

Rating: ACCUMULATE | CMP: Rs71 | TP: Rs78

August 14, 2018

Q1FY19 Result Update

■ Change in Estimates | ☒ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY19E	FY20E	FY19E	FY20E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	78		120	
Sales (Rs. m)	20,563	25,044	20,563	25,044
% Chng.	-	-	-	-
EBITDA (Rs. m)	881	1,106	881	1,106
% Chng.	-	-	-	-
EPS (Rs.)	4.2	6.0	4.2	6.0
% Chng.	-	-	-	-

Key Financials

	FY17	FY18	FY19E	FY20E
Sales (Rs. m)	17,002	17,724	20,563	25,044
EBITDA (Rs. m)	695	749	881	1,106
Margin (%)	4.1	4.2	4.3	4.4
PAT (Rs. m)	147	190	277	400
EPS (Rs.)	2.2	2.9	4.2	6.0
Gr. (%)	(153.5)	29.2	45.6	44.0
DPS (Rs.)	-	-	0.8	1.0
Yield (%)	-	-	1.1	1.4
RoE (%)	3.3	4.1	5.7	7.8
RoCE (%)	5.8	6.4	7.3	8.7
EV/Sales (x)	0.6	0.6	0.5	0.4
EV/EBITDA (x)	14.2	13.4	11.7	10.0
PE (x)	32.1	24.8	17.1	11.8
P/BV (x)	1.0	1.0	0.9	0.9

Key Data

TBZL.BO | TBZL IN

52-W High / Low	Rs.155 / Rs.69
Sensex / Nifty	37,852 / 11,435
Market Cap	Rs.5bn / \$ 68m
Shares Outstanding	67m
3M Avg. Daily Value	Rs.25.53m

Shareholding Pattern (%)

Promoter's	74.12
Foreign	1.48
Domestic Institution	0.13
Public & Others	24.27
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(16.2)	(38.5)	(28.4)
Relative	(19.1)	(44.5)	(40.5)

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Soft demand drags performance

Key Points

- SSG declined by 3.6% on soft demand and high Pre GST base
- Share of Diamond Jewellery declined to 23.8% from 27.2% in 1Q18
- Guidance for 15 store openings in FY19

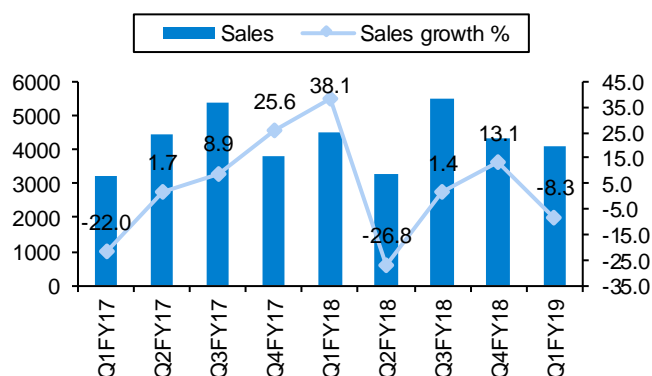
TBZ sales declined by 7.5% and SSG declined by 3.6% on soft demand for Jewellery, high base in 1Q18 and inauspicious days in June'18. Gross margins expanded in both Gold and Diamond, however, EBITDA margins declined 110bps due to heavy spending on the newly launched wedding Jewellery range, changed strategy of communication and rationalization of making charges in Plain Gold, Studded and premium Jewellery. TBZ has indicated 15 store openings in FY19 which includes 10 owned stores, indicating reasonable level of success with last year's 4 store openings in Malls. Although the move is positive, we remain cautious as target of adding 30 stores in next two years (base of 37 stores) need support from good demand scenario. Balance sheet remains healthy with 7% increase in debt in 1Q on account of increase in inventory before the new store opening at Noida in 2Q. TBZ aims to achieve inventory turns of 2 by FY19. We expect growth rate to accelerate from here on, given increased thrust on new store openings and festival and marriage season in 3Q19. We estimate 44% PAT CAGR over FY18-20 and value the stock at 13x FY20 EPS of Rs6.0 arriving at a target price of Rs78. Retain Accumulate

- Net sales declined 7.5%; Adj. PAT at Rs13mn:** Sales declined 7.5% to Rs4.11bn on softened demand for Jewellery and higher base of Q1FY18 (due to initial inventory sales to franchisees and pre-ponment of sales in June before GST). Net Sales from 5 franchise stores was ~Rs300-350mn in Q1. Gross Profit declined 1.7% even as margins expanded 90bps in both Gold and Diamond Jewellery. EBITDA declined 29.7% to Rs139mn as margins declined 110bps on account of higher advertising spends for the wedding season Jewellery. Ad-spends increased 114% to Rs150mn. PBT at Rs20m declined 77% on 25% decline in other income and 5.4% increase in interest expenses. Adj. PAT at Rs13mn declined 77.5%.
- Store openings to accelerate:** Currently TBZ has 37 stores (110,666 sq.ft.) present in 26 cities. TBZ plans to reach 0.15mn sq.ft. by 75% expansion through franchise route. It is coming up with large format store in Noida in Aug'18 (first store in the NCR region). In FY19, TBZ will be opening more stores in North and Franchisee stores in Guwahati and Bhubaneswar. TBZ has guided to open 5 franchise stores mainly in smaller cities and to open 10 more own stores (including mall stores) every year for the next 2 years. These stores will be funded mainly from internal accruals and bank funding.

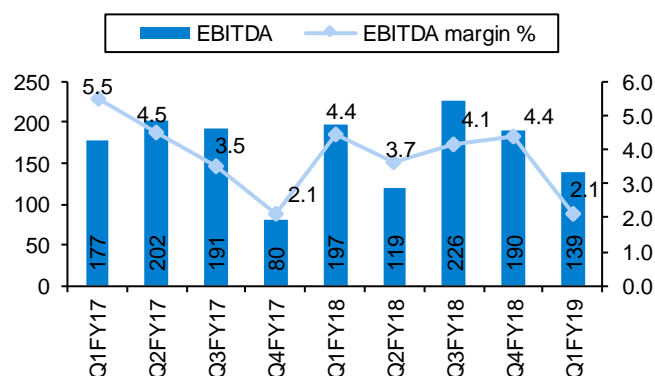
Exhibit 1: Q1FY19 Result Overview: Net Sales declined 7.5%, Gross margins expanded 90bps in both Gold and Diamond

Y/e March (Rs m)	Q1FY19	Q1FY18	YoY gr. (%)	Q4FY18	FY19E	FY18	YoY gr. (%)
Net Sales	4,109	4,440	(7.5)	4,336	20,563	17,514	17.4
Gross Profit	612	623	(1.7)	562	3,086	2,461	25.4
% of NS	14.9	14.0		13.0	15.0	14.1	
Other Expenses	473	425	11.3	372	2,205	1,730	27.5
% of NS	11.5	9.6		8.6	10.7	9.9	
EBITDA	139	197	(29.7)	190	881	731	20.5
Margins (%)	3.4	4.4		4.4	4.3	4.2	
Depreciation	21	21	2.0	21	97	85	14.3
Interest	108	102	5.4	99	388	397	(2.4)
Other Income	10	14	-25.0	32	25	70	(65.2)
PBT	20	88	(77.0)	101	420	319	31.7
Tax	7	30		31	143	108	
Tax rate (%)	35.6	34.0		30.5	34.0	34.0	
Adjusted PAT	13	58	(77.5)	70	277	211	31.7

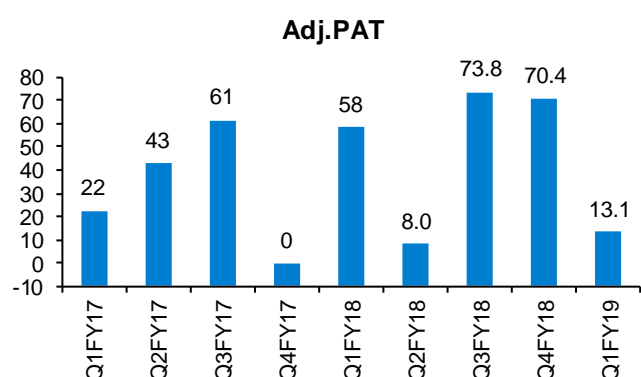
Source: Company, PL

Exhibit 2: Sales declined 7.5% in 1Q19


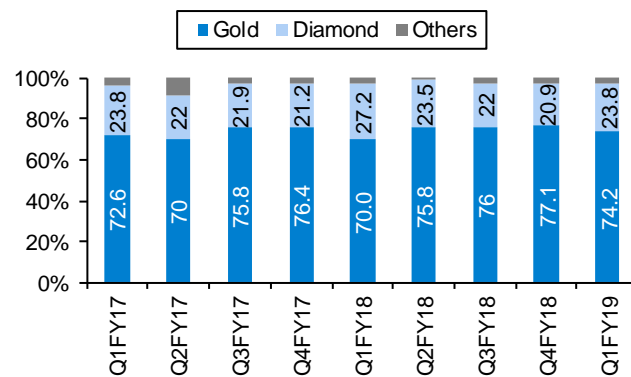
Source: Company, PL

Exhibit 3: EBITDA declines on higher ad-spends


Source: Company, PL

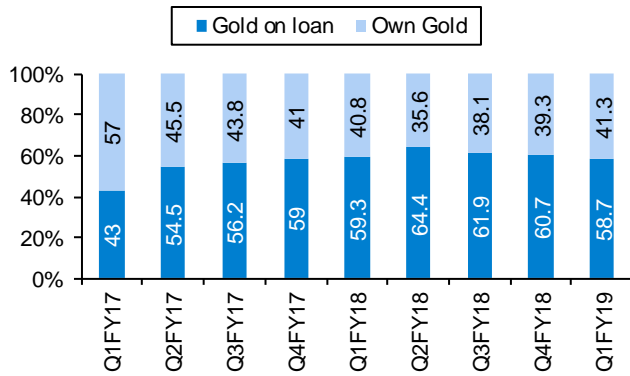
Exhibit 4: Adj. PAT decline to Rs13.1mn


Source: Company, PL

Exhibit 5: Share of Diamond decreased YoY


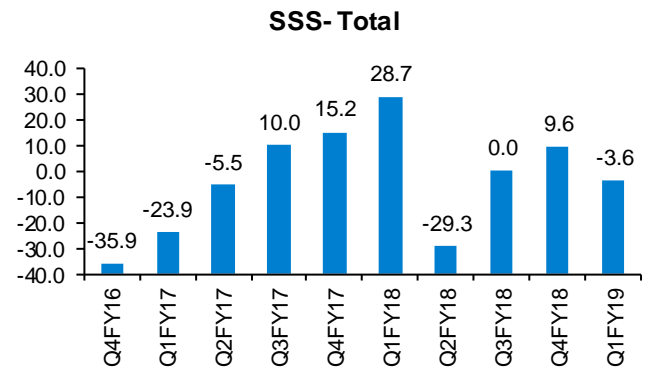
Source: Company, PL

Exhibit 6: Gold on Loan proportion down YoY and QoQ



Source: Company, PL

Exhibit 7: Same store sales declined by 3.6%



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY17	FY18	FY19E	FY20E
Net Revenues	17,002	17,724	20,563	25,044
YoY gr. (%)	2.7	4.2	16.0	21.8
Cost of Goods Sold	14,365	14,996	17,477	21,399
Gross Profit	2,637	2,729	3,086	3,644
Margin (%)	15.5	15.4	15.0	14.6
Employee Cost	799	832	933	1,062
Other Expenses	769	775	861	1,001
EBITDA	695	749	881	1,106
YoY gr. (%)	87.8	7.7	17.6	25.6
Margin (%)	4.1	4.2	4.3	4.4
Depreciation and Amortization	90	96	97	105
EBIT	605	653	784	1,001
Margin (%)	3.6	3.7	3.8	4.0
Net Interest	502	390	388	424
Other Income	24	25	25	28
Profit Before Tax	127	289	420	605
Margin (%)	0.7	1.6	2.0	2.4
Total Tax	(20)	98	143	206
Effective tax rate (%)	(16.0)	34.0	34.0	34.0
Profit after tax	147	190	277	400
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	147	190	277	400
YoY gr. (%)	(153.5)	29.2	45.6	44.0
Margin (%)	0.9	1.1	1.3	1.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	147	190	277	400
YoY gr. (%)	(153.5)	29.2	45.6	44.0
Margin (%)	0.9	1.1	1.3	1.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	147	190	277	400
Equity Shares O/s (m)	67	67	67	67
EPS (Rs)	2.2	2.9	4.2	6.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY17	FY18	FY19E	FY20E
Non-Current Assets				
Gross Block	1,509	1,438	1,548	1,677
Tangibles	1,413	1,438	1,548	1,677
Intangibles	95	-	-	-
Acc: Dep / Amortization	482	404	501	606
Tangibles	397	404	501	606
Intangibles	85	-	-	-
Net fixed assets	1,026	1,033	1,047	1,071
Tangibles	1,016	1,033	1,047	1,071
Intangibles	10	-	-	-
Capital Work In Progress	18	-	-	-
Goodwill	-	-	-	-
Non-Current Investments	220	241	241	241
Net Deferred tax assets	-	-	-	-
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	10,272	10,213	10,685	12,021
Trade receivables	22	230	14	17
Cash & Bank Balance	316	376	291	415
Other Current Assets	3	7	7	7
Total Assets	11,933	12,190	12,376	13,863
Equity				
Equity Share Capital	667	667	667	667
Other Equity	3,841	4,099	4,317	4,636
Total Network	4,508	4,767	4,984	5,303
Non-Current Liabilities				
Long Term borrowings	1	1	-	-
Provisions	97	83	83	83
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	5,474	5,686	5,889	6,757
Trade payables	782	833	1,101	1,348
Other current liabilities	1,070	821	318	372
Total Equity & Liabilities	11,933	12,190	12,375	13,863

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY17	FY18	FY19E	FY20E
PBT	127	289	420	605
Add. Depreciation	73	(78)	97	105
Add. Interest	502	390	388	424
Less Financial Other Income	24	25	25	28
Add. Other	(43)	39	(9)	(22)
Op. profit before WC changes	659	639	896	1,112
Net Changes-WC	761	(399)	(566)	(1,065)
Direct tax	20	(98)	(143)	(206)
Net cash from Op. activities	1,440	142	187	(158)
Capital expenditures	(11)	71	(111)	(129)
Interest / Dividend Income	-	-	-	-
Others	83	24	71	(109)
Net Cash from Invst. activities	72	95	(40)	(237)
Issue of share cap. / premium	-	-	-	-
Debt changes	(1,029)	211	202	868
Dividend paid	-	-	-	(60)
Interest paid	(502)	(390)	(388)	(424)
Others	-	-	-	-
Net cash from Fin. activities	(1,531)	(179)	(185)	383
Net change in cash	(19)	58	(38)	(12)
Free Cash Flow	1,430	213	77	(287)

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY17	FY18	FY19E	FY20E
Per Share(Rs)				
EPS	2.2	2.9	4.2	6.0
CEPS	3.6	4.3	5.6	7.6
BVPS	67.6	71.4	74.7	79.5
FCF	21.4	3.2	1.1	(4.3)
DPS	-	-	0.8	1.0
Return Ratio(%)				
RoCE	5.8	6.4	7.3	8.7
ROIC	5.2	5.5	6.5	7.4
RoE	3.3	4.1	5.7	7.8
Balance Sheet				
Net Debt : Equity (x)	1.1	1.1	1.1	1.2
Net Working Capital (Days)	204	198	170	156
Valuation(x)				
PER	32.1	24.8	17.1	11.8
P/B	1.0	1.0	0.9	0.9
P/CEPS	3.6	4.3	5.6	7.6
EV/EBITDA	14.2	13.4	11.7	10.0
EV/Sales	0.6	0.6	0.5	0.4
Dividend Yield (%)	-	-	1.1	1.4

Source: Company Data, PL Research

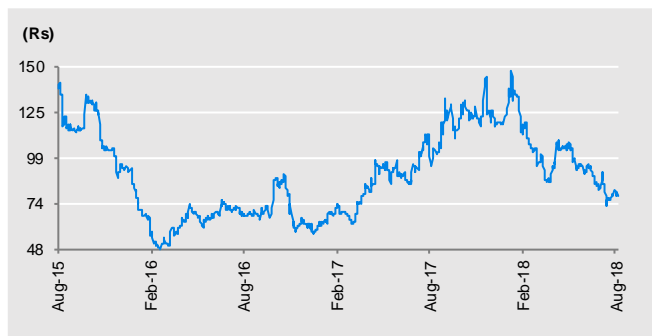
Quarterly Financials (Rs m)

Y/e Mar	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Net Revenue	3,262	5,476	4,336	4,109
YoY gr. (%)	-	0.9	12.9	(7.5)
Raw Material Expenses	2,727	4,735	3,774	3,264
Gross Profit	535	741	562	846
Margin (%)	16.4	13.5	13.0	20.6
EBITDA	119	226	190	372
YoY gr. (%)	(39.6)	89.7	(16.2)	96.3
Margin (%)	3.7	4.1	4.4	9.1
Depreciation / Depletion	21	22	21	21
EBIT	98	204	168	351
Margin (%)	3.0	3.7	3.9	8.5
Net Interest	100	97	99	108
Other Income	16	8	32	10
Profit before Tax	14	115	101	254
Margin (%)	0.4	2.1	2.3	6.2
Total Tax	6	41	31	7
Effective tax rate (%)	44.7	35.8	30.5	2.9
Profit after Tax	8	74	70	247
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	8	74	70	247
YoY gr. (%)	-	20.2	24.9	322.8
Margin (%)	0.2	1.3	1.6	6.0
Extra Ord. Income / (Exp)	-	-	(1)	(1)
Reported PAT	8	74	69	246
YoY gr. (%)	-	20.2	22.4	321.2
Margin (%)	0.2	1.3	1.6	6.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	8	74	69	246
Avg. Shares O/s (m)	10	10	10	10
EPS (Rs)	0.8	7.4	7.0	24.7

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	14-Sep-17	BUY	135	120
2	09-Oct-17	BUY	135	121
3	17-Nov-17	BUY	135	117
4	01-Dec-17	BUY	135	125
5	13-Dec-17	BUY	135	120
6	10-Jan-18	BUY	135	129
7	07-Feb-18	Accumulate	118	112
8	13-Apr-18	Accumulate	118	107
9	04-May-18	Accumulate	120	106
10	10-Jul-18	Accumulate	120	85

Analyst Coverage Universe

Sr. No.	CompanyName	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Hold	1,431	1,468
2	Avenue Supermarts	Reduce	1,285	1,595
3	Britannia Industries	Accumulate	6,568	6,301
4	Colgate Palmolive	Reduce	1,084	1,085
5	Dabur India	Hold	440	432
6	Emami	Accumulate	603	568
7	Future Retail	BUY	613	518
8	GlaxoSmithKline Consumer Healthcare	Hold	7,382	6,662
9	Hindustan Unilever	Hold	1,703	1,751
10	ITC	BUY	346	287
11	Jubilant FoodWorks	Accumulate	1,570	1,400
12	Kansai Nerolac Paints	Accumulate	549	479
13	Marico	Hold	313	341
14	Nestle India	UR	8,893	9,785
15	Pidilite Industries	Accumulate	1,175	1,101
16	Titan Company	BUY	1,114	919
17	Tribhovandas Bhimji Zaveri	Accumulate	120	85

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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