Date: 25th July, 2016

To
The Manager
Compliance Department
National Stock Exchange of India Limited
Exchange Plaza, Plot No. C/1,
G Block, Bandra-Kurla Complex,
Bandra (East), Mumbai – 400 001.

Dear Sir / Madam,

Re.: **Tribhovandas Bhimji Zaveri Limited. Script Code & ID: 534369 / TBZ**
Sub: **Intimation of the review of CRISIL ratings on the long-term bank facilities of the Company & CP Withdrawal**

This is to inform you that CRISIL has reviewed ratings on the long-term bank facilities of the Company. The rating rationale is enclosed herewith.

Total Bank Loan Facilities Rated	**Rs. 7,350 Million**
Long-Term Rating	**CRISIL BBB+ / Stable (Downgraded from 'CRISIL A- / Negative')**
Rs. 500 Million Commercial Paper Programme	**CRISIL A2 (Withdrawal)**

Kindly treat this as intimation under Regulation 85(2) and all other applicable regulations of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. Please take the above on record and acknowledge the receipt of the same.

Thanking you.

Yours faithfully,
For **Tribhovandas Bhimji Zaveri Limited**

TRIBHOVANDAS BHIMJI ZAVERI LTD. MUMBAI

Niraj Oza
Head Legal & Company Secretary & Compliance Officer

Encl: CRISIL Rating Rationale

tbz®
The original since 1864
TRIBHOVANDAS BHIMJI ZAVERI LTD.

CIN No : L27205MH2007PLC172598

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Ratings

CRISIL
An S&P Global Company

Rating Rationale

July 22, 2016 | Mumbai

Tribhovandas Bhimji Zaveri Limited

Rating downgraded to 'CRISIL BBB+/Stable'; CP Withdrawn

Total Bank Loan Facilities Rated	Rs.7350 Million
Long Term Rating	CRISIL BBB+/Stable (Downgraded from 'CRISIL A-/Negative')

(Refer to Annexure 1 for Facility-wise details)

Rs.500 Million Commercial Paper Programme	CRISIL A2 (Withdrawal)

CRISIL has downgraded its ratings on Tribhovandas Bhimji Zaveri Ltd's (TBZ's) long-term bank facilities to **'CRISIL BBB+/Stable'** from 'CRISIL A-/Negative'. The rating on the company's commercial paper programme has been withdrawn based on the company's request; there is no outstanding against the CP programme.

The downgrade in rating reflects CRISIL's belief that the recovery in TBZ's credit protection metrics over the medium term, will be much lower than earlier anticipated, and linked to an improvement in better consumer sentiment for gold and diamond jewellery, as well as prudent management of its working capital. Further, competitive intensity is expected to remain high, leading to only a gradual recovery in TBZ's business performance.

TBZ currently operates through 30 stores totalling 98,200 square feet (sq. ft.), in 23 cities across India. Over the medium term, it plans to add about 150,000 sq. ft. of store space, mainly through the franchisee route, opening 3-4 stores annually. Under its franchisee model (the company currently has one operational store and has signed agreements for three additional stores), the inventory will be borne by its franchisees. TBZ's ability to successfully implement its expansion plans despite increasing challenges in the environment, and keep working capital levels remain under control will be critical, and a key credit monitorable.

Earlier in 2015-16 (refers to the financial year, April 1 to March 31), TBZ reported a net loss of Rs. 275.4 million (net profit of Rs. 243.2 million in 2014-15 and Rs. 550.0 million in 2013-14), on net sales of Rs. 16.5 billion (Rs. 19.3 billion in 2014-15 and Rs. 18.2 billion in 2013-14). Its performance, mainly profitability, witnessed a steady decline between 2013-14 and 2015-16, due to frequent changes in regulations, volatile consumer demand and increasing competitive intensity. Besides these factors, losses at the net level, increased sharply in 2015-16, due to the jewellers strike, which commenced in March 2016, and extended into April 2016. The company's working capital intensity has been high, despite decline in turnover, due to volatile gold prices. Consequently, TBZ's debt levels peaked at Rs.6.5 billion at March 31, 2016 (highest level since 2011-12), resulting in high interest payout, which along with declining profitability, lead to sub-par credit protection metrics.

The ratings continue to reflect TBZ's established market position with a strong brand, experienced management, and its healthy net worth. These strengths are partially offset by TBZ's exposure to intense competition in the jewellery industry, large working capital requirements to fund its inventory, and sub-par credit metrics, which though are expected to gradually improve over the medium term.

Outlook: Stable

CRISIL believes TBZ will maintain its established market position over the medium term, supported by its promoters' extensive industry experience and its strong brand equity. The outlook may be revised to 'Positive' if the company registers substantial improvement in its business performance, and keeps working capital levels under control, also benefitting its key credit metrics.

Conversely, the outlook may be revised to 'Negative' if the recovery in TBZ's business performance, is lower than anticipated, or if working capital levels rise sharply leading to higher borrowings, further impacting its key credit metrics.

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 from being a single showroom at Zaveri Bazaar in Mumbai to pan-India presence through its network of 30 retail showrooms in 23 cities across 10 states. Its promoters hold a 74 per cent stake in the company, with the rest being held by public and other shareholders.

Annexure 1 - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount	Rating	Facility	Amount	Rating

	(Rs.Million)			(Rs.Million)	
Cash Credit*	1950	CRISIL BBB+/Stable	Cash Credit**	1950	CRISIL A-/Negative
Cash Credit$	835	CRISIL BBB+/Stable	Cash Credit$	835	CRISIL A-/Negative
Cash Credit@	725	CRISIL BBB+/Stable	Cash Credit@@	725	CRISIL A-/Negative
Cash Credit%	375	CRISIL BBB+/Stable	Cash Credit%%	275	CRISIL A-/Negative
Cash Credit	930	CRISIL BBB+/Stable	Cash Credit	930	CRISIL A-/Negative
Cash Credit#	1900	CRISIL BBB+/Stable	Cash Credit##	1900	CRISIL A-/Negative
Cash Credit^	202	CRISIL BBB+/Stable	Proposed Long Term Bank Loan Facility	165.4	CRISIL A-/Negative
Term Loan	3	CRISIL BBB+/Stable	Term Loan	139.6	CRISIL A-/Negative
Working Capital Demand Loan^^	430	CRISIL BBB+/Stable	Working Capital Demand Loan^^	430	CRISIL A-/Negative
Total	7350	--	Total	7350	--

** Includes sublimit of metal gold loan of Rs.1500.0 Million, bank guarantee of Rs.100.0 Million.*
***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.725.0 Million, working capital demand loan of Rs.500 Million, letter of credit of Rs.250 Million, financial guarantee of Rs.50.0 Million and FCNR (B) of Rs. 725 million.
@@Includes sublimit of gold loan of Rs.725.0 Million, working capital demand loan of Rs.500 Million, letter of credit of Rs.200 Million, financial guarantee of Rs.50.0 Million and FCNR (B) of Rs. 725 million.
% Includes sub-limit of bank guarantee of Rs.375 Million
%%Includes sub-limit of bank guarantee of Rs.275 Million
#Includes sublimit of bank guarantee of Rs.1900 Million and Metal gold loan of Rs. 1400 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, stand by letter of credit of Rs.330.0 Million and Metal loan of Rs. 330 million
^Includes sublimit of bank guarantee of Rs. 202 million

Links to related criteria
CRISILs Approach to Financial Ratios
CRISILs Bank Loan Ratings - process, scale and default recognition
Rating Criteria for Manufacturing Companies
Rating Criteria for Retailing Industry
Criteria for rating Short-Term Debt (including Commercial Paper)
The Rating Process

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Last updated: April 2016

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