

Vaibhav Global Limited

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

Financial Results Presentation Q2 & H1FY14

October 2013



*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 and UK
- Supplemented by strong traffic growth on proprietary web 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

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

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

| | |
|------------------------------------|----|
| Q2 & H1 FY14 Financial Performance | 5 |
| Financial Performance Trends | 12 |
| Business Background Details | 20 |



Key Highlights for Q2 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 25% to 2,224 Million Units

- 15% higher volumes on Home TV shopping
- 56% higher volumes on Web shopping
- Volume growth driven by Fashion Jewelry
- Deeper customer engagement drives repeat purchases

Strong Financial Performance

- Total Income rises 50% to Rs. 333 crore
- EBITDA at Rs. 41 crore from 13 crore in Q2 FY13
- Profit after tax at Rs. 44 crore from Rs. 7 crore in Q2 FY13
- Earnings per share of Rs. 13.54

Significant Improvement in Return Ratios

- Return on Equity at 77%
- Return on Capital Employed at 48%

Appointment of Director on the Board

- The Board of Directors has appointed Mr. Pulak Prasad as an Additional Director of the Company
- Mr. Prasad is the founder of Nalanda Capital Pte Ltd and serves as a director on the boards of several companies. Overall, he has over two decades of experience in investing and consulting at Nalanda, Warburg Pincus and McKinsey & Company.
- He has an MBA from IIM, Ahmedabad and a B Tech from the IIT, Delhi.

Redemption of Non-convertible Redeemable Preference Shares

- The Board has approved the redemption of 44,00,000 1% Non-convertible Redeemable Preference Shares of Rs. 100 each, due for redemption on October 31, 2013.
- Interim dividend of Rs. 289.67 Lacs has been approved on these Preference Shares.



Chairman's Message

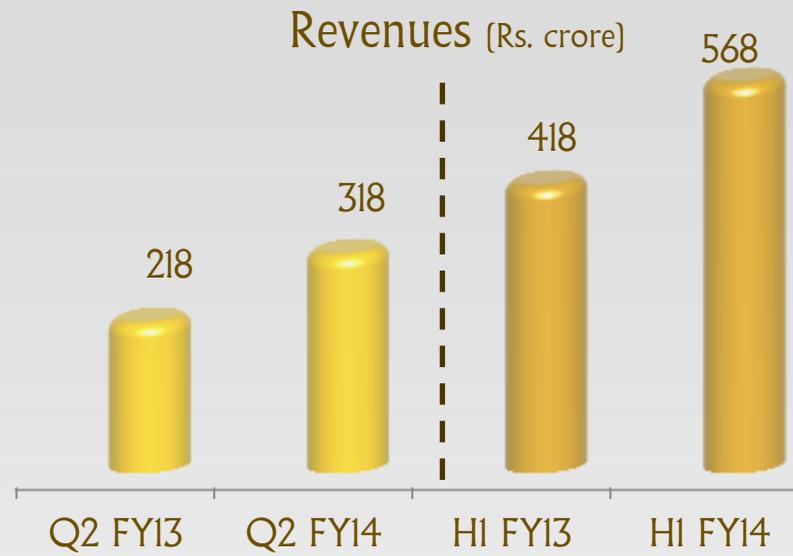
Commenting on Q2 & H1 FY14 performance, Mr. Sunil Agrawal , Chairman, Vaibhav Global said:



"We are extremely pleased with our Q2 performance, delivering 46% growth in revenues and expanding profits by almost 5X. Demand for our deep value products remained robust in a traditionally weak quarter and the annual pre-season stock clearance sale closed in just a few weeks. In the third year of steady state operations as a global retailer of fashion and lifestyle accessories, we are seeing strong traction within our base of 100 million TV homes along with significant web sales expansion. Our deep engagement with a growing base of customers has resulted in strong repeat buying activity, now averaging 16 times per customer. This has been made possible by our focus on trend merchandizing, creative storyboards on the TV platforms and enhancing the web user experience. These successes are driving strong operating cash flows, enabling us to pay down long-term debt and preference shares from internal accruals. We are confident that the current growth trend will extend into the second half of this fiscal year, allowing us to exceed our annual business plan. I am also happy to welcome Mr Pulak Prasad from private equity firm Nalanda Capital on our Board. We are confident that his continued association and guidance will contribute substantially to our stakeholder value enhancement objectives."

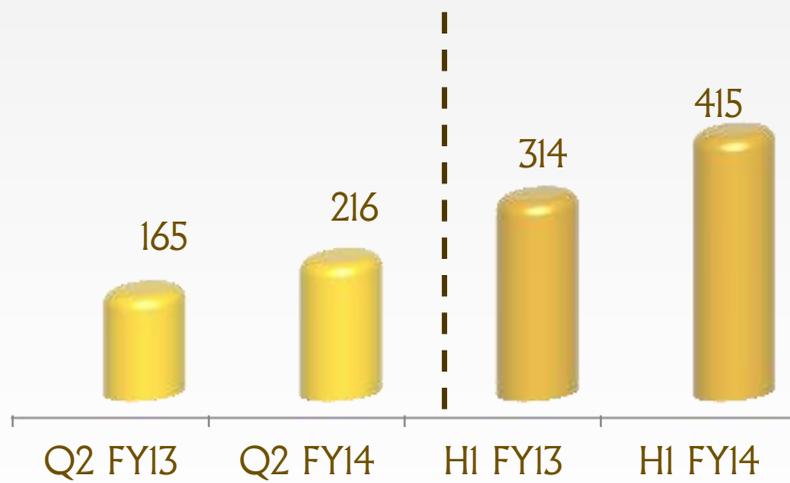


Financials - Q2 & H1 FY14 Performance (Revenues)



Jewelry & Lifestyle Products

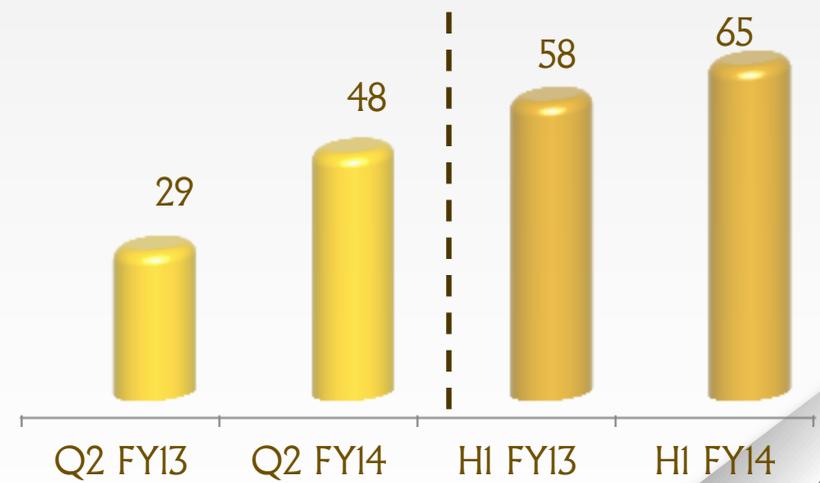
TV Sales



Web Sales

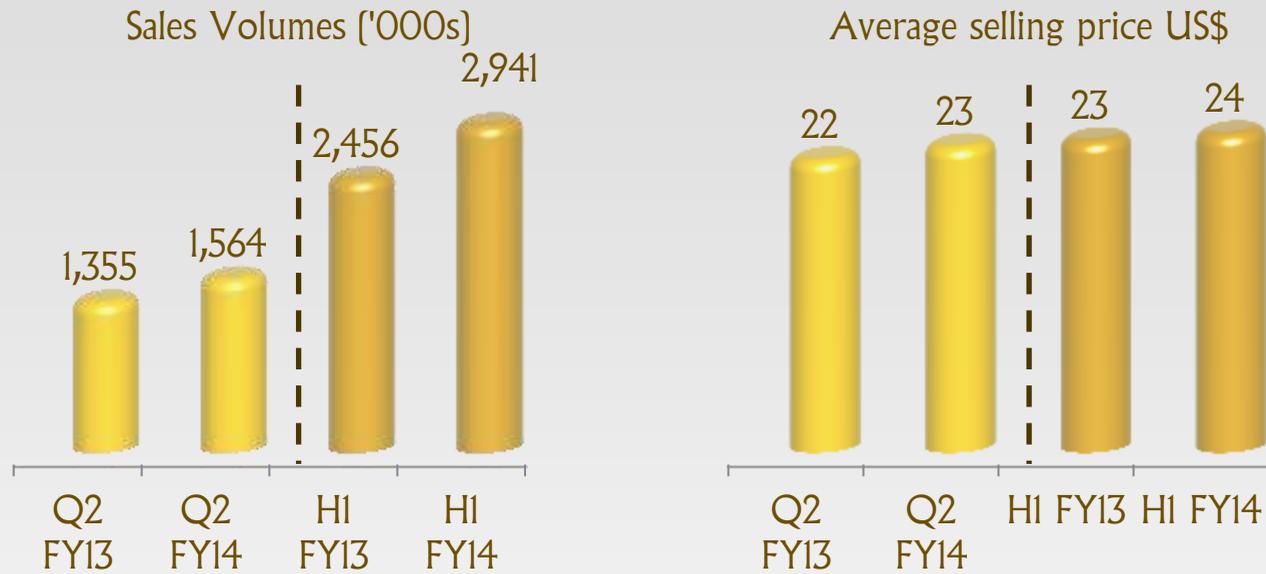


B2B Sales

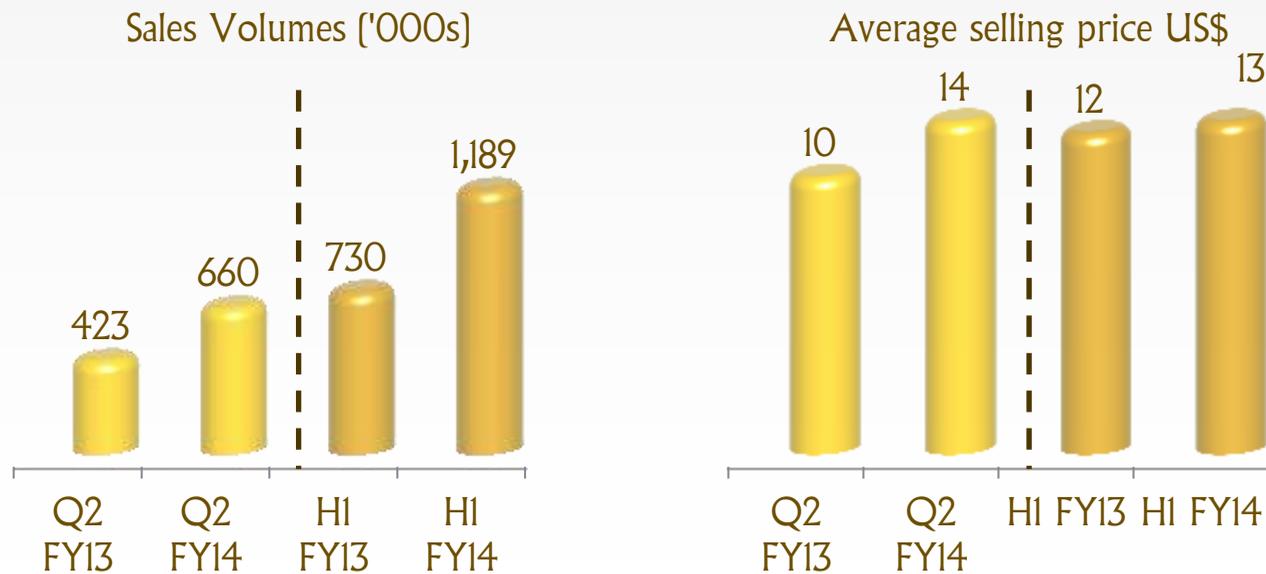


Retail Performance Trends

TV Sales

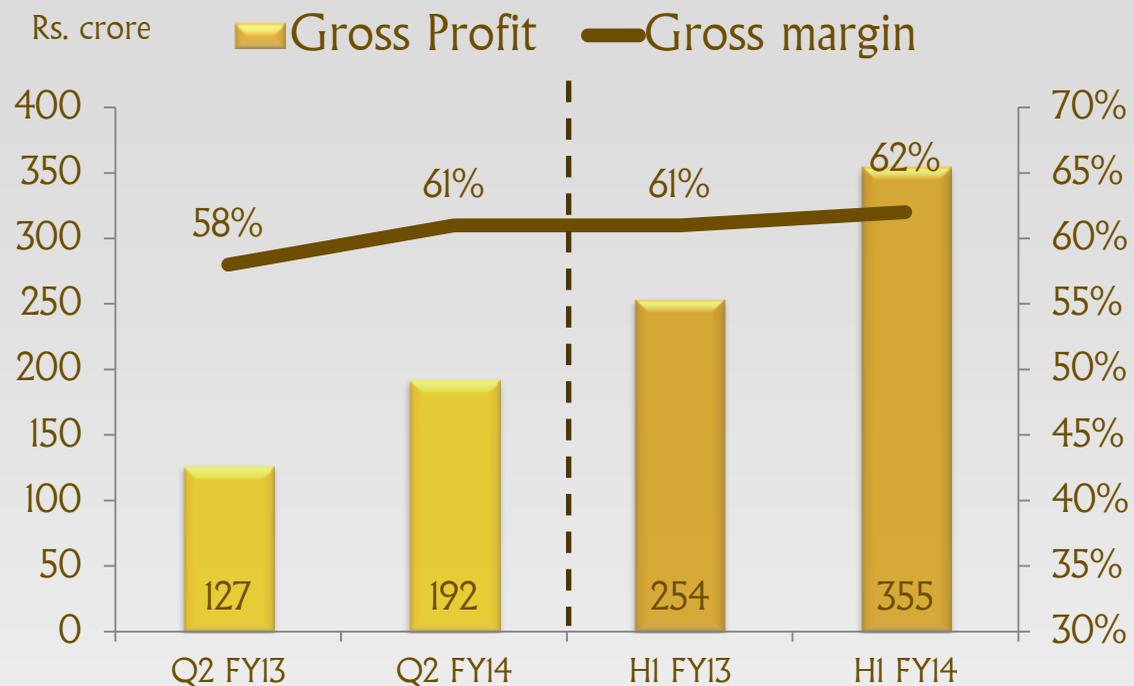


Web Sales



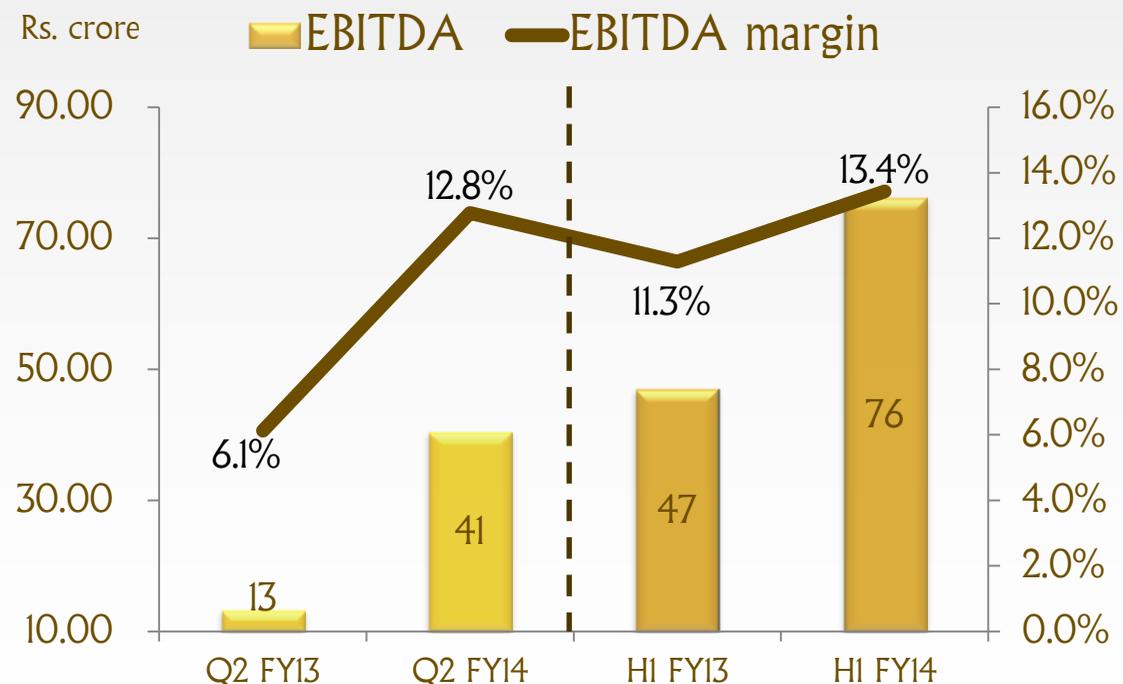
- Strong y-o-y volume growth in Q2 FY14 – 15% in TV and 56% in Web
- Growth driven by expansion of fashion jewelry and lifestyle accessories lines within the existing household coverage
- Concerted efforts at driving Web sales which now contribute ~30% of sales volume in Q2 FY14
 - There is limited cost attributed to the web sales platform except initial customer acquisition – no associated airtime cost, as with TV

Financials – Q2 & H1 FY14 Performance (Margins)



- Gross margins have improved owing to higher realization on a stable product mix

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

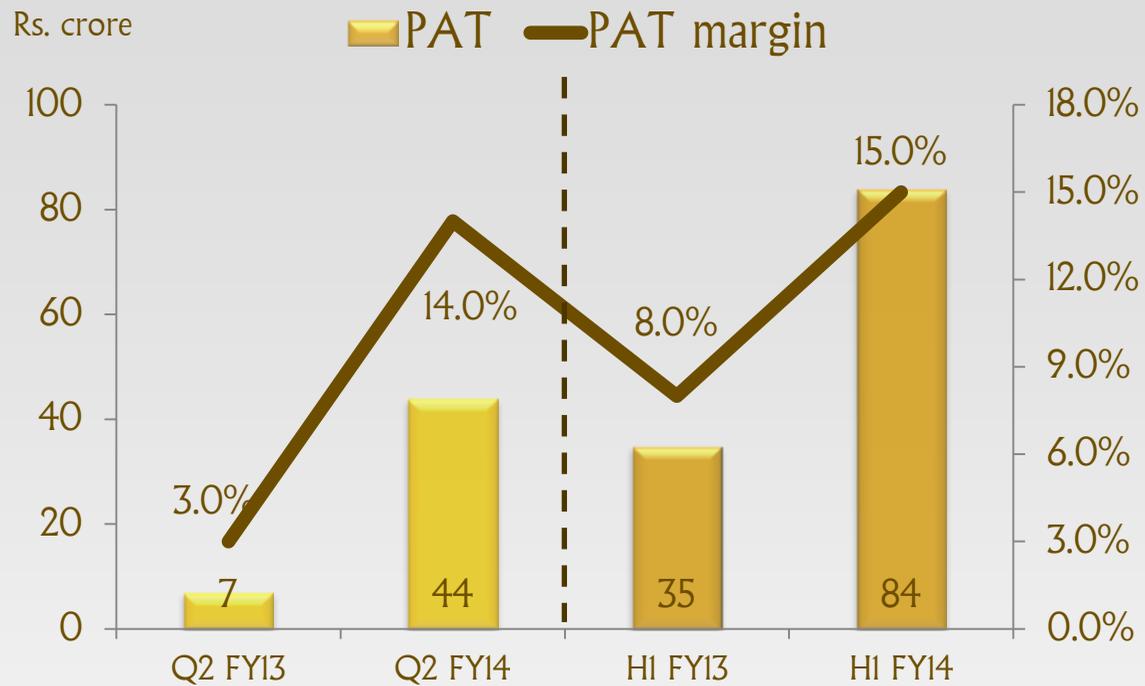


- Margins have improved significantly during the quarter, resulting from strong volume growth on a relatively stable cost structure

Note:
 EBIDTA excludes exchange gain/loss;
 EBIDTA margin including exchange gain/loss stood at 17.1% in H1 FY14 v/s 11.8% in H1 FY13
 EBIDTA margin including exchange gain/loss stood at 16.3% in Q2 FY14 v/s 6.2% in Q2 FY13

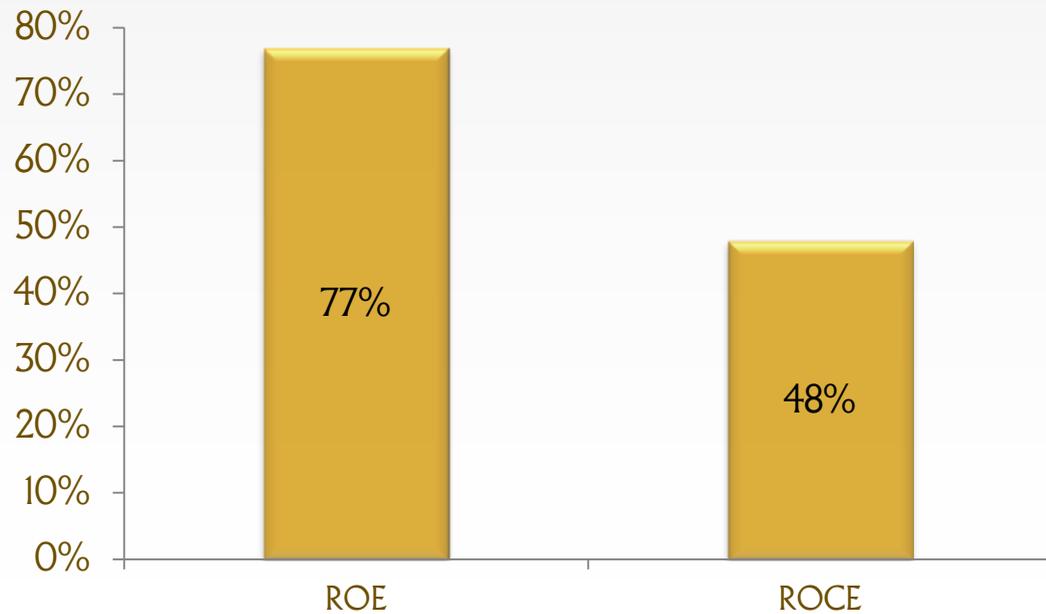


Financials – Q2 & H1 FY14 Performance (Profits)



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

Return Ratios – H1 FY14



- Significant returns on capital employed and shareholders' equity



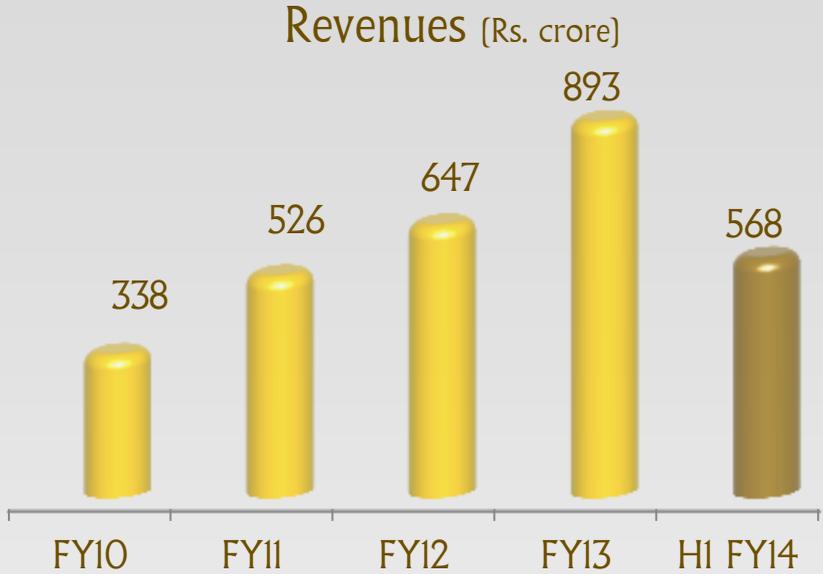
Table of Contents

| | |
|-------------------------------------|----|
| Q2 & H1 FY14 Financial Performance | 5 |
| Financial Performance Trends | 12 |
| Business Background Details | 20 |

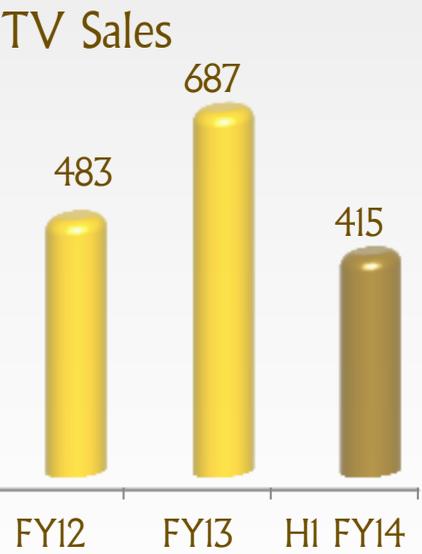


Financials Performance Trends

(Revenues)



Jewelry & Lifestyle Products



Retail Performance Trends

TV Sales

Sales Volumes ('000s)



Average selling price US\$

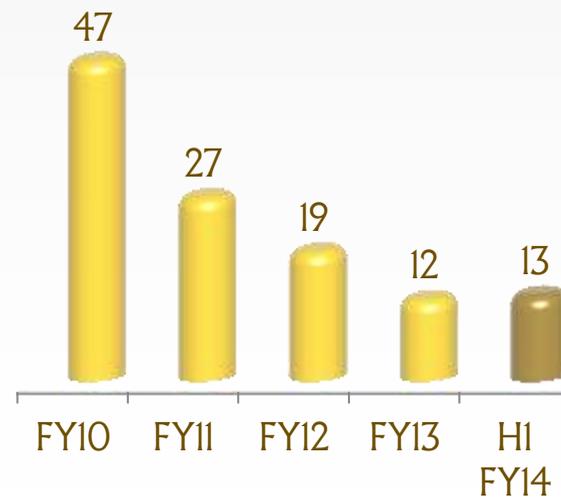


Web Sales

Sales Volumes ('000s)



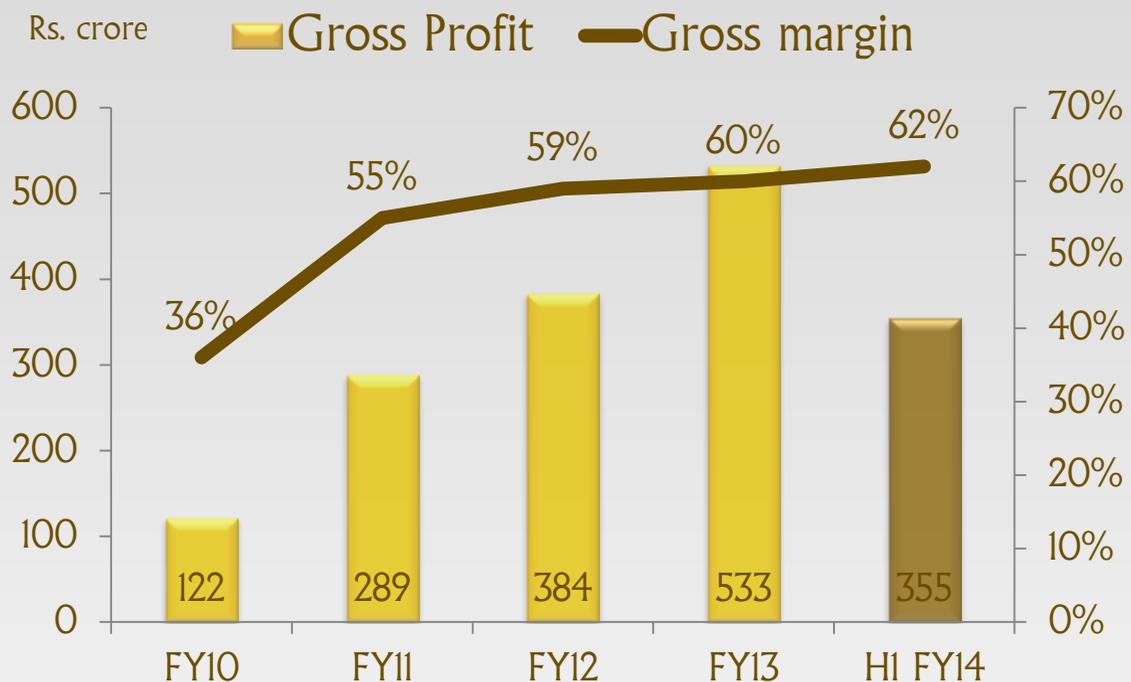
Average selling price US\$



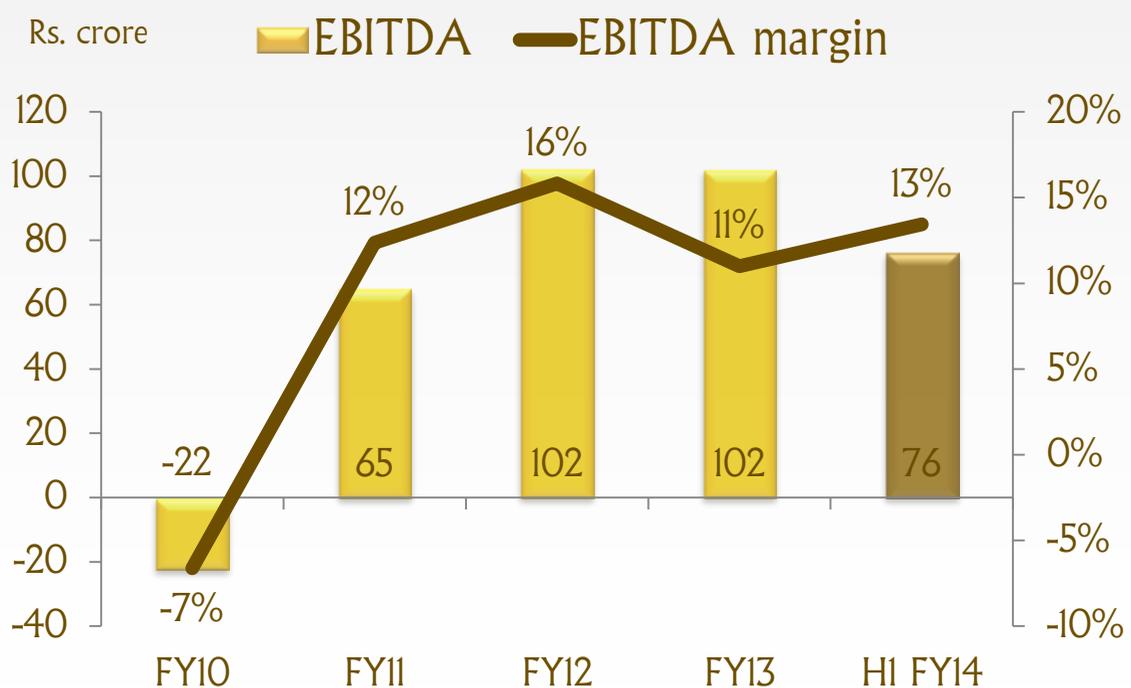
- Between FY10 and FY13, ASPs had trended with portfolio transition from fine jewelry to fashion jewelry and accessories
- Stable volume growth registered on home TV platform resulting from deeper customer engagement driving increased repeat purchases
- Proprietary internet platforms effectively complement TV shopping
- Despite lower average selling price, web contribution to profitability is in line with that of TV which has high airtime expenses associated with it

Financials Performance Trends

(Margins)



- 
- Gross margins have improved as the sourcing matrix provides flexibility to purchase from cost efficient markets (currently India on account of depreciating rupee)



- 
- EBITDA margins expected to sustain the current momentum as volumes expand on a stable cost structure

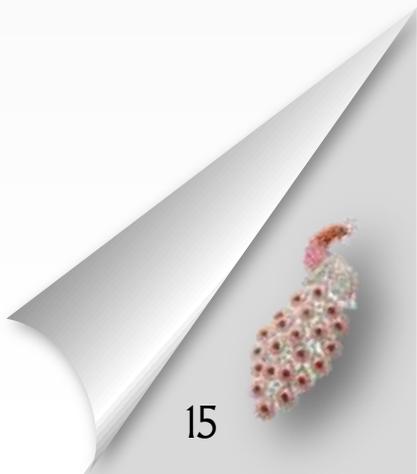
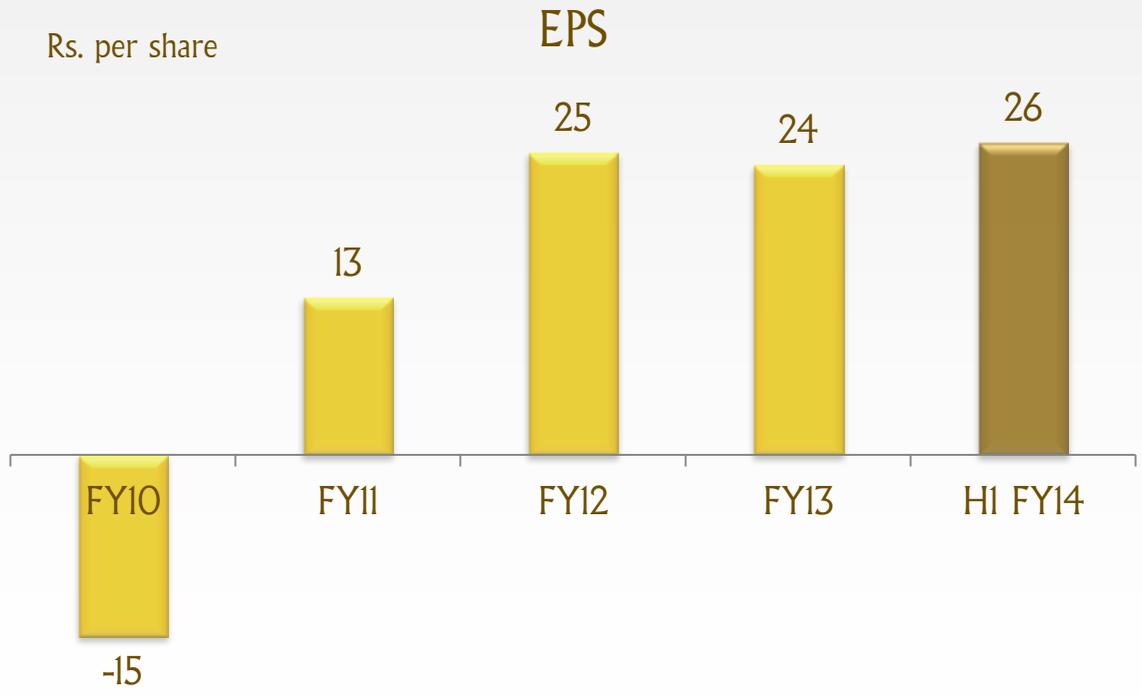


Financials Performance Trends

(Profits)



- Limited fixed cost along with expanding profits will assist debt reduction and funding 'technology efficiency' driven capital investments from internal accruals



Financials Performance Trends

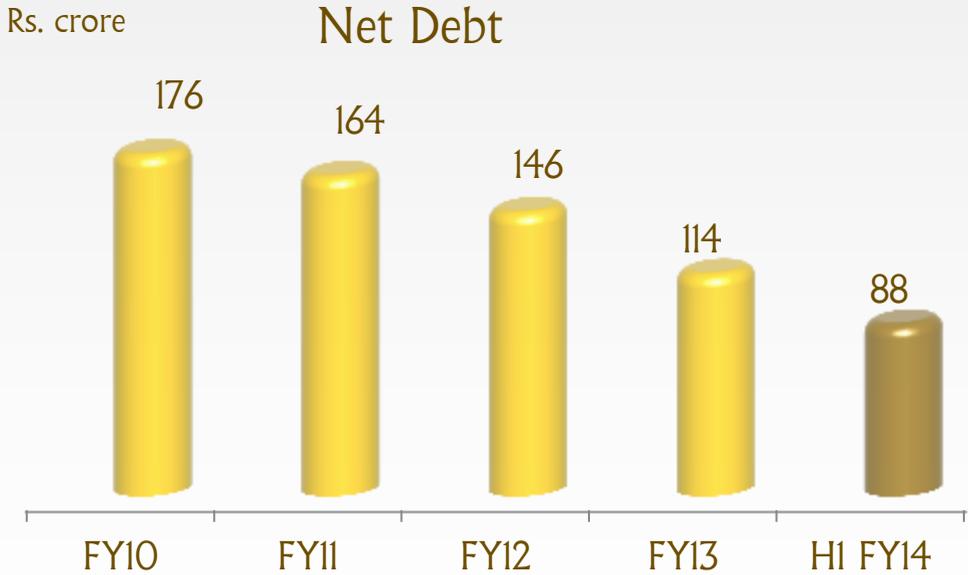
(Balance Sheet)



* 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



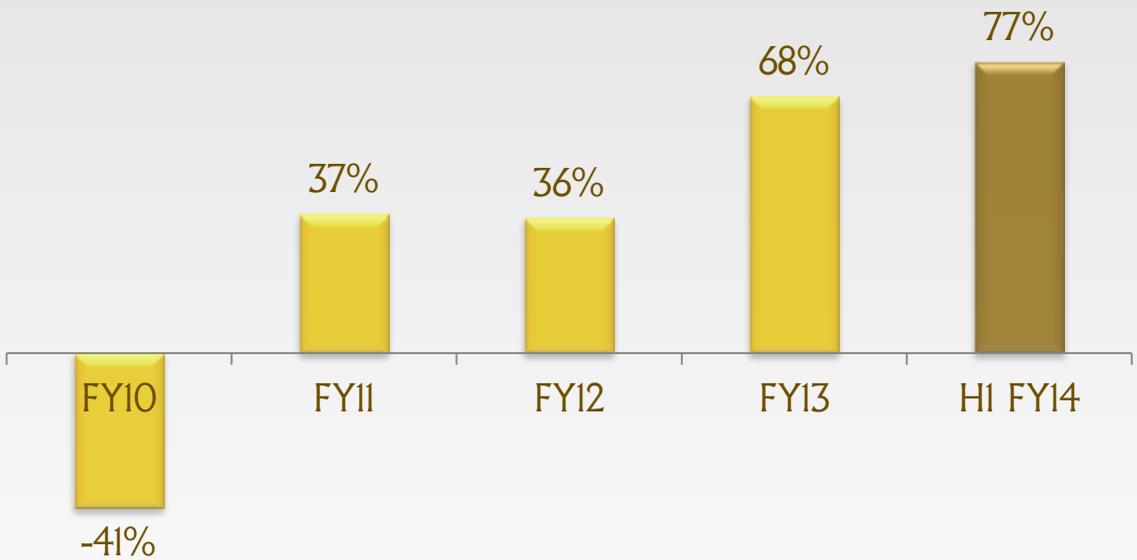
Free Cash Flow Rs. crore



Financials Performance Trends

(Key Ratios)

ROE



ROCE

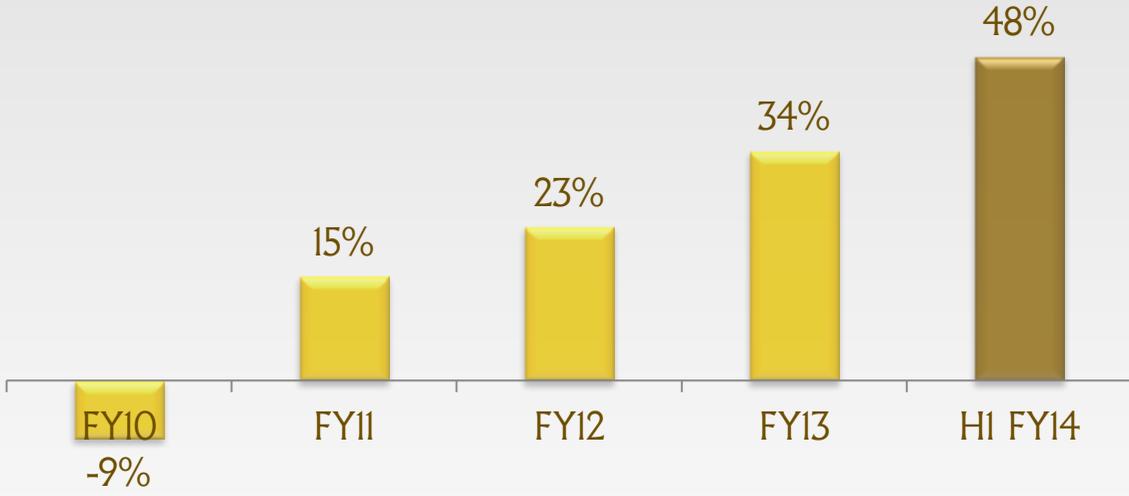


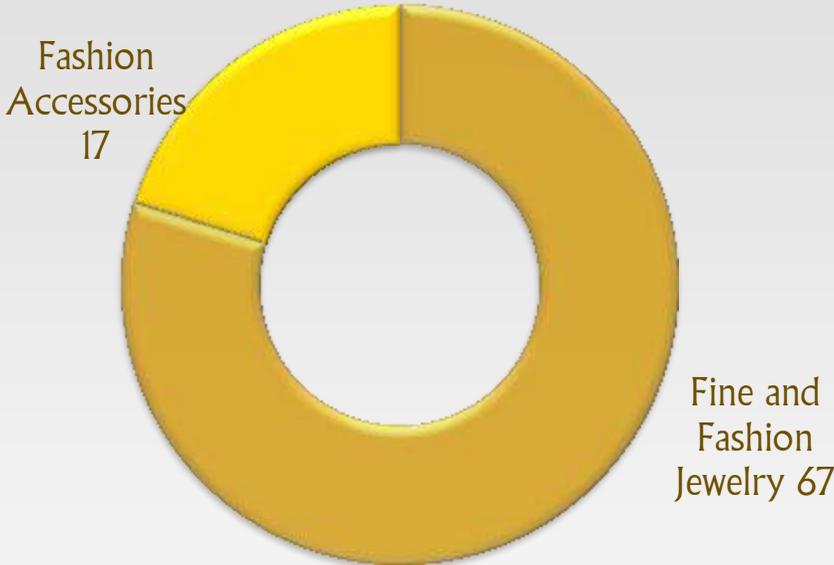
Table of Contents

| | |
|------------------------------------|-----------|
| H1 Financial Performance | 5 |
| Financial Performance Trends | 12 |
| Business Background Details | 20 |

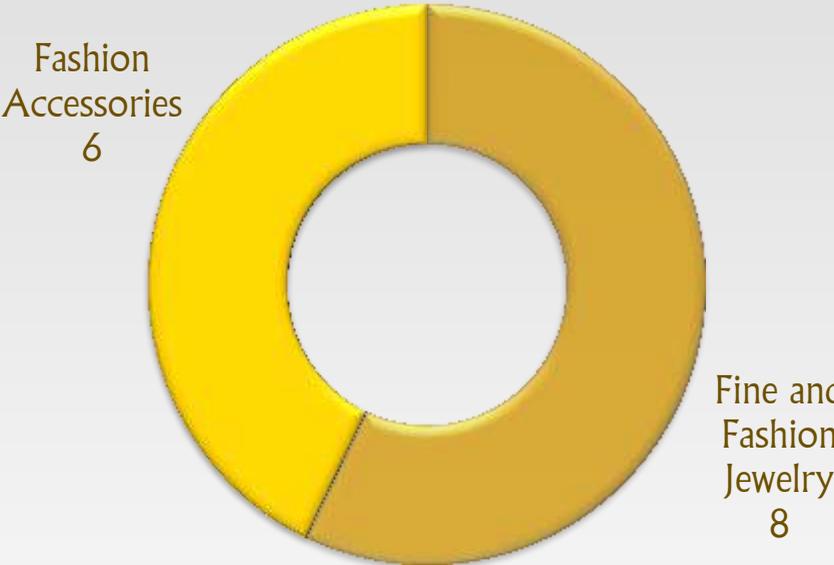


Market Opportunity

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

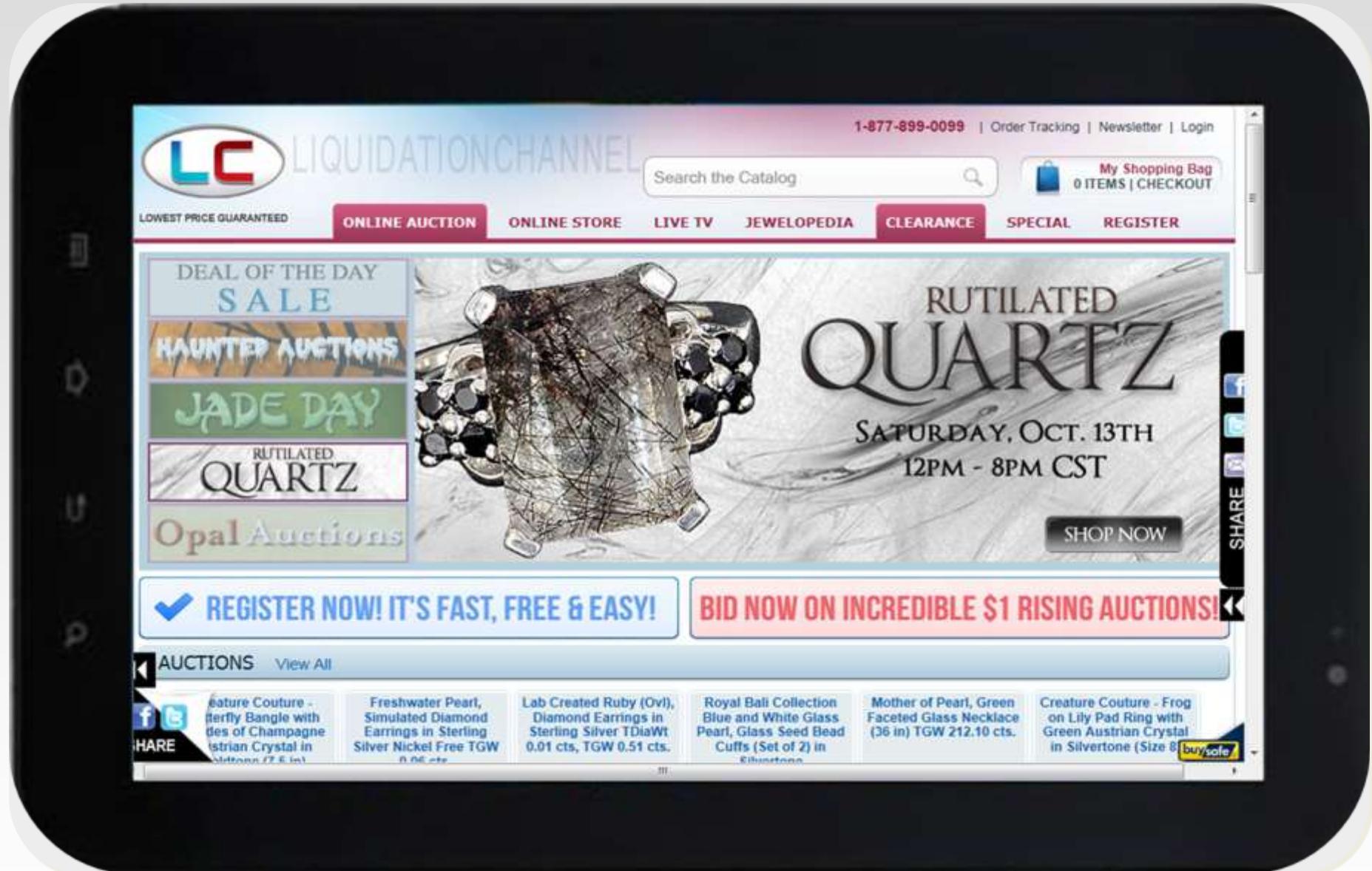
Product catalogue includes office and home décor, etc.



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



US Market Access on Liquidation TV Channel

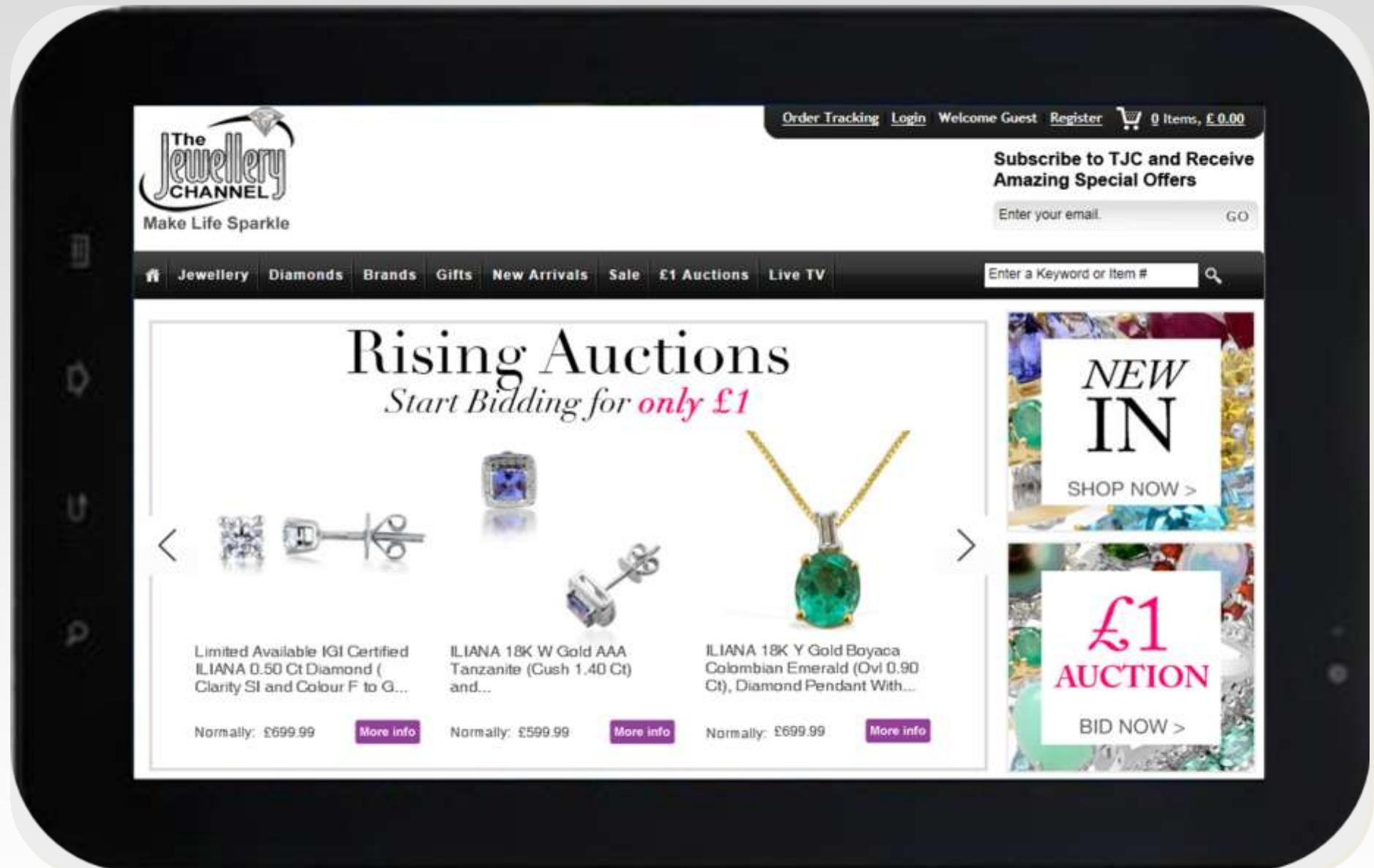


<https://www.liquidationchannel.com>

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



UK Market Access on the Jewellery Channel



www.thejewellerychannel.tv

Access to 20 out of the total 20 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

Sourcing price to deliver excellent value

Multi-vendor quotes to gauge bottom price discovery

Size of product line/ capacity

Proprietary design/ development capability

Core competency of vendor

Delivery/ quality/ timeliness



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

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



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**Thank
You**