

Vaibhav Global Limited

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

Q1 FY14 Financial Results Presentation July 2013



Raindrop Collection
RACHEL GALLEY
Jewellery >

Indulge in the warming tones
of
MADEIRA CITRINE

Smacking down the prices all day!
**24-Hour
Tanzanite
Smack-Down**

£1
AUCTION
BID NOW >

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 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

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

- Over 100 million households on Home TV shopping in the US and UK
- Strong traffic growth on Internet shopping websites

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

Deeply engaged customer base

Expanding customer lifetime value and customer retention rate

Significantly Strengthened Financial Matrices

Robust P/L growth, contained balance sheet with negligible long term debt, significant free cash flows and high return on capital employed



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Key Highlights for Q1 FY14



Home TV Network Reaches Over 100 Million Households

- 87 million households on full time equivalent (FTE) basis
- 63 million households in the US
- 20 million households in the UK
- 18 million households in Canada



Retail Volumes Rise 35% to 1.9 Million Units

- Volume growth driven by Fashion Jewelry
- Successfully launched new lines of Lifestyle Accessories
- 25% higher volumes on Home TV shopping
- 72% higher volumes on Web shopping



Strong Financial Performance

- Total Income rises 28% to Rs. 263.9 crore
- EBITDA up 28% to Rs. 45.7 crore
- Profit after tax at Rs. 40.1 crore, growth of 43%
- Earnings per share of Rs. 12.5 in Q1



Significant Improvement in Return Ratios

- Return on Equity at 50%
- Return on Capital Employed at 31%



Chairman's Message

Commenting on Q1 FY14 performance, Mr. Sunil Agrawal , Chairman, Vaibhav Global said:



“We have started this year on a strong note, both our revenue growth of 25% and operating margins of 14% exceed the guidance shared last quarter. Our results in Q1 demonstrate the performance in a steady state of operations where higher volumes have been achieved on existing infrastructure by strengthening the engagement with existing customers. This has resulted in higher sales volumes and improved margins.

We have strategically invested in technology, infrastructure and human resources to support continued business growth. Concurrently, we have expanded our fashion jewelry portfolio to include lifestyle accessories and customer response has been encouraging.

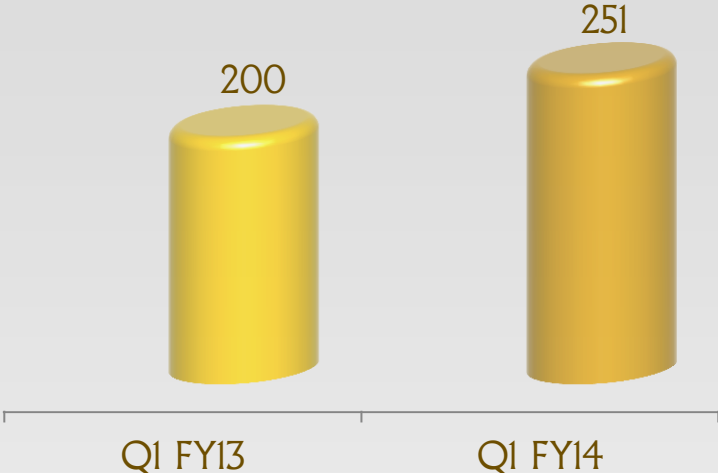
We will continue to focus on creating a niche for ourselves as an operator of TV channels and web operations that are increasing their footprint as deep value brands. We are confident of sustaining our growth momentum and expect to achieve our targeted financial and operating results for the year.”



Financials - Q1FY14 Performance

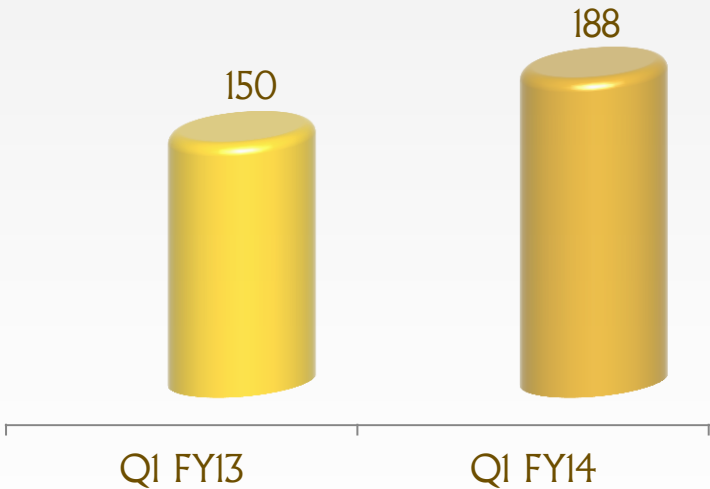
(Revenues)

Revenues (Rs. Crore)

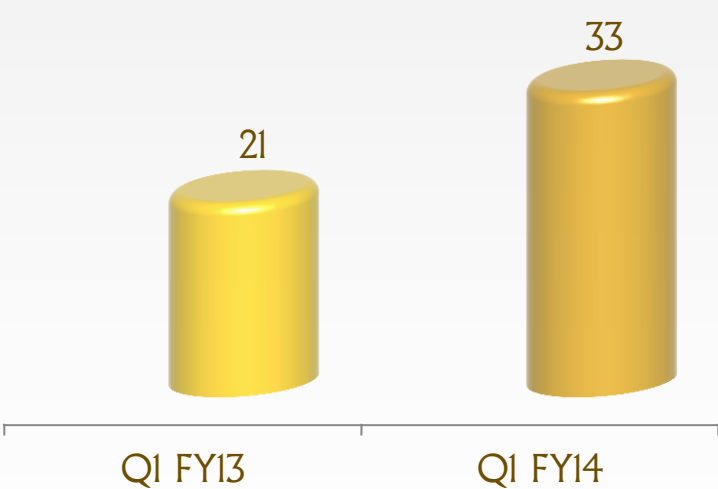


Jewelry & Lifestyle Products

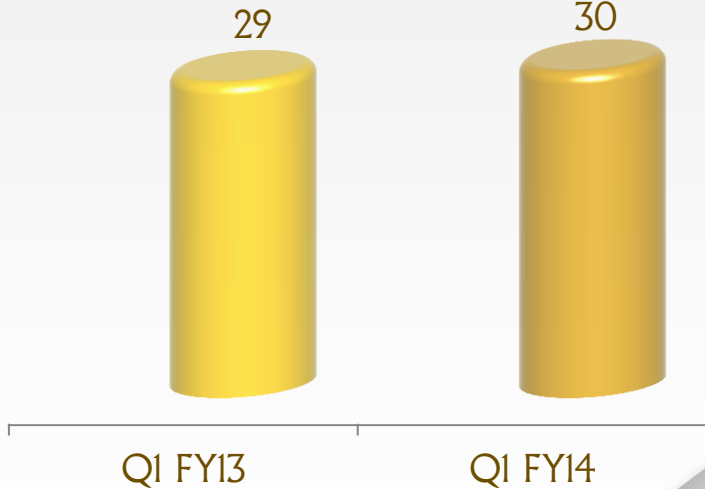
TV Sales



Web Sales



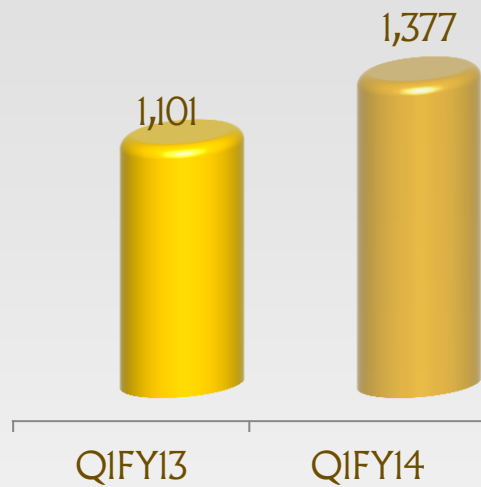
B2B Sales



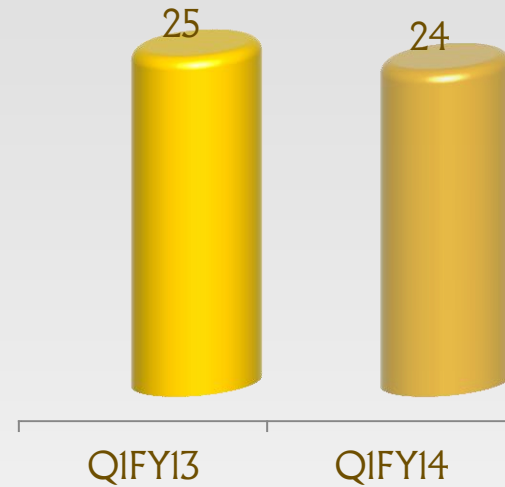
Retail Performance Trends

TV Sales

Sales Volumes ('000s)

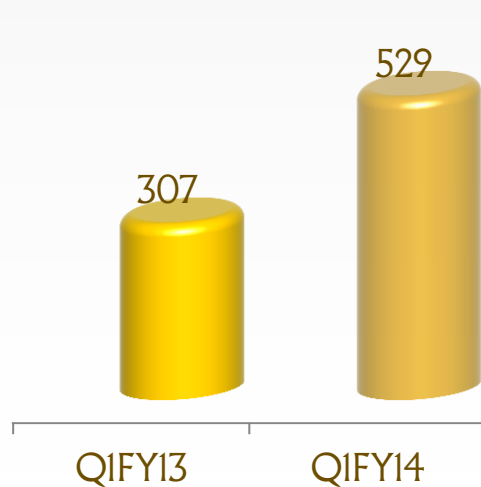


Average selling price US\$

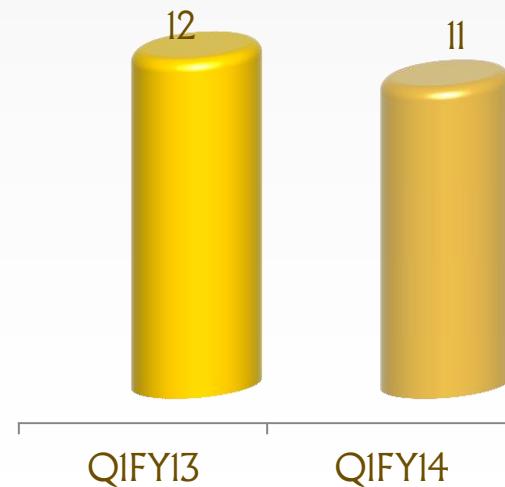


Web Sales

Sales Volumes ('000s)



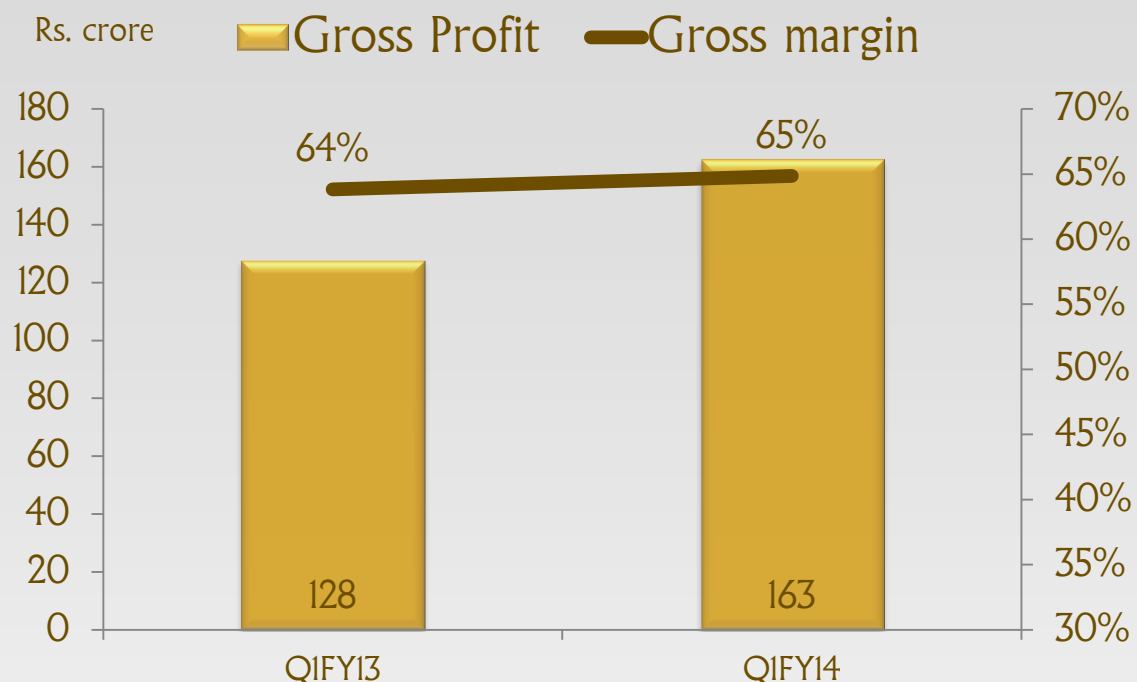
Average selling price US\$



- Strong volume growth – 25% volume growth on TV and 72% on Web
- Growth driven by expansion of fashion jewelry and lifestyle accessories lines
- Concerted efforts at driving Web sales which now contribute 28% of sales volume
 - There is limited cost attributed to the web sales platform except initial customer acquisition – no associated airtime cost, as with TV

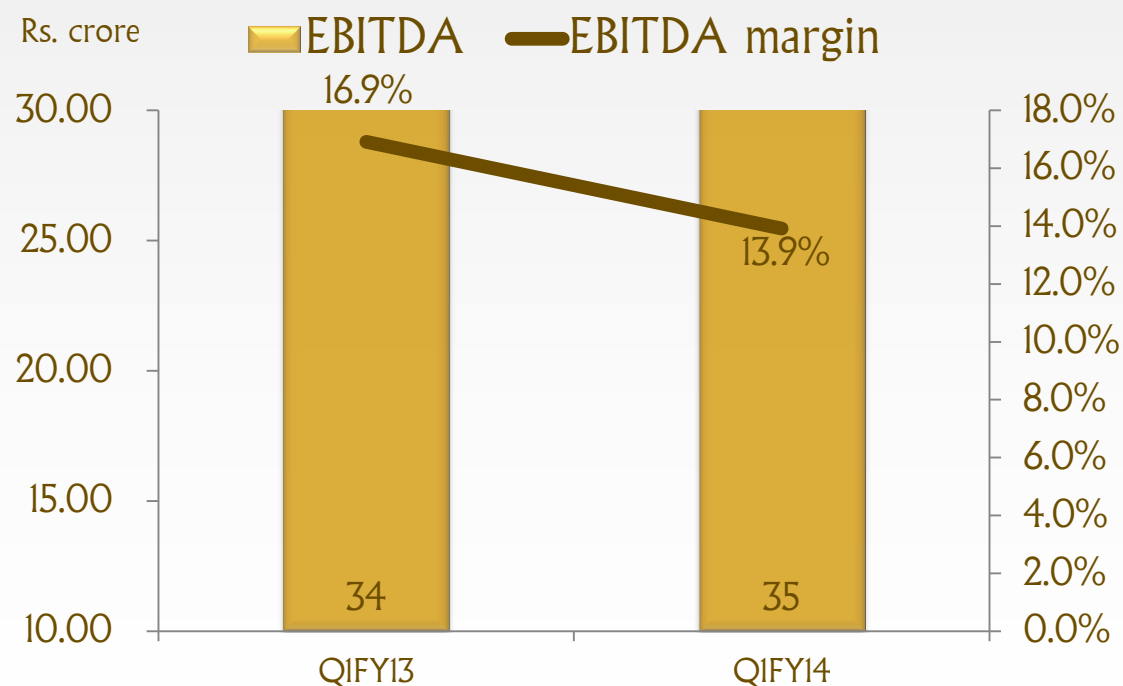
Financials – Q1FY14 Performance

(Margins)



- Gross margins are stable y-on-y but have improved significantly on a sequential quarter basis (Q1 vs Q4) as discounting schemes were rationalized on customer demand

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



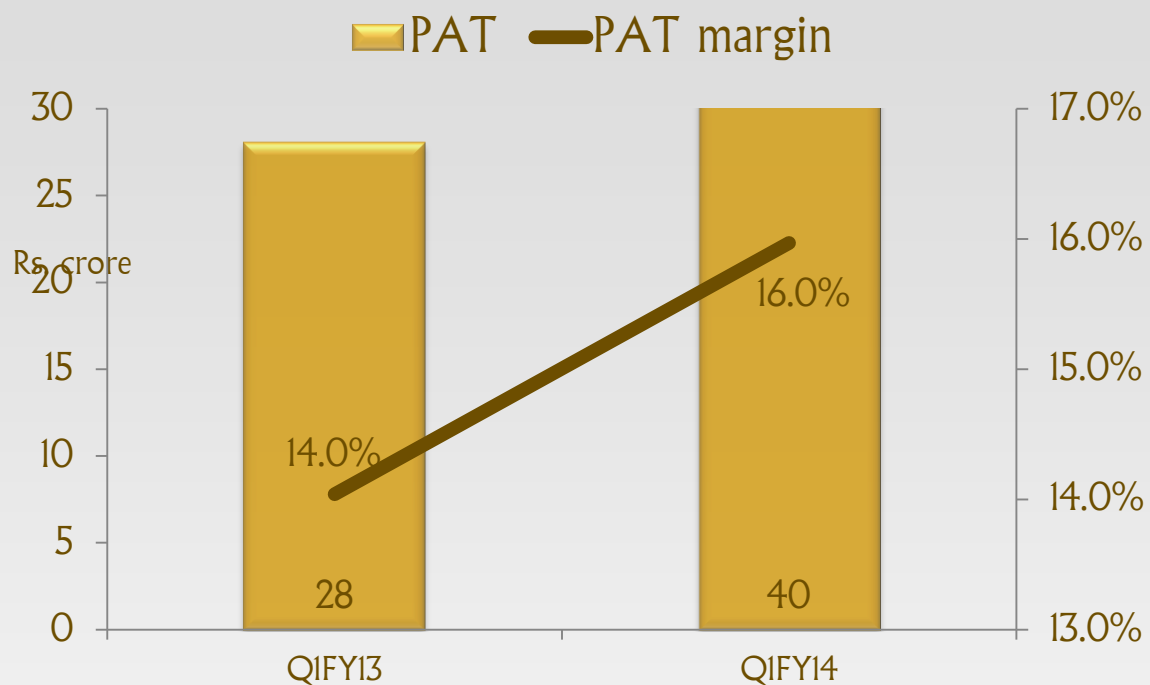
- Margins have rebounded in Q1 vs Q4 as the business leveraged investments in marketing, operations, facilities, people development and hardware/software technologies for e-commerce and TV

Note:
 EBITDA excludes exchange gain/loss;
 EBITDA margin including exchange gain/loss stood at 18.2% in Q1 FY14 v/s 17.8% in Q1 FY13

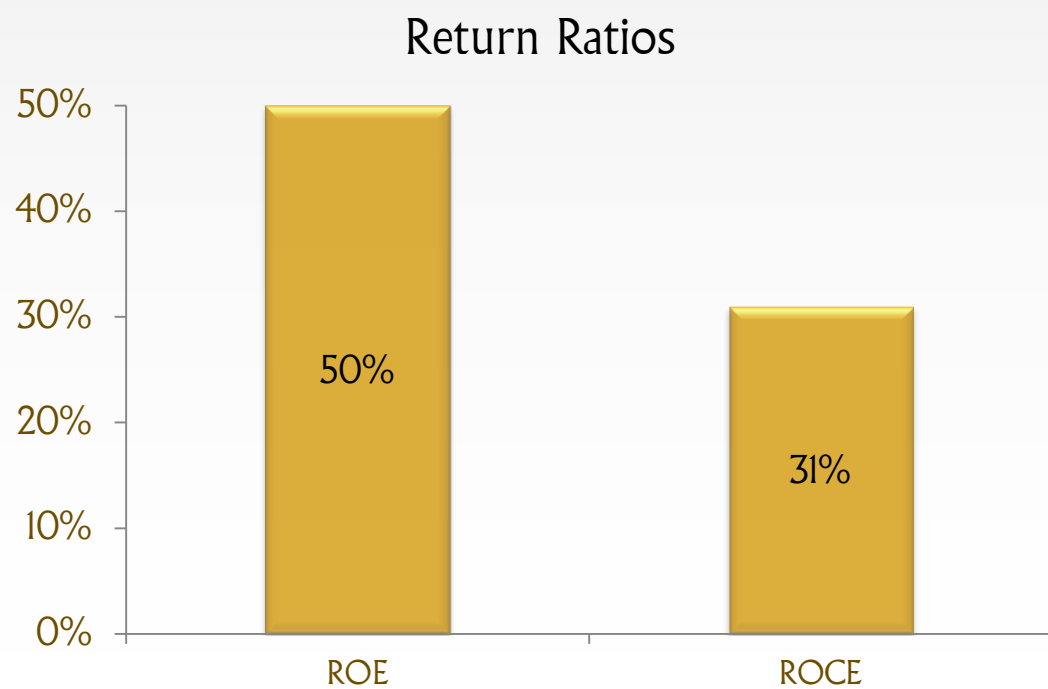


Financials - Q1FY14 Performance

(Profits)



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



- Significant returns on capital employed and shareholders' equity



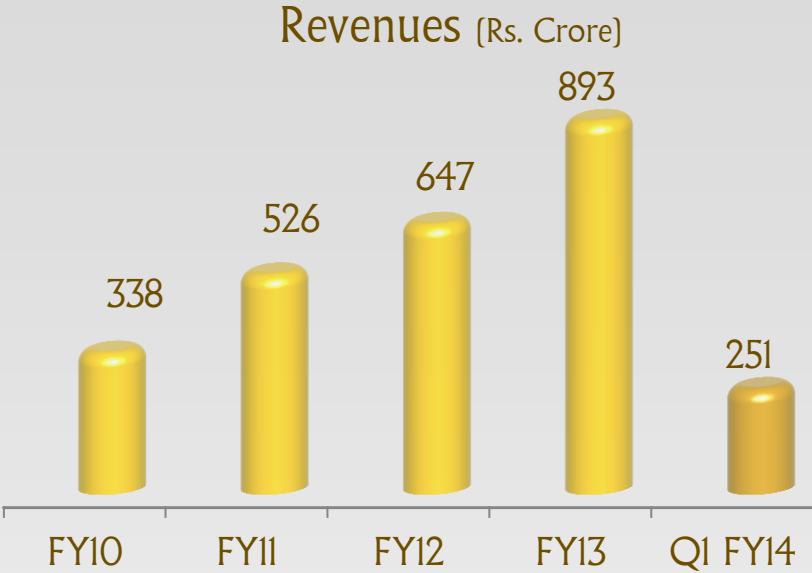
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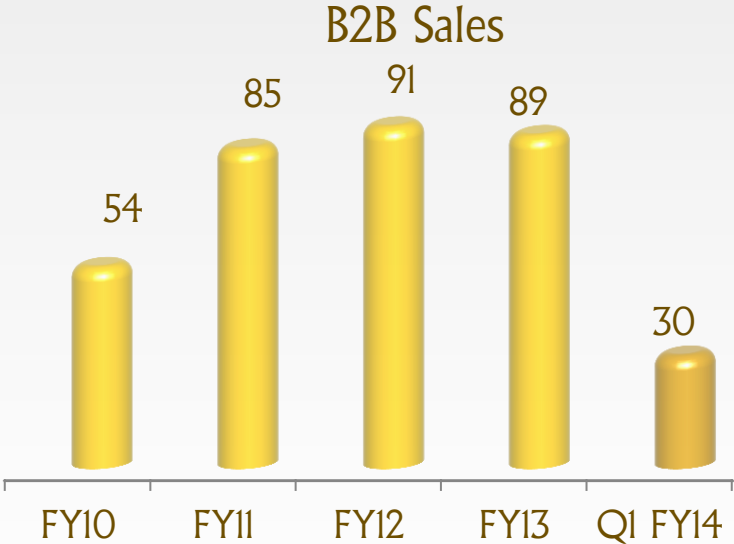
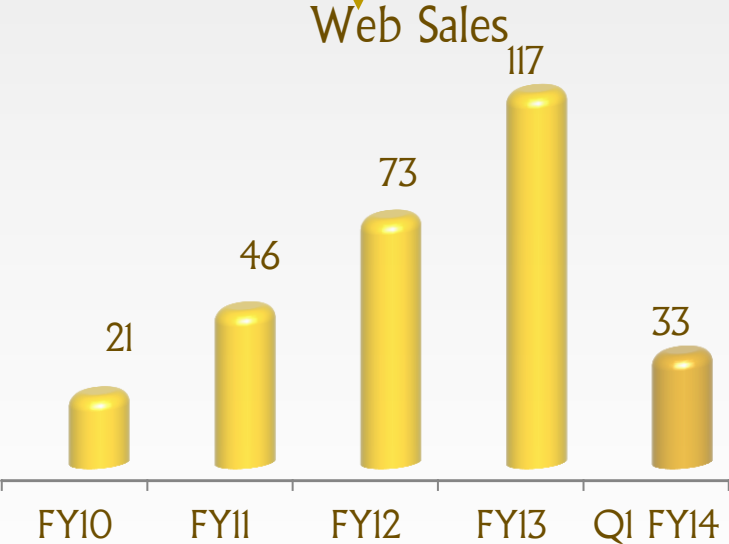
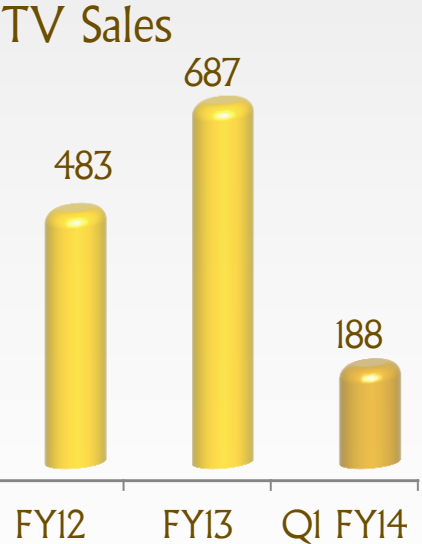


Financials Performance Trends

(Revenues)



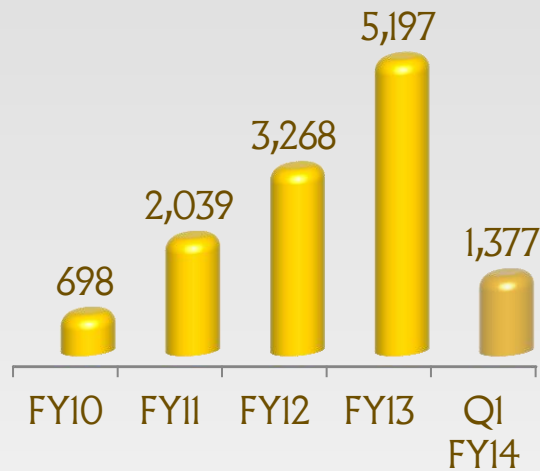
Jewelry & Lifestyle Products



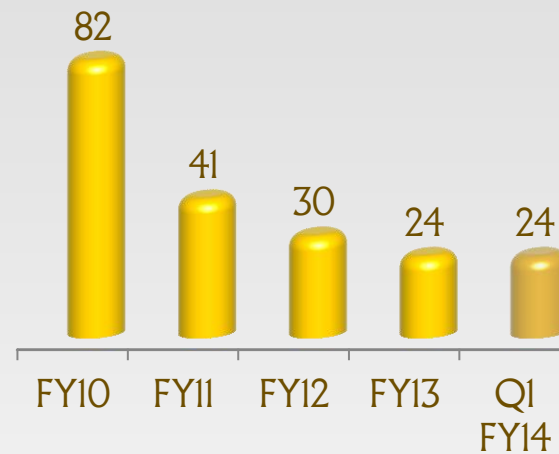
Retail Performance Trends

TV Sales

Sales Volumes ('000s)

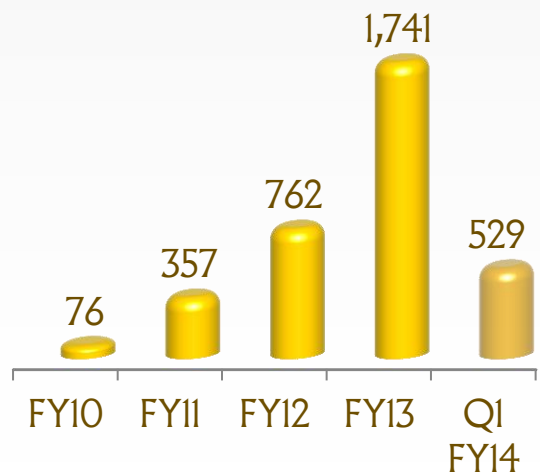


Average selling price US\$

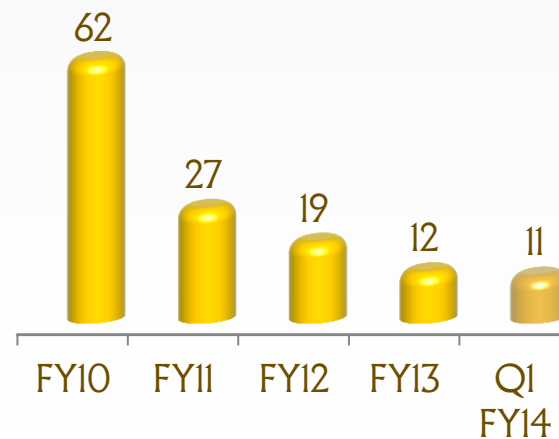


Web Sales

Sales Volumes ('000s)



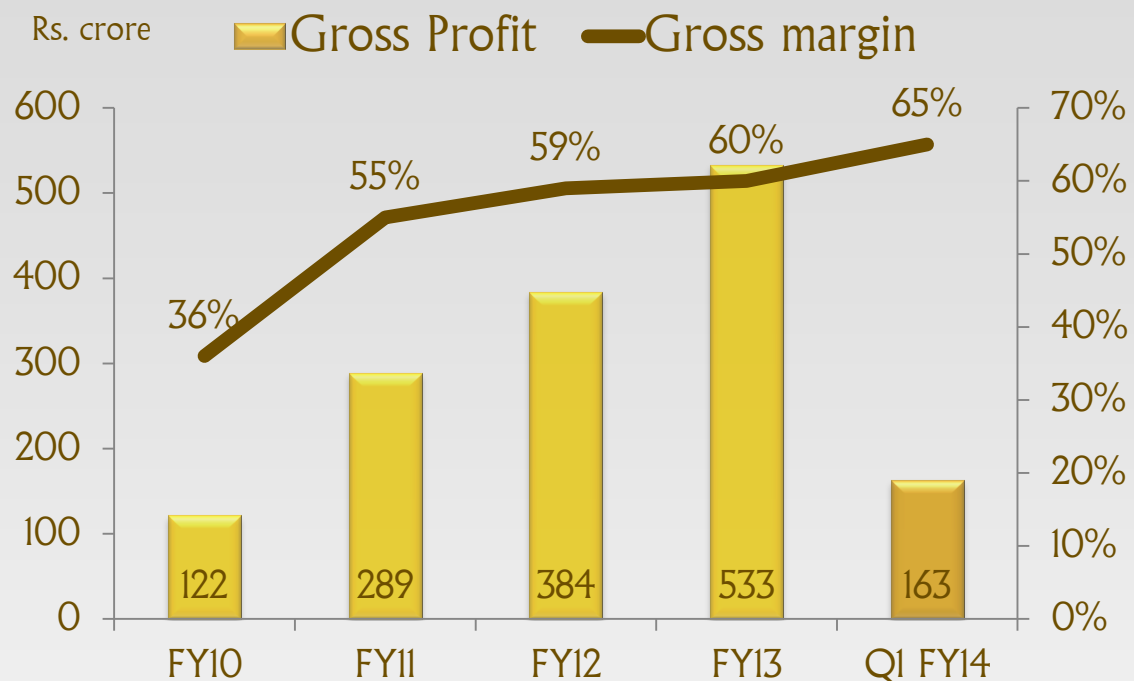
Average selling price US\$



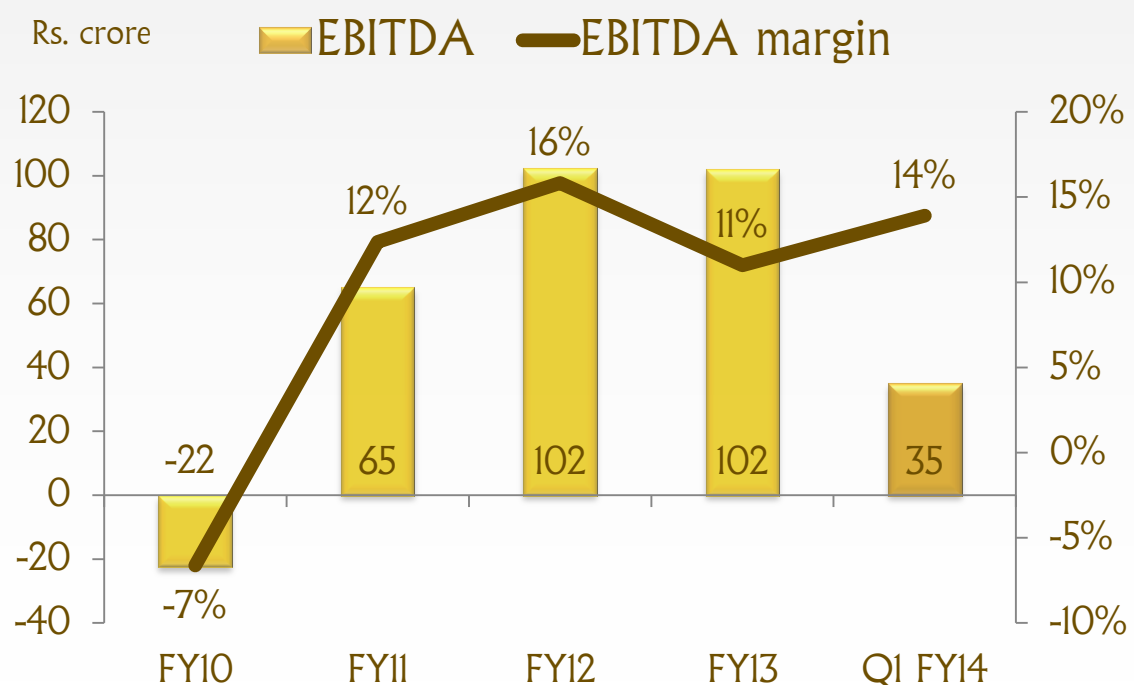
- Volumes have expanded significantly across both sales platforms (TV and Web) even as the product mix has transitioned from precious jewelry to fashion jewelry and lifestyle accessories.
- Web sales have been effectively used to complement sales on the company's TV shopping channels.
- Web contribution to profitability is in line with that of TV that has higher costs associated due to airtime expenses

Financials Performance Trends

(Margins)



-
- Gross margins have continued to expand as material cost are lower in a product portfolio that has transitioned from fine jewelry to the current lines of fashion jewelry and lifestyle accessories

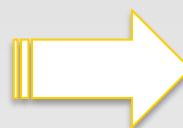
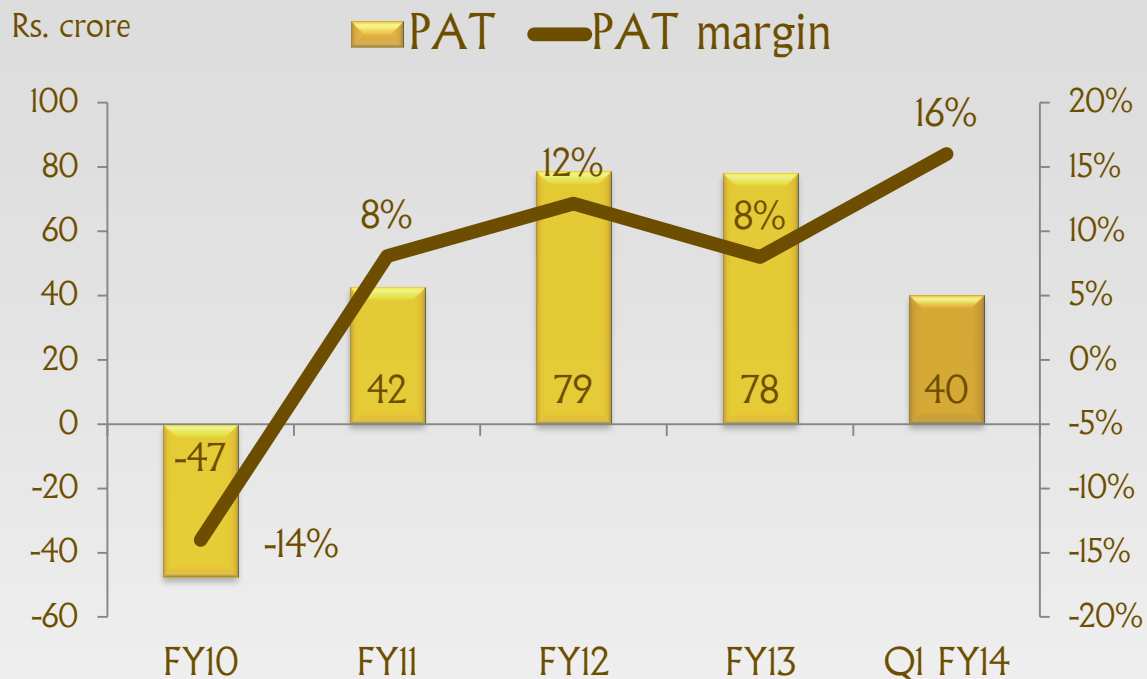


-
- The growth platform has been built over the last three years and now EBITDA margins are expected to stabilize

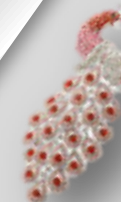
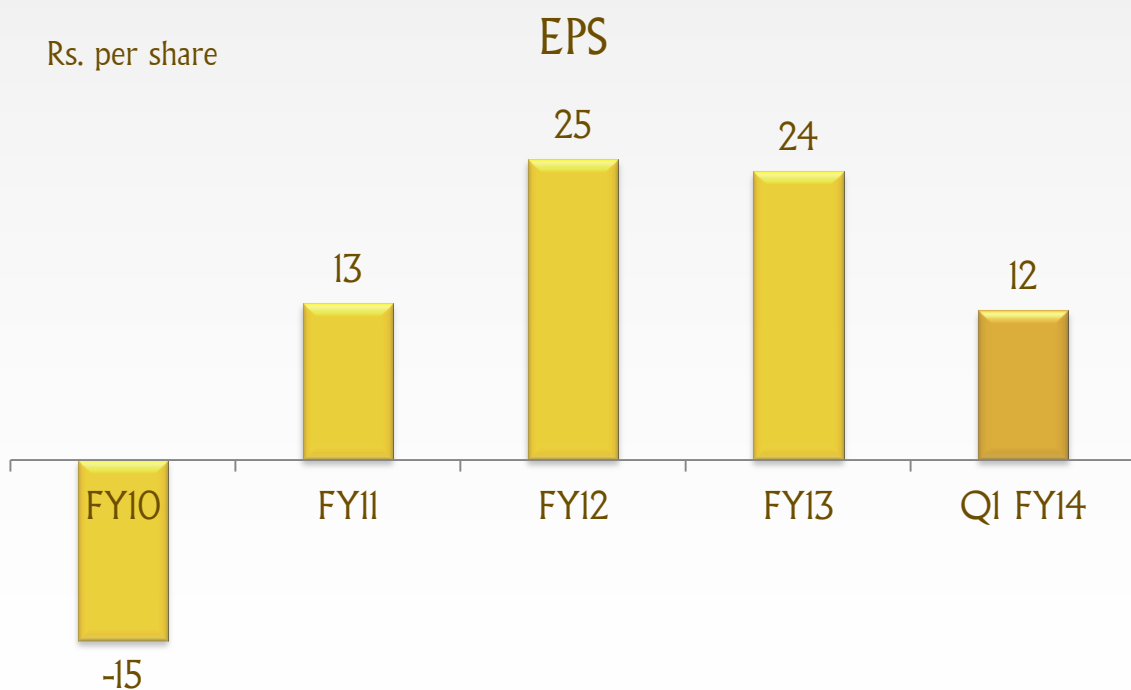


Financials Performance Trends

(Profits)



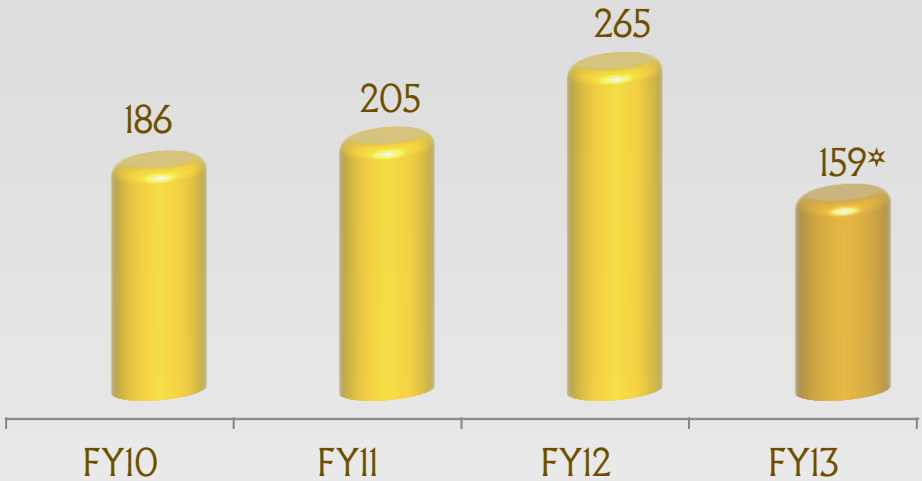
- Expanding the resource base across both US and UK impacted profits, the company is now focused on growing market share and will continue to re-invest in various initiatives that drive shareholder value over the long term.



Financials Performance Trends

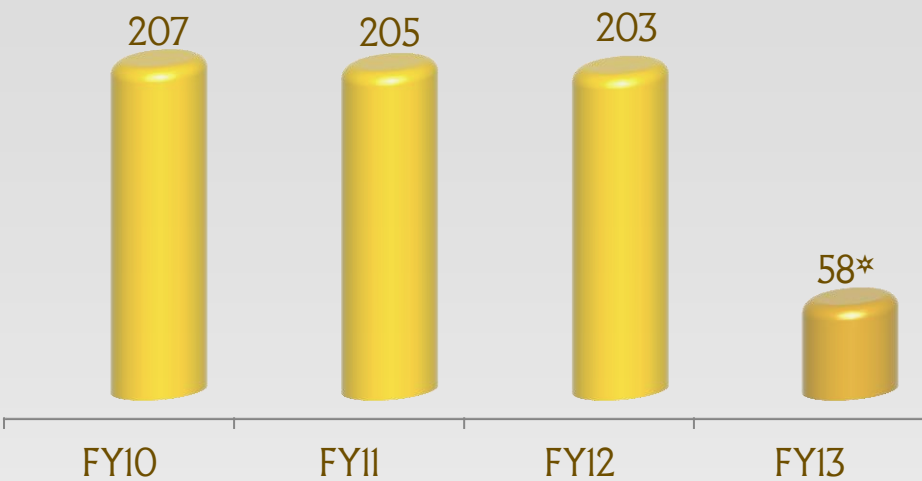
(Balance Sheet)

Shareholders' Equity



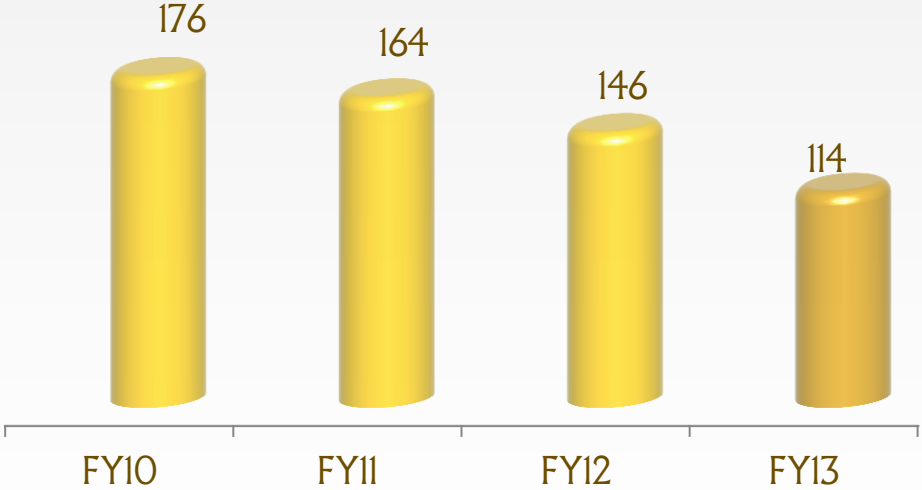
* During FY13, Shareholders' Equity was adjusted lower by Rs. 163.7 crore due to goodwill written off (Rs. 151.1 crore), provision for CDR recompense interest (Rs. 11.2 crore) and write off on liquidation of subsidiary (Rs. 1.5 crore)

Fixed Assets

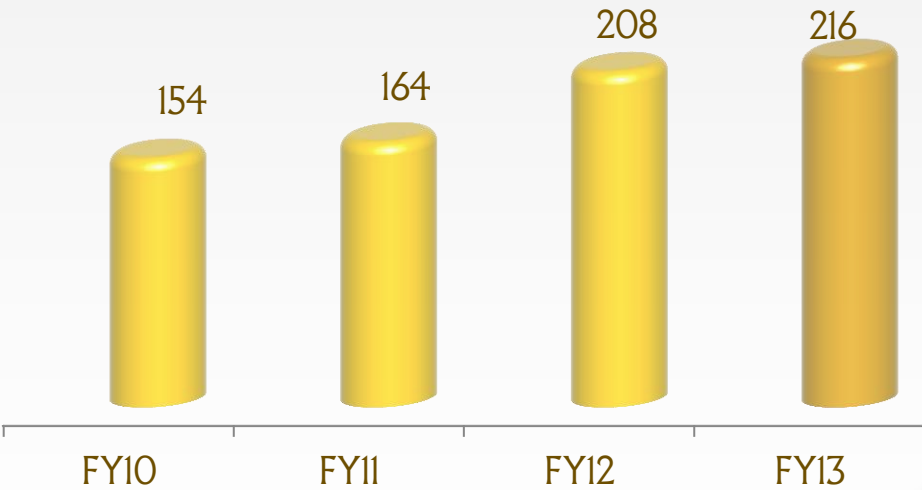


* During FY13 fixed assets were adjusted lower by Rs. 151.1 cr due to goodwill written off

Net Debt



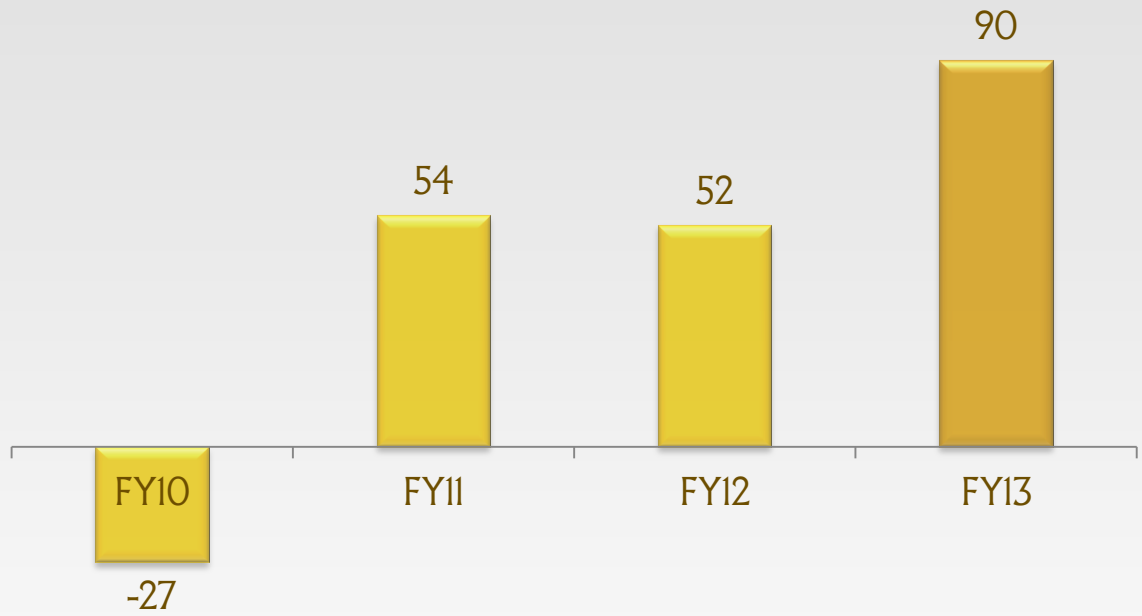
Net Current Assets



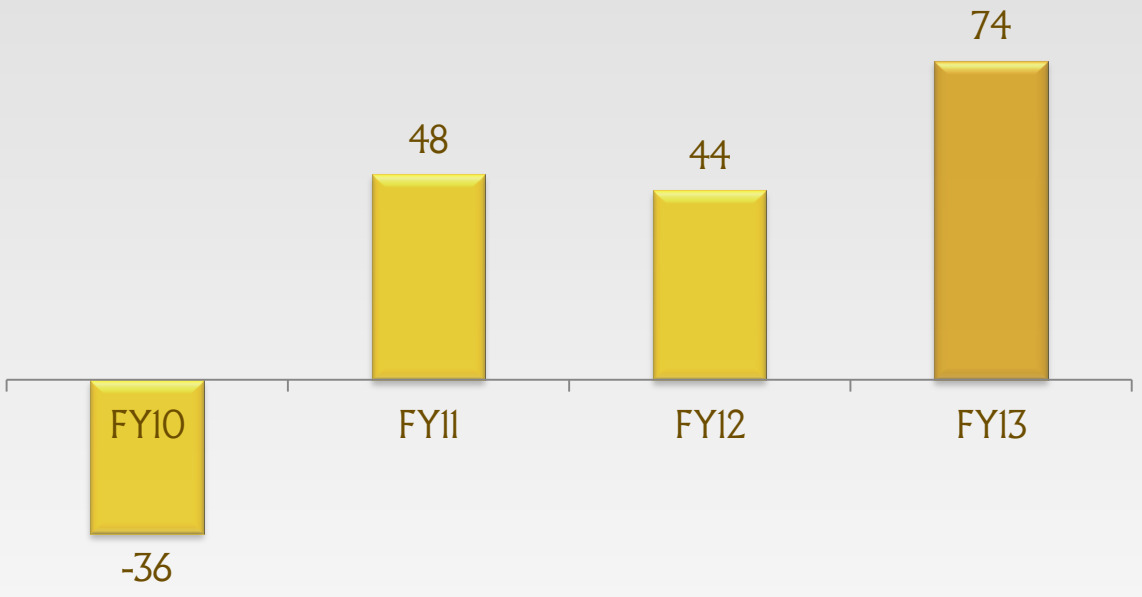
Financials Performance Trends

(Cash Flow)

Operating Cash flow



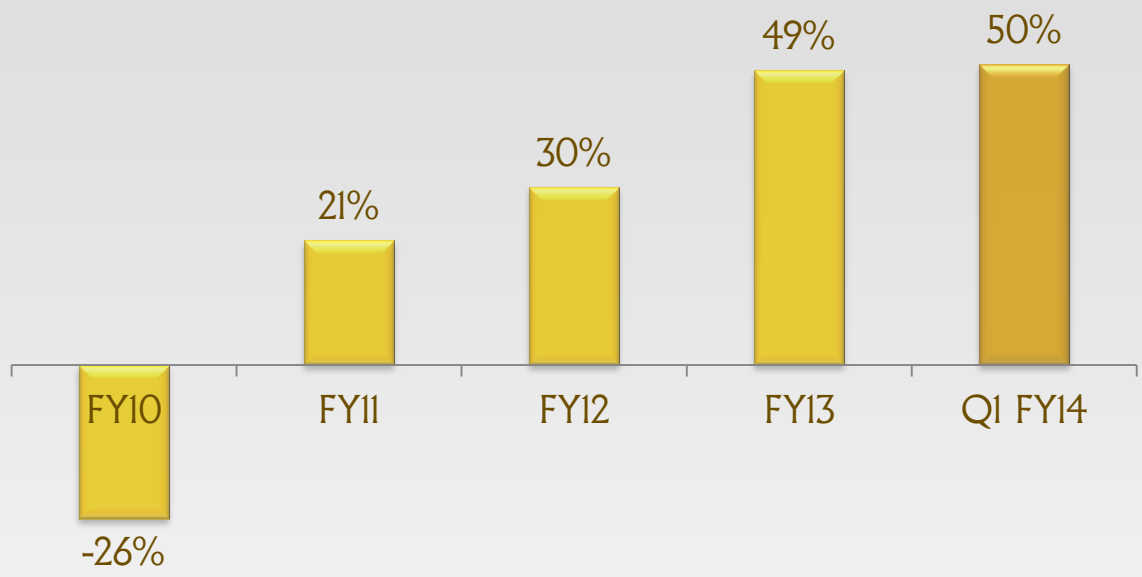
Free Cash Flow



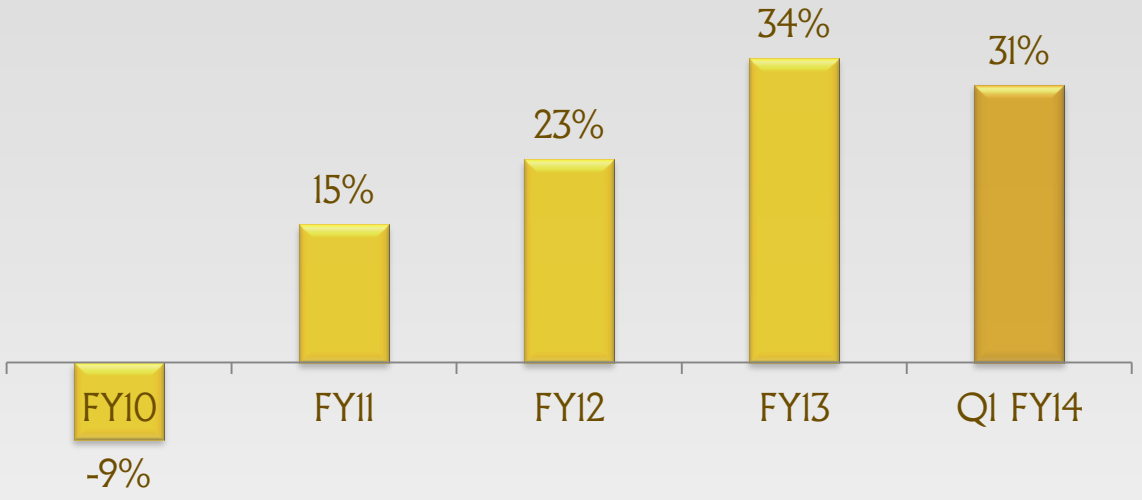
Financials Performance Trends

(Key Ratios)

ROE



ROCE



Working Capital Days

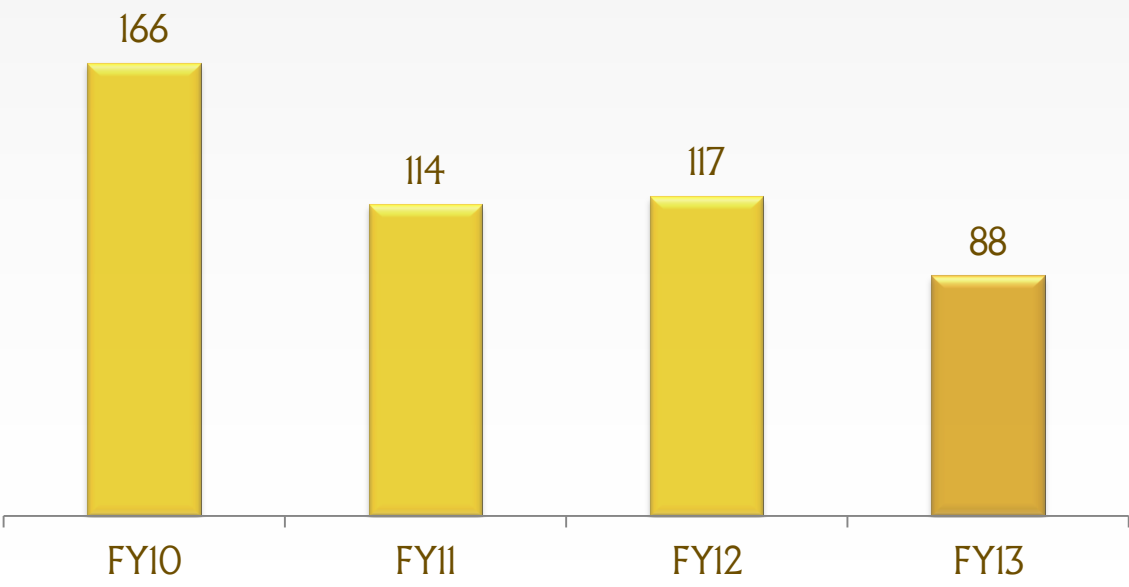
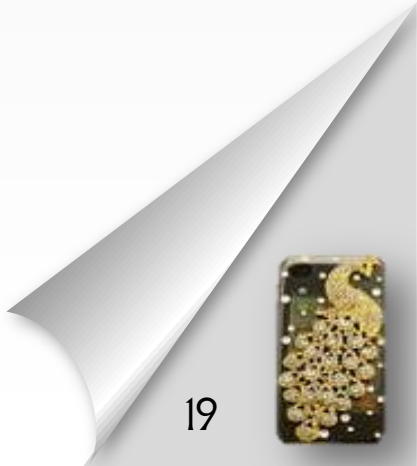


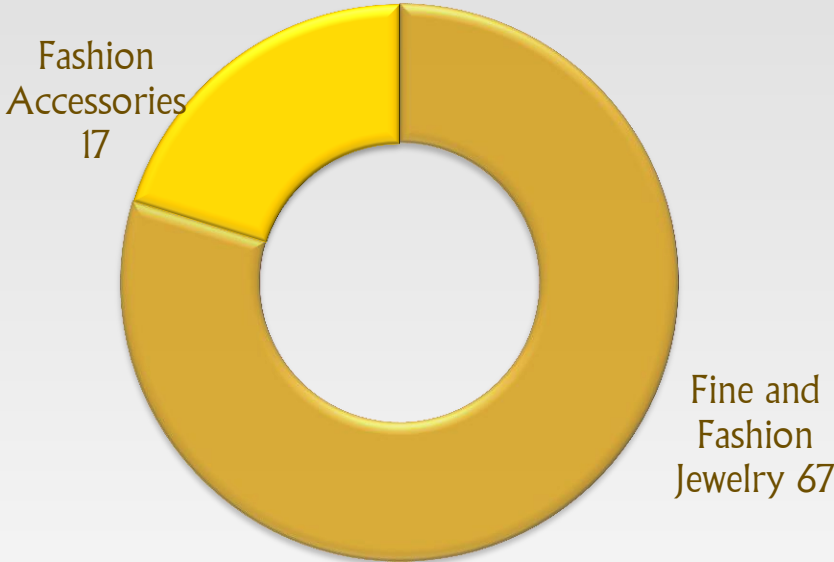
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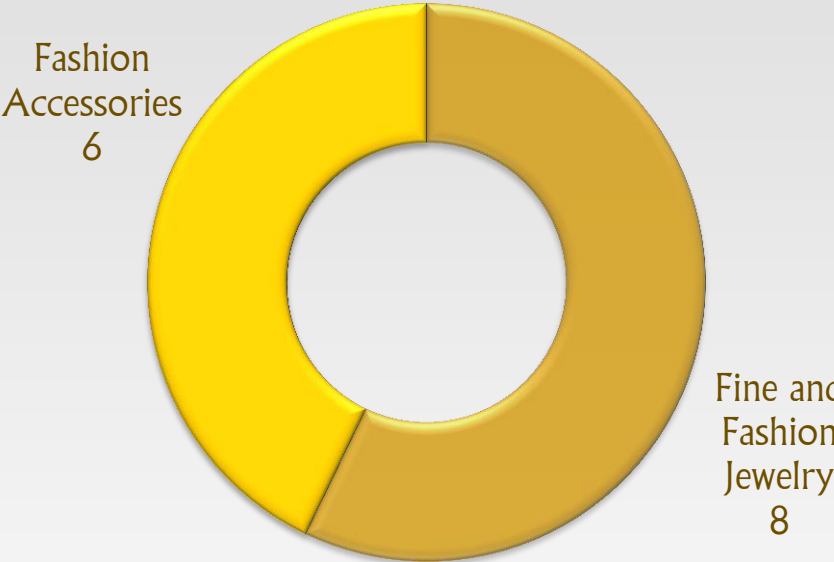


Market Opportunity

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 bracelet, bangle, earring, studded jewelry etc.



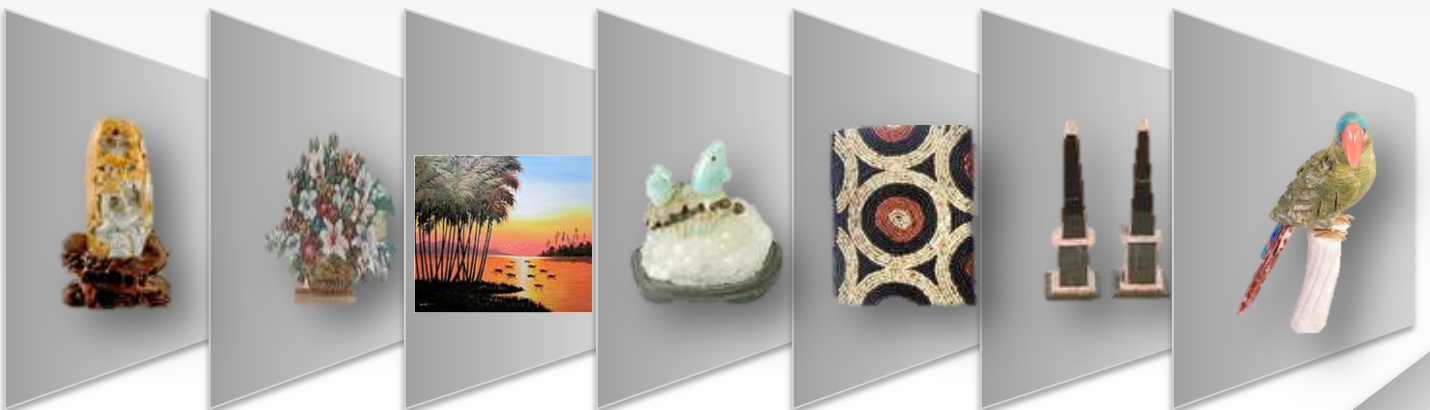
FASHION ACCESSORIES

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



OTHER LIFESTYLE PRODUCTS

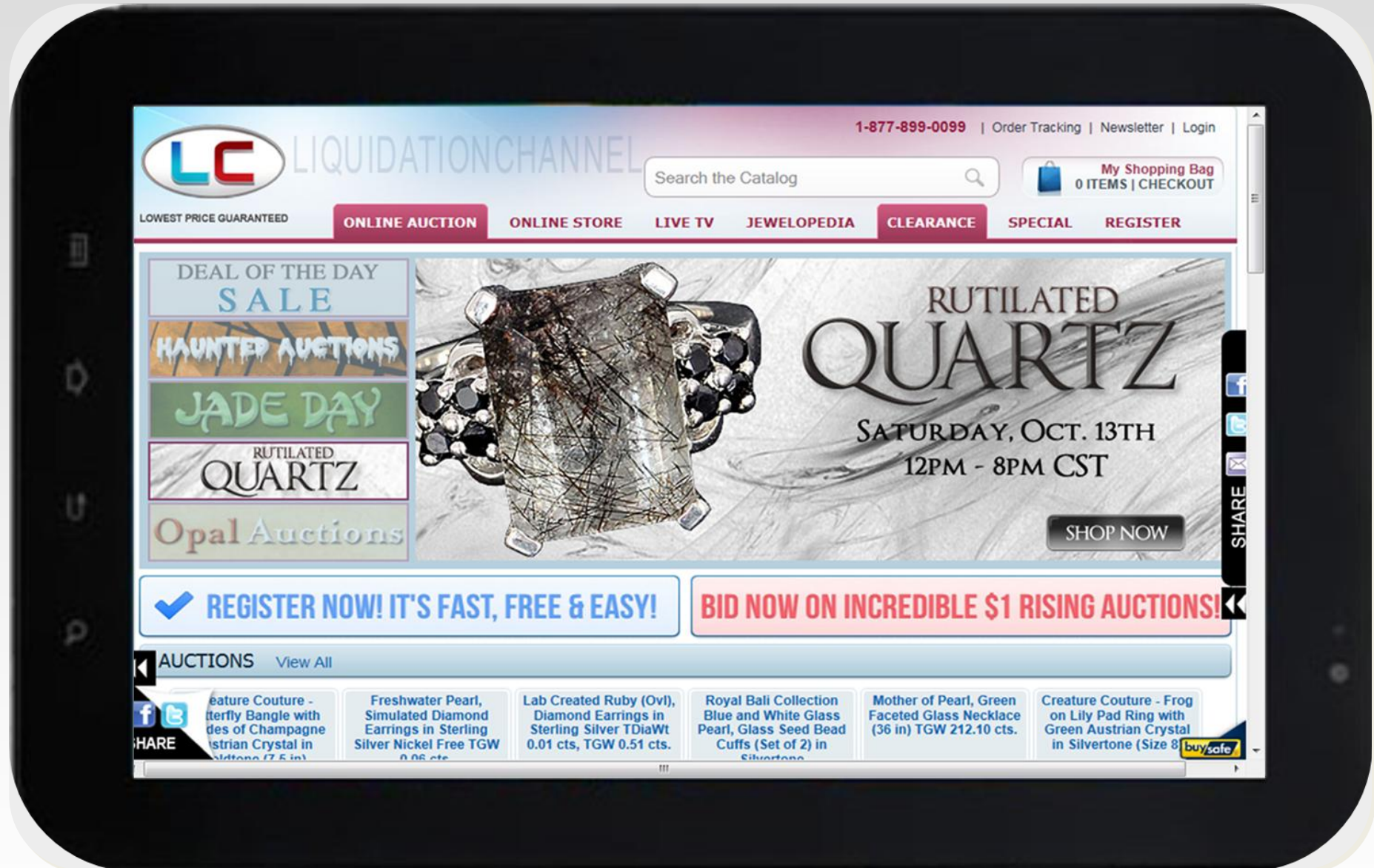
Product catalogue includes office and home décor, etc.



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



US Market Access on Liquidation TV Channel

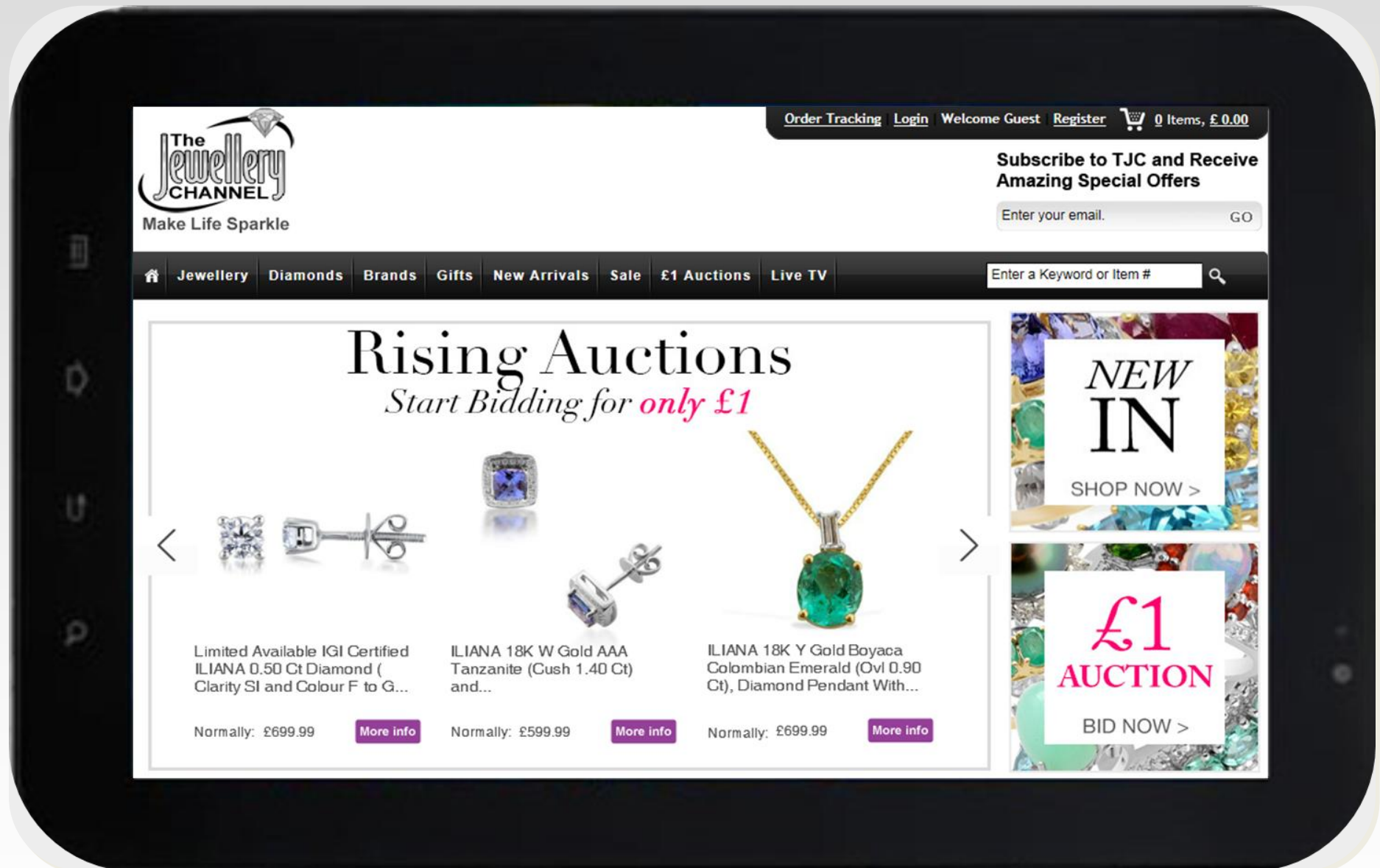


<https://www.liquidationchannel.com>

Access to 63 million of the 116 million households in the US



UK Market Access on the Jewellery Channel



www.thejewellerychannel.tv

Access to 20 million households of the total 25 million households



Integrated Global Operations

SOURCING MARKETS



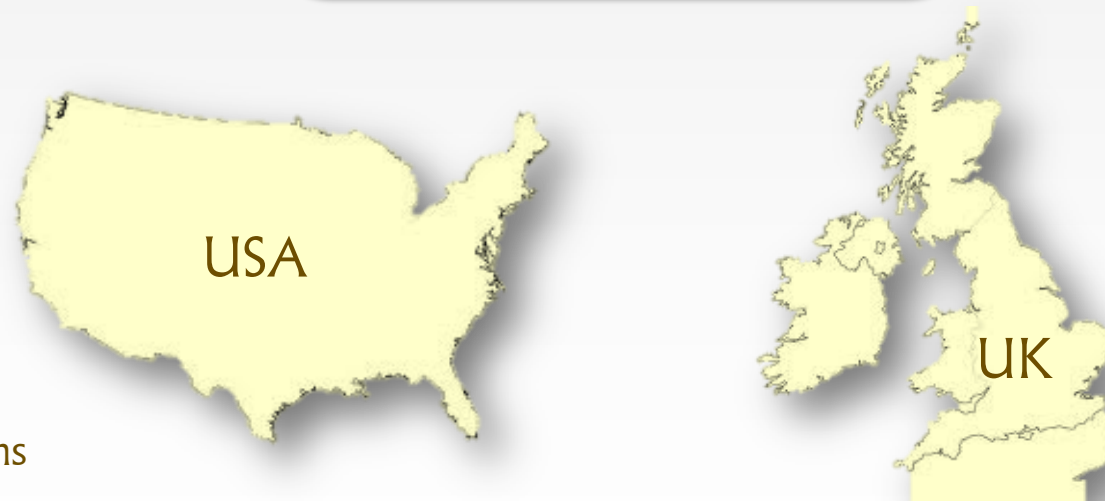
India

- Corporate HQ – Jaipur, Rajasthan
- ISO 9001:2008 manufacturing facilities
- Production capacity - ~3 million pieces p.a.
- Over 1,700 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
- ~100 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 63 million households
- Over 500 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 20 million households
- Over 90 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

Sourcing from appropriate micro-markets in China/Asia

Focus on best price to customer

Vendor evaluation process

Assessing value perception – design / fashion trend / price in target markets

Core competency of vendor

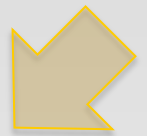
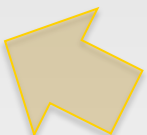
Delivery / quality / timeliness

Size of product line / capacity

Proprietary design / development capability

Sourcing price to deliver excellent value

Multi-vendor quotes to gauge bottom price discovery



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



Management Team

Sunil Agrawal

Chairman



- 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

Rahimullah

Managing Director, VGL India



- Beginning his career in emerald trading and exports, he has gained considerable experience and knowledge in this field, travelling extensively across Africa, Europe and the Far East to source rough stones.
- He brings with him 38 years of industry experience and his dedication, vision and acumen have contributed to VGL's impressive growth.

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



Management Team

Michael Raisbeck

Senior Vice President , Group Human Resources



- Responsible for HR strategy and systems
- Extensive cross-industry HR leadership and management experience of over 25 years, including responsibility for leadership development, organizational development, employee relations, talent acquisition, compliance, compensation and HR generalist activities

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

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

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

Manish Shah

General Manager, Application Development & Delivery in IT



- 22 years of IT leadership experience in technology and management of projects across diverse environments in the US, Europe and India
- Focused on leading the expansion of VGL's global IT capabilities



Contact Information

For more information on Vaibhav Global Limited, please contact:

Anshuman Khandelwal

Vaibhav Global Ltd

Tel: +91-141-2770648

Email: anshuman.khandelwal@vaibhavglobal.com

Shiv Muttoo / Dipti Yadava

CDR-India

Tel: +91 22 6645 1207 / 1218

Email: shiv@cdr-india.com
dipti@cdr-india.com





**Thank
You**