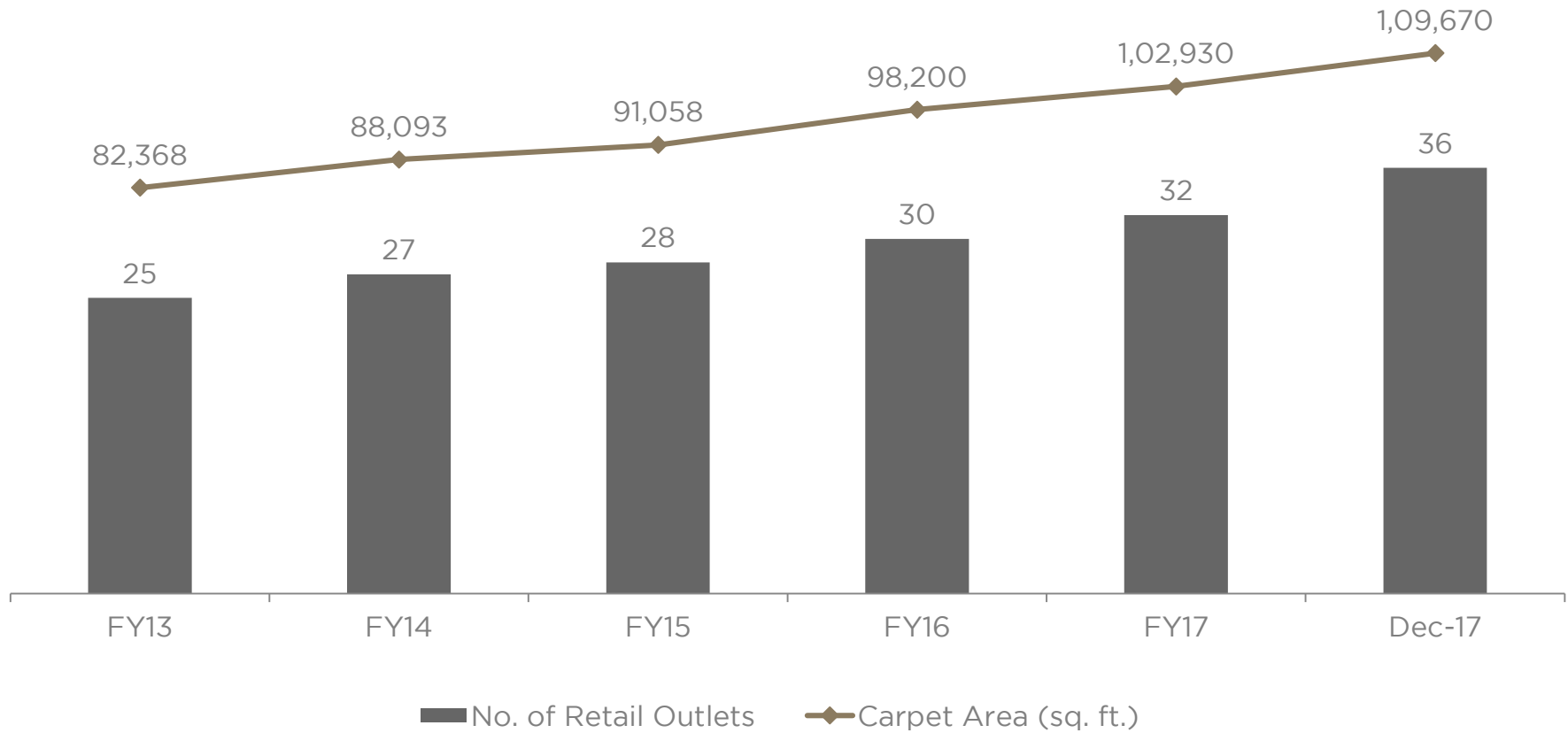


PAN-INDIA PRESENCE WITH 36 STORES  
WITH A RETAIL SPACE OF ~1,09,670  
SQ. FT. SPREAD ACROSS  
26 CITIES IN 11 STATES

NUMBER OF STORES	TILL DATE
Large Format (> 2,000 sq. ft.)	28
Small Format (<= 2,000 sq. ft.)	8
Total Stores	36
Total Area	~1,09,670



# RETAIL FOOTPRINT EXPANSION

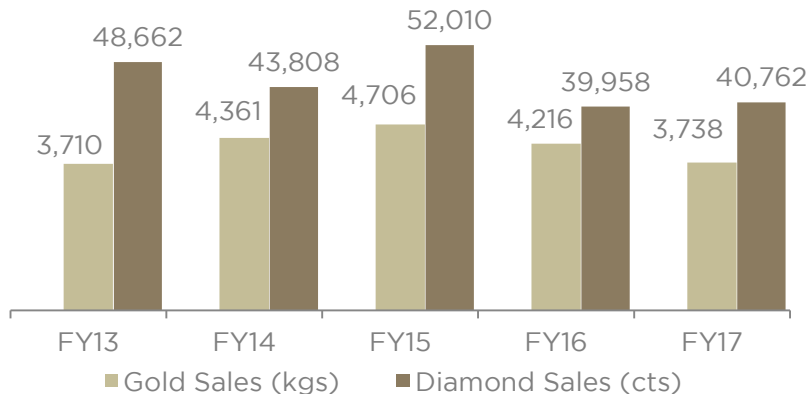


## DISCUSSION SUMMARY

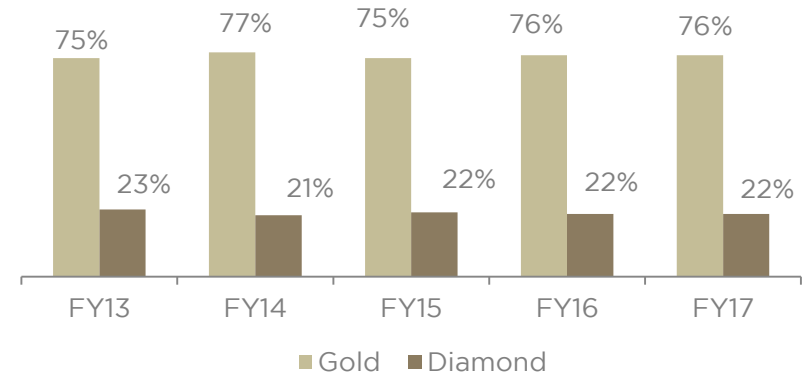
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# OPERATIONAL SUMMARY

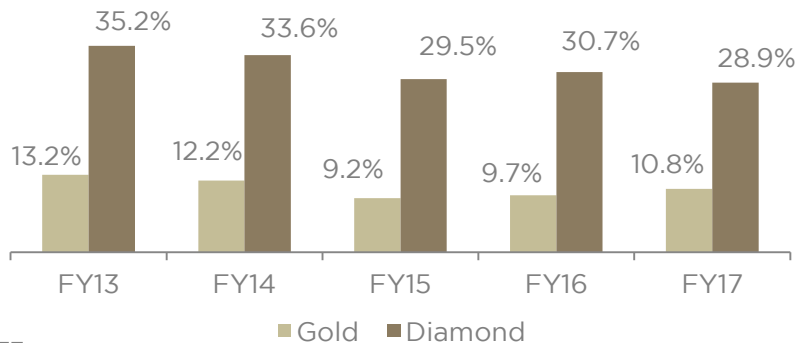
### GOLD & DIAMOND VOLUMES \*



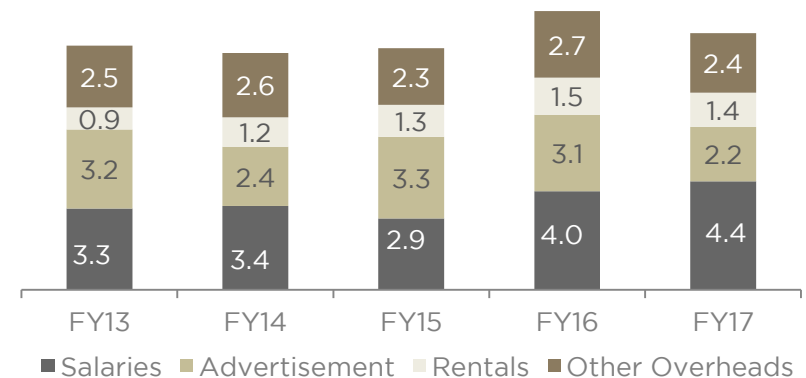
### GOLD & DIAMOND SALES MIX (%)



### GOLD & DIAMOND MARGINS (%)



### OPERATIONAL EFFICIENCY (%)



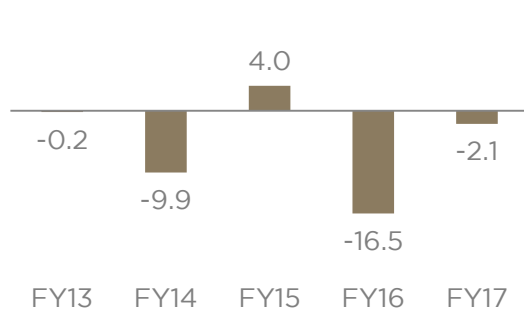
**NOTE:**

\* During the month of March and April 2016, the company's business was impacted due to continuing country wide agitations by the Gems & Jewellery Industry in protest against imposition of 1% excise duty. The business operations took some time to stabilize, however this impacted the overall revenues and profits for the company during FY16 & FY17.

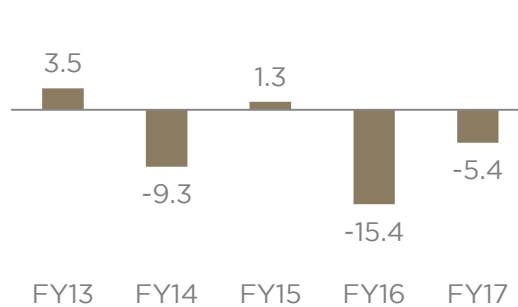
Further, the withdrawal of high denomination banking notes impacted the jewellery sales in November 2016, though the situation gradually improved over Q4 FY17.

# OPERATIONAL SUMMARY

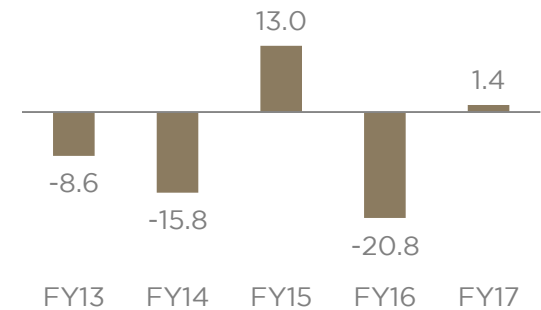
SSSG - TOTAL (%) \*



SSSG - GOLD (%) \*

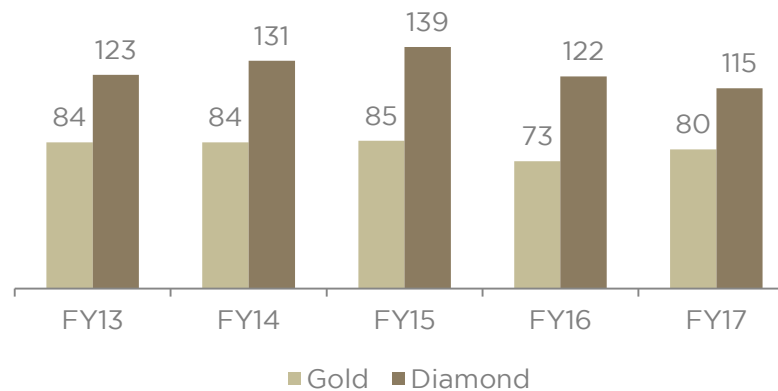


SSSG - DIAMOND (%) \*



SSSG: Same store sales value growth

AVERAGE TICKET SIZE (RS '000)



**NOTE:**

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# 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

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

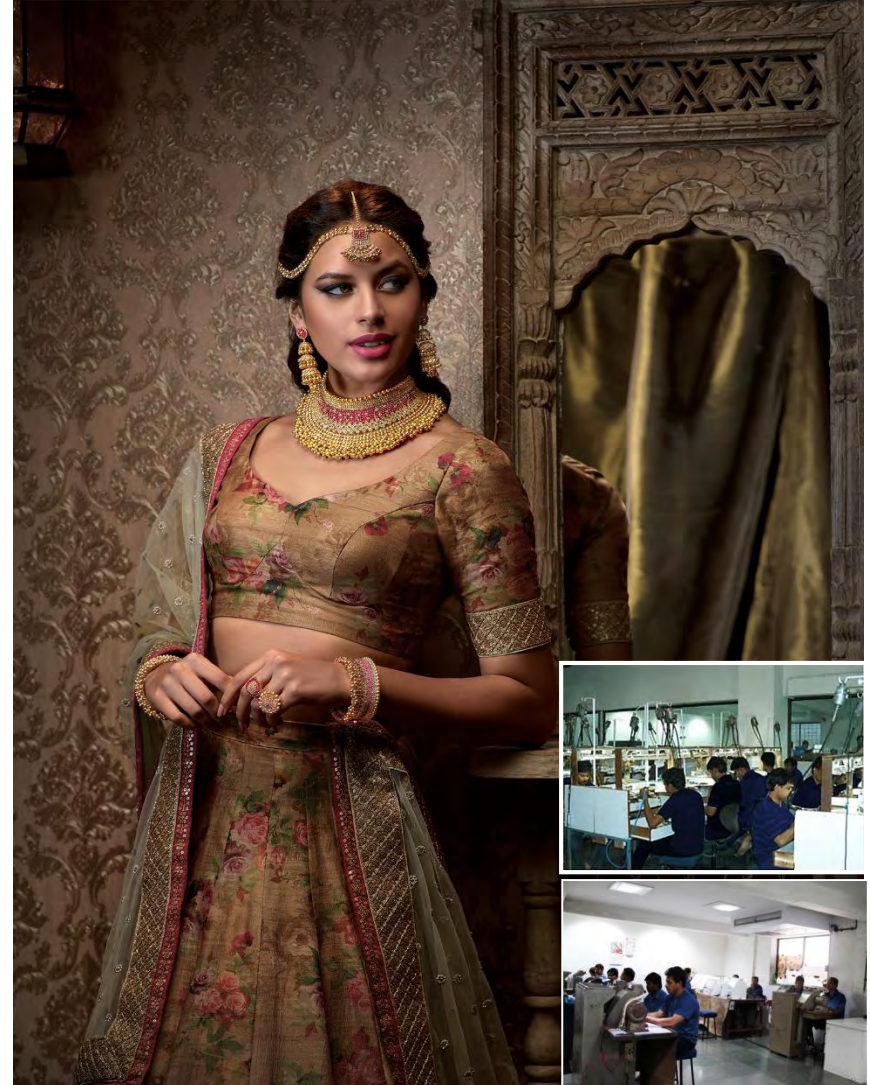
- Raw Material - Cut & polished diamonds

Sources:

- DTC site holders

MANUFACTURING

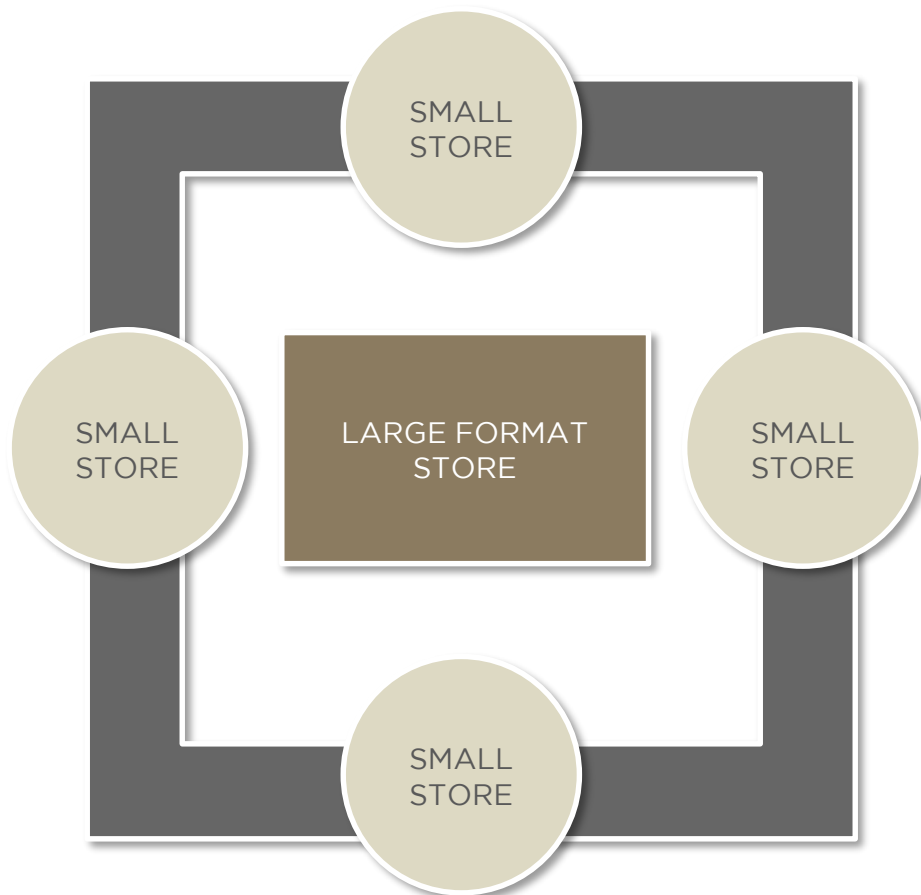
- In-house diamond jewellery manufacturing leading to exclusive designs, lower costs, and higher margins
- Manufacturing facility at Kandivali, Mumbai spread over ~24,000 sq ft with capacity of ~200,000 cts (on dual shift basis).
- The facility also has capacity for 4,000 kg of gold refining and 4,500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



# BUSINESS MODEL: RETAIL

EFFICIENT INVENTORY MANAGEMENT

HUB & SPOKE MODEL - ROI OPTIMISATION



## SMALL STORES

- $\leq 2,000$  sq ft
- Across the city
- Smaller range
- Lower price points (up to Rs 500k)

## LARGE STORES

- $> 2,000$  sq ft
- Standalone high street - heart of city
- Wider range
- Higher price points (up to Rs 2,000k)

## BUSINESS MODEL: SCALABILITY

- TBZ has an expansion plan to increase its retail space from ~1,09,670 sq. ft. at present to around 1,50,000 sq. ft. over near term.
- TBZ plans to carry out 75% of the expansion through the franchisee route and balance 25% through the addition of its own stores.
- All the prospective expansion locations have already been identified backed by 2 years of extensive market research.

	FY12	Till Date	Target
Number of Stores	14	36	
Retail Sq ft	~48,000	~1,09,670	<b>~1,50,000</b>
Number of Cities	10	26	



# 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 ~3.5% p.a.

## 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 compared to working capital borrowing cost.
- **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 LIMITATIONS

- **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

- “INDIA’S MOST PREFERRED JEWELLERY BRAND”  
UBM India - 2017
- “BEST RING DESIGN OVER Rs. 2,50,000”  
JJS-IJ Jewellers Choice Design Awards - 2016
- “TV CAMPAIGN OF THE YEAR”  
12th Gemfields Retail Jeweller India Awards - 2016
- “DIAMOND JEWELLERY OF THE YEAR”  
12th Gemfields Retail Jeweller India Awards - 2016
- “BEST NECKLACE DESIGN AWARD- 2016 ”  
JJS-IJ Jewellers’ Choice Design Award - 2016
- “ASIA’S MOST POPULAR BRANDS – 2014 ”  
World Consulting & Research Corporation (WCRC) -  
2014
- “BEST JEWELLERY COMPANY AWARD”  
Gems & Jewellery Trade Council of India Excellence  
Awards - 2014
- “BEST DIAMOND JEWELLERY & BRACELET  
DESIGN”  
Indian Jeweller Jeweller’s Choice Design Award -  
2014





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