



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

CRISIL IPO (Initial Public Offering) grading is an opinion on the fundamentals of the graded issue that reflects CRISIL's independence and expertise. This opinion is expressed as a relative assessment in relation to other listed equity securities in India. The assessment is based on a grading exercise carried out by industry specialists from CRISIL Research. A CRISIL IPO Grade 5/5 indicates strong fundamentals and a CRISIL IPO Grade 1/5 indicates poor fundamentals. CRISIL IPO Grading reflects its assessment of the graded company's equity fundamentals as distinct from an assessment of debt fundamentals. A CRISIL IPO Grade should not be construed to mean a comment on the price of the graded security nor is it a recommendation to invest or not to invest in the graded security.

Press Release

Media Contacts	Analytical Contacts
<p>Mitu Samar Head, Communications and Brand Management CRISIL Limited Tel: +91-22- 3342 1838 Mobile: +91- 98200 61934 Fax: +91-22- 3342 3001 E-mail: msamar@crisil.com</p> <p>Priyadarshini Roy Communications and Brand Management CRISIL Limited Tel: +91-22- 3342 1812 Mobile: +91- 9819742778 Fax: +91-22- 3342 3001 E-mail: proy@crisil.com</p>	<p>Tarun Bhatia Director, Capital Markets CRISIL Research Tel: +91-22- 3342 3226 E-mail: tbatia@crisil.com</p> <p>Chetan Majithia Head, Equities CRISIL Research Tel: +91-22- 3342 4148 E-mail: chetanmajithia@crisil.com</p>

About CRISIL Limited

CRISIL is a global analytical company providing ratings, research, and risk and policy advisory services. We are India's leading ratings agency. We are also the foremost provider of high-end research to the world's largest banks and leading corporations.

About CRISIL Research

CRISIL Research is the country's largest independent and integrated research house with strong domain expertise on Indian economy, industries and capital markets. We leverage our unique research platform and capabilities to deliver superior perspectives and insights to over 1200 domestic and global clients, through a range of research reports, analytical tools, subscription products and customised solutions.

CRISIL PRIVACY NOTICE

CRISIL respects your privacy. We use your contact information, such as your name, address, and email id, to fulfill your request and service your account and to provide you with additional information from CRISIL and other parts of The McGraw-Hill Companies, Inc. you may find of interest. For further information, or to let us know your preferences with respect to receiving marketing materials, please visit www.crisil.com/privacy. You can view McGraw-Hill's Customer Privacy Policy at http://www.mcgraw-hill.com/site/tools/privacy/privacy_english. Last updated: March 31, 2011

Disclaimer

A CRISIL IPO Grading is a one-time assessment and reflects CRISIL's current opinion on the fundamentals of the graded equity issue in relation to other listed equity securities in India. A CRISIL IPO Grading is neither an audit of the issuer by CRISIL nor is it a credit rating. Every CRISIL IPO Grading is based on the information provided by the issuer or obtained by CRISIL from sources it considers reliable. CRISIL does not guarantee the completeness or accuracy of the information on which the grading is based. A CRISIL IPO Grading is not a recommendation to buy / sell or hold the graded instrument; it does not comment on the issue price, future market price or suitability for a particular investor.

CRISIL is not responsible for any errors and especially states that it has no financial liability whatsoever to the subscribers / users / transmitters / distributors of CRISIL IPO Gradings. For information on any IPO grading assigned by CRISIL, please contact 'Client Servicing' at +91-22-33423561, or via e-mail: clientservicing@crisil.com.

For more information on CRISIL IPO Gradings, please visit <http://www.crisil.com/ipo-gradings>

This press release is transmitted to you for the sole purpose of dissemination through your newspaper / magazine / agency. The Press release may be used by you in full or in part without changing the meaning or context thereof but with due credit to CRISIL. However, CRISIL alone has the sole right of distribution of its Press Releases for consideration or otherwise through any media including websites, portals etc.