



# INVESTOR PRESENTATION

## Q2 & H1 FY17 RESULTS UPDATE

November, 2016

tbz<sup>®</sup>

The original since 1864

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TRIBHOVANDAS BHIMJI ZAVERI  
SHRIKANT ZAVERI GROUP

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## DISCUSSION SUMMARY

- ❖ **Q2 & H1 FY17 Results Update**
- ❖ About Us
- ❖ Operational Summary
- ❖ Annexure

# BUSINESS SCENARIO

- ❖ Gradual improvement in consumer sentiments was witnessed during Q2 FY17
- ❖ Macro-economic tailwinds in form of robust economic condition and revival in rural demand due to good monsoon, led to pickup in discretionary spending.
- ❖ The average gold price during Q2 FY17 was up ~20.4% YoY and ~5.0% QoQ. (Source: MCX)
- ❖ With the increase in gold prices, the gold jewellery retailers witnessed significant increase in recycled gold (exchange of old gold jewellery) at the stores during H1 FY17.
- ❖ TBZ launched its second franchisee store during the second quarter in Patna, Bihar on 10<sup>th</sup> August, 2016

# KEY RESULT TAKEAWAYS

## REVENUES:

- ❖ Q2 FY17 revenues increased by 2.1% YoY -
  - ❖ Jewellery demand was driven by positive consumer sentiments.
  - ❖ Tactical activations led to higher sales.
  - ❖ The new Kalpavruksha Scheme generated sales of ₹ 168 mn in Q2 FY17.

## MARGINS:

- ❖ Q2 FY17 blended gross margin increased by 271 bps YoY from 12.0% to 14.7% -
  - ❖ Gold gross margin increased from 7.2% to 12.0% .
  - ❖ Diamond gross margin declined from 29.3% to 27.6%, however higher share of diamond jewellery (22.0% vs 20.9%) had an overall positive impact on blended gross margin.
- ❖ Q2 FY17 EBITDA margin improved by 472 bps YoY from -0.2% to 4.5% driven by higher gross margin and lower operating overheads.

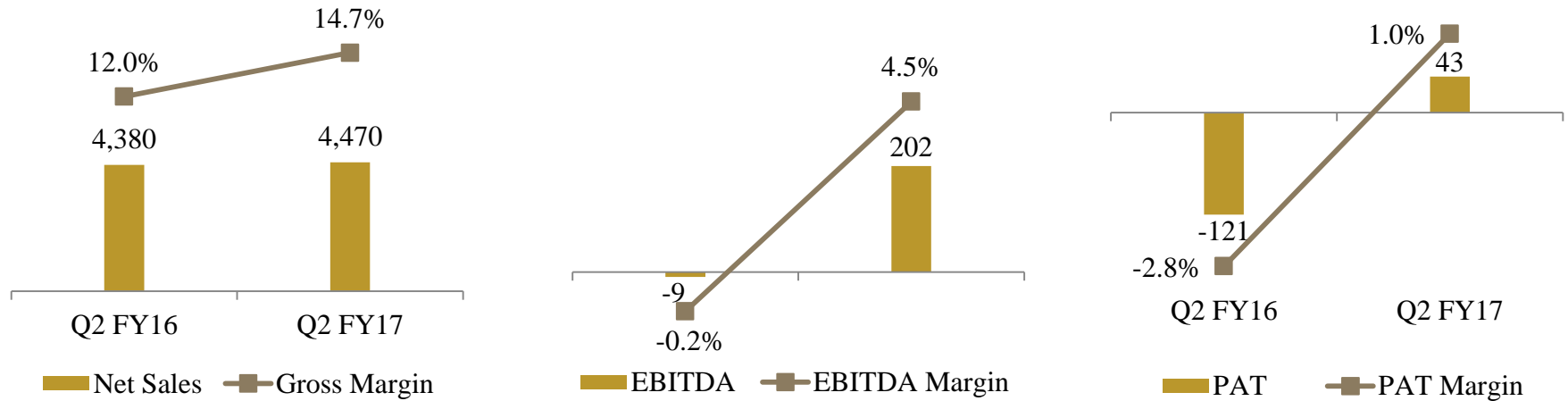
## BALANCE SHEET:

- ❖ The share of gold on loan increased from 51.5% as on Mar-16 to 54.5% as on Sep-16.
- ❖ The average cost of debt was 7.8% during Q2 FY17. It is expected to decrease with increasing share of gold on loan.
- ❖ The new Kalpavruksha Scheme witnessed good traction with advances of ₹ 553 mn as on 30<sup>th</sup> September 2016.

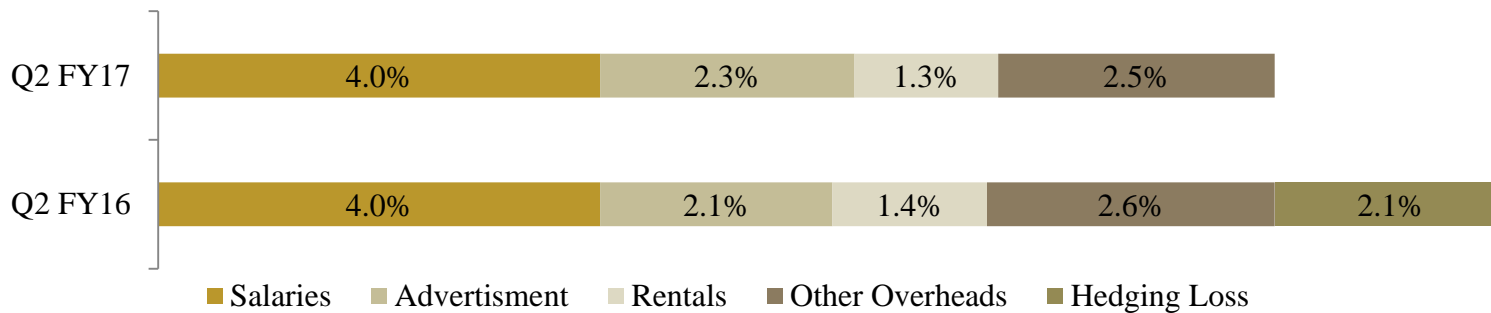
# Q2 FY17 RESULTS UPDATE

In Rs Mn

## PROFIT ANALYSIS



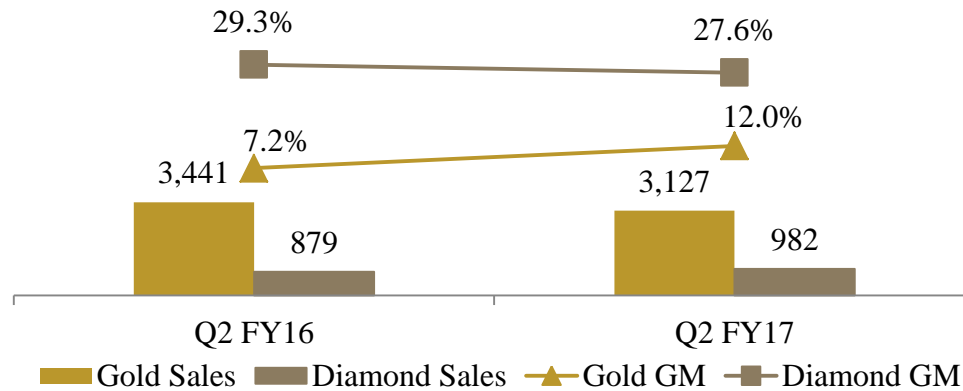
## OPERATING PARAMETERS (%)



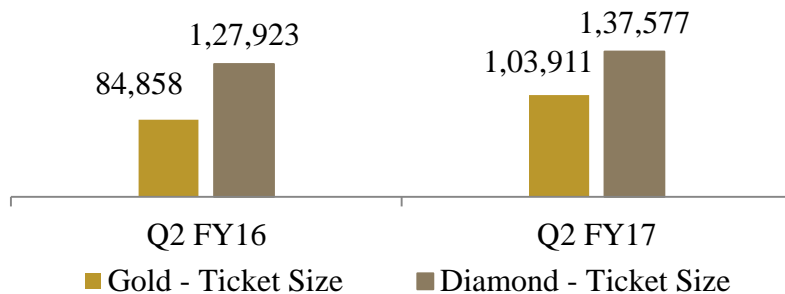
# Q2 FY17 RESULTS UPDATE

In Rs Mn

## SEGMENT ANALYSIS



## AVERAGE TICKET PRICE



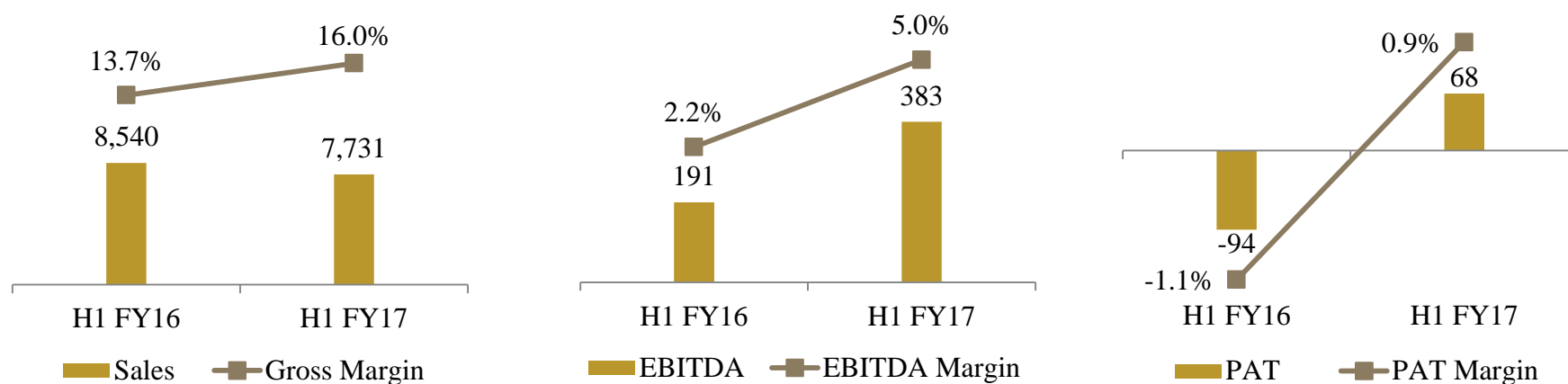
Q2 FY17	Gold	Diamond
% of Sales – Q2 FY17	70.0%	22.0%
% of Sales – Q2 FY16	78.6%	20.1%
Sales Growth %	-9.1%	11.7%
SS Sales Growth %	-15.9%	0.7%
SS Total Sales Growth %	-5.5%	

SS: Same store sales value growth

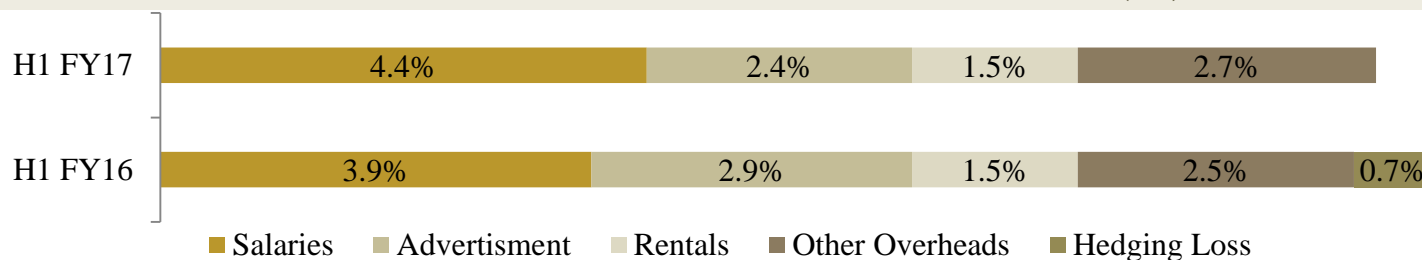
# H1 FY17 RESULTS UPDATE

In Rs Mn

## PROFIT ANALYSIS \* #



## OPERATING PARAMETERS (%)



### NOTE:

\* During the quarter ended 30th June, 2016, in particular the month of April 2016, the company's business was impacted due to continuing country wide agitations by the Gems & Jewellery Industry. The business operations took some time to stabilize in view of the discussions between the Trade and the Government representatives, which culminated on 26th July, 2016, by way of the issuance of a Government notification to that effect. This impacted revenues and profits for the company. Accordingly, the financial results of the current quarter are not strictly comparable with the financial results for the same period in the previous year i.e. the quarter ended 30th June 2015.

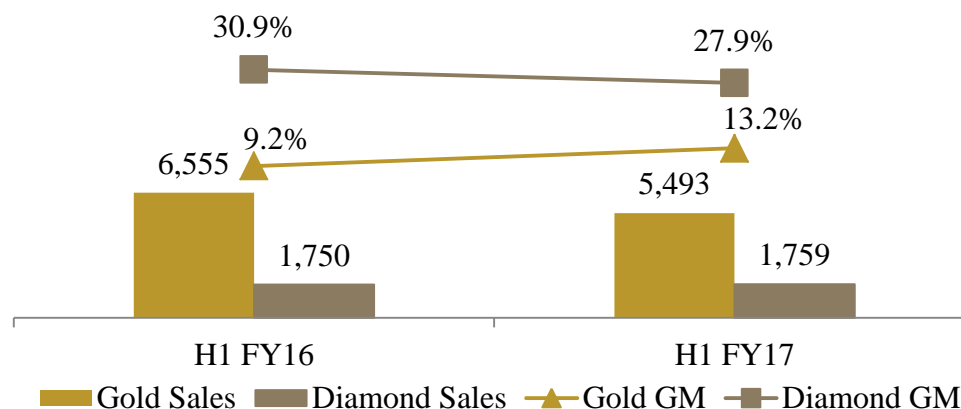
# Contribution to sales from the new Kalpavruksha Scheme (re-launched in June 2015) during H1 FY17 was ₹ 573 mn. H1 FY16 had seen ₹ 840 mn of sales under the earlier Kalpavruksha Scheme.



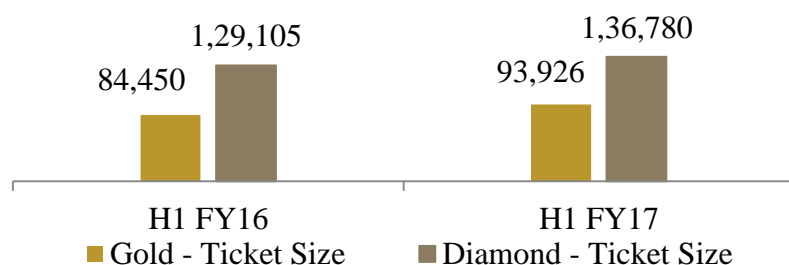
# H1 FY17 RESULTS UPDATE

In Rs Mn

## SEGMENT ANALYSIS



## AVERAGE TICKET PRICE



H1 FY17	Gold	Diamond
% of Sales – H1 FY17	71.1%	22.8%
% of Sales – H1 FY16	76.8%	20.5%
Sales Growth % *#	-16.2%	0.5%
SS Sales Growth % *#	-20.7%	-6.8%
SS Total Sales Growth % *#	-14.5%	

SS: Same store sales value growth

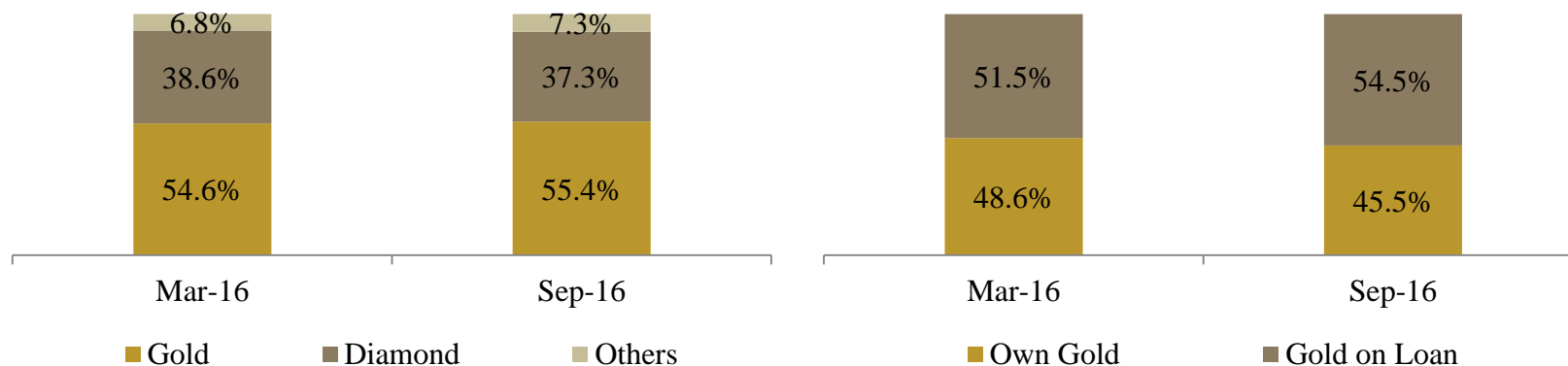
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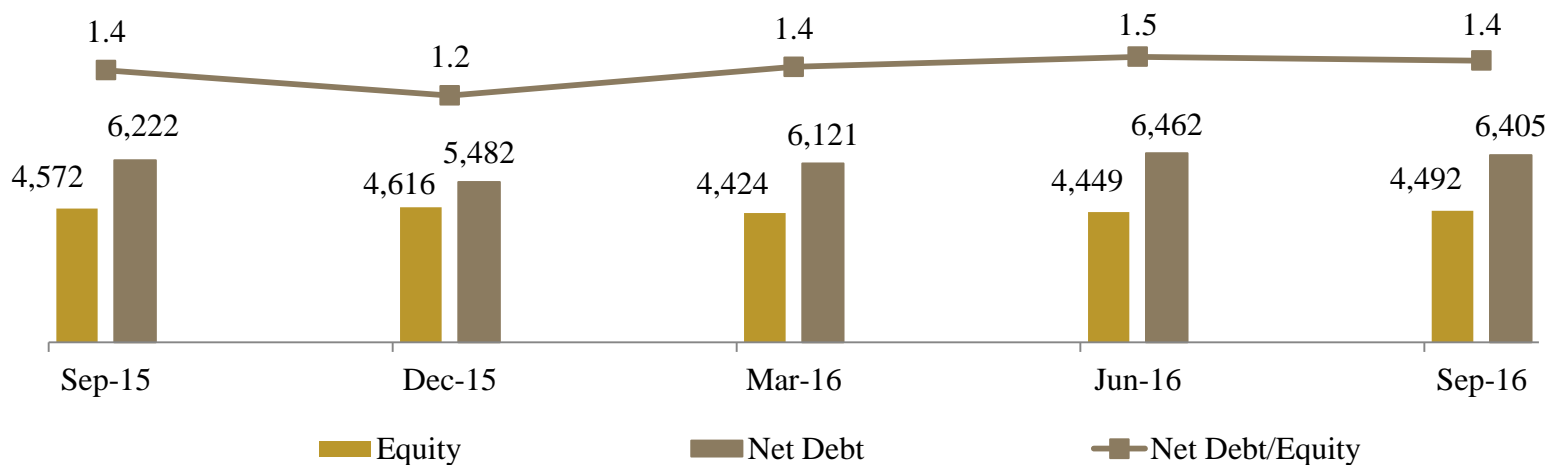
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# BALANCE SHEET UPDATE

## INVENTORY BREAKUP (%)



## LEVERAGE (RS MN)



# RESULTS UPDATE – SEPTEMBER 2016

PARTICULARS (IN MN) (QUARTERLY UNAUDITED)	Q2 FY17 (₹)	Q2 FY16 (₹)	YoY %	Q1 FY17* (₹)	QoQ %	H1FY17 * (₹)	H1FY16 (₹)	YoY %
<b>Net Revenues</b>	<b>4,470</b>	<b>4,380</b>	<b>2.1%</b>	<b>3,260</b>	<b>37.1%</b>	<b>7,731</b>	<b>8,540</b>	<b>-9.5%</b>
COGS	3,813	3,855	-1.1%	2,679	42.3%	6,492	7,370	-11.9%
<b>Gross Profit</b>	<b>658</b>	<b>525</b>	<b>25.2%</b>	<b>581</b>	<b>13.2%</b>	<b>1,239</b>	<b>1,169</b>	<b>6.0%</b>
<i>Gross Margin (%)</i>	<i>14.7%</i>	<i>12.0%</i>	<i>272 bps</i>	<i>17.8%</i>	<i>-312 bps</i>	<i>16.0%</i>	<i>13.7%</i>	<i>233 bps</i>
Personnel Expenses	181	176	2.8%	159	13.9%	339	329	3.2%
Other Expenses	275	358	-23.3%	241	14.0%	516	650	-20.6%
<b>EBITDA</b>	<b>202</b>	<b>-9</b>	<b>-</b>	<b>181</b>	<b>11.4%</b>	<b>383</b>	<b>191</b>	<b>101.1%</b>
<i>EBITDA Margin (%)</i>	<i>4.5%</i>	<i>-0.2%</i>	<i>472 bps</i>	<i>5.6%</i>	<i>-104 bps</i>	<i>5.0%</i>	<i>2.2%</i>	<i>273 bps</i>
Depreciation	24	19	23.1%	22	7.3%	46	42	8.6%
Other Income	7	9	-18.2%	7	3.0%	14	21	-33.9%
Interest Expenses	143	147	-3.0%	141	1.0%	284	295	-3.6%
<b>Profit Before Tax</b>	<b>43</b>	<b>-167</b>	<b>-</b>	<b>25</b>	<b>72.4%</b>	<b>68</b>	<b>-125</b>	<b>-153.9%</b>
Tax	0	-46	-100.0%	0	-	-	-31	-100.0%
<b>PAT</b>	<b>43</b>	<b>-121</b>	<b>-</b>	<b>25</b>	<b>72.4%</b>	<b>68</b>	<b>-94</b>	<b>-172.0%</b>
<i>Profit Margin (%)</i>	<i>1.0%</i>	<i>-2.8%</i>	<i>372 bps</i>	<i>0.8%</i>	<i>20 bps</i>	<i>0.9%</i>	<i>-1.1%</i>	<i>197 bps</i>

## NOTE:

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# RESULTS UPDATE – SEPTEMBER 2016

PARTICULARS (IN MN) (QUARTERLY UNAUDITED)	SEP-16 (₹)	JUNE-16 (₹)	MAR-16 (₹)	DEC-15 (₹)	SEP-15 (₹)
Shareholders Funds	4,492	4,449	4,424	4,617	4,572
Loan Funds	6,731	6,704	6,505	5,882	6,525
Other Long Term Liabilities	102	95	90	30	28
<b>Sources of Funds</b>	<b>11,326</b>	<b>11,249</b>	<b>11,019</b>	<b>10,529</b>	<b>11,125</b>
Gross Block	1,457	1,448	1,439	1,428	1,385
Less: Acc. Depreciation	429	406	386	347	328
Net Block	1,027	1,042	1,053	1,082	1,064
Other Long Term Assets	184	174	167	167	232
Inventory	11,810	11,631	11,256	10,431	11,246
Debtors	35	69	7	12	4
Cash and Bank Balance	326	242	383	400	303
Other Current Assets	140	166	112	144	155
Current Liabilities	2,197	2,076	1,960	1,708	1,880
Net Current Assets	10,115	10,032	9,799	9,280	9,829
<b>Application of Funds</b>	<b>11,326</b>	<b>11,249</b>	<b>11,019</b>	<b>10,529</b>	<b>11,125</b>



## DISCUSSION SUMMARY

- ❖ Q2 &H1 FY17 Results Update
- ❖ **About Us**
- ❖ Operational Summary
- ❖ Annexure

# ABOUT US: 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

- ❖ High sales productivity - ₹ 213 k per sq ft per annum (at mature stores)
- ❖ High footfalls conversion - 78%
- ❖ High ticket size - Gold - ₹ 84 k, Diamond - ₹ 132 k

## Scalability & Reach

- ❖ 31 stores (~1,01,050 sq. ft.)
- ❖ Presence - 24 cities, 11 states

### Expansion Plan -

- ❖ ~150,000 sq. ft. (75% of expansion (~36,000 sq. ft.) through franchisee route)

**TBZ**

**SUSTAINABLE  
COMPETITIVE  
ADVANTAGE**

## Specialty Wedding Jeweller

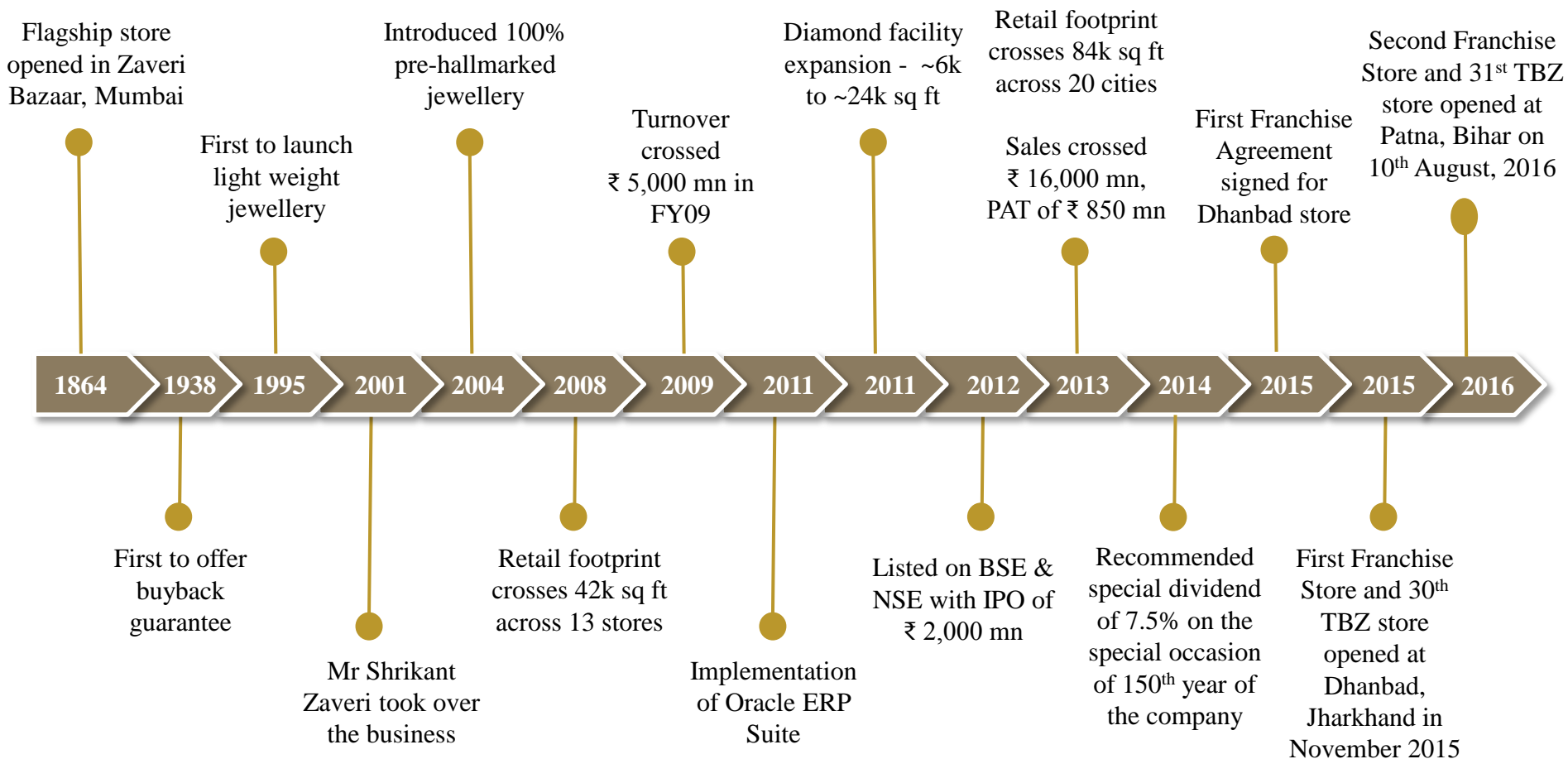
- ❖ ~ 65% of sales are wedding & wedding related purchases
- ❖ Compulsion buying
- ❖ Stable fixed budget purchases by customers

## Design Exclusivity

- ❖ 42 designers (incl. 11 CAD)
- ❖ 8 - 10 new jewellery lines/year
- ❖ In-house diamond jewellery production
- ❖ Customer loyalty
- ❖ Premium pricing

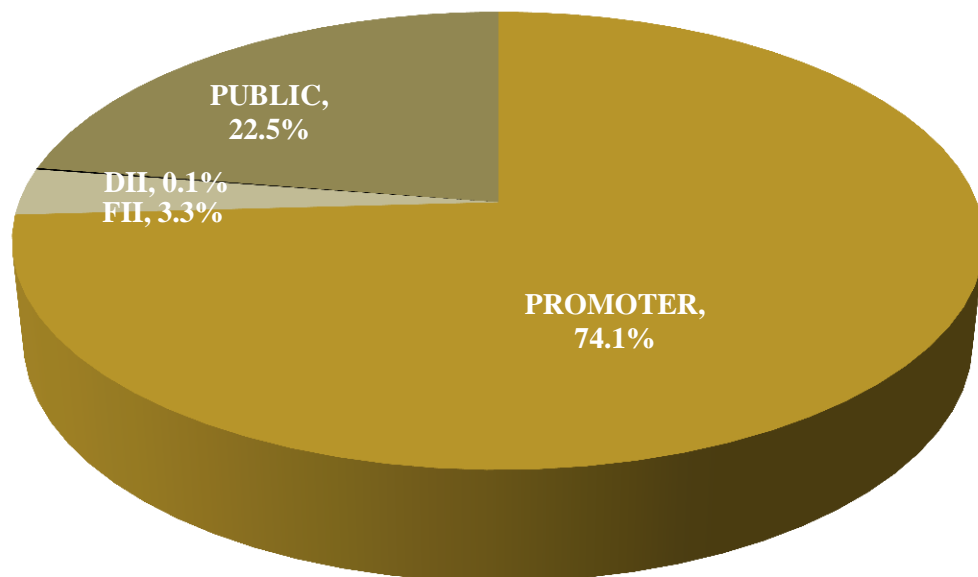
# ABOUT US: KEY MILESTONES

## STRONG LEGACY OF AROUND 150 YEARS BUILT ON TRUST



# ABOUT US: SHAREHOLDING STRUCTURE

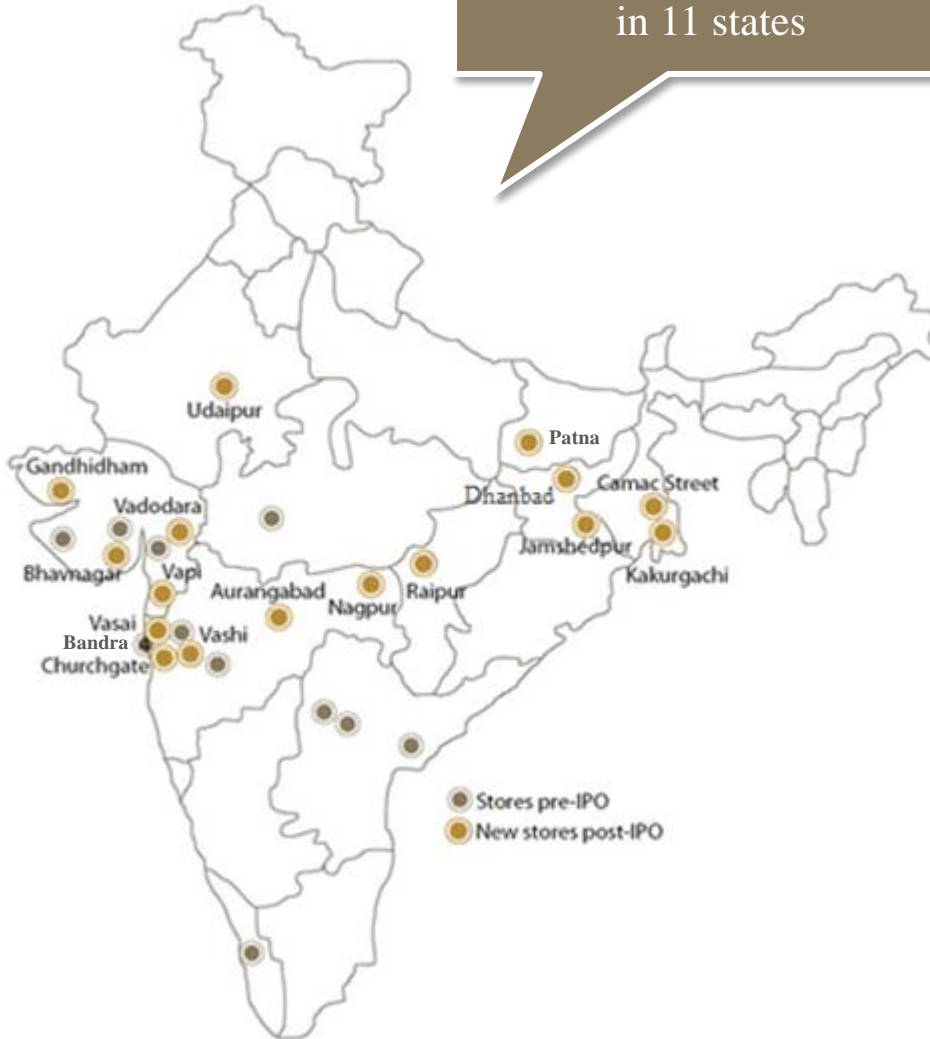
## SHAREHOLDING PATTERN – SEP 2016





# ABOUT US: RETAIL PRESENCE

Present across 24 cities  
in 11 states



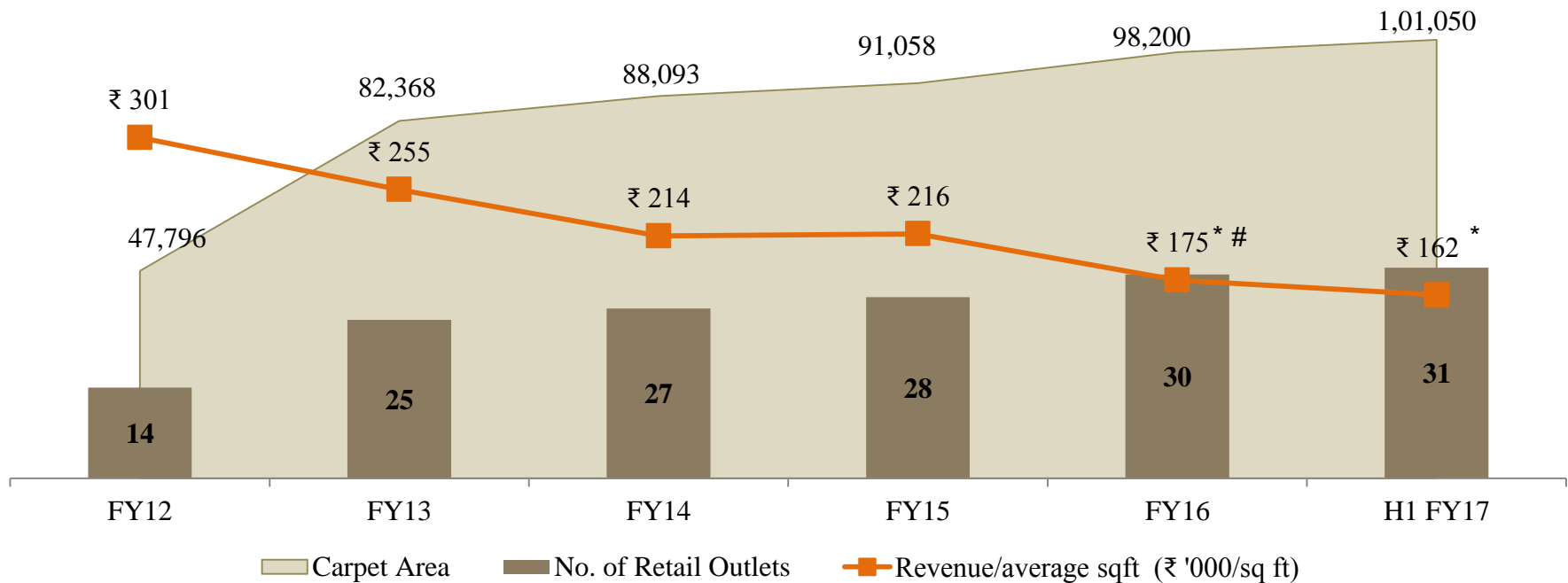
**PAN-INDIA PRESENCE WITH 31 STORES WITH A RETAIL SPACE OF ~1,01,500 SQ. FT. SPREAD ACROSS 24 CITIES IN 11 STATES.**

NUMBER OF STORES	TILL DATE
Large Format	25
Small Format	6
Tier I	18
Tier II	5
Metros	8
Total Stores	31
Total Area	~1,01,050



# 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 for the financial year. **Productivity at mature stores – ₹ 213 k per sq ft #**

**NOTE:** \* Nation-wide agitation by the Gems & Jewellery industry in protest against imposition of 1% excise duty led to a loss of sales during the month of March 2016. Accordingly, the financial results of the year ended March 2016 are strictly not comparable with corresponding previous year financials

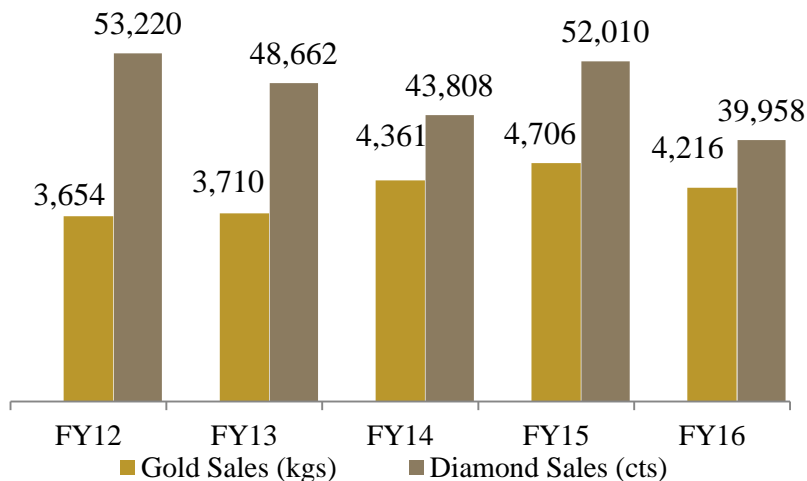


## DISCUSSION SUMMARY

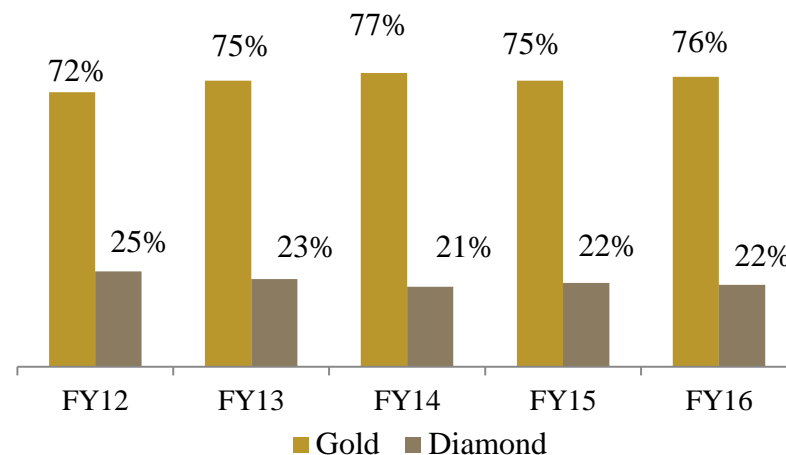
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- ❖ About Us
- ❖ **Operational Summary**
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# OPERATIONAL SUMMARY

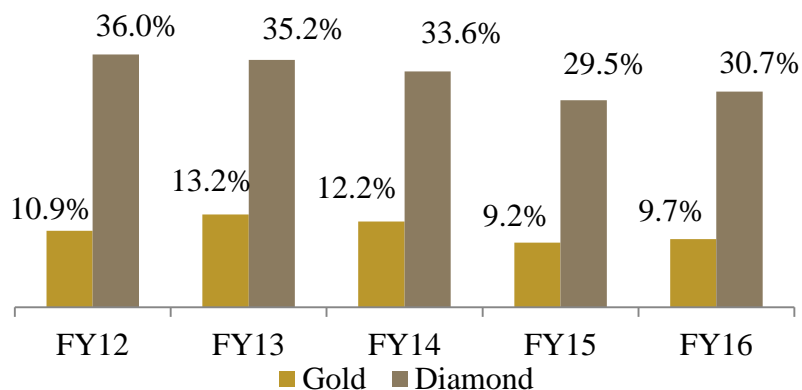
## GOLD & DIAMOND VOLUMES \*#



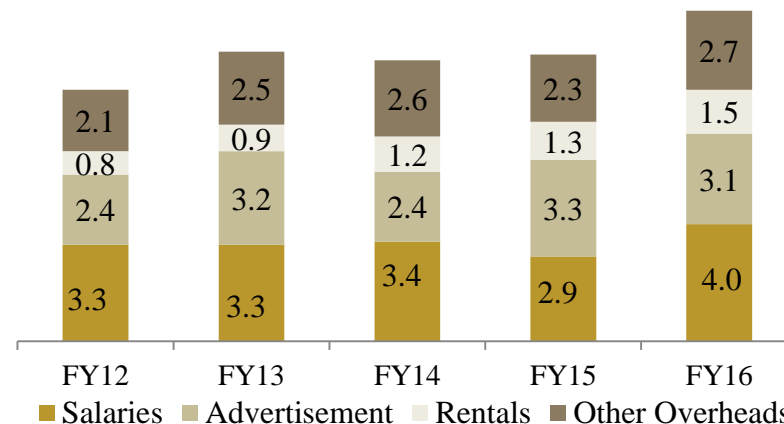
## GOLD & DIAMOND SALES MIX (%)



## GOLD & DIAMOND MARGINS (%)



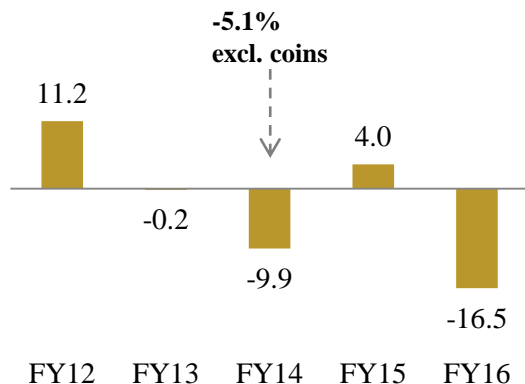
## OPERATIONAL EFFICIENCY (%) \*#



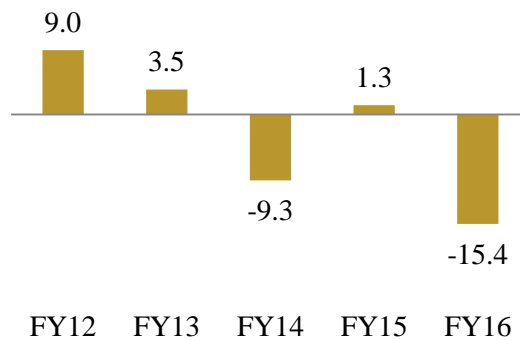
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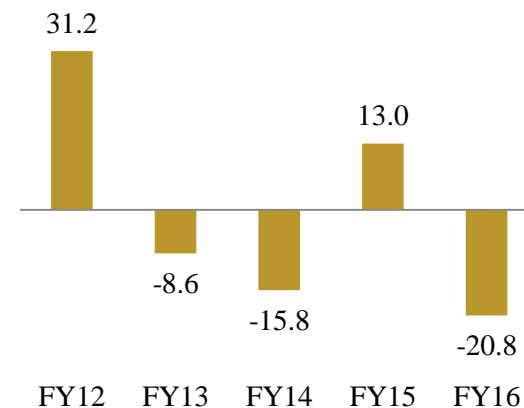
## SSSG - TOTAL (%) \*#



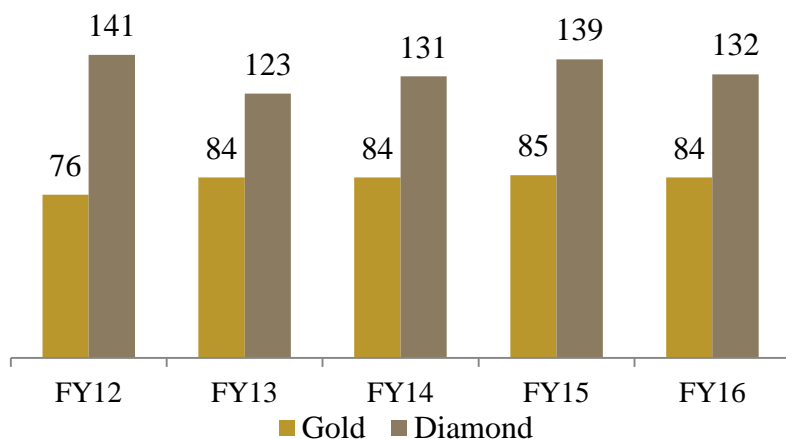
## SSSG - GOLD (%) \*#



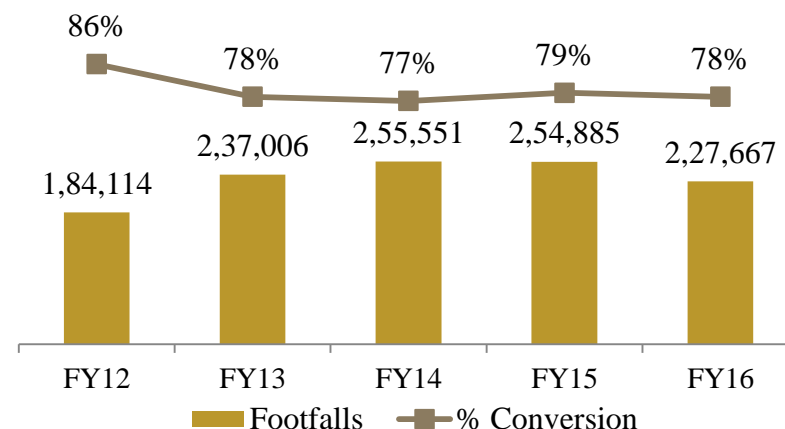
## SSSG - DIAMOND (%) \*#



## AVERAGE TICKET SIZE (RS '000)



## FOOTFALLS & CONVERSION



SSSG: Same store sales value growth

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# THANKYOU



The original since 1864

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# *ANNEXURE*

# AWARDS & RECOGNITION

- ❖ **“TV CAMPAIGN OF THE YEAR”**  
12<sup>th</sup> Gemfields Retail Jeweller India Awards - 2016
- ❖ **“DIAMOND JEWELLERY OF THE YEAR”**  
12<sup>th</sup> 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
- ❖ **“COLOURED GEMSTONE JEWELLERY OF THE YEAR”**  
Annual Gemfields & Nazraana Retail Jeweller India Awards - 2014





# BUSINESS MODEL: PRODUCT



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

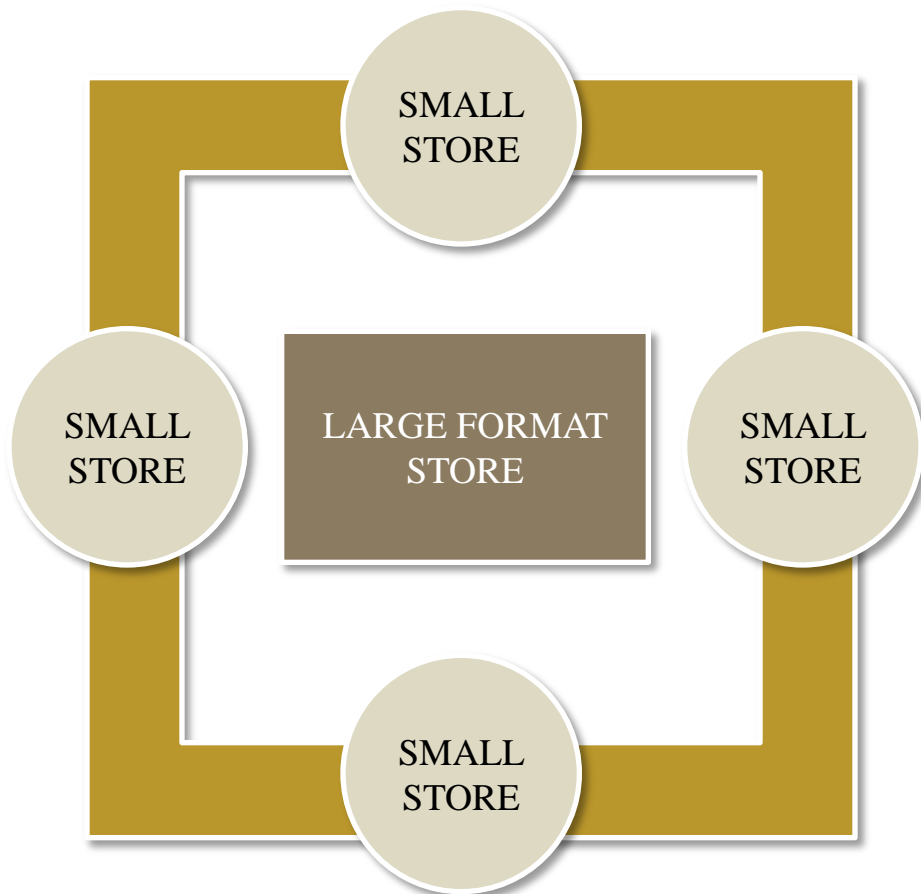
- ❖ In-house diamond jewellery manufacturing leading to exclusive designs, lower costs, and higher margins
- ❖ Manufacturing facility at Kandivali, Mumbai spread over ~24,000 sq ft with capacity of ~200,000 cts (on dual shift basis).
- ❖ The facility also has capacity for 4,000 kg of gold refining and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



# BUSINESS MODEL: SCALABILITY

- ❖ TBZ has an expansion plan to increase its retail space from ~1,01,050 sq. ft. at present to around 150,000 sq. ft. by FY18.
- ❖ 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	➔	31	➔	57
Retail Sq ft	~48,000		~1,01,050		~150,000
Number of Cities	10		24		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 ~3.5-4.5% 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 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.