

CONFIDENTIAL

CN/CR/TBZ/2014/CH1034

December 31, 2014



Mr. Prem Hinduja
Chief Executive Officer
Tribhovandas Bhimji Zaveri Limited
Tulsiani Chambers, 11 Floor, West wing,
Free Press Journal Road, Nariman Point
Mumbai - 400021

Dear Sir,

Re: CRISIL Rating for the Rs.500 Million Commercial Paper Programme of Tribhovandas Bhimji Zaveri Limited

All ratings assigned by CRISIL are kept under continuous surveillance and review.

CRISIL has, after due consideration, assigned the "CRISIL A2+" (pronounced "CRISIL A two plus") rating for the captioned Debt Programme. Instruments with this rating are considered to have strong degree of safety regarding timely payment of financial obligations. Such instruments carry low credit risk.

For the purpose of issuance of captioned commercial paper programme, this letter is valid for 30 calendar days from the date of the letter. In the event of your company not placing the above programme within this period, or in the event of any change in the size/structure of your proposed issue, the rating shall have to be reviewed and a letter of revalidation shall have to be issued to you. Once the instrument is issued, the above rating is valid throughout the life of the captioned commercial paper programme with a contracted maturity of one year or less.

As per our Rating Agreement, CRISIL would disseminate the rating through its publications and other media, and keep the rating under surveillance for the life of the instrument. CRISIL reserves the right to suspend, withdraw or revise the ratings assigned to the captioned programme at any time, on the basis of new information, or unavailability of information or other circumstances, which CRISIL believes, may have an impact on the rating.

Should you require any clarifications, please feel free to get in touch with us.

With warm regards,

Yours sincerely,

Sridhar C
Director – Corporate and Infrastructure Ratings

Chaitali Nehulkar
Manager – Corporate and Infrastructure Ratings



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CRISIL Limited

Corporate Identity Number: L67120MH1987PLC042363

Rating Rationale



December 30, 2014
Mumbai

Tribhovandas Bhimji Zaveri Limited

'CRISIL A2+' assigned to CP Programme

Total Bank Loan Facilities Rated	Rs.7350 Million
Long Term Rating	CRISIL A-/Stable (Reaffirmed)

(Refer to Annexure 1 for Facility-wise details)

Rs.500 Million Commercial Paper Programme	CRISIL A2+ (Assigned)
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CRISIL has reaffirmed its rating on the long-term bank facilities of Tribhovandas Bhimji Zaveri Ltd (TBZ) at '**CRISIL A-/Stable**', and has assigned its '**CRISIL A2+**' rating to the company's commercial paper programme.

The ratings continue to reflect TBZ's established market position with a strong brand, and its moderate financial risk profile, marked by healthy net worth, moderate gearing and healthy liquidity. The rating also factors in the expected improvement in the company's operating performance following favourable regulatory changes such as lifting of the 80:20 rule on gold imports and reinstatement of gold on lease model. These rating strengths are partially offset by TBZ's exposure to intense competition in the jewellery industry, and large working capital requirements to fund its inventory.

TBZ's performance was impacted in 2013-14 (refers to financial year, April 1 to March 31) by the unfavourable regulatory environment which led to tight supply side curbs and a ban on the gold on lease model. The operating margin declined to 7.6 per cent in 2013-14 from 9.1 per cent in 2012-13. Interest and finance costs also increased as the company no longer had access to the gold on lease scheme. TBZ's performance deteriorated during the six months ended September 30, 2014 because of declining gold prices, discounts offered to spur demand and expenditure incurred in association with two new stores. Nevertheless, CRISIL believes that TBZ's operating performance will improve with the lifting of supply side curbs and reinstatement of the gold on lease model, expected increase in demand during the wedding season spanning from November to March and cautious expansion plans. Despite weak operating performance, TBZ maintained its moderate capital structure and ample liquidity to support its working capital requirements.

Outlook: Stable

CRISIL believes that TBZ will maintain its established market position over the medium term, supported by its promoters' extensive industry experience and strong brand equity. The outlook may be revised to 'Positive' if the company registers a substantial and sustained improvement in its revenue and profitability margin without deterioration in its capital structure. Conversely, the outlook may be revised to 'Negative' if TBZ registers a steep decline in its profitability margin or revenue or contracts sizeable debt to meet its working capital requirements or expansion plans, thereby adversely affecting its capital structure and liquidity.

About the Company

TBZ, promoted by Mr. Shrikant Zaveri, was set up in 1864; the company is one of India's oldest jewellery houses, and was reconstituted as a public limited company from a private limited company on December 3, 2010. TBZ expanded its operations, and has a pan-India presence through its network of 28 retail showrooms in 22 cities across 9 states, from a single showroom at Zaveri Bazaar in Mumbai.

For 2013-14, TBZ reported a profit after tax (PAT) of Rs.550.5 million on an operating income of Rs.18.24 billion, as against a PAT of Rs.686.4 million* on operating income of Rs.16.58 billion for 2012-13. For the six months ended September 30, 2014, TBZ reported a PAT of Rs.10.72 million on operating income of Rs.8.58 billion (Rs.242.8 million on operating income of Rs.8.55 billion in 2013-14 for the corresponding period).

* after adjusting for Rs.163.6 million of expenses incurred to raise funds through an initial public offering (IPO).

Annexure 1 - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Million)	Rating	Facility	Amount (Rs.Million)	Rating
Cash Credit*	1950	CRISIL A-/Stable	Cash Credit*	1950	CRISIL A-/Stable
Cash Credit\$	835	CRISIL A-/Stable	Cash Credit\$	835	CRISIL A-/Stable

Cash Credit@	1000	CRISIL A- /Stable	Cash Credit@	1000	CRISIL A- /Stable
Cash Credit	930	CRISIL A- /Stable	Cash Credit	930	CRISIL A- /Stable
Cash Credit#	1900	CRISIL A- /Stable	Cash Credit#	1900	CRISIL A- /Stable
Proposed Long Term Bank Loan Facility	113.3	CRISIL A- /Stable	Proposed Long Term Bank Loan Facility	113.3	CRISIL A- /Stable
Term Loan	191.7	CRISIL A- /Stable	Term Loan	191.7	CRISIL A- /Stable
Working Capital Demand Loan^	430	CRISIL A- /Stable	Working Capital Demand Loan^	430	CRISIL A- /Stable
Total	7350	--	Total	7350	--

* Includes sublimit of metal gold loan of Rs.1400.0 Million, bank guarantee of Rs.1400.0 Million.

\$Fully inter-changeable with working capital demand loan and includes sublimit of bank guarantee of Rs.100 Million.

@Includes sublimit of gold loan of Rs.1000.0 Million, working capital demand loan of Rs.300.0 Million, letter of credit of Rs.60.0 Million, and financial guarantee of Rs.150.0 Million.

#Includes sublimit of bank guarantee of Rs.1400 Million.

^Includes sublimit of cash credit of Rs.330.0 Million, bank guarantee of Rs.330.0 Million and stand by letter of credit of Rs.330.0 Million.

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CRISIL Ratings is India's leading rating agency. We pioneered the concept of credit rating in India in 1987. With a tradition of independence, analytical rigour and innovation, we have a leadership position. We have rated over 75,000 entities, by far the largest number in India. We are a full-service rating agency. We rate the entire range of debt instruments: bank loans, certificates of deposit, commercial paper, non-convertible debentures, bank hybrid capital instruments, asset-backed securities, mortgage-backed securities, perpetual bonds, and partial guarantees. CRISIL sets the standards in every aspect of the credit rating business. We have instituted several innovations in India including rating municipal bonds, partially guaranteed instruments and microfinance institutions. We pioneered a globally unique and affordable rating service for Small and Medium Enterprises (SMEs). This has significantly expanded the market for ratings and is improving SMEs' access to affordable finance. We have an active outreach programme with issuers, investors and regulators to maintain a high level of transparency regarding our rating criteria and to disseminate our analytical insights and knowledge.

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Last updated: August, 2014

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December 30, 2014

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CRISIL has revised its rating symbols and definitions with effect from July 11, 2011, to comply with the SEBI circular, 'Standardisation of Rating Symbols and Definitions'. The revised rating symbols carry the prefix, 'CRISIL'. The rating symbols for short-term instruments have been revised to 'CRISIL A1', 'CRISIL A2', 'CRISIL A3', 'CRISIL A4', and 'CRISIL D' from the earlier 'P1', 'P2', 'P3', 'P4', and 'P5', respectively. The revision in the rating symbols and definitions is not to be construed as a change in the ratings. For details on revised rating symbols and definitions, please refer to the document, 'Revision of Rating Symbols and Definitions', at the link, <http://www.crisil.com/ratings/credit-rating-scale.html>