



TBZ Ltd.

STOCK INFO.	BLOOMBERG
BSE Sensex: 19,426	TBZL@IN
S&P CNX: 5,905	REUTERS CODE
	TBZL.BO

1 January 2013

Buy

Initiating Coverage

₹230

	(₹ CRORES)		
Y/E MARCH	FY12*	FY13E	FY14E
Sales	1,385	1,543	2,506
EBITDA	125	126	200
PAT	57	70	113
BV/Share (₹)	-	62	77
EPS (₹)	-	10	17
EPS growth (%)	-	-	63%
P/E (x)	-	22	14
P/BV (x)	-	4	3
EV/EBITDA (x)	-	14	9
Div yld (x)	-	0.9%	1.3%
ROE (%)	43%	24%	25%

*NOT LISTED

KEY FINANCIALS

Shares Outstanding (Cr.)	6.67
Market Cap. (₹Cr.)	1533
Market Cap. (US\$ mn)	279
Sales CAGR 3 Yrs to FY13E	20%
PAT CAGR 3 Yrs to FY13E	40%

STOCK DATA

52-W High/Low Range (₹)	301/88
Major Shareholders (as of Sep 2012)	
Promoter	74
Foreign	9
Public & Others	17
Average Daily Turnover(6 months)	
Volume	723136
Value (₹Cr)	14
1/3/6 Month Rel. Performance (%)	-16/60/104
1/3/6 Month Abs. Performance (%)	-16/64/116

Maximum Buy Price : ₹235

We recommend to BUY Tribhovandas Bhimji Zaveri Limited (TBZ) with a price target of ₹330.

INVESTMENT ARGUMENTS:

India - the largest jewellery market, highly unorganized, huge potential to organize: India is the largest consumer of gold in the world. According to a CARE Report, the Indian domestic gems and jewellery industry has the potential to grow from an ~ ₹2,20,000Cr (Gold Jewellery share ~80%) in FY12 to ~₹3,00,000 Cr by FY14, which implies a CAGR of 14% with the organized sector expected to grow by ~30% during the same period. Currently market is fragmented across the value chain. There are ~ 450,000 unorganised players across the gems and jewellery sector. The Organized National Jewellers and Large Regional Jewellers account for ~ 6% and ~10% of this market respectively. Changing demographics, fast urbanization, more women in work force and reliable quality of gold will lead to sustained increase in the share of organized market. We believe, companies such as TBZ will be a natural beneficiary of this change. (Data Source: CRISIL and CARE)

Strong brand, huge expansion to drive profit growth: TBZ is a 148 year old brand in premium and wedding jewellery. Promoters are in the business of jewellery for the last 4 generations. Jewellery is a business of customer's trust and therefore vintage with a credible track record gives jewellers immense competitive edge and moat. The company makes money primarily by making charges and mark up it levies on the gold and diamond. TBZ raised ₹200 crore from the IPO in year 2012 and plans to use funds for expanding its retail presence to 57 stores spread across 43 cities by FY2015 from 19 stores currently. High brand recall for wedding and fashion jewellery along with aggressive expansion will drive net profit growth during the years to come.

Valuations & View: TBZ has delivered 65% CAGR in net profit during FY08-FY12. We expect profit CAGR of 40-45% over FY12-FY16E on the back of huge expansion in retail presence. Stock currently trades at PE and EV/EBIDTA of 13.5x and 9x FY14E, which looks reasonable considering the growth potential. Listed peer like Titan trades at ~27x FY14E. We believe, high double digit growth, high RoE(25%+) and good and visible brand will lead to rerating of the stock valuation over time. Recommend BUY with a target of ₹330 (19x FY14E EPS and 12x FY14E EV/EBIDTA)

CONCERNS

Rapid reduction in Gold prices: Prices of gold have run up by 24% CAGR during the last 5 years. Significant and rapid price correction in gold will lead to mark to market losses on inventory. The company is taking efforts to mitigate this risk by shifting inventory financing from working capital loan to metal loan, where price risk on inventory within a specific period is borne by the financier.

Competition: Jewellery retailing is an extremely competitive business with very fragmented market. Heightened competitive intensity from other organized and sizeable players may have negative impact on making charges and mark up on the gold and diamond, which will in turn impact profitability.

BACKGROUND

TBZ is a 148-year-old jewellery retailer in India with 19 showrooms in 12 cities across 6 states, with a total carpet area of~ 68000 sqft. The company did an IPO in 2012 where it raised ~₹200Cr to help finance the expansion plan to 57 stores by FY2015. They also have their own manufacturing facility in Mumbai spread across ~ 30000 sft. They are primarily focused towards gold and diamond-studded jewellery along with foray into platinum and jadau jewellery for wedding and fashion jewellery market. Its flagship showroom in Zaveri Bazar, Mumbai, was established in 1864.

TBZ	FY08	FY09	FY10	FY11	FY12	FY13H1
Sales (₹ in Cr)	439	669	885	1194	1385	631
Net Profit (₹ in Cr)	7.5	10	17	39	57	36
No of stores	8	13	14	14	14	19
Total Sq Feet	26962	42526	44196	44196	47796	63096
Diamond sales share	NA	23%	22%	22%	25%	26%
Gold sales share	NA	72%	73%	73%	72%	74%

Valuation Table (FY14E)

	PE	ROE	D/E
TBZ	13.5	25%	0.41
Titan	28.0	35%	Net Cash
PC Jewellers	7.5	26%	0.22

PE: Price to Earnings, RoE: Return on Equity, D/E: Debt/Equity,

TBZ Ltd. - Financials & Valuation

INCOME STATEMENT						RATIOS					
(₹CRORE)											
Y/E MARCH	FY10	FY11	FY12	FY13E	FY14E	Y/E MARCH	FY10*	FY11*	FY12*	FY13E	FY14E
Revenues	885	1,194	1,385	1,543	2,506	EPS(₹)	-	-	-	10	17
<i>growth (%)</i>	<i>32%</i>	<i>35%</i>	<i>16%</i>	<i>11%</i>	<i>62%</i>	<i>growth (%)</i>	-	-	-	-	63%
Raw Material Expenses	757	1,004	1,128	1,241	2,037	Book Value	-	-	-	62	77
Employee Expenses	31	42	50	60	93	DPS	-	-	-	2	3
S G and A Expenses	50	59	83	116	175	Payout (incl. Div. Tax.)	-	-	-	22	21%
Operating Profit	47	89	125	126	200	Total Debt/Equity	-	-	-	0.59	0.53
<i>% of Net Sales</i>	<i>5%</i>	<i>7%</i>	<i>9%</i>	<i>8%</i>	<i>8%</i>	Valuation (x)					
Other Income	0	0	1	5	7	P/E	-	-	-	22.0	13.5
Interest+Bank Charges	20	25	33	18	24	EV/EBITDA	-	-	-	13.6	8.7
Depreciation	3	5	6	7	11	EV/Sales	-	-	-	1.2	0.7
PBT	25	60	87	106	172	Price/Book Value	-	-	-	3.7	3.0
Tax	8	21	30	36	58	Dividend Yield on CMP(%)	-	-	-	0.9%	1.3%
Reported PAT	17	39	57	70	113	Return Ratios (%)					
<i>% of Net Sales</i>	<i>1.9%</i>	<i>3.3%</i>	<i>4.1%</i>	<i>4.5%</i>	<i>4.5%</i>	RoE	28.21	44.57	42.83	24.30	24.53
						OPM	5.36	7.49	9.04	8.46	8.26
						NPM	1.91	3.28	4.13	4.51	4.52
						*NOT LISTED					
BALANCE SHEET						CASH FLOW STATEMENT					
(₹CRORE)						(₹CRORE)					
Y/E MARCH	FY10	FY11	FY12	FY13E	FY14E	Y/E MARCH	FY10	FY11	FY12	FY13E	FY14E
Share Capital	10	50	50	67	67	Op Profit Before WC Changes	47	88	125	131	207
Reserves	58	57	110	347	444	Working Capital Changes					
Net Worth	68	107	160	413	511	Inventories	(59)	(139)	(76)	(127)	(262)
Loans	4	212	207	243	268	Debtors	(1)	(5)	5	(1)	(2)
TOTAL LIABILITIES	73	319	367	657	779	Loans and Advances	19	(6)	(1)	(1)	(6)
Net Fixed Assets	40	51	51	64	74	Current Liabilities	12	101	15	25	74
Capital WIP	3	-	1	40	40	Working capital changes	(29)	(49)	(57)	(103)	(196)
Curr. Assets	304	460	528	790	977	Direct Taxes Paid	(9)	(10)	(29)	(36)	(58)
Inventories	287	425	502	629	892	Cash from Operations	9	29	39	(9)	(47)
Debtors	3	9	3	4	6	(Inc)/Dec in FA	(10)	(10)	(7)	(60)	(21)
Cash & Investments	3	9	6	140	56	(Inc)/Dec in Investments	0	(2)	(0)	0	0
Loans & Advances	12	17	17	17	23	(Inc)/Dec in Others	(0)	(0)	1	0	0
Creditors and Provision	276	143	134	141	186	Net Cash from Investments	(10)	(12)	(6)	(60)	(21)
Customer Advances	0	50	82	100	130	Equity Issuance/Repayment	0	0	0	189	0
Net Current Assets	28	266	312	549	661	Debt Issuance/Repayment	21	9	(3)	36	25
Net Deferred Tax Assets	1	2	4	4	4	Dividend Paid	0	0	0	(6)	(16)
TOTAL ASSETS	73	319	367	657	779	Interest Paid	(20)	(22)	(32)	(18)	(24)
						Others	0	0	3	0	0
						Net Cash from Financing	1	(14)	(31)	202	(14)
						Inc/Dec of Cash	0	2	1	133	(83)
						Add: Beginning Balance	3	3	5	6	140
						Closing Balance	3	5	6	140	56



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2. Group/Directors ownership of the stock
3. Broking relationship with company covered
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TBZ Ltd.

No
Yes
No
No

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