

Date: 21st June, 2017

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**

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 (Rs. 735 Crores)
Long-Term Rating	CRISIL BBB+ / Stable (Reaffirmed)

CRISIL has reaffirmed its rating on the bank facilities of the Company at 'CRISIL BBB+/ Stable'.

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**


Niraj Oza
Head Legal & Company Secretary



Encl: CRISIL Rating Rationale



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www.tbztheoriginal.com

Ratings

Rating Rationale

June 20, 2017 | Mumbai

Tribhovandas Bhimji Zaveri Limited

Rating Reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.735 Crore
Long Term Rating	CRISIL BBB+/Stable (Reaffirmed)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has reaffirmed its rating on the bank facilities of Tribhovandas Bhimji Zaveri Limited (TBZ) at 'CRISIL BBB+/Stable'.

The rating continues to reflect TBZ's established market position with a strong brand, experienced management, and moderate financial risk profile marked by healthy net worth. These strengths are partially offset by TBZ's exposure to intense competition in the jewellery industry and large working capital requirements to fund its inventory.

Key Rating Drivers & Detailed Description

Strengths

*** Established market position with a strong brand:** TBZ is one of the oldest family-run jewellery businesses in India having been established over 150 years ago. The company enjoys a strong market position backed by its long track record in the business and wide customer base associated with it over generations. Its promoters are among the pioneers of the concept of formal jewellery stores in India. The company has aggressively expanded its presence to 33 stores in 26 cities by April 30, 2017 from 14 stores in 9 cities in fiscal 2012, thereby taking the 'TBZ' brand name to newer cities and geographies. As a result of the expansion, the company has been able to reduce its revenue concentration while increasing its geographic diversity. Currently, the company is following franchise model of expansion which would enable it to extend the operations to untapped geographies while leaving the management of these stores to the franchisees. CRISIL believes that TBZ will continue to benefit from its established market position over the medium term backed by its increasing network of stores.

*** Moderate financial risk profile:** TBZ's financial risk profile is marked by healthy net worth and moderate gearing. The company's net worth has increased significantly from around Rs.104 crore as on March 31, 2011 to around Rs.450 crore as on March 31, 2017 mainly driven by healthy accretions to reserves on the back of revenue growth, moderate profitability margins, and initial public offering (IPO) of Rs. 200 crore in April, 2012. The gearing stood at 1.22 times as on March 31, 2017. The company has a moderate financial policy, with its peak gearing over the past five years between fiscal 2013 and fiscal 2017 at 1.50 times. CRISIL believes that TBZ's financial risk profile will improve driven by the franchise model of expansion.

Weakness

*** Intense competition in jewellery industry:** Despite its long-standing presence in the business, TBZ faces challenges of intensifying competition from national players, such as Tanishq, and regional players. Further, the fragmented nature of the industry has resulted in strong competitive pressures thereby squeezing players' margins. As the company expands its retail footprint, it will also face competition from established players in the respective local markets. The gold jewellery business is also susceptible to volatility in gold prices and this can have adverse implications on the demand for jewellery and consequently on the operating margins. The same is reflected in the decline in operating margin from 9.10% in fiscal 2013 to 4.45% in fiscal 2017. CRISIL believes TBZ will continue to remain exposed to intense competition due to its entry into newer geographies and the competitors entering geographies dominated by TBZ.

*** Large working capital requirements to fund its inventory:** TBZ's business is working-capital-intensive because of large inventory required to be maintained by the company. Jewellery retailers typically maintain large inventories of gold and other precious commodities on an ongoing basis, as retail outlets need to maintain a large variety of designs to meet customer requirements. The company, on an average, maintains an inventory of four to five months for gold inventory and around a year for diamond inventory. With the increase in the number of stores, the company's inventory has increased to around 231 days as on March 31, 2017, from 145 days as on March 31, 2012. Most of the company's borrowings are short-term in nature to fund its inventory. CRISIL believes the working capital intensity of the business is expected to reduce as the company envisage on the franchise model of expansion, whereby, the inventory and the debt-funding for the inventory will be borne by the franchisee.

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.

Upside Scenario:

- * Sustenance of improvement in the business performance, and
- * Sustained improvement of working capital levels leading to improvement in liquidity profile and also benefitting its key credit

metrics

Downside Scenario:

- * Decline in the business performance
- * Increase in working capital levels thereby resulting in sharp increase in 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 33 retail showrooms in 26 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.

As per provisional results, on a consolidated basis, TBZ reported a profit after tax (PAT) of Rs 15 crore on total operating income of Rs 1701 crore in fiscal 2017, vis-a-vis net loss of Rs 28 crore on total operating income of Rs.1656 crore in fiscal 2016.

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL complexity levels are assigned to various types of financial instruments. The CRISIL complexity levels are available on www.crisil.com/complexity-levels. Users are advised to refer to the CRISIL complexity levels for instruments that they consider for investment. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Date of Allotment	Coupon rate (%)	Maturity Date	Issue size (Rs Cr)	Rating Assigned with Outlook
NA	Cash Credit*	NA	NA	NA	183.00	CRISIL BBB+/Stable
NA	Cash Credit\$	NA	NA	NA	83.50	CRISIL BBB+/Stable
NA	Cash Credit@	NA	NA	NA	70.0	CRISIL BBB+/Stable
NA	Cash Credit%	NA	NA	NA	37.5	CRISIL BBB+/Stable
NA	Cash Credit**	NA	NA	NA	93.0	CRISIL BBB+/Stable
NA	Cash Credit#	NA	NA	NA	190.0	CRISIL BBB+/Stable
NA	Cash Credit\$\$	NA	NA	NA	27.5	CRISIL BBB+/Stable
NA	Working Capital Demand Loan^^	NA	NA	NA	33.0	CRISIL BBB+/Stable
NA	Proposed Cash Credit Limit	NA	NA	NA	17.50	CRISIL BBB+/Stable

* Includes sublimit of metal gold loan of Rs.150.0 crore, bank guarantee of Rs.10.0 crore.

\$Fully inter-changeable with working capital demand loan and includes sublimit of bank guarantee of Rs.10.0crore

@Includes sublimit of gold loan of Rs.70 crore, working capital demand loan of Rs.50 crore; financial guarantee of Rs.5 crore

%Includes sub-limit of bank guarantee of Rs.37.5 crore

**Includes sublimit of bank guarantee of Rs.45 crore for gold loan

#Includes sublimit of metal gold loan of Rs.190 crore, bank guarantee of Rs.190 crore for gold loan

\$\$Includes sublimit of bank guarantee of Rs.27.50 crore

^^ Includes sublimit of cash credit of Rs.33.0 crore, bank guarantee of Rs.33.0 crore, stand by letter of credit of Rs.33.0 crore and Metal loan of Rs. 33.0 crore

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2017 (History)		2016		2015		2014		Start of 2014
		Quantum	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Commercial Paper	ST		—		—	22-07-16	Withdrawal	29-12-15	CRISIL A2	30-12-14	CRISIL A2+	—
Fund-based Bank Facilities	LT/ST	735	CRISIL BBB+/Stable		No Rating Change	22-07-16	CRISIL BBB+/Stable	29-12-15	CRISIL A-/Negative		No Rating Change	CRISIL A-/Stable
Non Fund-based Bank Facilities	LT/ST		—		—		—		—		—	CRISIL A2+

Table reflects instances where rating is changed or freshly assigned. 'No Rating Change' implies that there was no rating change under the release.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Cash Credit*	183	CRISIL BBB+/Stable	Cash Credit*	195	CRISIL BBB+/Stable
Cash Credit\$	83.5	CRISIL BBB+/Stable	Cash Credit\$	83.5	CRISIL BBB+/Stable

Cash Credit@	70	CRISIL BBB+/Stable	Cash Credit@@	72.5	CRISIL BBB+/Stable
Cash Credit%	37.5	CRISIL BBB+/Stable	Cash Credit%	37.5	CRISIL BBB+/Stable
Cash Credit**	93	CRISIL BBB+/Stable	Cash Credit	93	CRISIL BBB+/Stable
Cash Credit#	190	CRISIL BBB+/Stable	Cash Credit##	190	CRISIL BBB+/Stable
Cash Credit\$\$	27.5	CRISIL BBB+/Stable	Cash Credit^	20.2	CRISIL BBB+/Stable
Proposed Cash Credit Limit	17.5	CRISIL BBB+/Stable	Term Loan	.3	CRISIL BBB+/Stable
Working Capital Demand Loan^^	33	CRISIL BBB+/Stable	Working Capital Demand Loan^^	43	CRISIL BBB+/Stable
Total	735	—	Total	735	—

* Includes sublimit of metal gold loan of Rs.150.0 crore, bank guarantee of Rs.10.0 crore.

\$Fully inter-changeable with working capital demand loan and includes sublimit of bank guarantee of Rs.10.0 crore

@Includes sublimit of gold loan of Rs.70 crore, working capital demand loan of Rs.50 crore; financial guarantee of Rs.5 crore

@@ Includes sublimit of gold loan of Rs.72.5 crore, working capital demand loan of Rs.50.0 crore, letter of credit of Rs.25.0 crore, financial guarantee of Rs.5.0 crore and FCNR (B) of Rs. 72.5 crore.

% Includes sub-limit of bank guarantee of Rs.37.5 crore

##Includes sublimit of bank guarantee of Rs.190.0 crore and Metal gold loan of Rs. 140.0 crore.

^Includes sublimit of bank guarantee of Rs. 20.2 crore

^^ Includes sublimit of cash credit of Rs.33.0 crore, bank guarantee of Rs.33.0 crore, stand by letter of credit of Rs.33.0 crore and Metal loan of Rs. 33.0 crore

**Includes sublimit of bank guarantee of Rs.45 crore for gold loan

#Includes sublimit of metal gold loan of Rs.190 crore, bank guarantee of Rs.190 crore for gold loan

\$\$Includes sublimit of bank guarantee of Rs.27.50 crore

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector 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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