

Date: 2nd June, 2020

To,
The Manager,
Compliance Department
BSE Limited
Corporate Service Department,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400 001.

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 - 400 051.

Dear Sir / Madam,

Re.: Tribhovandas Bhimji Zaveri Limited. Script Code & ID: 534369 / TBZ
Sub: Submission of CRISIL Credit Report for Intimation of the review of CRISIL ratings on the bank facilities of the Company

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

Total Bank Loan Facilities Rated	Rs. 735 Crores (Rs. 7,350 Million)
Long-Term Rating	CRISIL BBB+ / Negative (Outlook revised from 'Stable' and Rating Reaffirmed)

CRISIL has revised ratings outlook to "Negative" and reaffirmed its rating on the bank facilities of the Company at 'CRISIL BBB+, vide; CRISIL Credit Report.

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 Credit Rating Report.



TRIBHOVANDAS BHIMJI ZAVERI LTD.

CIN No : L27205MH2007PLC172598

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Corp. Office: 11th Floor, West Wing, Tulsiani Chambers, Free Press Journal Road, Nariman Point, Mumbai - 400 021.
Tel.: 022 3073 5000, 91 22 4925 5000 www.tbztheoriginal.com

CREDIT RATING REPORT

May 2020

Tribhovandas Bhimji Zaveri Limited

Instrument Rated	
Total Bank Loan Facilities Rated	Rs.7350.0 Million
Long Term Rating	CRISIL BBB+/Negative (Outlook revised from 'Stable' and rating reaffirmed)
<i>(Refer to Annexure 1 for details on facilities)</i>	

Rating History				
Date	Long-Term	Fixed Deposit	Short-Term	Rating Watch/Outlook
April 16, 2020	CRISIL BBB+	-	-	Negative
November 21, 2019	CRISIL BBB+	-	-	Stable
August 06, 2018	CRISIL BBB+	-	-	Stable
June 20, 2017	CRISIL BBB+	-	-	Stable

Analytical Contacts

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Customer Service Helpdesk

Timings: 10:00 am to 7:00 pm	Toll free number: 1800 267 1301
For a copy of Rationales / Rating Reports: Email: CRISILratingdesk@crisil.com	For Analytical queries: Email: ratingsinvestordesk@crisil.com

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Detailed rationale

CRISIL has revised its outlook on the bank loan facilities of Tribhovandas Bhimji Zaveri Limited (TBZ) to 'Negative' from 'Stable'; while reaffirming its ratings at 'CRISIL BBB+'.

The revision in outlook follows measures taken by Government of India (GOI) towards containment of the Novel Corona Virus (COVID-19) which includes temporary closure of non-critical establishments, inter-state transportation, along-with advisory against travel and visiting areas of mass gatherings. These measures are likely to impact the business profile of the company as closure of its retail stores is expected to have a negative impact on business performance and thus impacting its credit quality, especially liquidity position.

While, most of the measures are applicable till May 31, 2020, revocation of the measures will be contingent upon directive from the GoI and the extent of the spread of the pandemic. A sustained long period of closures can result in significant deterioration in the credit profiles of companies, including TBZ. On the other hand, a faster reversal to normalcy may contain the extent of deterioration likely in credit quality of firms. That said, the ability of the business to revert to operational stability and any relief measures given by the government will be a key monitorable, and CRISIL will continue monitoring these events.

In the first quarter of fiscal 2021, the operating performance is expected to be moderated given ongoing store shut downs, drop in sales as a result of lower footfalls and higher fixed costs in the form of store rentals and salaries. This will consequently result in lower operating profitability and cash accruals in fiscal 2021 compared to fiscal 2020.

Furthermore, company's bank limit utilisation has been at an average of 90%. TBZ is in discussion with banks to arrange an emergency line of funding amounting to 10% of limits, translating to Rs 430 million. With this, total liquidity is expected to improve to Rs 1.1 billion. TBZ will also be availing the moratorium and has already requested banks for official confirmation in order to preserve cash flows and meet payments for essentials. However, the company is also looking to repay a portion of its gold metal loans to reduce the overall interest burden.

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.

Rating drivers

Strengths

- Established market position with a strong brand, and experienced management
- Moderate financial risk profile

Weaknesses

- Intense competition in the jewellery industry
- Large working capital requirements to fund its inventory

Rating sensitivity factors

Upward factors

- Sustained improvement in business performance
- Sustained improvement in interest coverage ratio to over 3 times
- Inventory rationalisation leading to improvement? key credit metrics

Downward factors

- Decline in business performance
- Sustained deterioration in the total outside liabilities to tangible network (TOL/TNW) ratio to over 2.3 times
- Increase in inventory levels resulting in sharp increase in borrowings further impacting its key credit metrics.

Outlook: Negative

CRISIL believes that the store closures due to COVID-19 outbreak is expected to negatively impact the financial risk profile of the company in the near term. However, TBZ will continue to maintain its established market position over the medium term, supported by its promoters' extensive industry experience and its strong brand equity.

Analytical approach

For arriving at the ratings, CRISIL has combined the business and financial risk profiles of TBZ and its subsidiaries, collectively referred to as the TBZ group, having common businesses and financial fungibility.

Liquidity: Adequate

The company's liquidity is adequate with unencumbered cash and equivalents of Rs 40-50 million as of March 2020 and fund based limits of Rs 5.97 billion, utilised to the tune of ~90% for March 2020. The company does not have any fixed principal repayment obligations.

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. It expanded its operations from having a single showroom at Zaveri Bazaar in Mumbai to a pan-India presence through its network of 39 retail showrooms in 27 cities across 13 states as of December 31, 2019. The promoters hold a 74 % stake in the company, with the rest being held by the public and other shareholders.

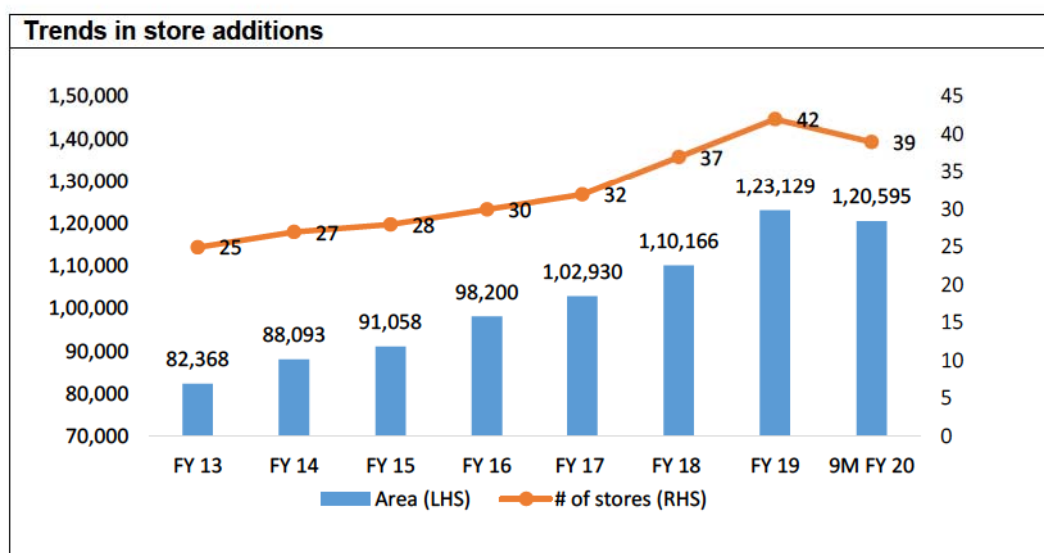
The ratings reflect the TBZ's following strengths:

Established market position with strong brand and experienced management

TBZ is one of the oldest family-run jewellery businesses in India having been set up in 1864. The company enjoys a strong market position backed by its long track record in the business. It has a wide customer base with many customers being associated with it over generations. Its promoters are among the pioneers of the concept of formal jewellery stores in India. The business has been ably managed by five generations of the Zaveri family and is currently being run by Mr. Shrikant Zaveri.

TBZ has expanded its presence to 39 stores in 27 cities as of December 31, 2019 from 14 stores in 9 cities in fiscal 2012. As a result of the expansion, the company has been able to reduce its revenue concentration risk, while its geographic diversity has improved substantially.

The company also runs four franchise stores as of December 31, 2019. The company follows a hub and spoke model, where it owns stores in key cities which serve as the hub for franchise outlets in Tier-II and Tier III cities. The extension of franchise model is expected to leverage on TBZ's brand name and extend operations to untapped geographies. The franchise model of expansion benefits TBZ, since it obviates the need for sizable investments as the franchisee raises not only the entire working capital but also shares half of the capital expenditure (capex) requirement. However, the company has been prudent in its approach towards expansion.



FY : Fiscal year

Moderate financial risk profile

TBZ's financial risk profile is marked by healthy network, moderate gearing, low interest coverage and net cash accruals to adjusted debt (NCATD) ratios. The company's network has increased from around Rs 1.04 billion in fiscal 2011 to around Rs 4.82 billion as on September 30, 2019, mainly driven by healthy accretions to reserves on the back of revenue growth, moderate profitability margins and proceeds from initial public offering (IPO) of Rs 2 billion in April 2012.

Gearing and TOL/TNW stood at 1.3 times and 2 times respectively in fiscal 2019 against 1.2 times and 1.6 times respectively in fiscal 2018 on account of opening of 5 new large format owned stores in the second half of fiscal 2019. This has also resulted in lower interest coverage and net cash accruals to adjusted debt (NCATD) of 1.6 times and 0.03 time respectively in fiscal 2019 against 1.9 times and 0.05 time respectively in fiscal 2018. However total debt has come down to Rs 5.3 billion as on December 31, 2019 from Rs 6.0 billion in March 31, 2019.

The financial risk profile is likely to improve further, underpinned by steady store expansion and increase in net cash accrual.

These rating strengths are partially offset by following weaknesses:

Exposure to risks related to intense competition in jewellery industry and volatility in gold prices

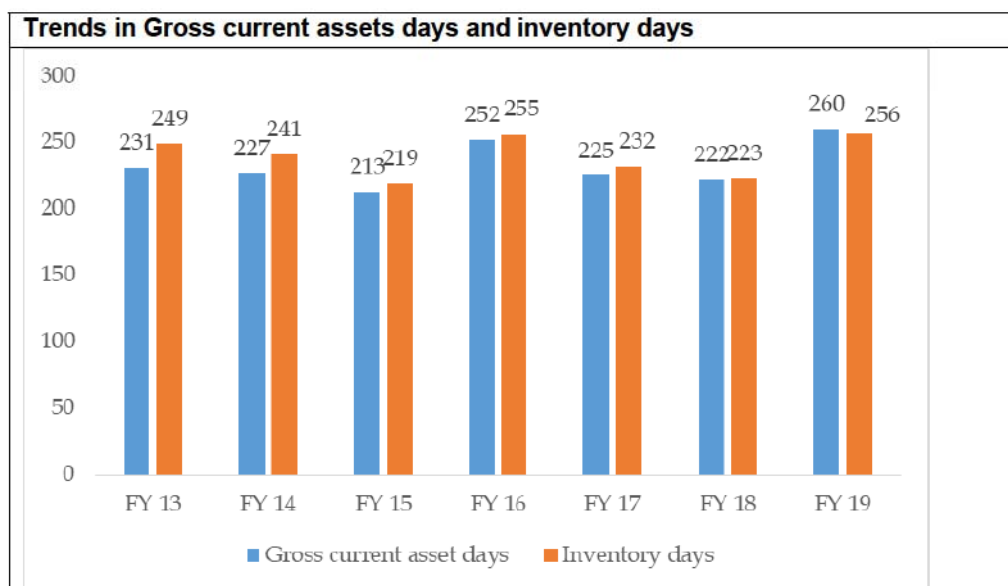
The fragmented nature of the industry has resulted in strong competitive pressure in the domestic jewellery business, squeezing players' margins. Despite its long-standing presence in the business, TBZ faces challenges of intensifying competition from national players, such as Titan Company Ltd (rated 'CRISIL AAA/Stable/CRISIL A1'). 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.

Competitive pressure will, likely, remain intense, given TBZ's own entry into new markets, and that of other players into markets dominated by TBZ.

Large working capital requirement to fund inventory

Business is expected to remain working-capital-intensive, given the large inventory required. Jewellery retailers

typically maintain sizeable inventories of gold and other precious commodities because of the large variety of designs and customer requirements. TBZ maintains gold inventory of 4-5 months and diamond inventory of 12 months. With the increase in the number of stores largely in second half of fiscal 2019, the company's inventory rose to around 256 days in the year compared to from 223 days in fiscal 2018. Most of the debt consists of short-term, inventory-related borrowings.



Financial policy

TBZ has followed a moderate financial policy, with peak gearing of 1.5 times in the five fiscals through March 2019. TBZ paid dividends of Rs 60 million (including dividend distribution tax) in fiscal 2019 (first since fiscal 2015) resulting in dividend payout of 39%. CRISIL believes that TBZ will maintain a conservative dividend payout policy over the medium term.

Key financial indicators (Consolidated)

As on/ For the year ended March 31		2019	2018	2017
-	-	Actual	Actual	Actual
Net Sales	Rs Million	17638	17514	16900
Operating Income	Rs Million	17638	17526	16906
OPBDIT	Rs Million	826	818	742
PAT	Rs Million	156	213	129
Net Cash Accruals	Rs Million	197	301	220
Equity Share Capital	Rs Million	667	667	667
Adjusted Network	Rs Million	4805	4760	4548
Adjusted Debt	Rs Million	6055	5687	5490
OPBDIT Margins	%	4.7	4.7	4.4
Net Profit Margins	%	0.9	1.2	0.8
ROCE	%	7.1	7.4	6.5
PBDIT / Int. & Finance Charges	Times	1.61	1.91	1.38
Net Cash Accruals / Adjusted Debt	Times	0.03	0.05	0.04
Adjusted Debt / Adjusted Network	Times	1.26	1.19	1.21
Adjusted Debt / PBDIT	Times	6.99	6.68	7.03

Current Ratio	Times	1.39	1.49	1.46
Cashflow from operations	Rs Million	-217	-52	1021
TOL/ ANW	Times	1.96	1.56	1.62
Operating Income/Gross Block	Times	14.04	15.34	13.50
Gross Current Assets days	Days	260	222	225
Debtor Days	Days	5	5	--
Inventory Days	Days	256	223	232
Creditor Days	Days	51	20	20

YTD Section (Consolidated)

-	Unit	31 - Dec - 2019	31 - Dec - 2018
-	-	9 Months	9 Months
-	-	Actual	Actual
Operating Income	Rs Million	14675	13483
OPBDIT	Rs Million	893	610
Net Profit	Rs Million	186	143
Net Cash Accruals	Rs Million	422	216
OPBDIT Margin	%	6.1	4.5
Net Margin	%	1.3	1.1
Interest Cover	Times	2.20	1.84

Annexure 1: Bank-Details of Facility Classes

1.Cash Credit

#	Bank Facility	Amount (Rs.in Million)	Outstanding Rating
a.	Axis Bank Limited	750.0	CRISIL BBB+/Negative
b.	Central Bank Of India	830.0	CRISIL BBB+/Negative
c.	HDFC Bank Limited	435.0	CRISIL BBB+/Negative
d.	ICICI Bank Limited	700.0	CRISIL BBB+/Negative
e.	Kotak Mahindra Bank Limited	330.0	CRISIL BBB+/Negative
f.	State Bank of India	1800.0	CRISIL BBB+/Negative
g.	Union Bank Of India Limited	1830.0	CRISIL BBB+/Negative
	Total	6675.0	-

2.Proposed Cash Credit Limit

#	Bank Facility	Amount (Rs.in Million)	Outstanding Rating
a.	Proposed	675.0	CRISIL BBB+/Negative
	Total	675.0	-

Footnote(s) for bank annexure

1a. Includes sublimit of working capital demand loan of Rs. 100 million; Includes sublimit of bank guarantee & stand by letter of credit of Rs. 600 million for gold loan.

1b. Includes sublimit of bank guarantee of Rs. 450 million for gold loan, working capital demand loan of Rs. 700 million.

1c. Fully interchangeable with working capital demand loan. Includes of Gold Loan 200 million, and also includes sublimit of bank guarantee of Rs. 100 million.

1d. Includes sublimit of gold loan of Rs. 700 million, working capital demand loan of Rs. 500 million; financial guarantee of Rs. 50 million

1e. Interchangeable with working capital demand loan, bank guarantee; stand by letter of credit and metal loan of Rs 330 million

1f. Includes sublimit of metal gold loan of Rs. 1300 million, bank guarantee of Rs. 100 million and 150 million of short term loan.

1g. Includes sublimit of metal gold loan of Rs. 1830 million, bank guarantee of Rs. 1830 million for gold loan

Criteria Details

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
CRISILs Criteria for Consolidation
CRISILs Criteria for rating short term debt
The Rating Process

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