

Vaibhav Global Limited

Global Retailer of Fashion and Lifestyle Accessories
on Home TV and e-Commerce Platforms

Financial Results Presentation
Q3 & 9MFY14

January 2014



Indulge in the warming tones
of
MADEIRA CITRINE

Raindrop Collection
RACHEL GALLEY
Jewellery

Safe Harbor

Certain statements in this document may be forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties like regulatory changes, local political or economic developments, and many other factors that could cause our actual results to differ materially from those contemplated by the relevant forward-looking statements. Vaibhav Global Limited will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.



Business Highlights

Vertically-integrated electronic retailer of discount fashion and lifestyle accessories

- Demonstrated profitable growth with direct-to-consumer business model on home shopping and e-commerce platforms with US and UK denominated revenue operations

Owens 'Liquidation Channel' and 'The Jewellery Channel' which are brands in themselves

- Over 100 million households on Home TV shopping in the US, UK and Canada
- Supplemented by strong traffic growth on proprietary web shopping websites

Deeply engaged customer base

- Sizeable B2C franchise in developed markets
- Expanding customer lifetime value and customer retention rate

Global Outsourcing Supply Chain Infrastructure & Robust Manufacturing

- Outsourcing operations across China, Thailand and Indonesia
- Manufacturing operations in Jaipur, India

Solid Infrastructure Backbone

- Investments in technology to build a robust online interface for direct selling, studios for TV production, warehousing facilities, efficient supply chain management and customer relationship management systems

Significantly Strengthened Financial Matrices

- Robust revenue growth, stable margins and expanding profits
- Contained balance sheet with negligible long term debt, significant free cash flows and high ROCE



Table of Contents

Q3 & 9M FY14 Financial Performance	5
Financial Performance Trends	12
Business Background Details	20



Key Highlights for Q3 FY14

Home TV Network Reaches Over 100 Million Households

- 90 million households on full time equivalent (FTE) basis
- 68 million households in the US
- 25 million households in the UK
- 18 million households in Canada

Retail Volumes increase by 42% to 2.7 Million Units

- 29% higher volumes on Home TV shopping
- 81% higher volumes on Web shopping
- Fashion Jewelry drives volume growth
- Deeper customer engagement leads to repeat purchases

Strong Financial Performance

- Total Income higher by 50% at Rs. 370 crore
- EBITDA rises by 67% to Rs. 48 crore
- PAT increases by 70% to Rs. 32 crore
- Earnings per share of Rs. 9.77

Significant Improvement in Return Ratios

- Return on Equity at 73%
- Return on Capital Employed at 51%

Recent Appointments

- Sunil Agrawal appointed as Chairman and Managing Director w.e.f February 1st, 2014
- Mahendra Kumar Doogar appointed as an Additional Director w.e.f January 23rd, 2014. Previously Pulak Prasad and Vikram Kaushik were appointed as Additional Directors
- Hemant Sultania appointed as Group Chief Financial Officer

CMD's Message

Commenting on Q3 & 9M FY14 performance, Mr. Sunil Agrawal, Chairman and Managing Director*, Vaibhav Global said:



“Our financial and operating performance in Q3 and first nine months of this fiscal year highlights the robustness and growing consistency of our business model. During Q3, we delivered 50% growth in revenues and expanded profits by 70%. Also, importantly, we delivered Rs. 101 crore of free cash in the first nine months.

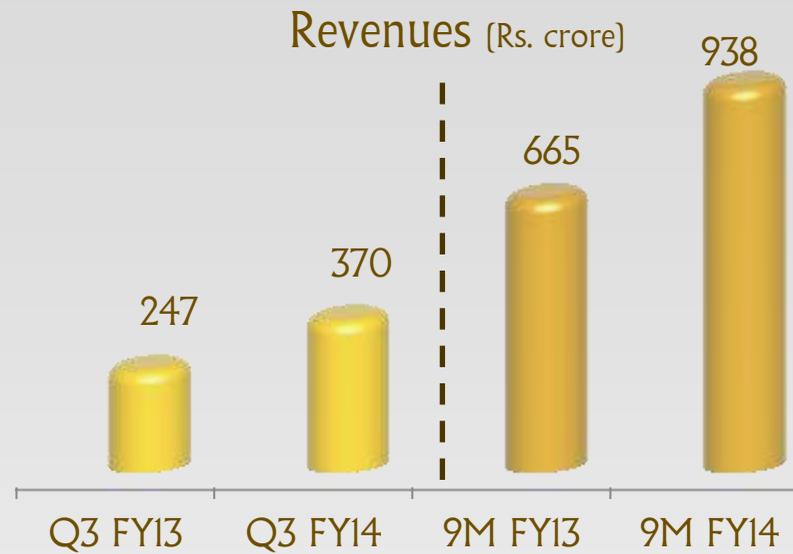
We saw strong holiday season demand for our deep value products in fashion jewelry and lifestyle accessory segments across US, Canada and UK. Both our selling platforms, TV and web, contributed to this growth. As our electronic and online sales-centric business model creates deeper engagement with our focused audiences, we are seeing greater receptiveness and traction within our existing base of 100 million and growing population of web customers. Underlying this success is our continued focus on technology, infrastructure and human resources supported by specific initiatives in trend merchandizing, creative TV storyboards and enhanced web experience.

I am also happy to welcome Vikram Kaushik and Mahendra Kumar Doogar on our Board and Hemant Sultania, our new CFO, on the senior management team. These appointments are part of our ongoing organizational development initiatives with the objective of creating a valuable retail business of global stature.”

* w.e.f February 1st, 2014

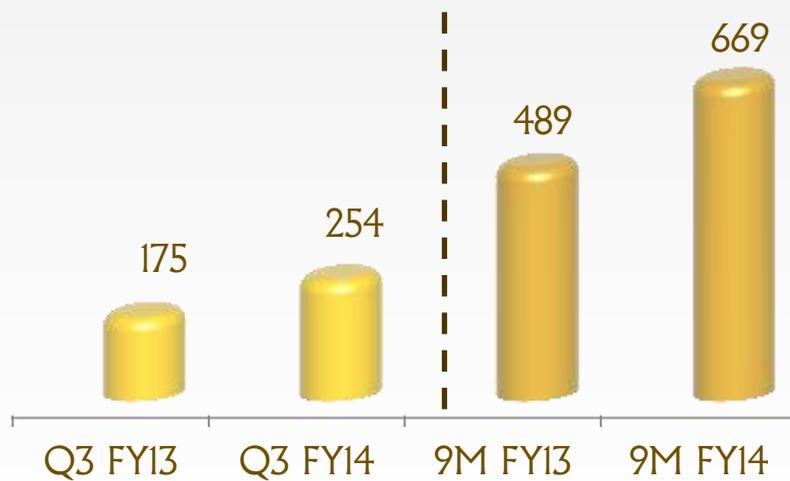


Financials - Q3 & 9M FY14 Performance (Revenues)

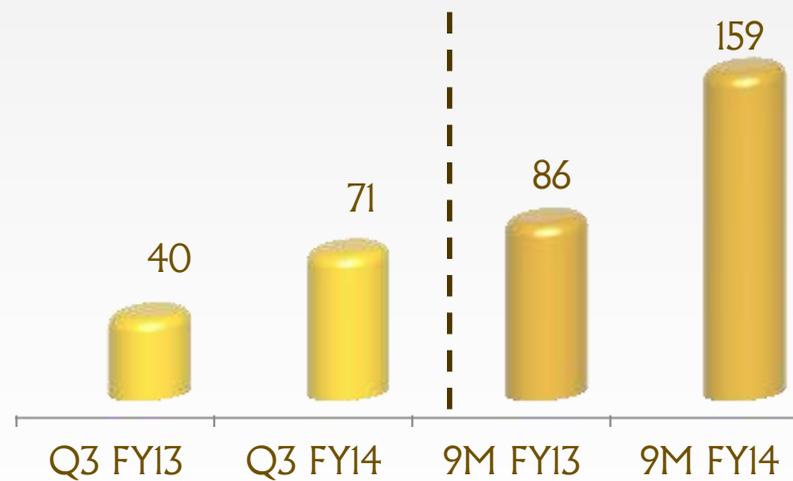


Jewelry & Lifestyle Products

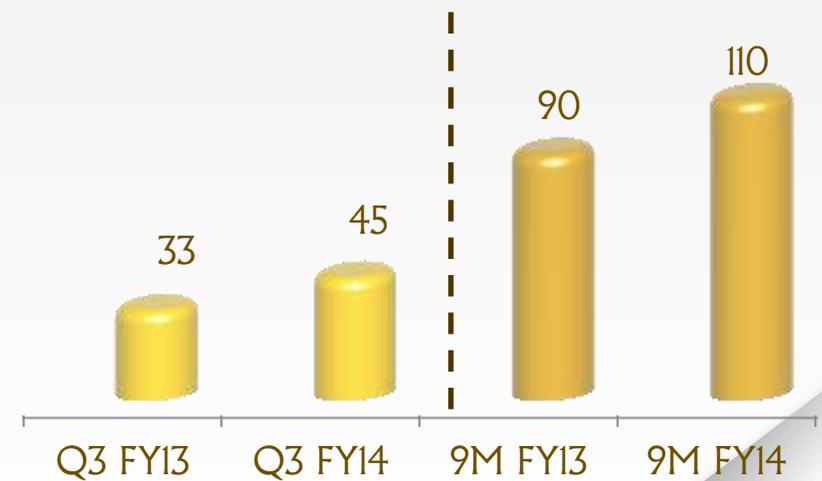
TV Sales



Web Sales

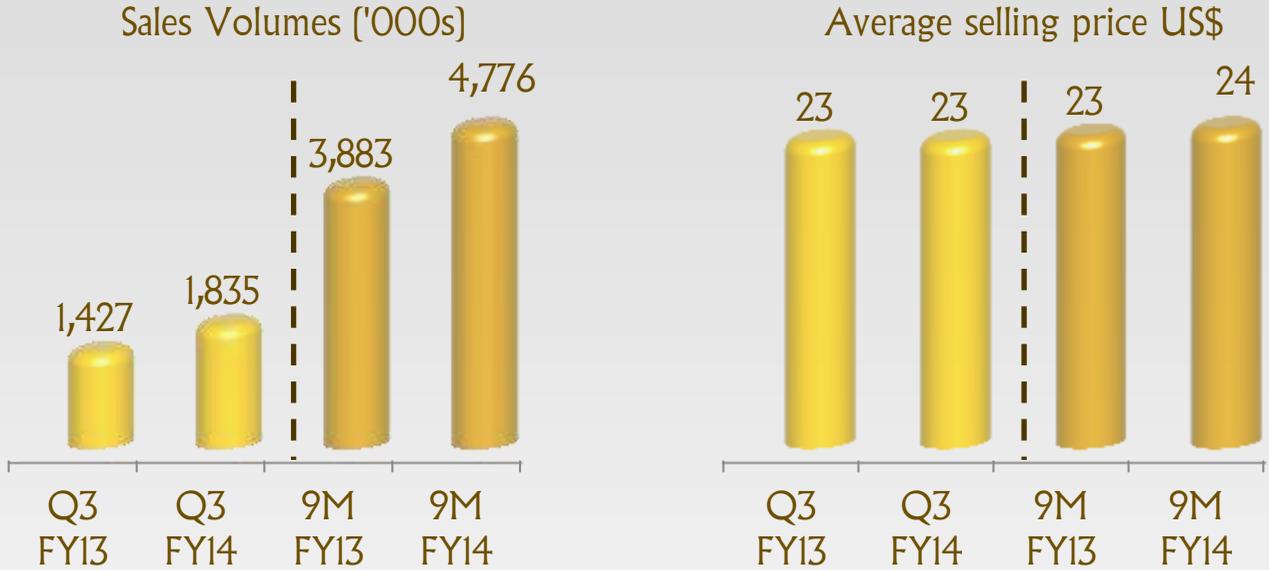


B2B Sales



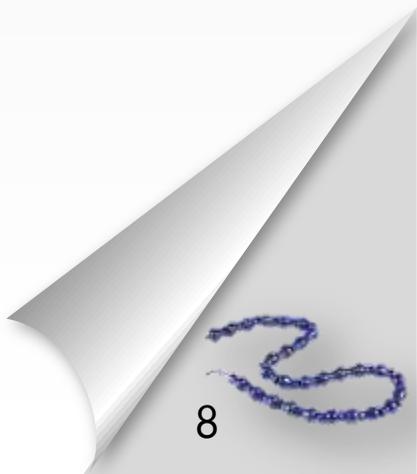
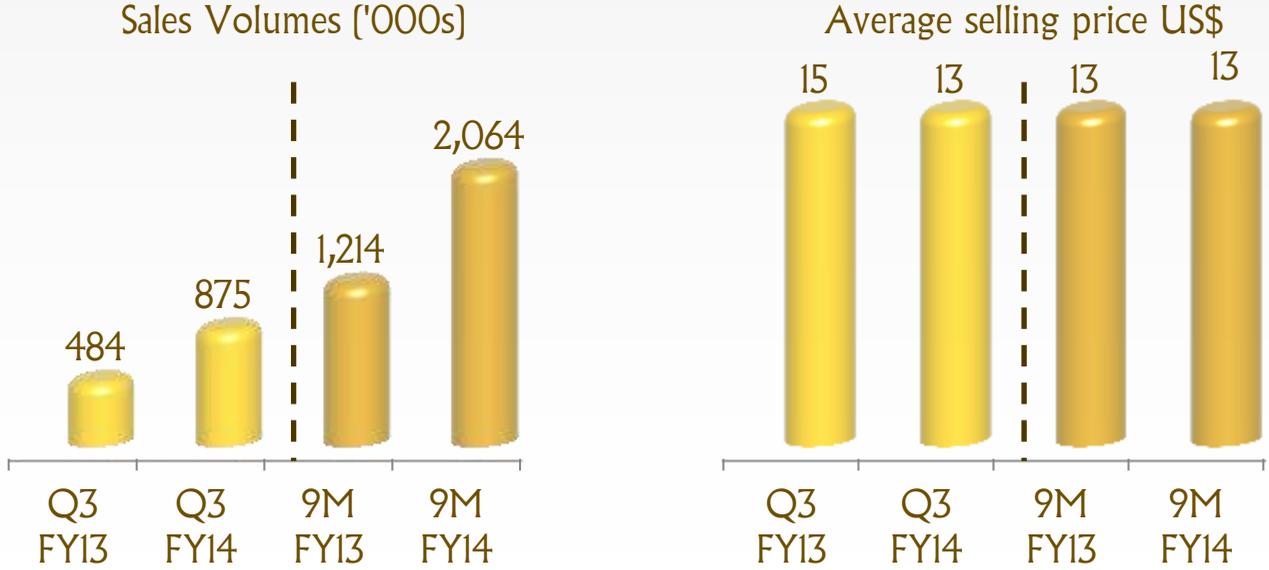
Retail Performance Trends

TV Sales

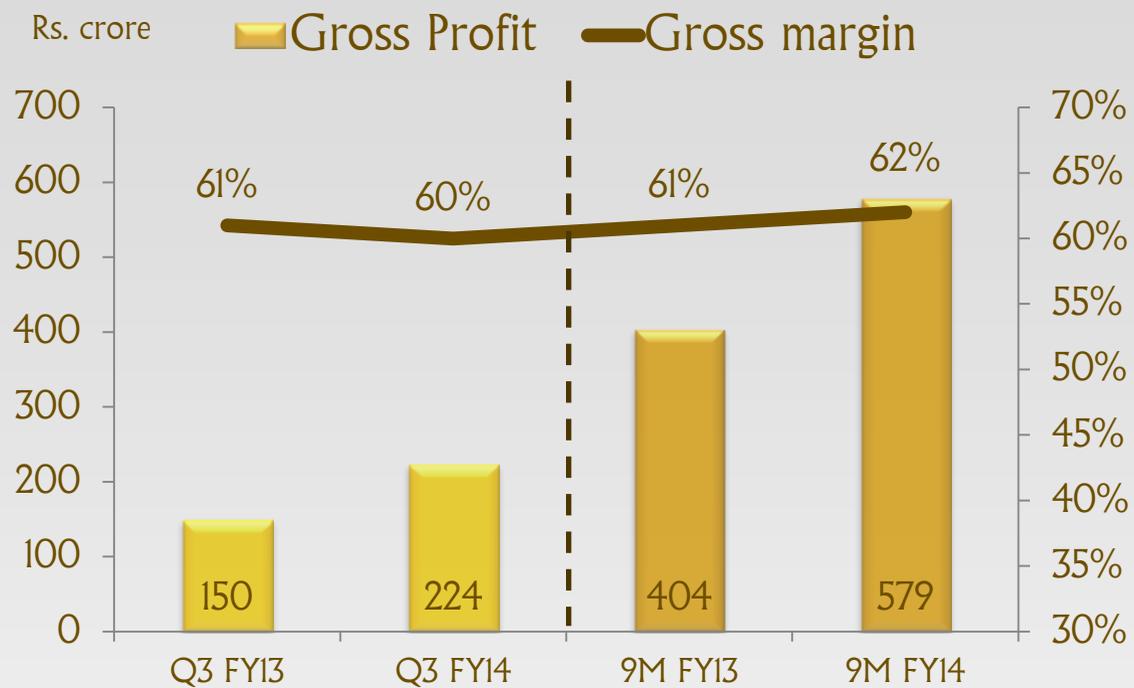


- Strong y-o-y volume growth in Q3 FY14 – 29% in TV and 81% in Web. Web sales now contribute 32% of sales volume
- Growth driven by expansion of fashion jewelry and lifestyle accessories lines within the existing household coverage

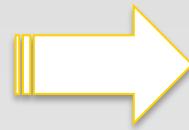
Web Sales



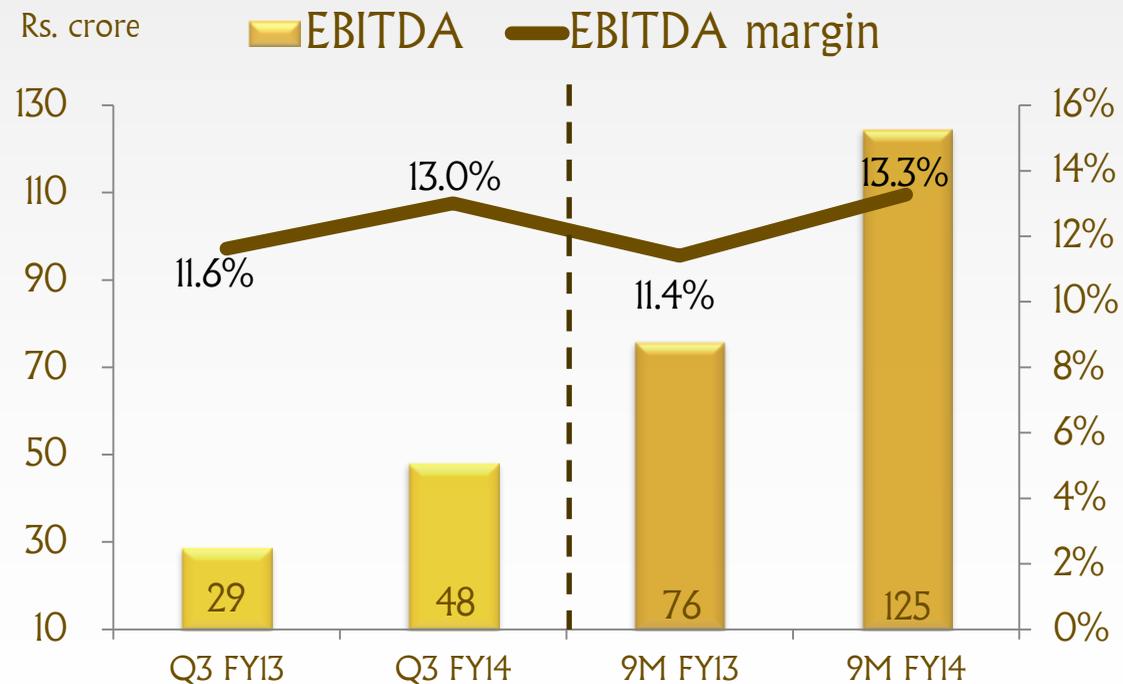
Financials – Q3 & 9M FY14 Performance (Margins)



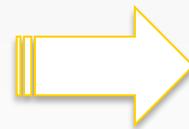
- Gross margins remains stable across expanding revenues with growing contribution from multiple product categories



Note: Direct costs for calculation of gross profit includes material cost, job work charges and manufacturing cost



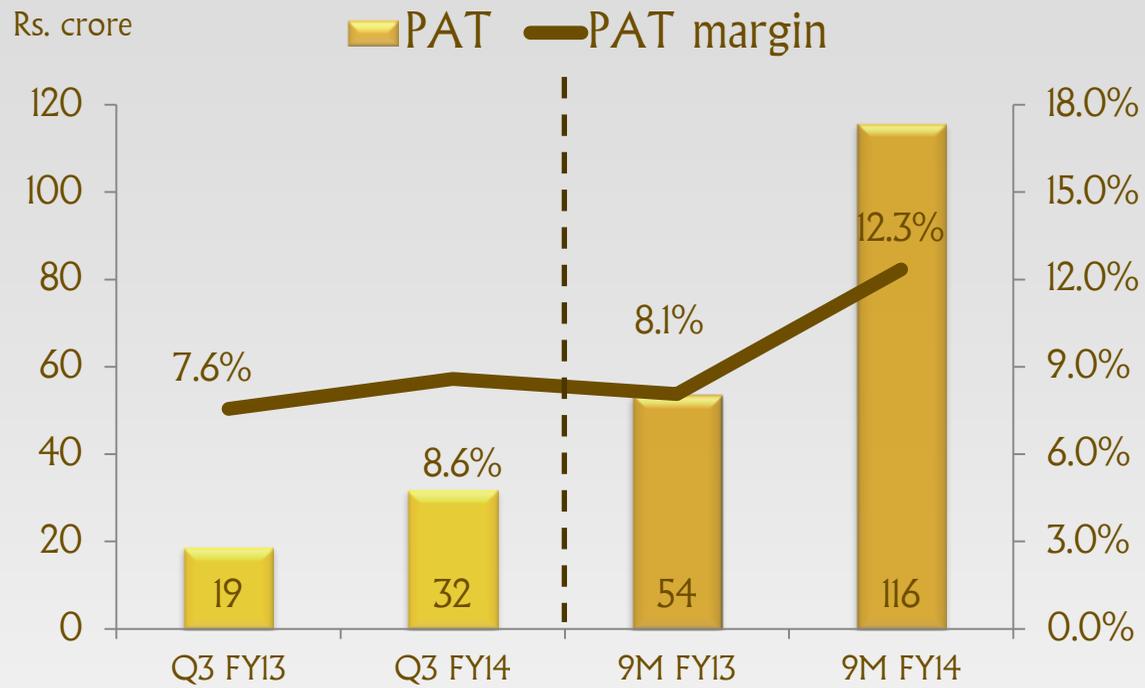
- In Q3 FY14, margins have improved resulting from increase in volumes on a relatively stable cost structure



Note:
 EBIDTA excludes exchange gain/loss;
 EBIDTA margin including exchange gain/loss stood at 15.1% in 9M FY14 v/s 11.7% in 9M FY13
 EBIDTA margin including exchange gain/loss stood at 12.0% in Q3 FY14 v/s 11.6% in Q3 FY13

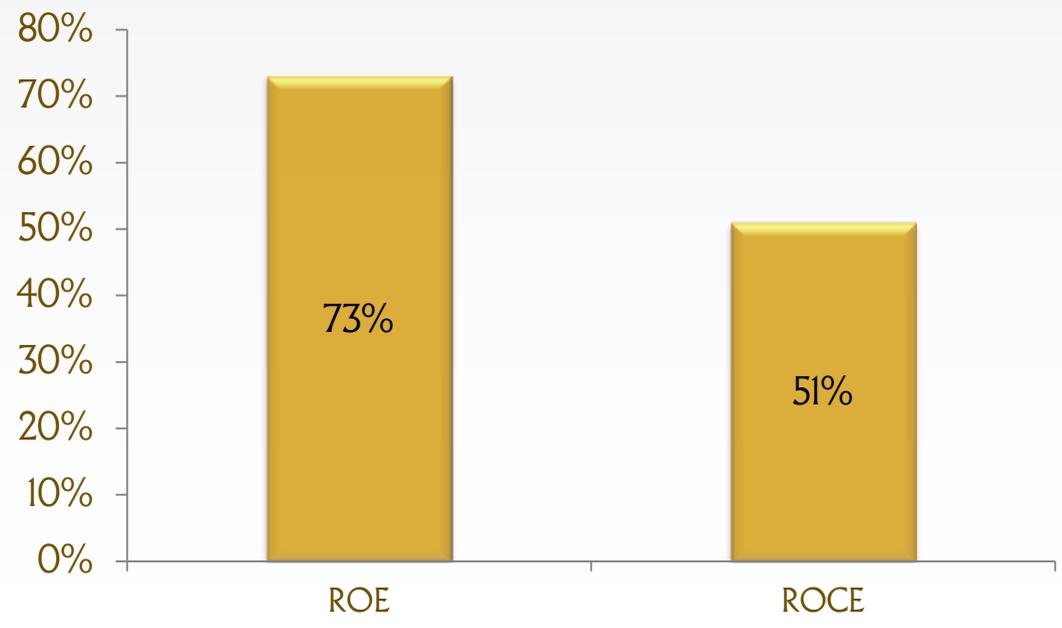


Financials – Q3 & 9M FY14 Performance (Profits)



- PAT expansion is in line with improvement in core business profitability as the company operates on a lean asset profile

Return Ratios – 9M FY14



- Maintain high returns on capital employed and shareholders' equity



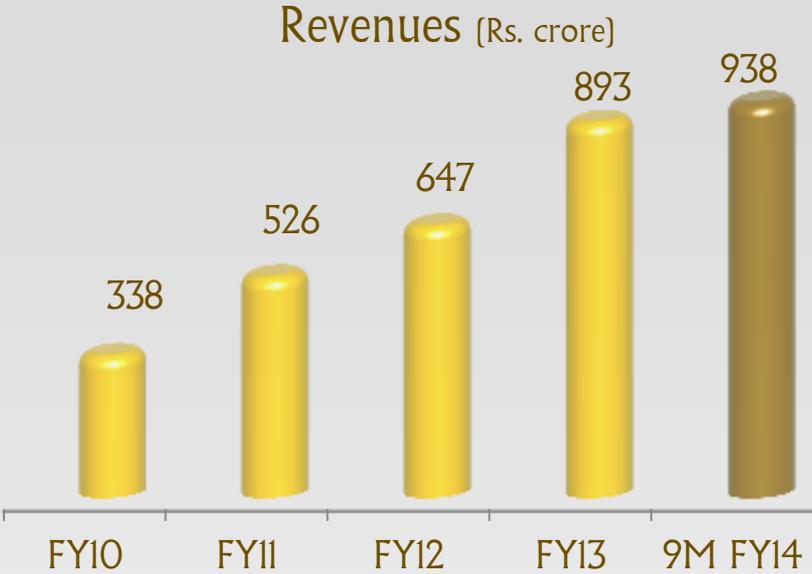
Table of Contents

Q3 & 9M FY14 Financial Performance	5
Financial Performance Trends	12
Business Background Details	20



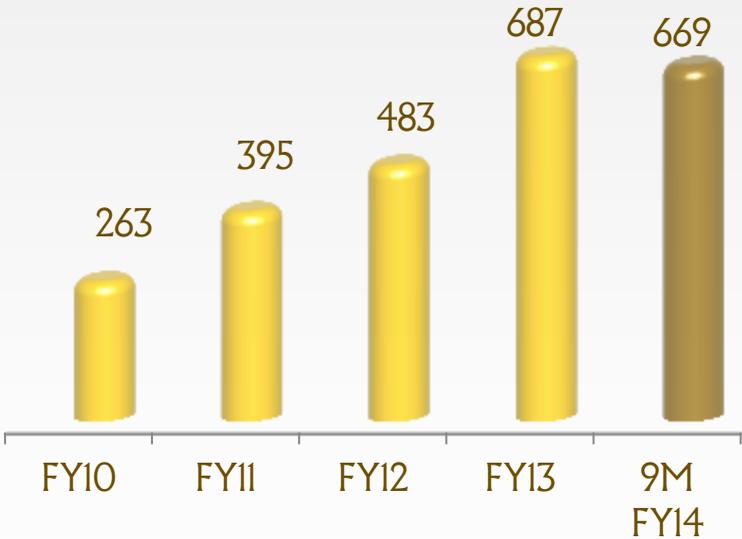
Financials Performance Trends

(Revenues)

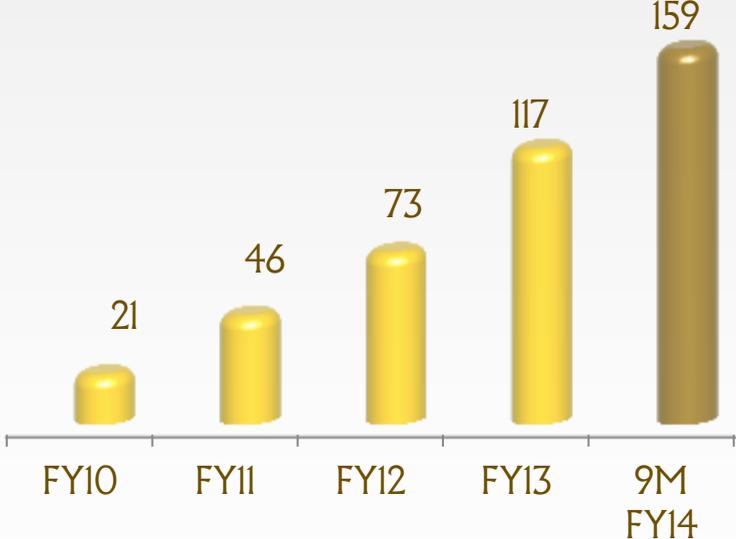


Jewelry & Lifestyle Products

TV Sales



Web Sales



B2B Sales



Retail Performance Trends

TV Sales

Sales Volumes ('000s)



Average selling price US\$



- Robust volume growth registered on home TV platform resulting from higher customer engagement leading to increased repeat purchases

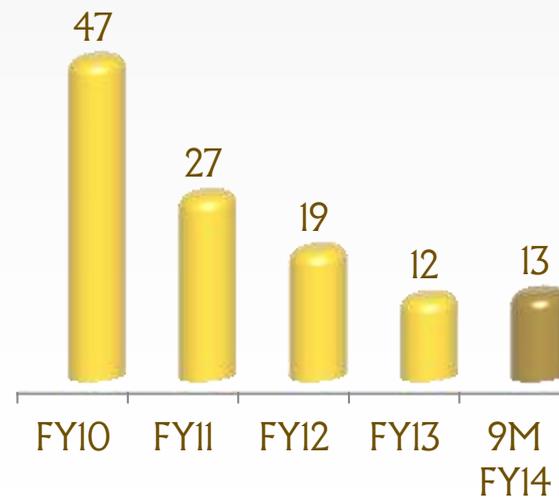
- Between FY10 and FY13, ASP's have trended inline with portfolio transition from fine jewelry to fashion jewelry and accessories

Web Sales

Sales Volumes ('000s)



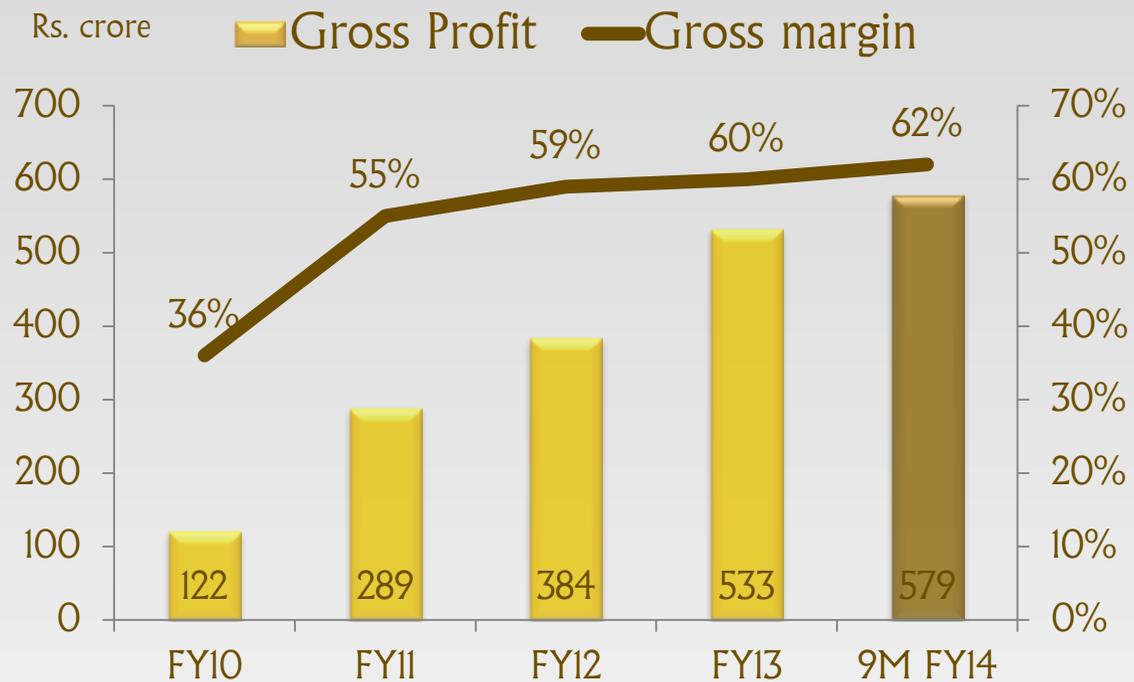
Average selling price US\$



- Proprietary internet platforms efficiently complements TV shopping

Financials Performance Trends

(Margins)



- 
- Gross margins remain robust supported by sourcing matrix that provides flexibility to purchase from cost efficient markets

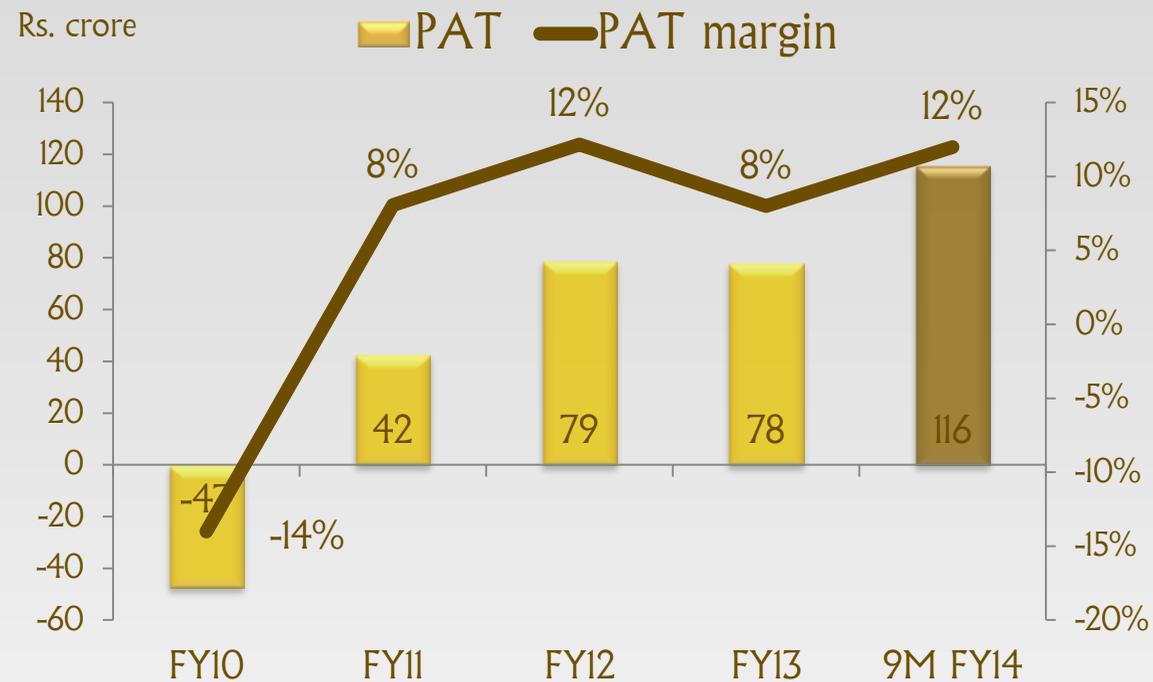


- 
- EBITDA margins to maintain current trends as volumes expand on a stable cost structure

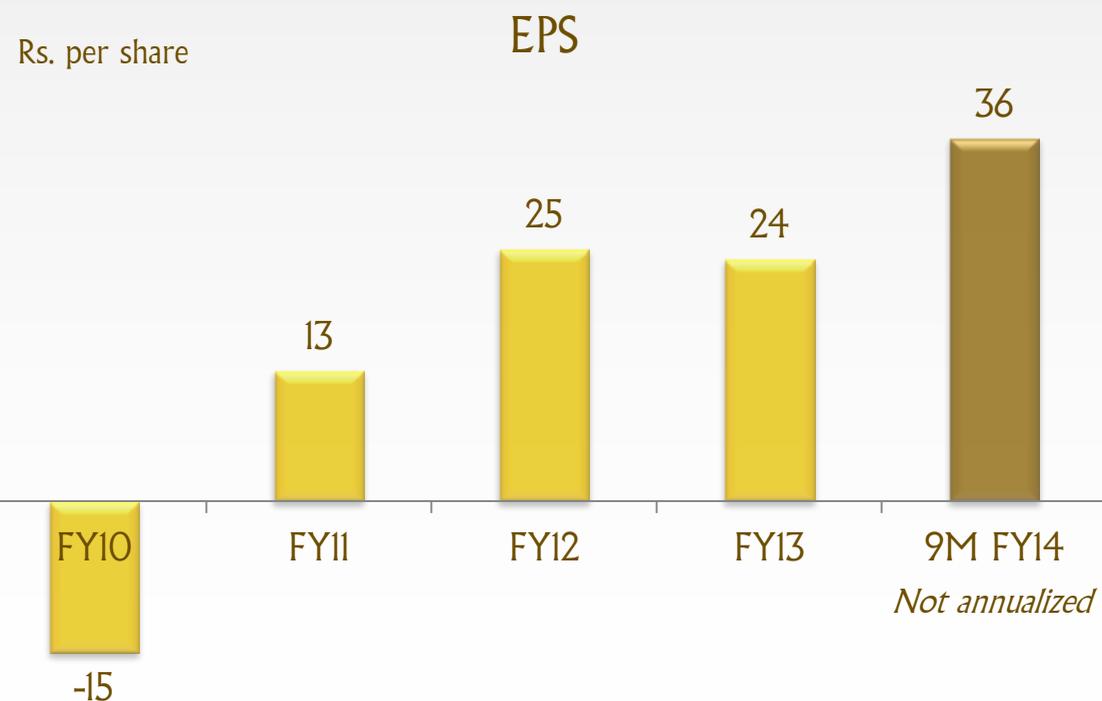


Financials Performance Trends

(Profits)



- Displayed stable margins and robust profitability in 9MFY14



Financials Performance Trends

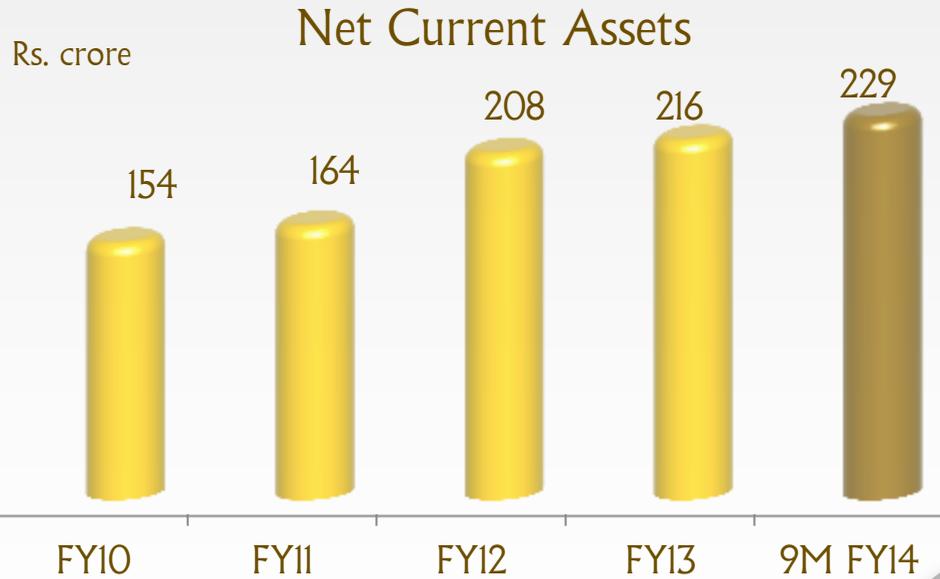
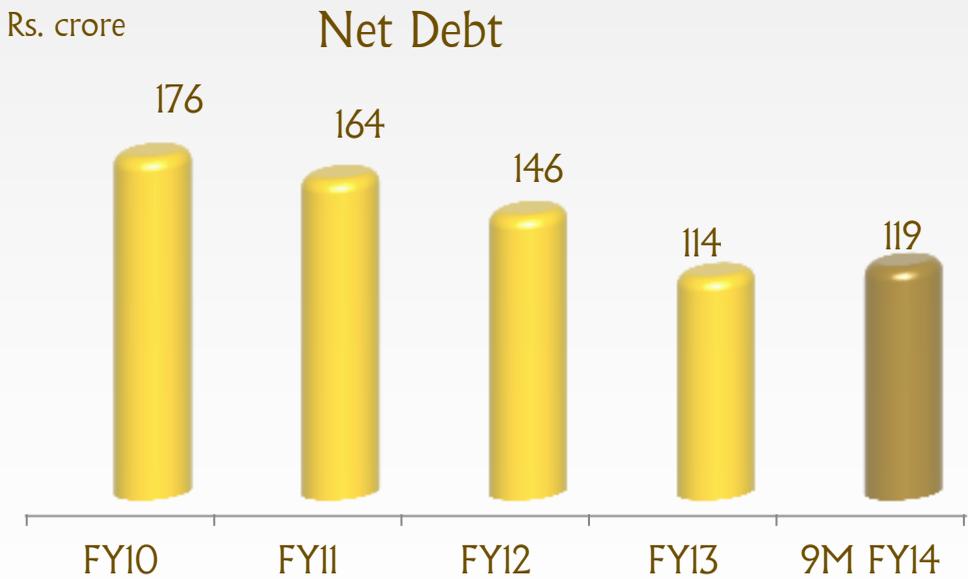
(Balance Sheet)



* During FY13, Shareholders' Equity was adjusted lower by Rs. 163.7 crore due to goodwill written off (Rs. 151.1 crore), provision for CDR recompense interest (Rs. 11.2 crore) and write off on liquidation of subsidiary (Rs. 1.5 crore)



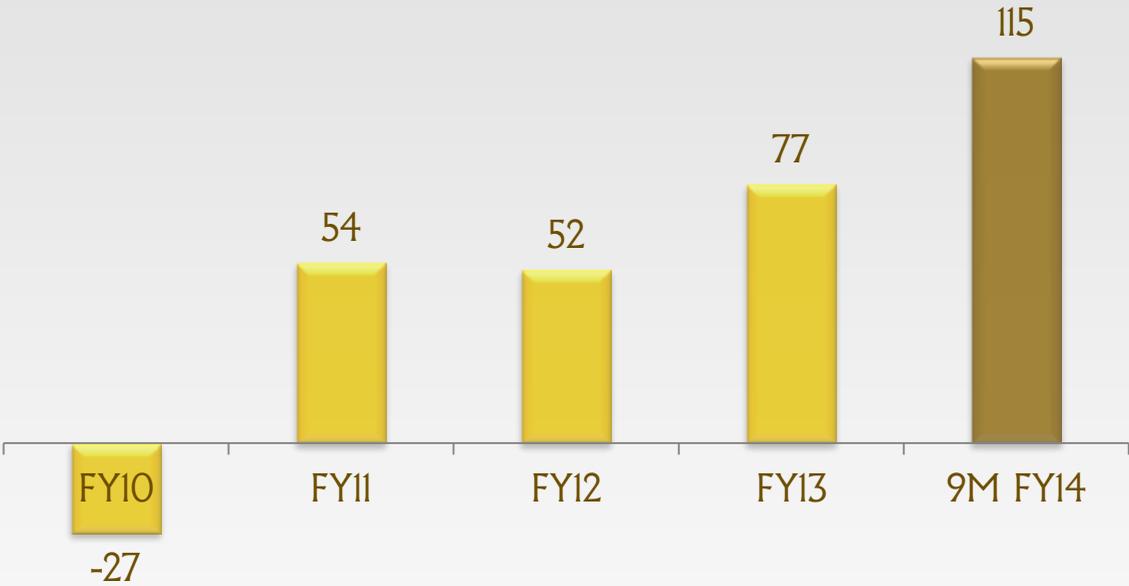
* During FY13 fixed assets were adjusted lower by Rs. 151.1 cr due to goodwill written off



Financials Performance Trends

(Cash Flow)

Operating Cash flow Rs. crore



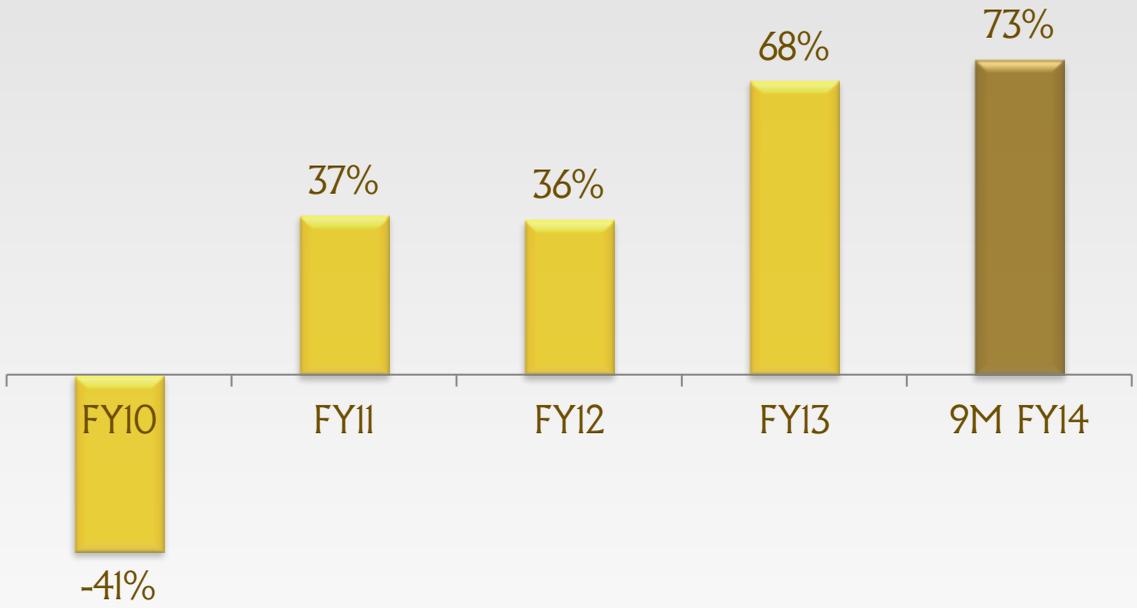
Free Cash Flow Rs. crore



Financials Performance Trends

(Key Ratios)

ROE



ROCE



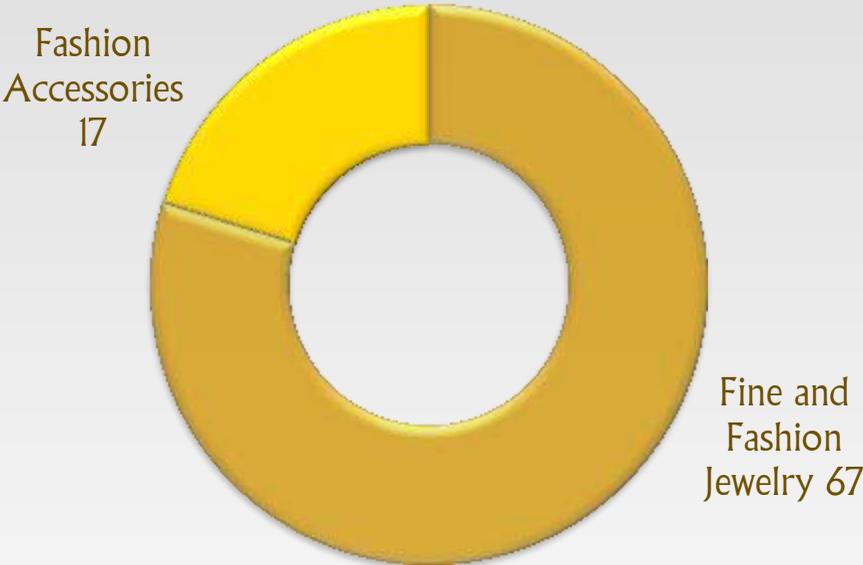
Table of Contents

Q3 & 9M FY14 Financial Performance	5
Financial Performance Trends	12
Business Background Details	20

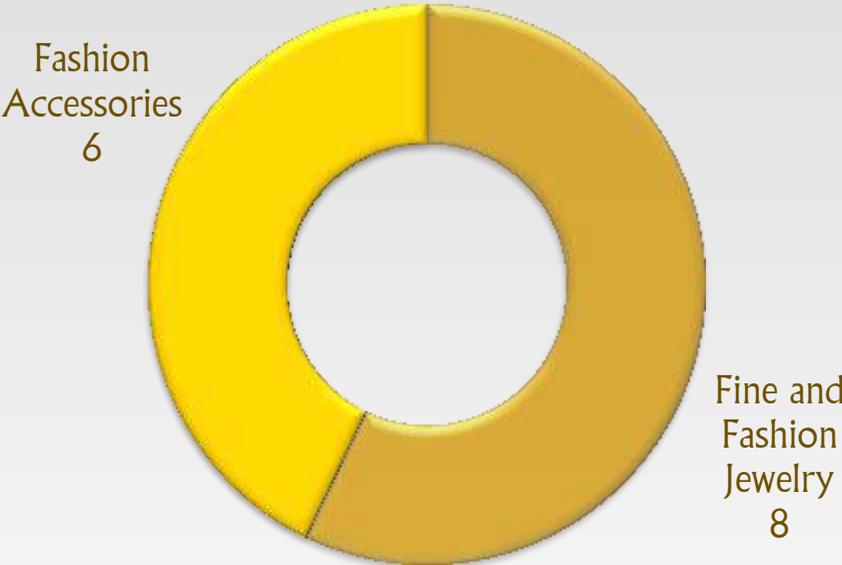


Market Opportunity

US market size (US\$ Bn)



UK market size (US\$ Bn)



Market share gains through expanded distribution network and introduction of collections/designs mapping market trends



Product Profile

FINE & FASHION JEWELLERY

Product catalogue includes bracelets, bangles, earrings, studded jewelry etc.



FASHION ACCESSORIES

Product catalogue includes watches, bags, phone protective shells etc.



OTHER LIFESTYLE PRODUCTS

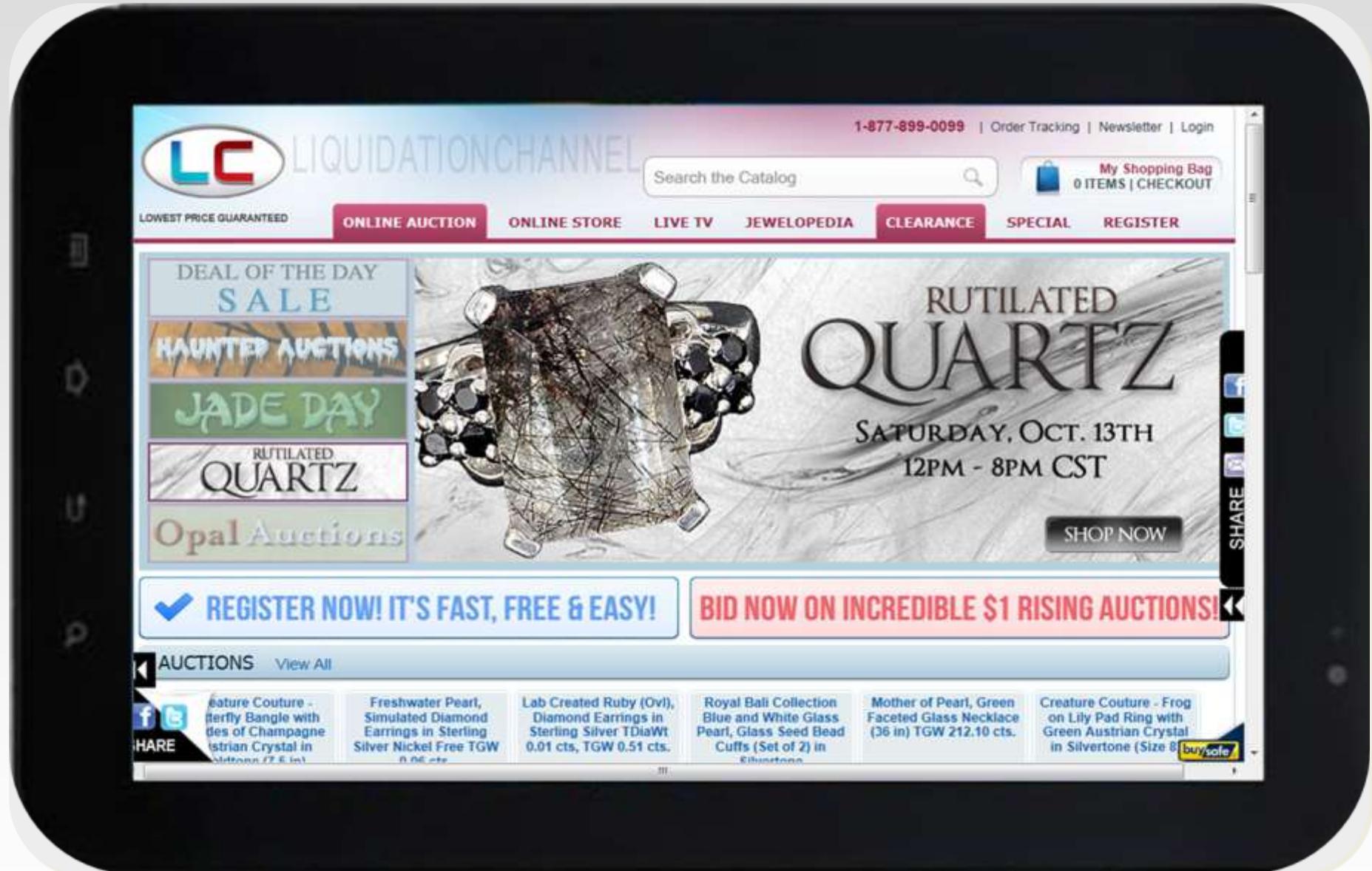
Product catalogue includes office and home décor, etc.



Continuously expanding product range – portfolio of 65,000 designs augmented with launch of lifestyle accessories



US Market Access on Liquidation TV Channel

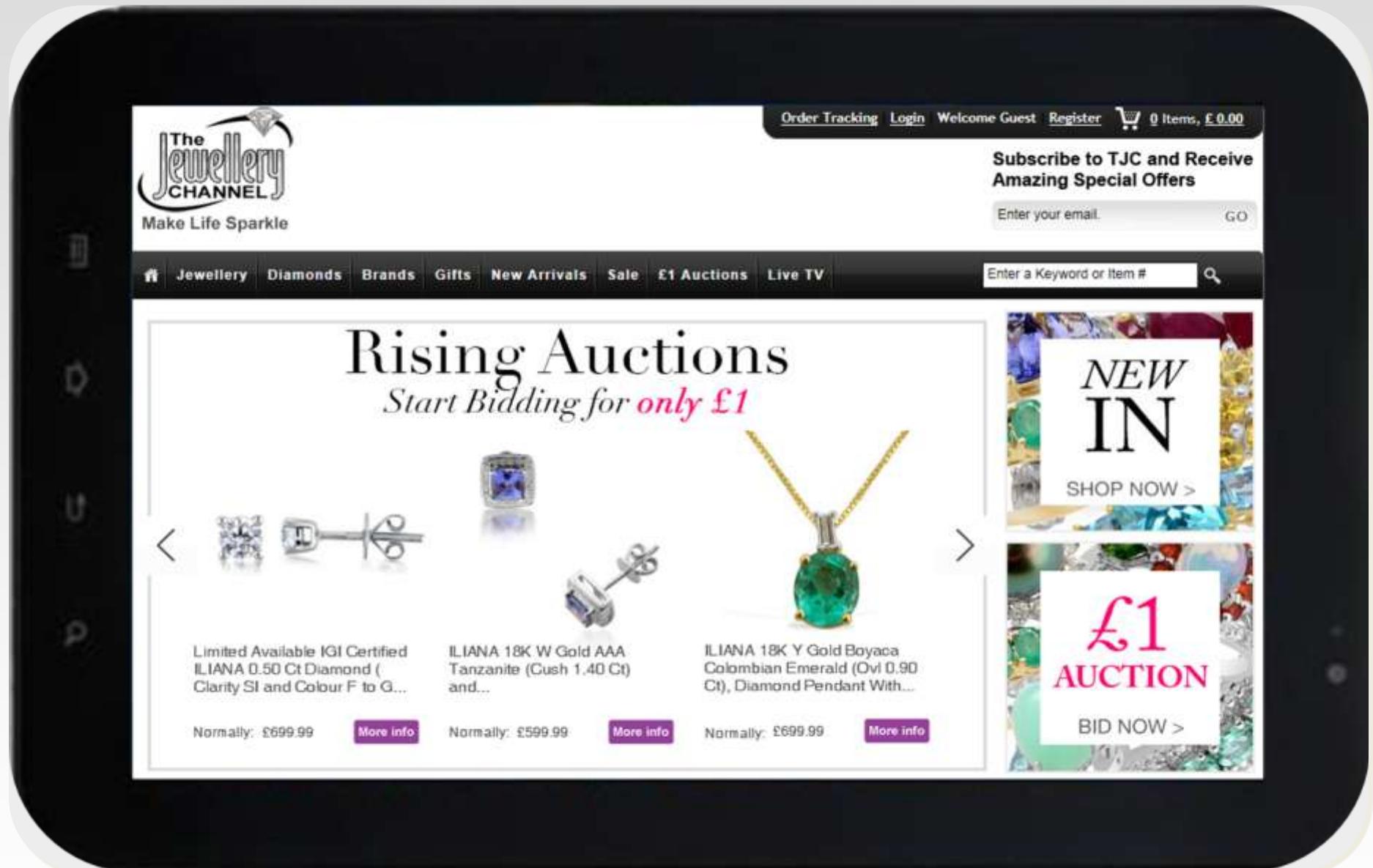


<https://www.liquidationchannel.com>

Access to 68 million of the 116 million households in the US



UK Market Access on the Jewellery Channel



www.thejewellerychannel.tv

Access to 25 out of the total 25 million households



Integrated Global Operations

SOURCING MARKETS

India

- Corporate HQ – Jaipur, Rajasthan
- ISO 9001:2008 manufacturing facilities
- Production capacity - ~3 million pieces p.a.
- Over 2,500 people in corporate, manufacturing, design, sales & marketing, customer service, logistics and support functions



Asia

- China is the hub for sourcing fashion and lifestyle accessories, accessed from multiple locations
- Sourcing capacity from China - ~7 million pieces p.a.
- Outsourcing operations expanding to Hong Kong, Indonesia and Thailand
- ~120 people in purchase/procurement and ancillary functions across Asia



CONSUMPTION MARKETS

USA

- USA HQ – Austin, Texas
- Liquidation Channel (US-based TV channel) and e-commerce
- Reaching 68 million households
- Over 650 people in sales & marketing, customer service, logistics, TV production, e-commerce and support functions



UK

- UK HQ – Hampton, Middlesex
- The Jewellery Channel (UK-based TV channel) and e-commerce
- Reaching 25 million households
- Over 100 people in sales & marketing, customer service, logistics, TV production, e-commerce and support functions

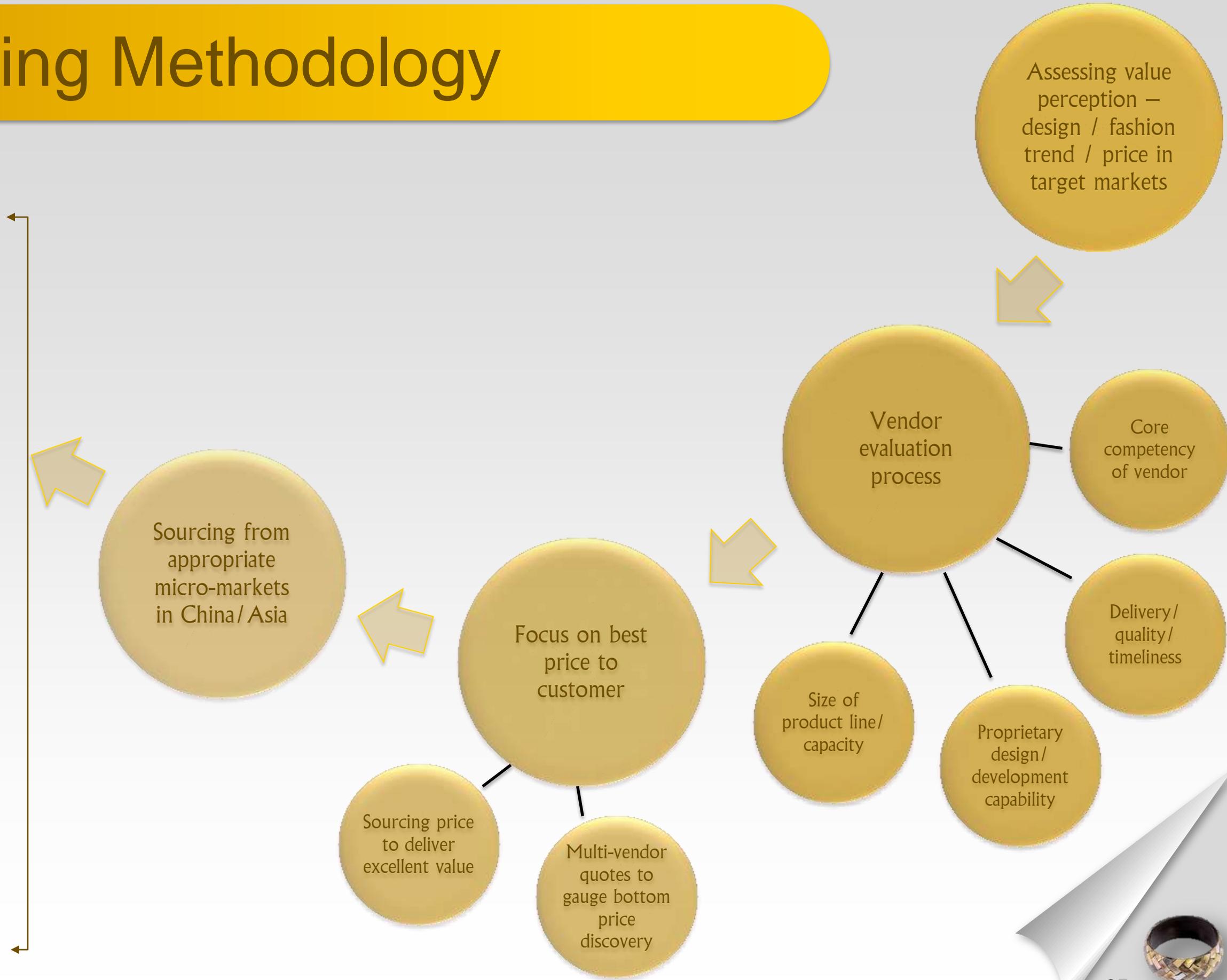


Seamless value delivery from complete vertical integration



Sourcing Methodology

- Competitive Pricing
- Mapping latest fashions
- Rapid turnaround
- Low investment
- Scale flexibility
- Access to latest manufacturing technologies



Aligned with Demand Patterns

Process



1

- Buyer discussions
- Evaluation / feedback of last year's hits / misses
- Product development strategies – by category

2

- Discussions / directions with global design teams

3

- Product development reviews
- Final approval to sketches / designs / styles / concepts

4

- Live sample evaluation
- Buyer reviews

5

- Products finalized by buyers
- Orders placed

6

- Product in warehouse



Recent Additions

Mr. Pulak Prasad

Director



- Founder of private equity fund Nalanda Capital Pte Ltd
- Serves as a director on the boards of several companies
- Over two decades of experience in investing and consulting at Nalanda, Warburg Pincus and McKinsey & Company

Vikram Kaushik

Director



- 40 years of experience with the companies like Unilever, Britannia, Colgate-Palmolive and Tata Sky
- Management consultant / advisor to groups like Voltas, Tata Strategic Management Group, Price Water House Coopers, AMAGI Media Labs and also has done shorter assignments for HSBC, Standard Chartered Bank and Warburg Pincus
- Currently a director in Sistema Shyam Teleservices Limited and India Capital Growth Fund

Hemant Sultania

Group Chief Financial Officer



- 17 years of rich experience in strategic financial planning, budgeting, project evaluation, commercial and legal affairs, taxation, fund management, finalization of accounts, revenue assurance, auditing, MIS development and mergers & acquisitions
- Previously CFO with Dr. Lal Path labs, Vice President with Bata India Limited and Senior Tax Manager at Ernst & Young India

Mahendra Kumar Doogar

Director

- 38 years in corporate finance, taxation, statutory and internal audit, merchant banking, financial structuring, project consultancy and fund management
- Presently on the Board of PHD Chamber of Commerce and various companies like, BSL Ltd., Frick India Ltd., Morgan Ventures Ltd., Kamdhenu Ispat Ltd. and Radico Khaitan Ltd.



Management Team

Sunil Agrawal

Chairman and Managing Director*



- Established Vaibhav in 1980 as a first generation entrepreneur and has led the company's transition into a leading brand for fashion jewelry and lifestyle accessories
- Travels extensively across the world, overseeing operations, sourcing raw material globally and representing the company at major trade shows and jewelry fairs in the US, Europe and Asia

Gerald Tempton

President, The Liquidation Channel USA



- Leading VGL's US retail business for the last four years
- Distinguished career since 1979 in retail/consumer products, commercial real estate, financial services across merchandising, sales, marketing and operations at Zale's Jewelers, JB Robinson Jewelers, Gordon Jewelry Corp, Gap Inc, the Walt Disney Company, United Colors of Benetton and KB Toys

Colin Wagstaffe

Managing Director, The Jewellery Channel UK



- Previously led retail marketing and ecommerce initiatives at UK and Ireland operations of Signet Jewellers, the largest specialty retail jeweler by sales in the US and UK
- Over two decades in leadership marketing roles in major UK businesses – J Sainsbury plc, one of the UK's leading supermarket companies and BAA, the UK's largest, airport operator

Sri Burugapalli

Senior Vice President , Group Strategy



- Moved into group strategy after leading VGL's US and UK business operations for 7 years, focusing on restructuring and rebranding.
- 14 years in automotive player ZF Group's US operations across operations leadership/general management with deep experience in P&L management, organization development, global supply chain partnerships and startup ventures

* w.e.f February 1st, 2014



Management Team

Hemant Sultania

Group Chief Financial Officer



- 17 years of rich experience in strategic financial planning, budgeting, project evaluation, commercial and legal affairs, taxation, fund management, finalization of accounts, revenue assurance, auditing, MIS development and mergers & acquisitions
- Previously CFO with Dr. Lal Path labs, Vice President with Bata India Limited and Senior Tax Manager at Ernst & Young India

Gaurav Vishal Soni

Chief Operating Officer, VGL India



- 17 years of extensive operations experience in the automotive sector, held senior positions heading businesses and plants in companies such as Motherson Sumi, Texplas, Lifelong India (Hero Honda Group) and Omax Auto

Praveen Tiwari

Vice President , STS China



- Over 15 years at VGL, currently heads the group's China and Hong Kong sourcing operations
- Part of core team that successfully implemented organizational turnaround strategies

Pushpendra Singh

Vice President , Human Resources Asia



- 19 years of experience in HR with a range of Indian companies such as NTPC, Jindal Steel and Power, Kalpataru and Reliance Communications, successfully implementing many talent acquisition, management and retention initiatives

Charlie Curnow

Group Chief Information Officer



- Extensive experience across EMEA, Asia-Pac and South America in IT leadership roles at both public and private sector companies including A.H. Belo Corporation, Bear Stearns, Blockbuster, Coca-Cola, Computer Sciences, Dell, and General Electric
- Focused on leading the expansion of VGL's global IT capabilities



Contact Information

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**Thank
You**