

Vaibhav Global Limited

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

Financial Results Presentation
Q1 FY2016

July 2015



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.



VGL Overview

Vertically-integrated electronic retailer

- End-to-end B2C business model in the electronic retail industry
- Proprietary TV home-shopping and e-commerce platforms

Liquidation Channel and The Jewellery Channel are strong brands

- 105 million (FTE) households on TV shopping in the US, UK and Canada
- Positive customer engagement metrics – customer base, retention rate, repeat purchases

Robust customer engagement

- Sizeable B2C franchise in developed markets
- Growing recognition of deep value enables scaling to adjacent categories

Hybrid supply chain infrastructure

- Outsourcing from China, Thailand, Indonesia and India, manufacturing operations in Jaipur, India
- Aggressive trend spotting initiatives

Solid infrastructure backbone

- Investments in customer interface, production, warehousing facilities, supply chain and CRM
- Low opex model is scalable with limited capex requirement

Strong management team

- Professional, experienced management team having in-depth knowledge and industry experience
- Talent pool across marketing, merchandising, operations, technical and strategy functions

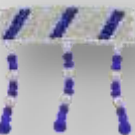


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Key Highlights for Q1 FY16

Home TV Network Reaches Over 100 Million Households, FTE Increases 10%

- 105 million households on full time equivalent (FTE) basis
- 78 million households in the US
- 25 million households in the UK
- 2.4 million households in Canada

In Q1FY16, Retail Volumes stable at 2.1 Million Units

- 5% higher volumes on Home TV shopping
- Volume on Web shopping at 0.6 million
- Volume growth driven by fashion jewelry
- Deeper customer engagement drives repeat purchases

Financial Performance

- Total Income at Rs. 276 crore
- EBITDA at Rs. 17 crore in Q1 FY16
- Gross Margin expansion to 67% from 62%
- PAT at Rs. 7 crore

Strong Return Ratios

- Return on Equity at 27%
- Return on Capital Employed at 37%

Operating Highlights

- Recently launched new mobile website, enhancing customer experience
- Next Generation TV Auction/Scheduling/Customer Service software launched and integrated at Liquidation Channel
- Expansion of portfolio into other home/lifestyle products to aid volume growth in FY16
- Credit rating for short term bank facilities upgraded from CARE A3+ to CARE A2; long term rating withdrawn as long term debts have been repaid

Debt Repaid from Operating Cash Flows

- Continues to be cash surplus at net debt level
- Gross Debt at Rs 79 crore



Chairman's Message

Commenting on Q1 FY16 performance, Mr. Sunil Agrawal, Chairman and Managing Director, Vaibhav Global said:



“Continuing to strengthen our customer experience, we have recently rolled out our new, advanced mobile website on SAP/HYBRIS platform which can be accessed from any mobile device. The diversification into home and other lifestyle products has drawn a positive response from customers. We believe these substantial initiatives undertaken by the company, and several others in the pipeline, would allow us to regain volume momentum and deepen the engagement with our base of 1.7 million TV and web customers.”

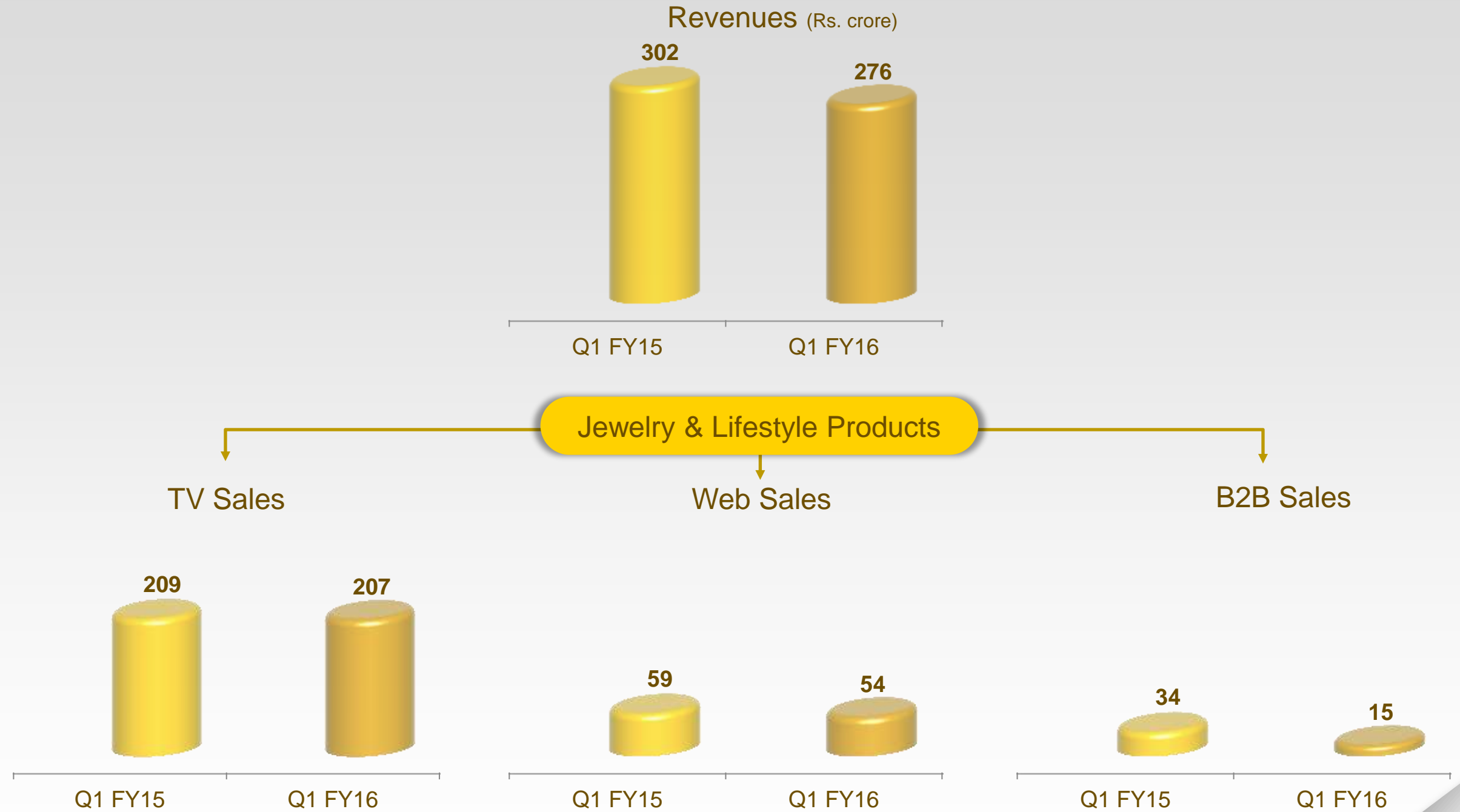
As you may know, we are now a zero-debt, cash surplus company. Subsequently, we have a wider scope to consolidate our market position and plan investments for future growth. Our strong balance sheet has also allowed an upgrade to the credit rating of short term bank facilities from CARE A3+ to CARE A2, indicating strong degree of safety regarding timely payment of financial obligations. CARE has withdrawn long-term rating as long term debts have been repaid.

Most of the noteworthy operational and financial transformations have now been successfully concluded. We are confident that these initiatives will start delivering positive results and help us regain stronger traction in H2 FY16, setting the stage for the next level of growth in our business. Overall, we remain focused on our long term objective of emerging as a formidable global retailer of high repute.”



Financials – Q1 FY16 Performance

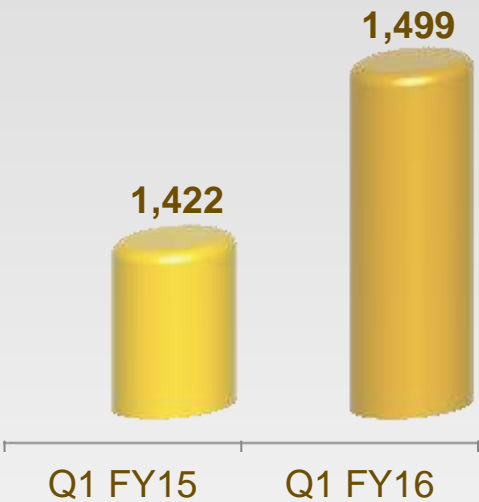
(Revenues)



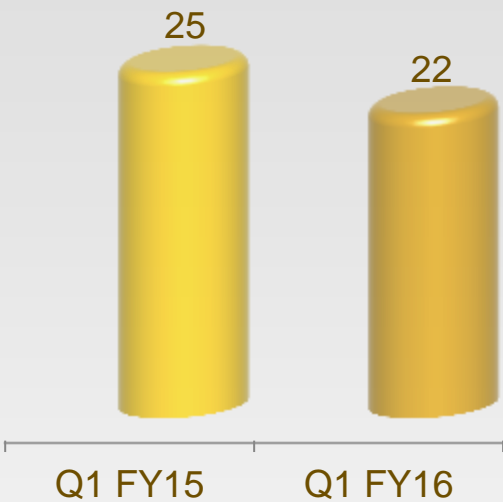
Retail Performance Trends

TV Sales

Sales Volumes ('000s)



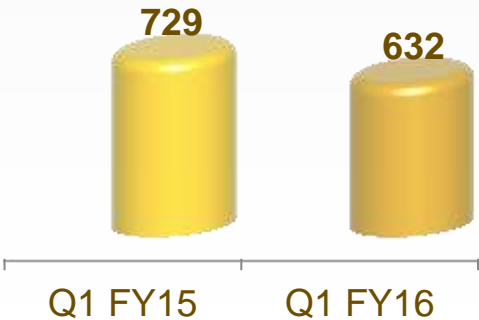
Average selling price US\$



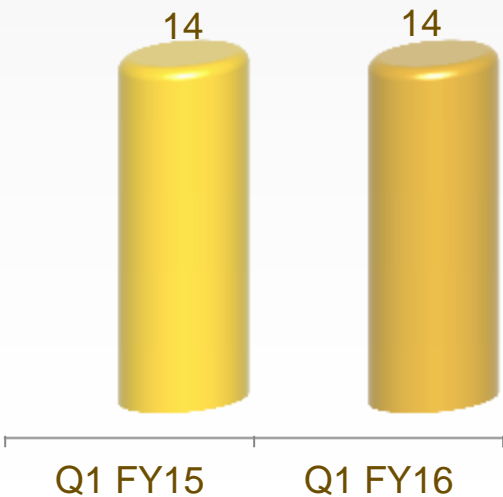
- Web sales contribute 30% of sales volume in Q1 FY16
- Potential drivers: expansion of TV homes under coverage and launch of new mobile app
- TV ASP decreased due to cessation of high-end products in both US and UK

Web Sales

Sales Volumes ('000s)

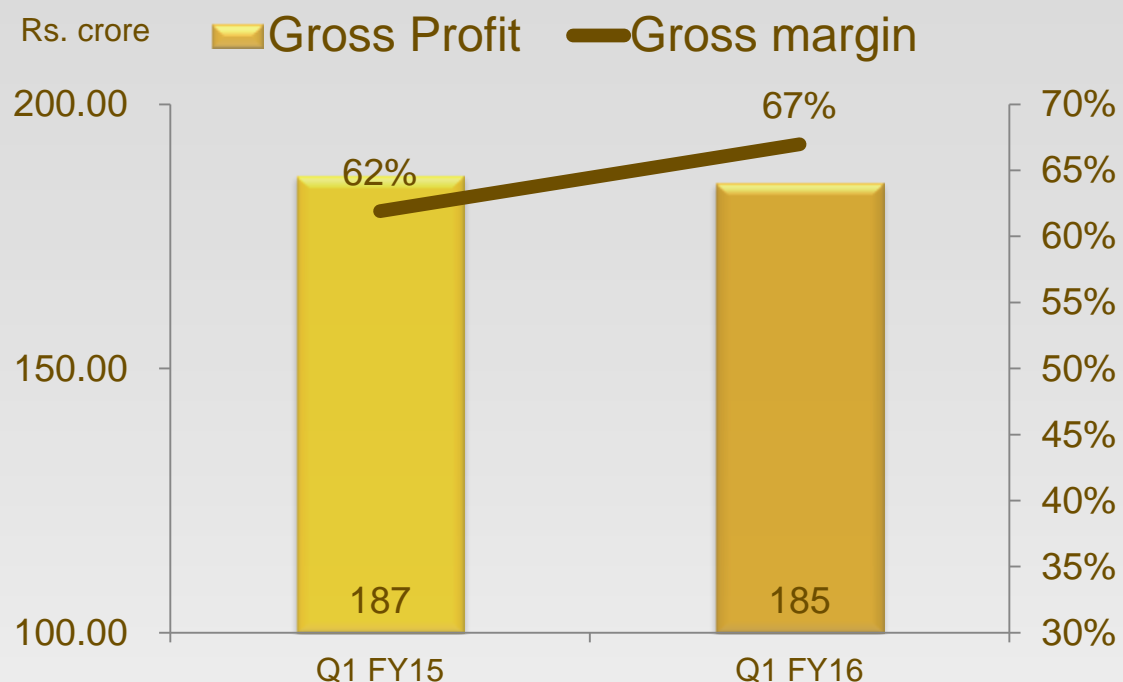


Average selling price US\$



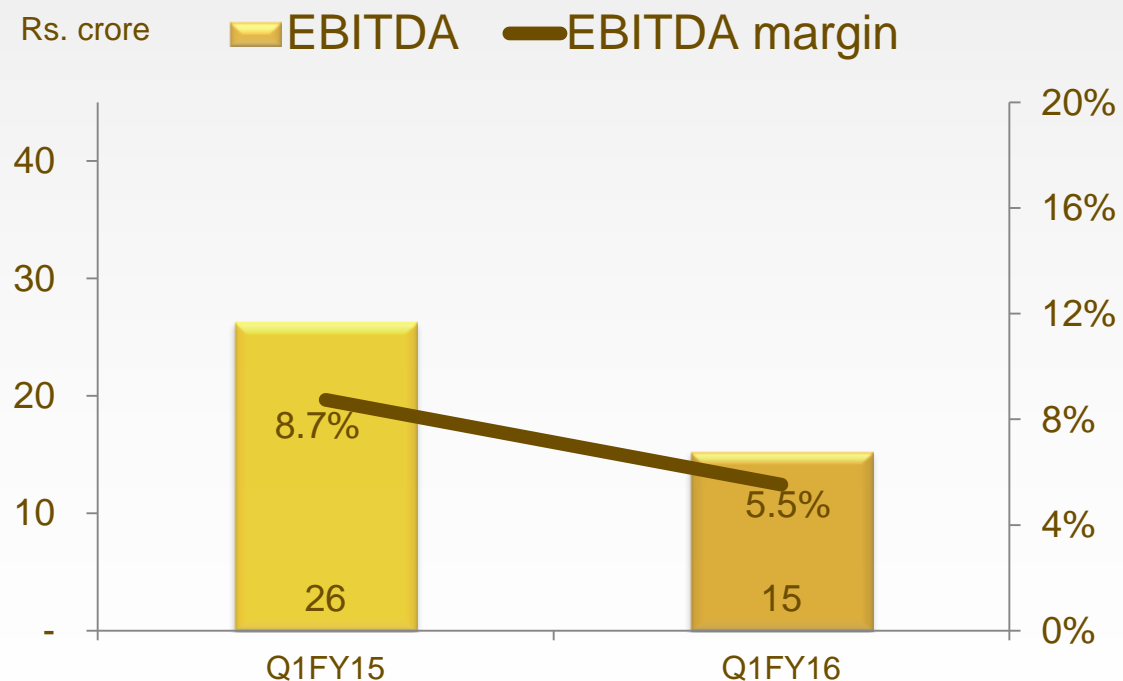
Financials – Q1 FY16 Performance

(Margins)



- Significant reduction in B2B sales of rough stones and addition of import duty to the end of quarter inventory resulted in higher gross margins.

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



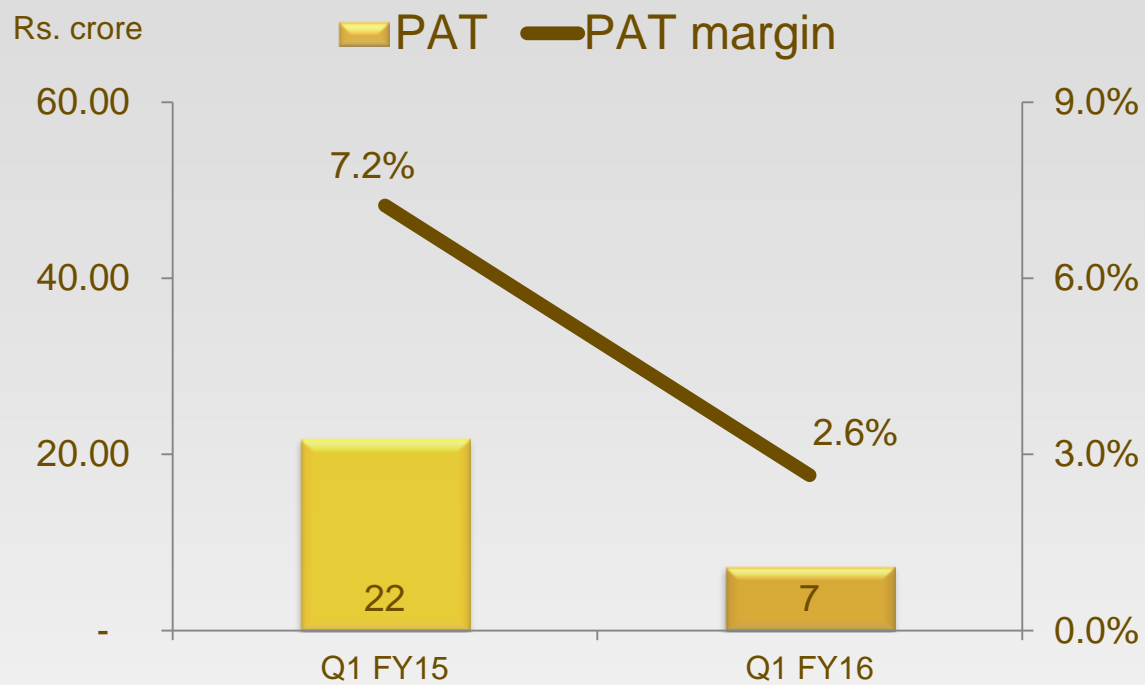
- Operating profitability impacted by lower sales volumes and expansion of customer-visibility focused fixed cost structure

Note:
EBITDA excludes exchange gain/loss;
EBITDA margin including exchange gain/loss stood at 6% in Q1 FY16 v/s 10% in Q1 FY15

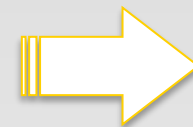


Financials – Q1 FY16 Performance

(Profits)

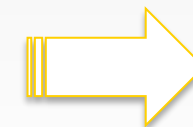
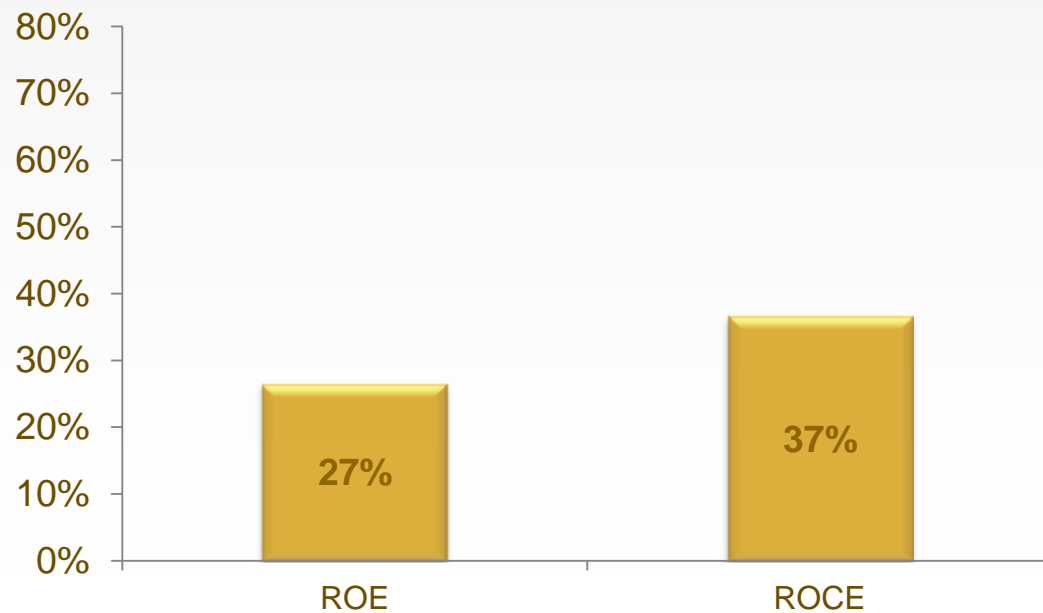


* Profit after tax without exchange gain(loss) fluctuation.



- PAT is lower due to lower topline, higher tax and depreciation cost

Return Ratios – Q1FY16



- Maintain high returns on capital employed and shareholders' equity



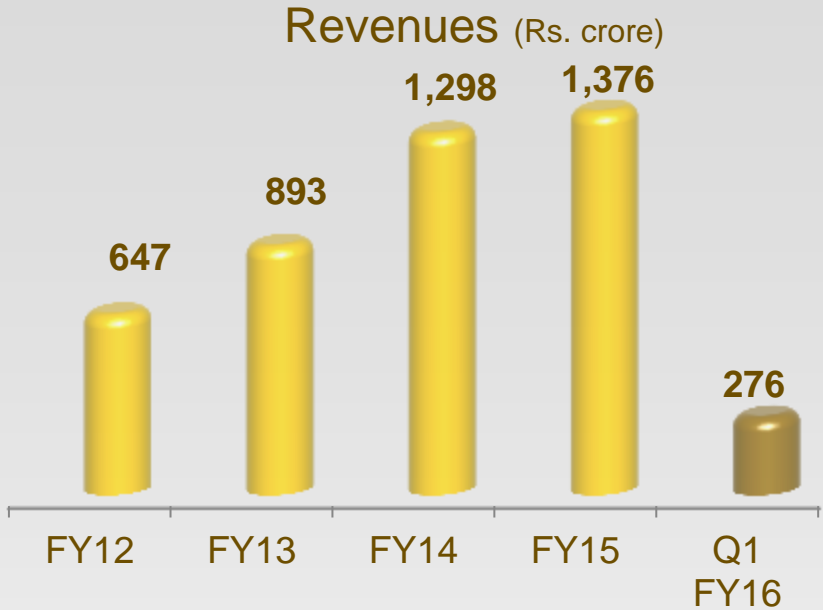
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Financials Performance Trends

(Revenues)

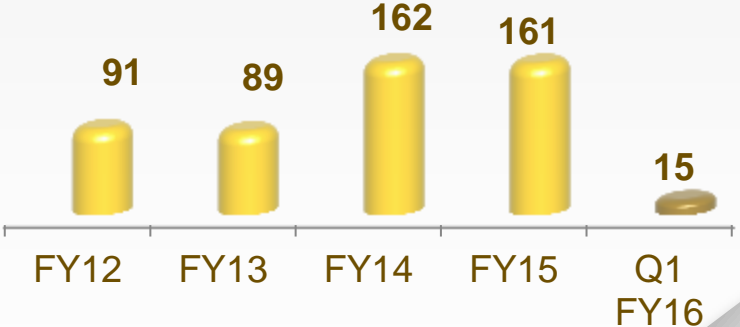
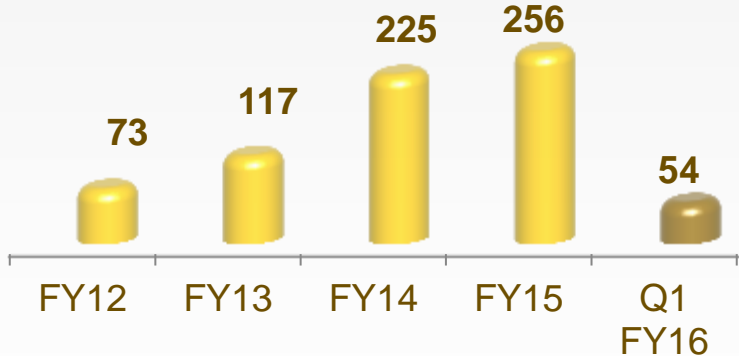
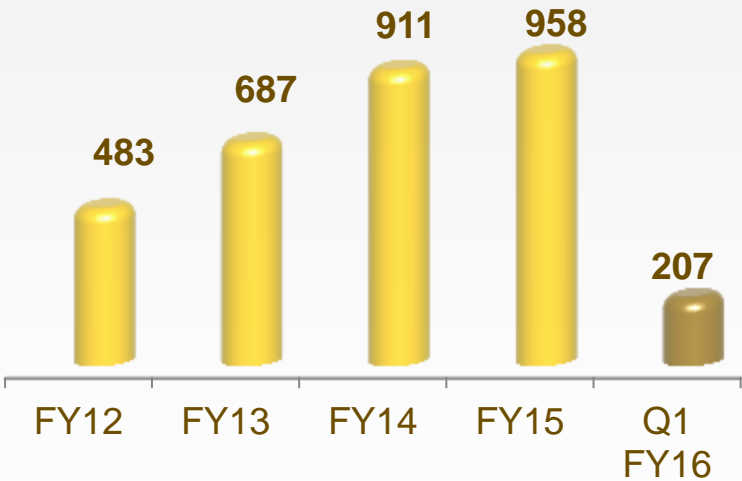


Jewelry & Lifestyle Products

TV Sales

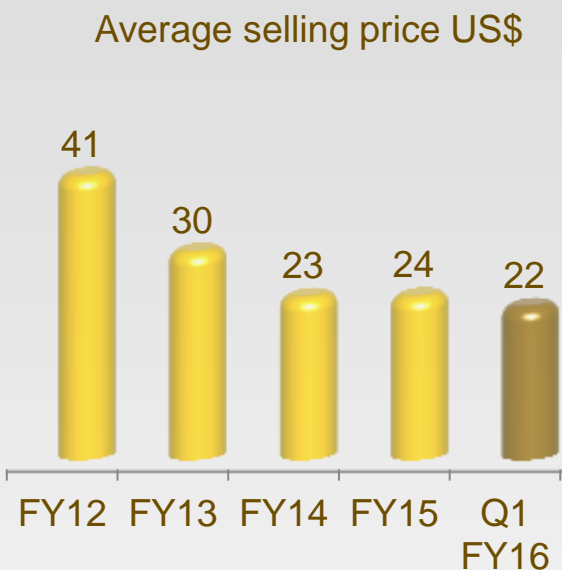
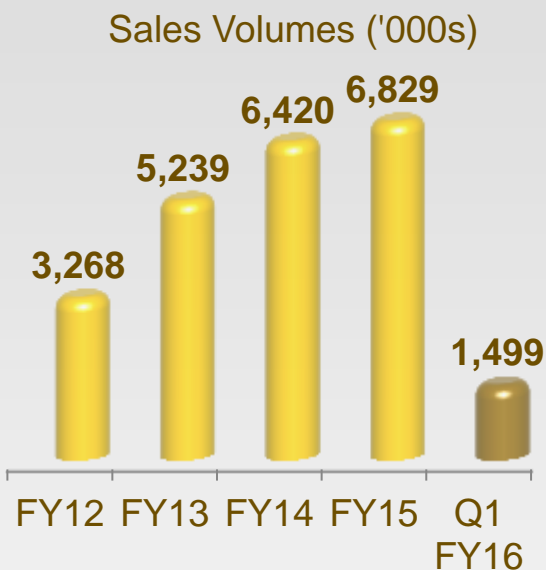
Web Sales

B2B Sales



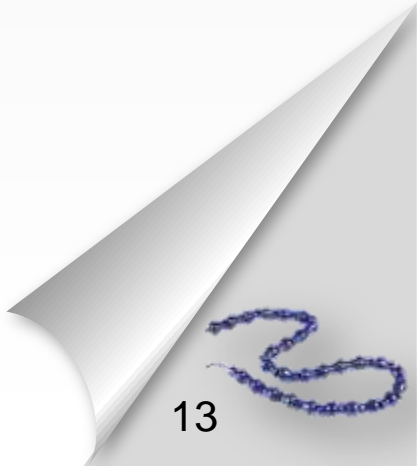
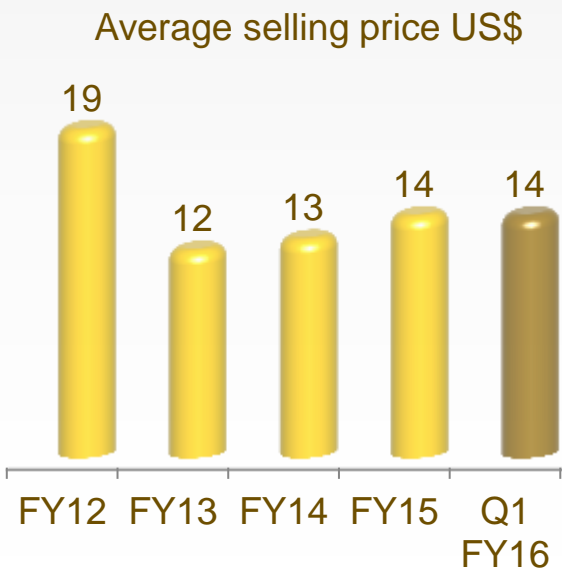
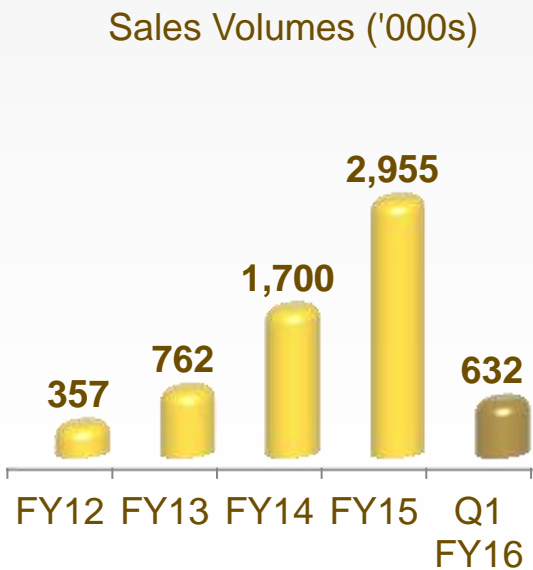
Retail Performance Trends

TV Sales



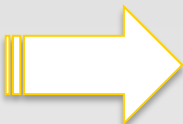
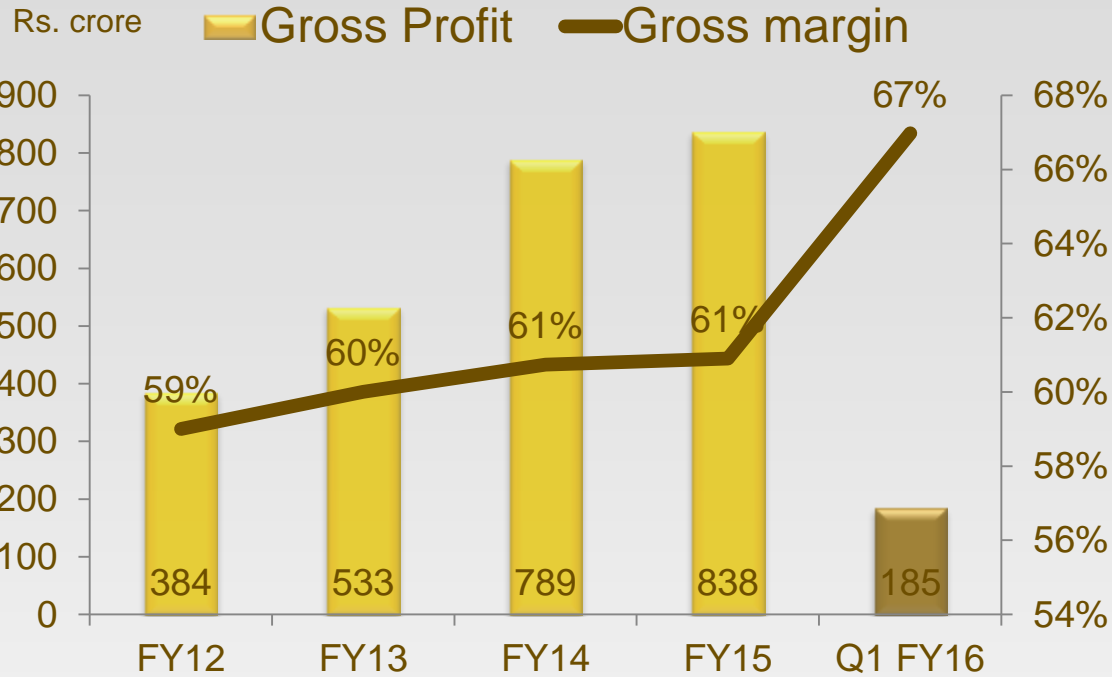
- TV ASP reduced owing to discontinuation of high price point products

Web Sales

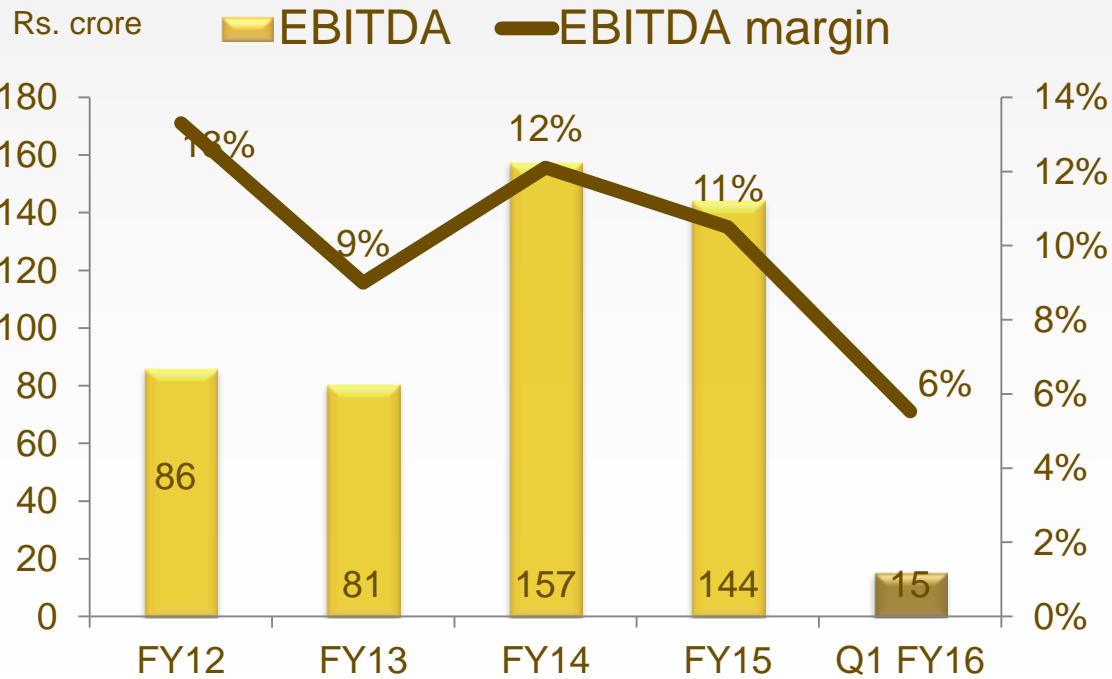


Financials Performance Trends

(Margins)



- Gross margins increased in Q1 due to lower B2B rough sales and addition of import duty into stock value at channels



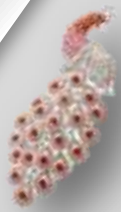
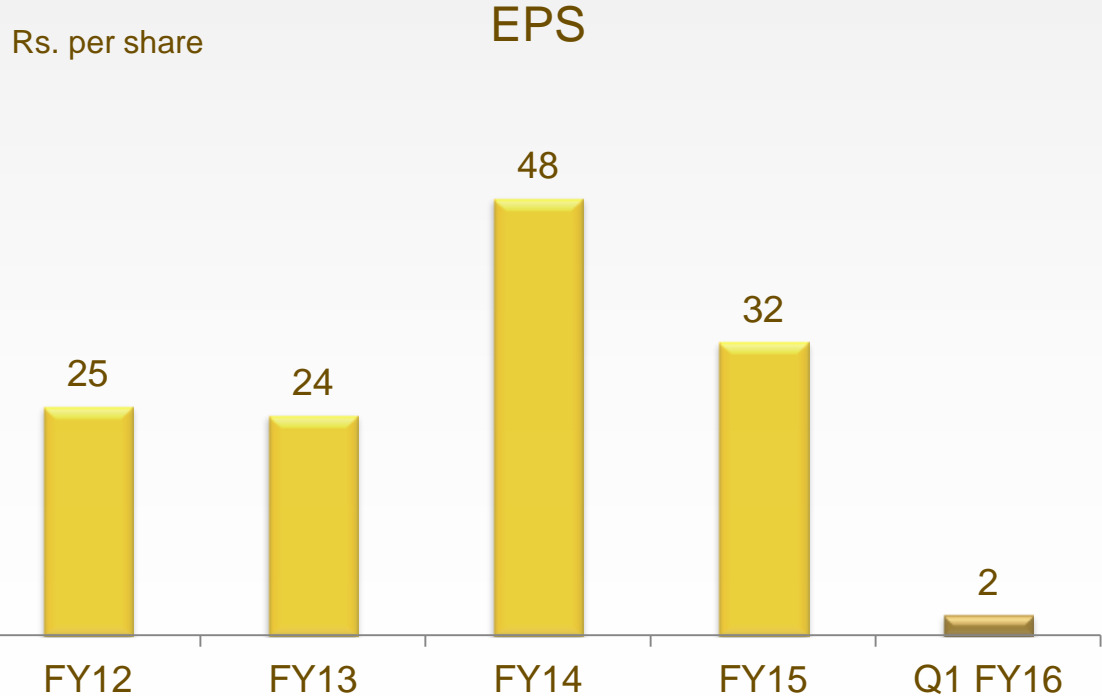
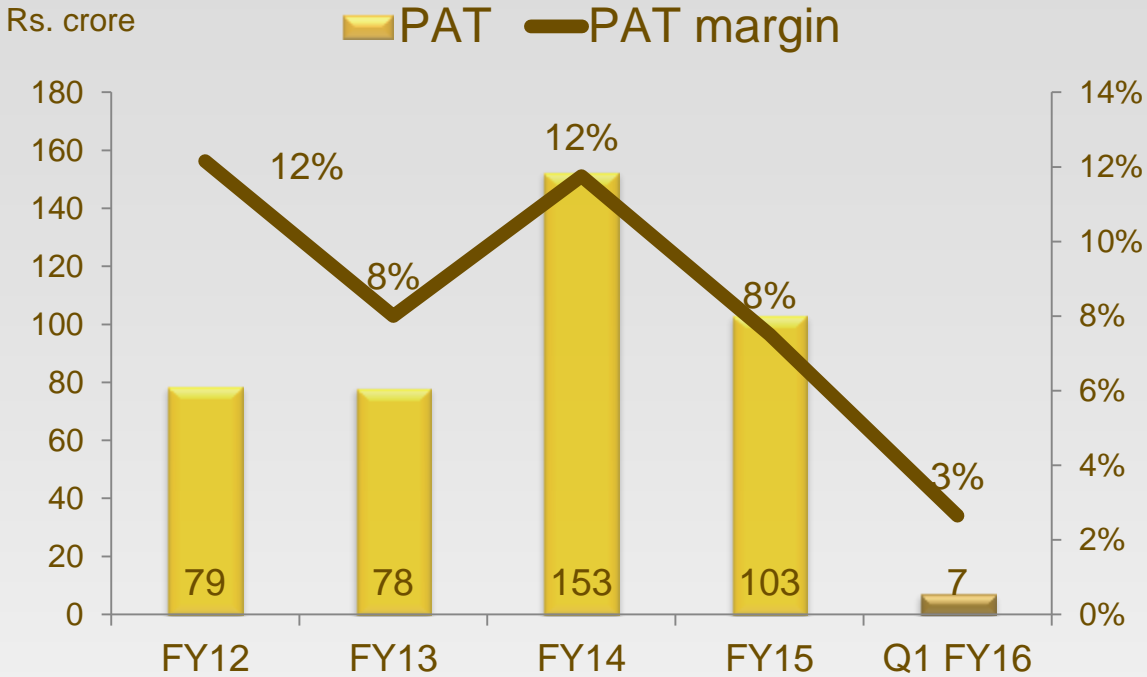
- EBITDA impacted due to lower topline, more households in US, larger manpower in planning, sales and merchandising in US and UK

Note:
EBIDTA excludes exchange gain/loss;



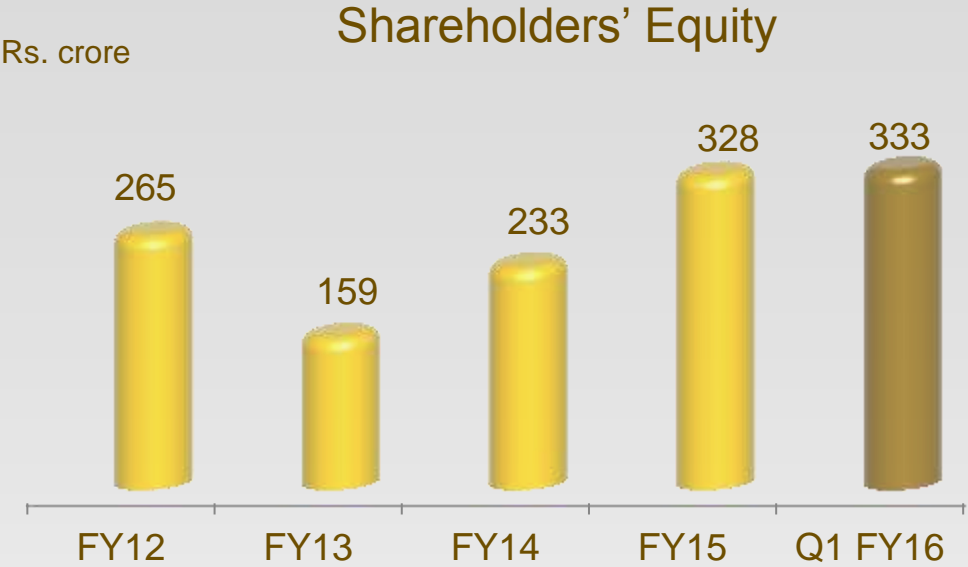
Financials Performance Trends

(Profits)

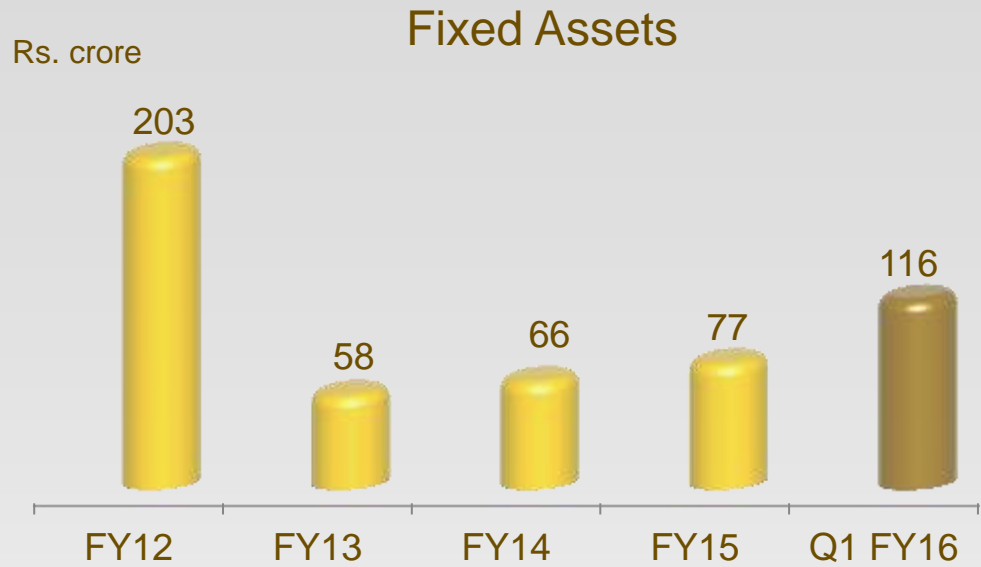


Financials Performance Trends

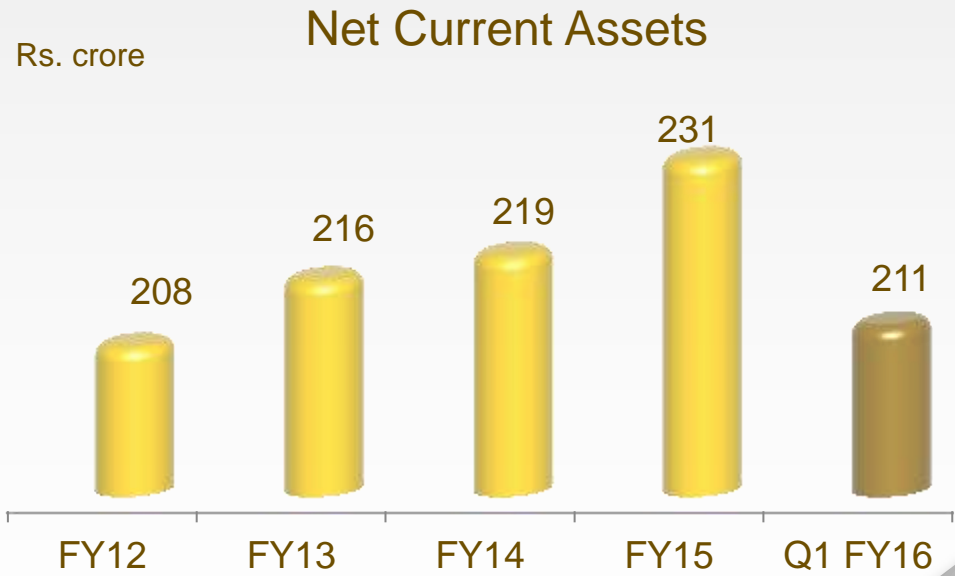
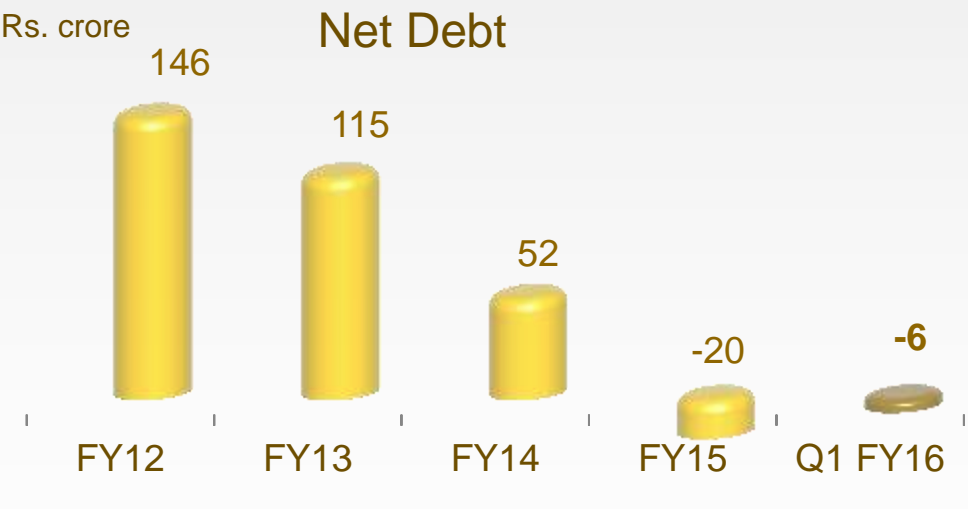
(Balance Sheet)



* 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
- Includes 11 crore for New channel in UK and around 25 crores for HYBRIS which were lying in work in progress.



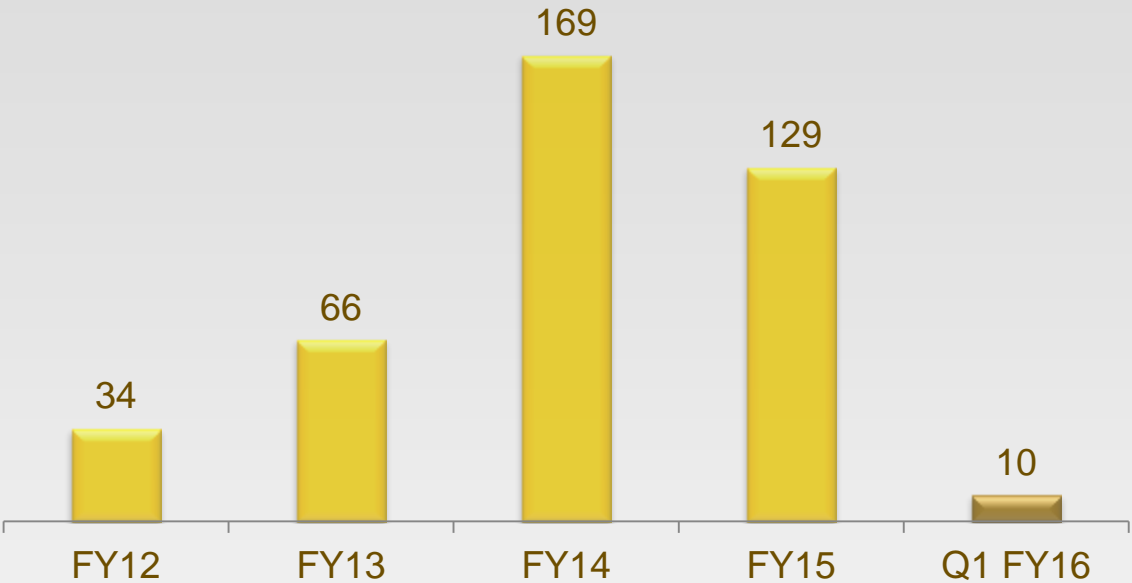
- Net current Assets are impacted due to capital advances against new channel in UK and SAP based software got capitalized in current quarter.



Financials Performance Trends

(Cash Flow)

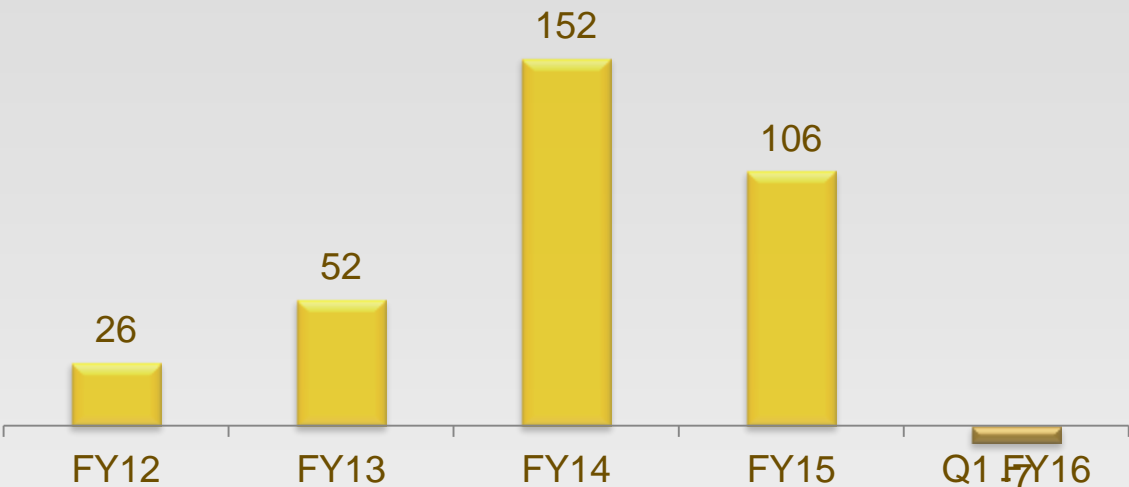
Operating Cash flow Rs. crore



**Includes Foreign Currency Transaction Reserve*

Operating cash flow impact of lower sales volumes and increased fixed cost structure

Free Cash Flow * Rs. crore



**Includes Foreign Currency Transaction Reserve*

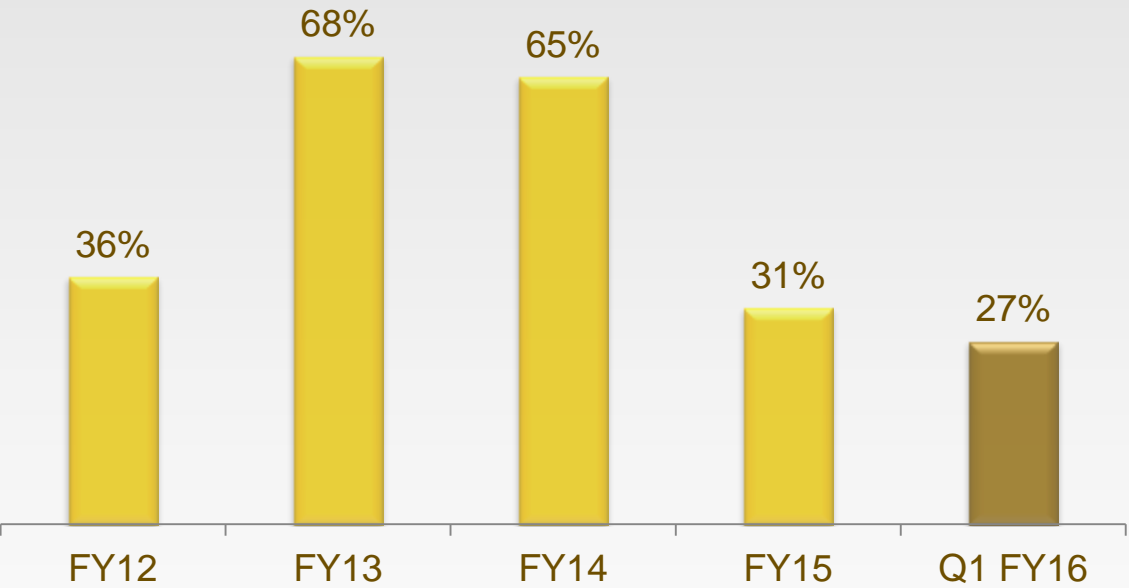
Free cash flow impacted by investments in improved channel positioning in UK (Sky652 Rs. 11 crore) and new SEZ facility (Rs. 3 crore)



Financials Performance Trends

(Key Ratios)

ROE



ROCE

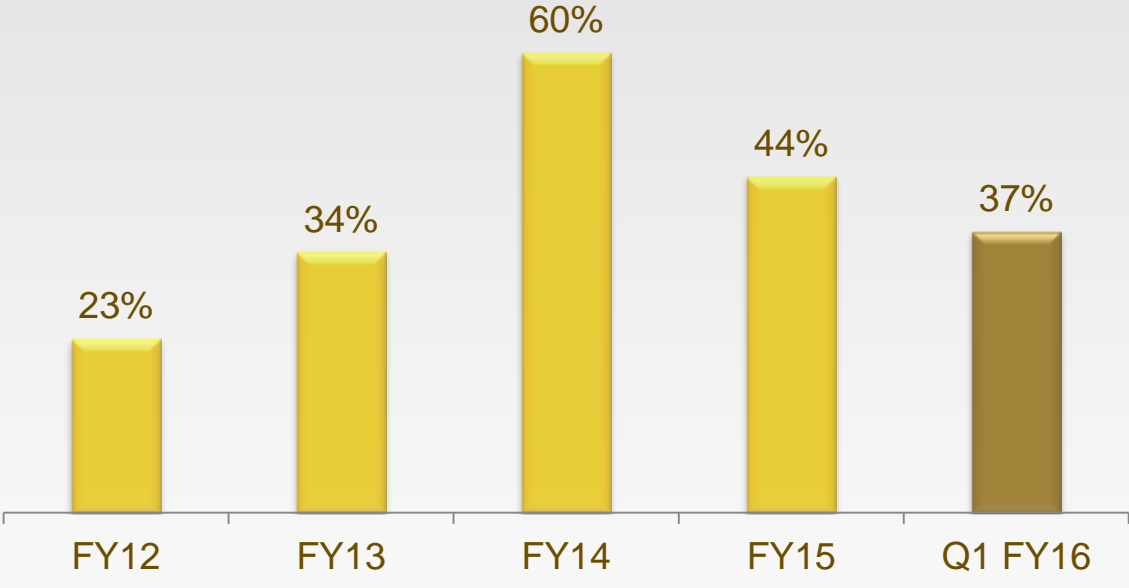
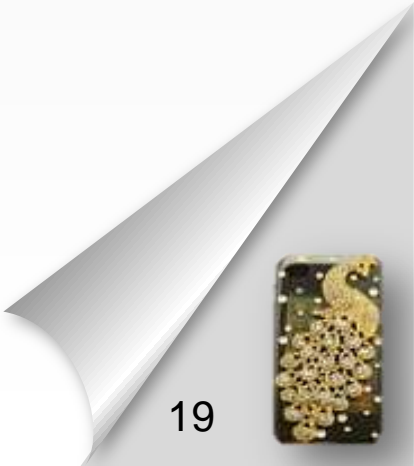


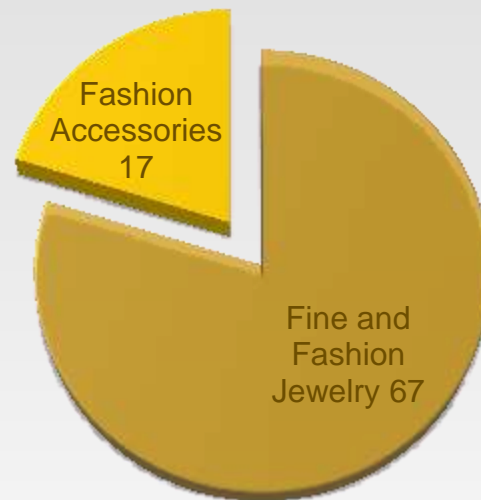
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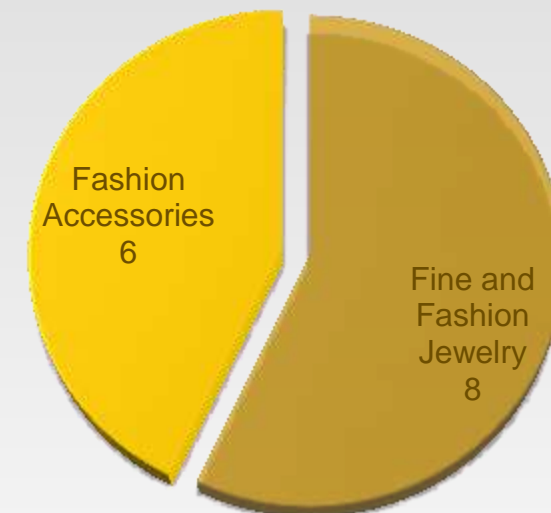


Market Opportunity

US market size (US\$ Bn)



UK market size (US\$ Bn)



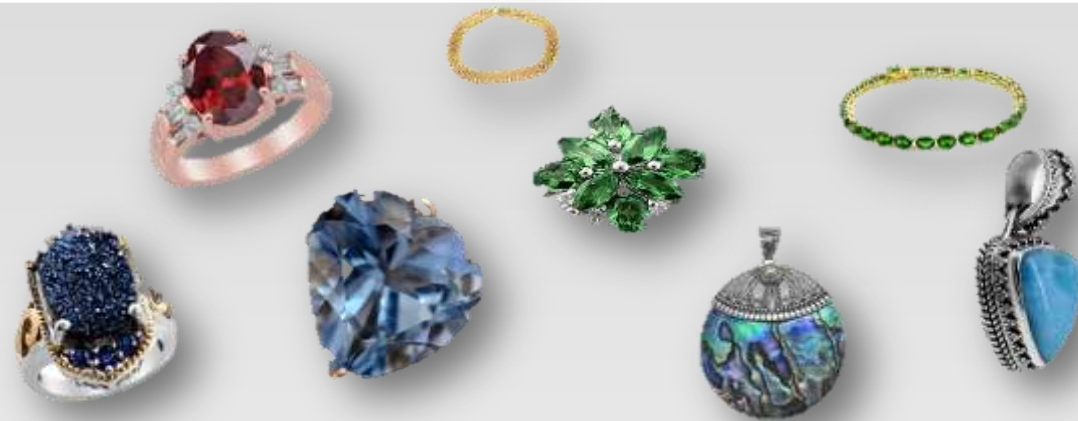
Market share gains through expanded distribution network and introduction of collections/designs mapping market trends



Product Profile

FASHION JEWELLERY

- Bracelets
- Bangles
- Earrings
- Studded jewelry, etc.



FASHION ACCESSORIES

- Watches
- Handbags
- Scarves, etc.



LIFESTYLE PRODUCTS

- Home Décor
- Bed linens
- Pillow Covers
- Towels, etc.



US Market Access on Liquidation Channel



Channel #274



Channel #399 & 1399



Channel #159



Channel #75 & 226



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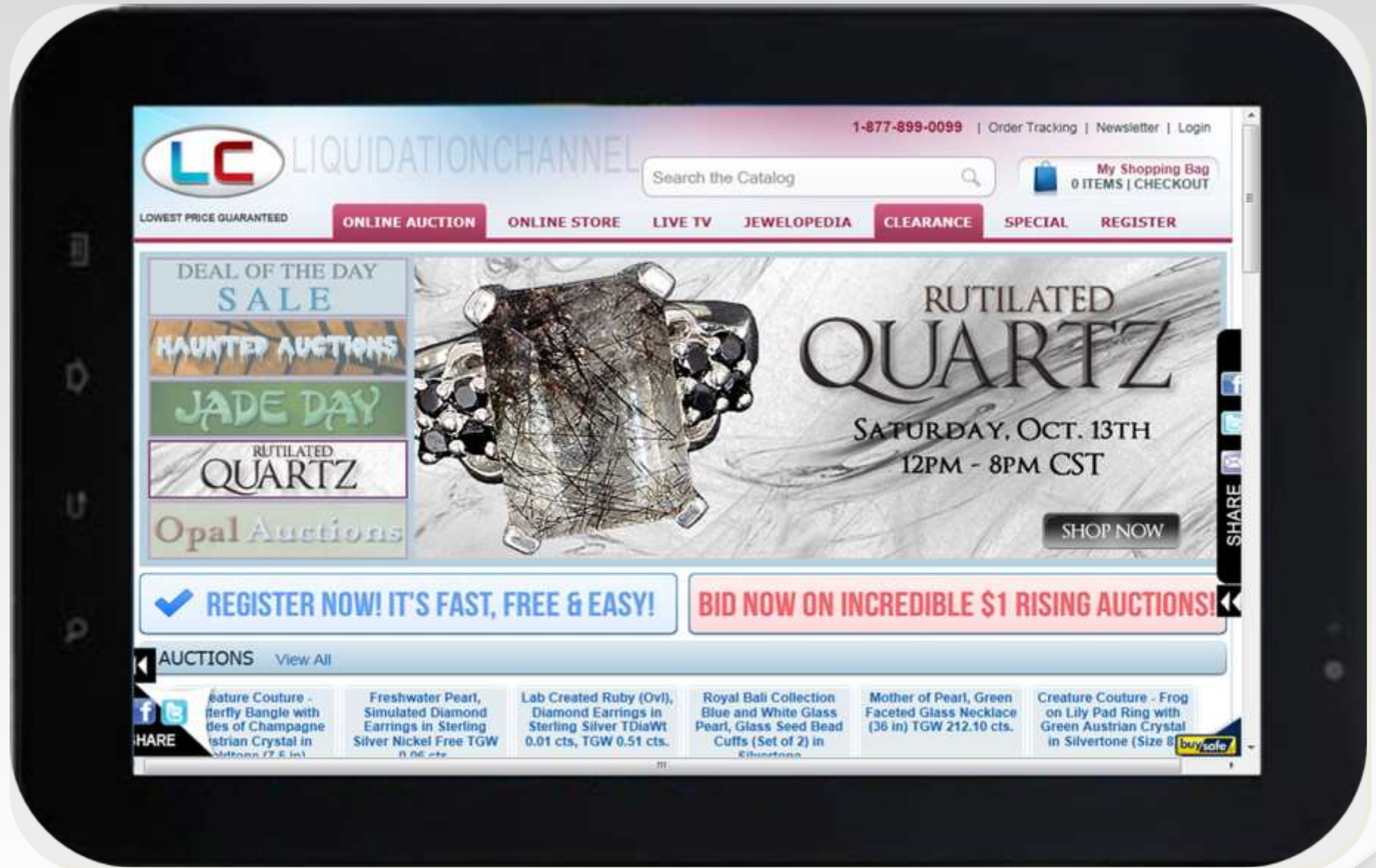


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*

* Different channel # across various locations



<https://www.liquidationchannel.com>

Access to 78 million (FTE) of the 116 million households in the US



UK Market Access on The Jewellery Channel



Channel #49



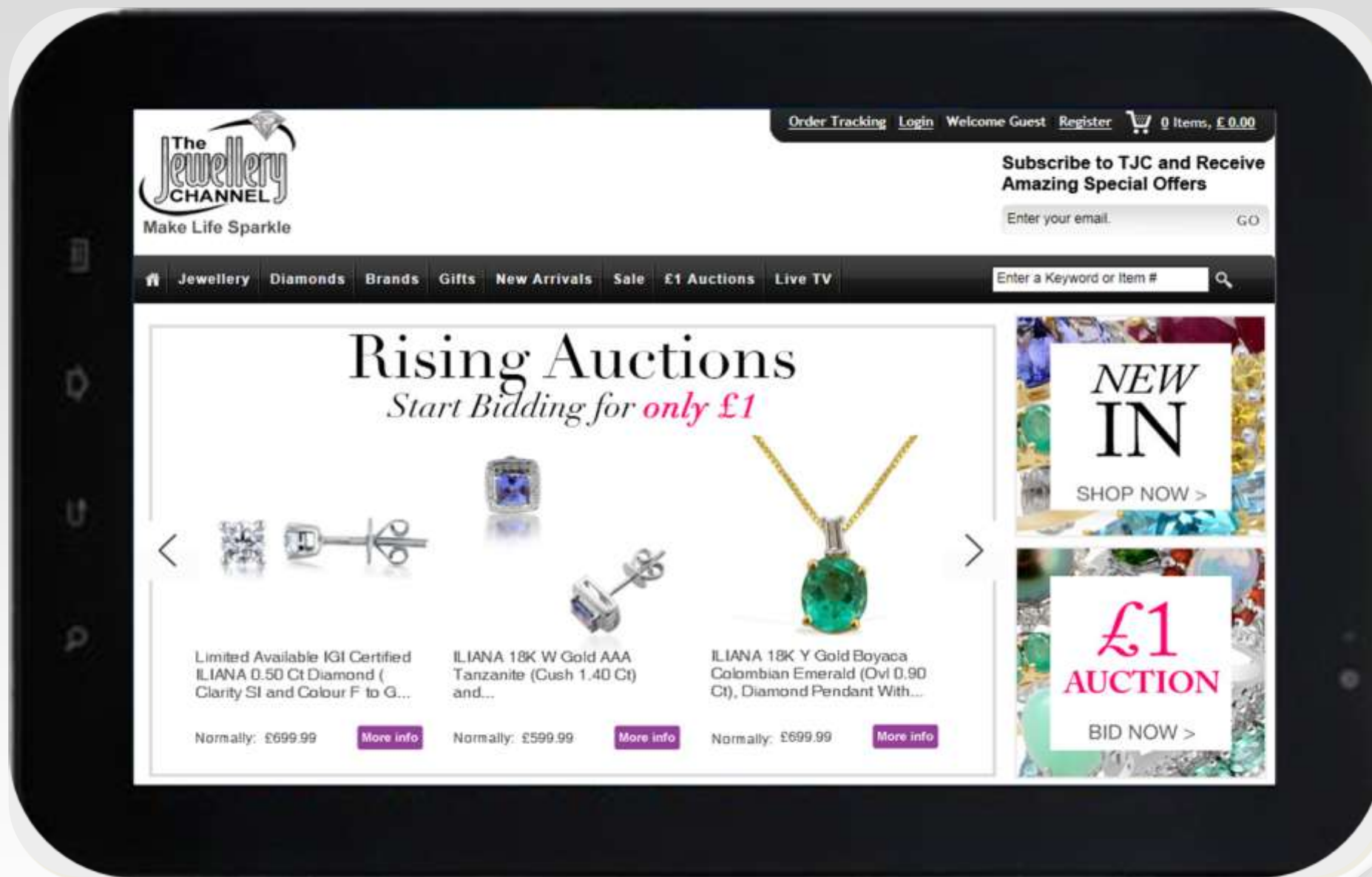
Channel #650 & #652



Channel #815



Channel #757



www.thejewellerychannel.tv

Access to 25 out of the total 25 million households



E-Commerce



- Digital presence through liquidationchannel.com and thejewellerychannel.tv
- Retail formats:
 - Catalog
 - Rising Auctions
- Technology enhancements:
 - Hybris (a SAP company) platform implemented in US.
 - Mobile app started for TJC UK
 - IPTV apps developed for Google TV, LG TV, Samsung TV
 - CRM and marketing analytics framework



Increased Focus and Contribution from E-commerce Retail



Sourcing Markets

Manufacturing facility in Jaipur, India

*Production Capacity (3 units)
Additional Capacity*

*–4 million pieces p.a. ISO 9001:2008 manufacturing facilities
–SEZ Green Building with Gold Level facility of 65,000 sq ft*

Over 2,200 people in India across corporate, manufacturing, design, sales & marketing, customer service, logistics etc



Sourcing operations from fashion centric micro markets of Asia
Global supply chain capability of 12 million pieces, continuously expanding

Over 200 people in purchase/ procurement and ancillary functions across Asia

China	Thailand	Indonesia	India
<ul style="list-style-type: none"> Guangzhou, Haifeng, Hauadu Shenzhen, Dongguan, Zhuji, Wenzhou, Wuzhou, Yiwu, Hunan 	<ul style="list-style-type: none"> Bangkok, Chang Mai, Mae Sai, Kanchanaburi, Chanthburi 	<ul style="list-style-type: none"> Bali, Yogyakarta, Sumatra, Madura Surabaya 	<ul style="list-style-type: none"> Noida, Jaipur, Nagaland, Kashmir,

Global network for trend spotting and merchandising



Consumption Markets

Access to over 100 million (FTE) households on TV homeshopping in the US, UK and Canada

- Affiliate agreements with major cable, satellite providers
- Improved product presentation by investing into studio facilities

The Jewellery Channel



UK

- The Jewellery Channel and e-commerce
- UK head quarters – Hampton, Middlesex
- Reaching all 25 million households across the U.K.
- Over 92 people in sales & marketing, customer service, logistics, TV production, e-commerce and support functions

Liquidation Channel



USA

- Liquidation Channel and e-commerce
- US head quarters – Austin, Texas
- Access to 78 million (FTE) of the 116 million households in the US, covering all states
- Over 572 people in sales & marketing, customer service, logistics, TV production, e-commerce and support functions



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

Sourcing price to deliver excellent value

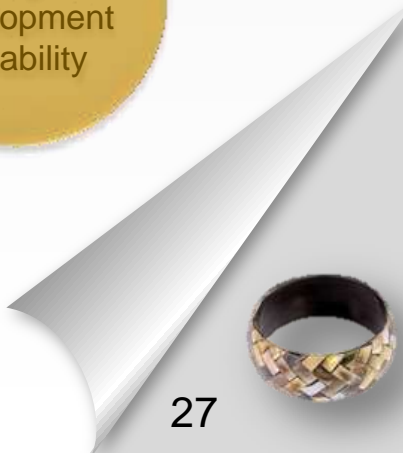
Multi-vendor quotes to gauge bottom price discovery

Size of product line/ capacity

Proprietary design/ development capability

Delivery/ quality/ timeliness

Core competency of vendor



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

Jeff Allar

Senior Vice President, Group HR



- 30 years of work experience working for major international companies including IBM, Unilever and the Stonyfield Farm unit of Groupe Danone
- Tremendous Organization development and senior level HR experience having worked with brands like ACS, Stonyfield and Good Humor- Breyers Ice Cream

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



Management Team

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

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



Contact Information

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**Thank
You**