



## Press Release

February 24, 2012  
Mumbai

### **CRISIL Research assigns IPO grade '3/5' to Tribhovandas Bhimji Zaveri Limited**

CRISIL has assigned a CRISIL IPO grade of '3/5' (pronounced 'three on five') to the proposed initial public offer (IPO) of Tribhovandas Bhimji Zaveri Ltd (TBZ). This grade indicates that the fundamentals of the IPO are average relative to other listed equity securities in India. However, this grade is not an opinion on whether the issue price is appropriate in relation to the issue fundamentals. The grade is not a recommendation to buy, sell or hold the graded instrument, or a comment on the graded instrument's future market price or its suitability for a particular investor.

The assigned grade reflects TBZ's century-old presence in the retail jewellery business and the resultant strong brand recall. The grade factors in the resilience of demand for gold jewellery in India despite a significant rise in gold prices, 28% y-o-y in 2011, which has added shine to TBZ's top line. Compared to other gold jewellery players, TBZ's revenue mix leans towards higher-margin diamond jewellery, which bodes well for TBZ in the wake of increasing acceptance of diamond jewellery in India. The grade has also taken into account the expected increase in organised retail penetration in jewellery vis-à-vis the single-store format, which will benefit established players like TBZ. The company has steadily expanded from one store to 14 stores in the past decade.

The grade is restrained by competition in the jewellery retailing market, which will likely intensify following planned expansions by regional/traditional players. TBZ too plans to expand to 22 stores by end-FY13 at a faster-than-ever pace, which could throw up execution challenges even though its strategies (regarding store location, size, format, personnel and schedule) are in place. Opening of new stores will also put pressure on profitability due to higher marketing expenses and working capital requirement. Further, with the Tribhovandas Bhimji Zaveri brand being used by other Zaveri family members, the risk of brand dilution cannot be ignored, especially if they underperform on quality.

TBZ's revenues increased at 40% CAGR between FY08 and FY11 to Rs 11.9 bn, largely driven by branch additions and a steady increase in gold prices. A higher proportion of diamond-studded jewellery has supported ~6-7% EBITDA margin in a competitive market. EBITDA increased at a CAGR of 52% over FY08-11. During the same period, PAT increased at a CAGR of 74% and was Rs 394 mn in FY11.

#### **About the company and the issue**

TBZ, established in 1864, is one of the oldest jewellery players. The company currently runs its business under the "TBZ – the original since 1864" brand. It has 14 retail stores (~50,000 sq. ft.) in 10 cities across five states. The company derives ~74% of revenue from the sale of gold jewellery and ~23% from the sale of diamond-studded jewellery. It has a diamond-studded jewellery manufacturing unit in Kandivli, Mumbai.

TBZ is planning to open 8 new large format, high street showrooms with an average carpet area of 3,500 sq. ft. The company will use the IPO proceeds to set up these new showrooms and to finance the incremental working capital requirement.

#### **About CRISIL IPO Grading**

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