

Vaibhav Global Limited

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

Financial Results Presentation Q2 & H1FY15

November 2014



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 homeshopping and e-commerce platforms

Liquidation Channel and The Jewellery Channel are strong brands

- 96 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

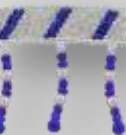


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Key Highlights for Q2 FY15

Home TV Network Reaches Over 100 Million Households

- 96 million households on full time equivalent (FTE) basis
- 68.3 million households in the US
- 25 million households in the UK
- 2.3 million households in Canada

Retail Volumes Rise 8% to 2.4 Million Units

- 11% higher volumes on Home TV shopping
- 2% higher volumes on Web shopping
- Volume growth driven by Fashion Jewelry
- Deeper customer engagement drives repeat purchases

Financial Performance

- Total Income higher by 10% at Rs. 623 crore YoY
- EBITDA at Rs. 38 crore in Q2 FY15
- Profit after tax at Rs. 25 crore in Q2 FY15
- Earnings per share of Rs. 14.5 in H1 FY15

Strong Returns on Investments

- Return on Equity at 41%
- Return on Capital Employed at 45%

Operating Highlights

- Call Center outsourced in the US – training/integration still continues, expected to continue till March 2015
- Next Generation TV Auction/Scheduling/Customer Service software launched and largely integrated at LC

Substantial Reduction in Debt

- Free Cash Flow at Rs. 29 crore in H1FY15
- Net Debt at Rs. 36 crore in Q2FY15 as against Rs. 88 crore in Q2FY14



Chairman's Message

Commenting on Q2 & H1 FY15 performance, Mr. Sunil Agrawal, Chairman and Managing Director, Vaibhav Global said:



“Expanding our offerings, enhancing the transaction experience, and deepening our engagement with our 1.45 million TV and web customers has resulted in improving performance. However, the moderation in momentum of the first quarter owing to short term factors around the transition of our call center operations to an outsourced model continued into the second quarter. We are continuing the training process to the outsourced call center team and the integration of the new retail operating software to our fast moving business. We also noticed aggressive marketing tactics by one of our close competitors. We are addressing these growth roadblocks appropriately and are confident of regaining our growth trajectory in the near future. Inventory build up has been satisfactory going into the holiday season.”

We continue to judiciously utilize our strong cash flows to pay down debt. Free cash flows stood at a healthy Rs. 29 crore during H1 and outstanding net debt was lowered by Rs. 16 crore at the close of Q2 compared to the close of FY14. We expect to emerge as a zero net debt company by the end of FY15.

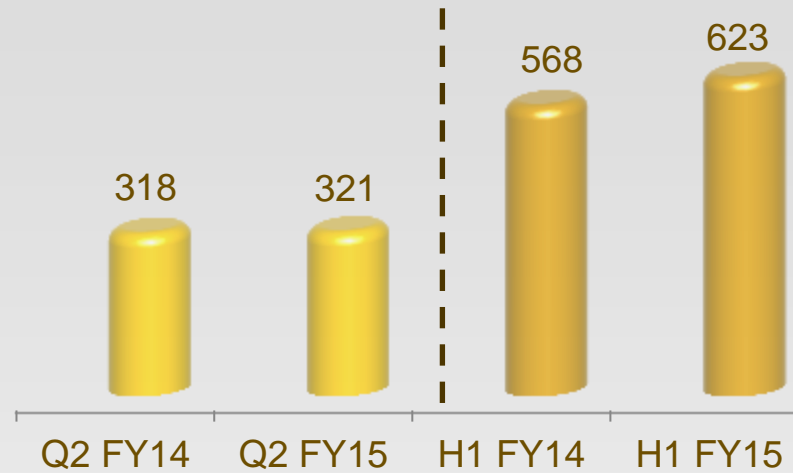
Having undertaken several noteworthy operational and financial transformations, we are focused on becoming a more formidable global retailer and deliver on the next level of growth in our business. We have enhanced our manufacturing and sourcing capabilities, expanded our US facilities and moved into a new 30,000 sq. ft. integrated state of the art facility in London in the first half. We have implemented an upgraded SAP based HRIS platform and are in the process of implementing an advanced SAP based Web platform – key ingredients to our quest for operational excellence.”



Financials – Q2 & H1 FY15 Performance

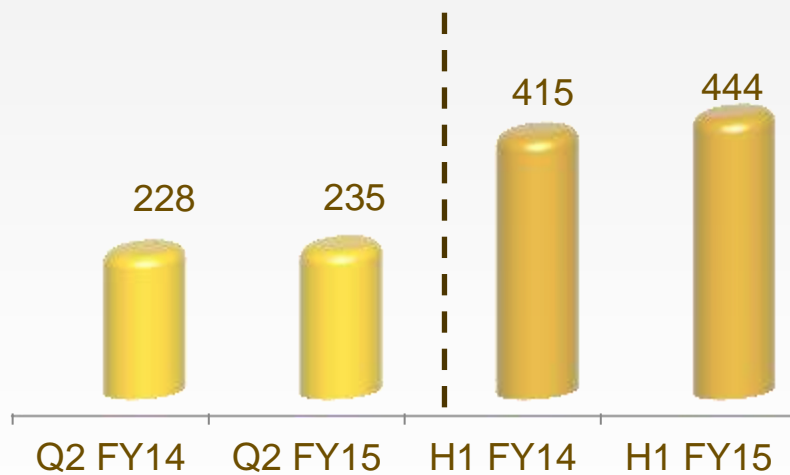
(Revenues)

Revenues (Rs. crore)

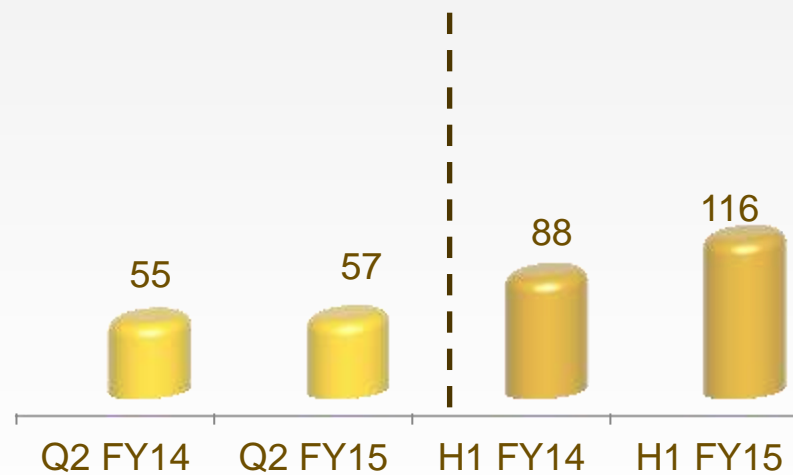


Jewelry & Lifestyle Products

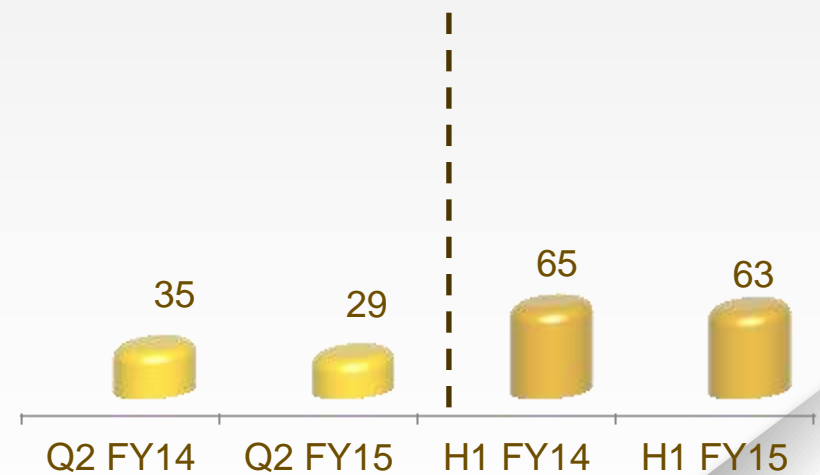
TV Sales



Web Sales

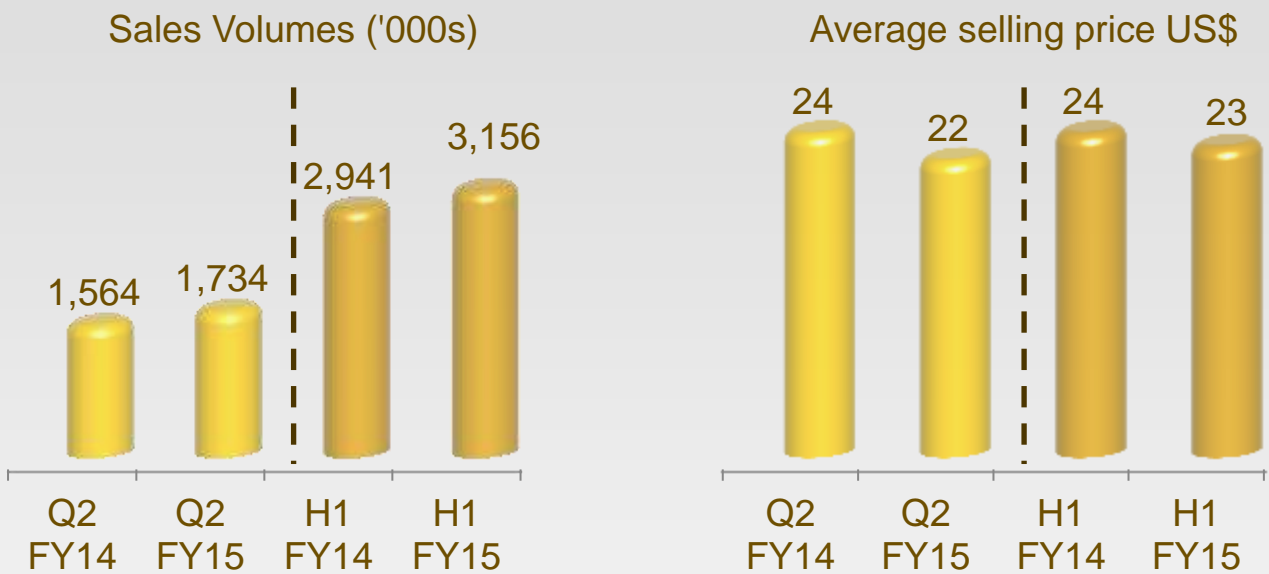


B2B Sales



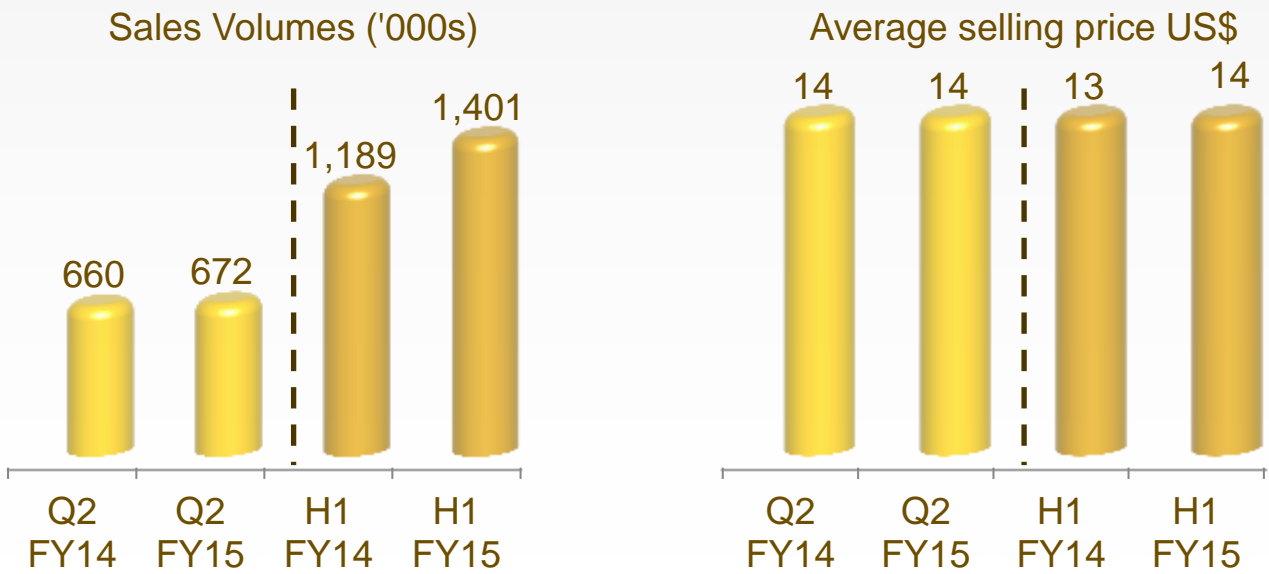
Retail Performance Trends

TV Sales



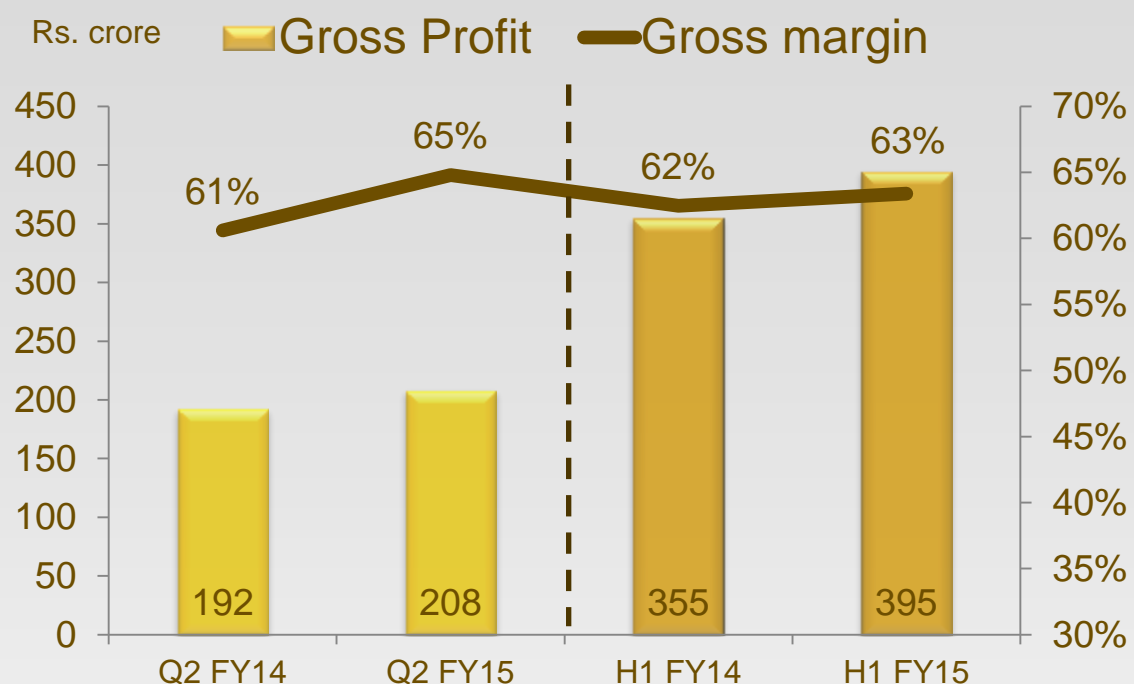
- Volume growth in Q2FY15 – 11% in TV and 2% in Web
- Web sales now contribute 28% of sales volume
- Volume growth driven by expansion of fashion jewelry and lifestyle accessories lines within the existing household coverage and reduced average selling price

Web Sales



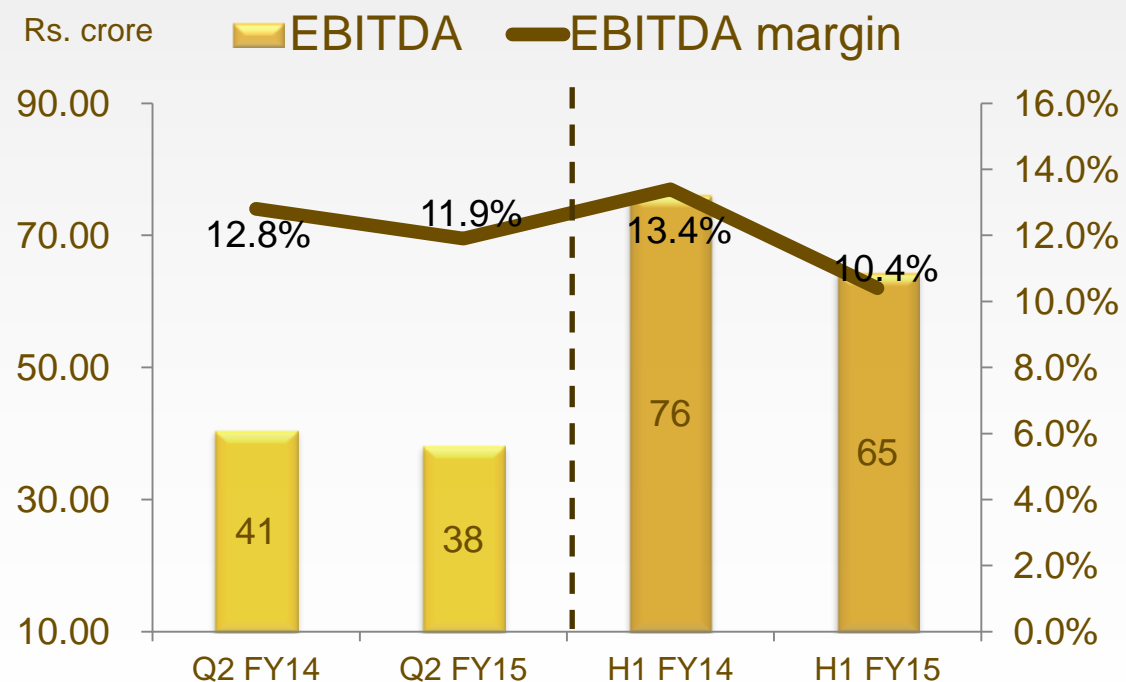
Financials – Q2 & H1 FY15 Performance

(Margins)



- Gross margins improved y/y due to improved product selection at channels and operational efficiencies at VGL India

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



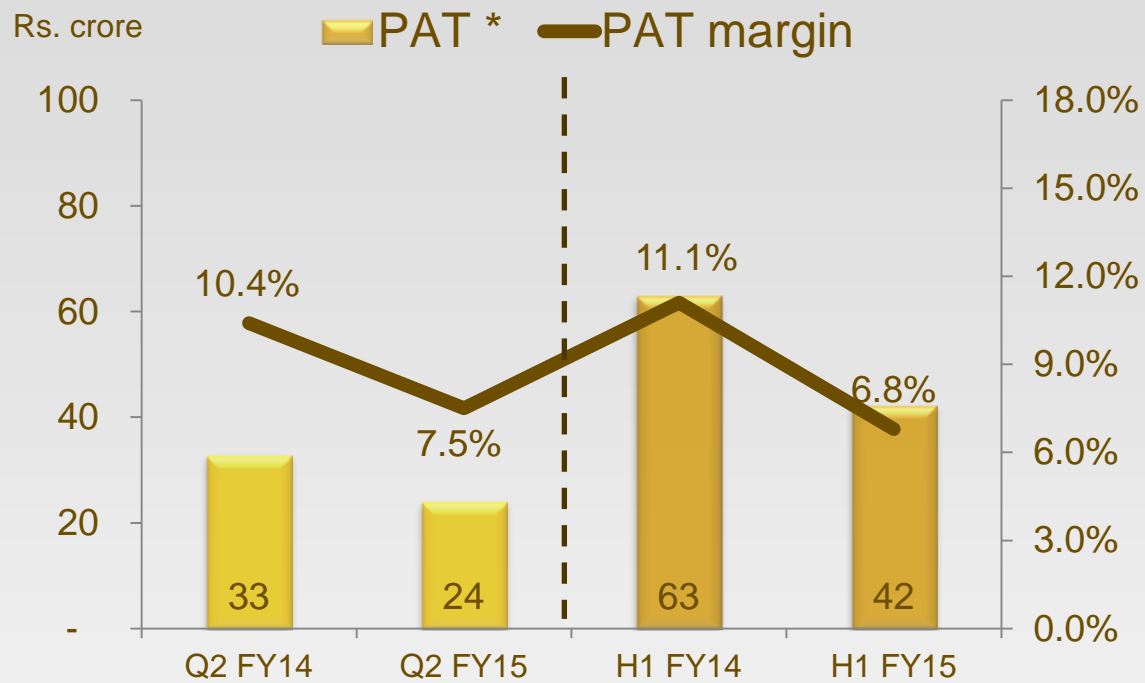
- EBITDA was a bit lower due to higher SG&A expenses geared for higher sales

Note:
 EBITDA excludes exchange gain/loss;
 EBITDA margin including exchange gain/loss stood at 11.1% in H1 FY15 v/s 17.1% in H1 FY14
 EBITDA margin including exchange gain/loss stood at 12.2% in Q2 FY15 v/s 16.3% in Q2 FY14

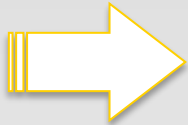


Financials – Q2 & H1 FY15 Performance

(Profits)

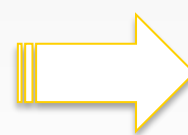
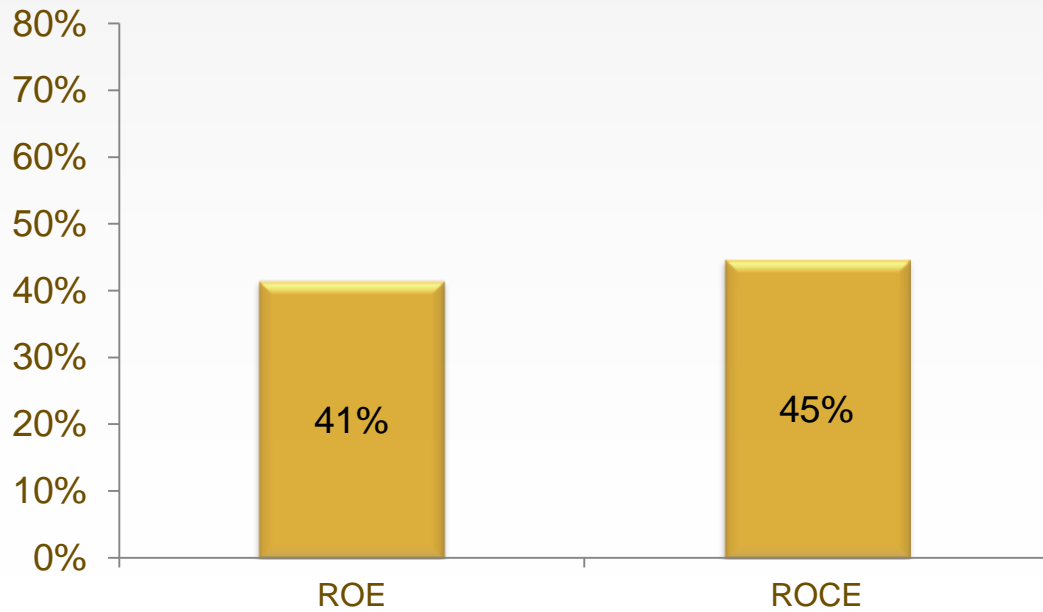


* Profit after tax without exchange gain(loss) fluctuation.



- PAT impacted by lower exchange gains and higher tax outgo in the US and India

Return Ratios – H1 FY15



- Maintain high returns on capital employed and shareholders' equity.



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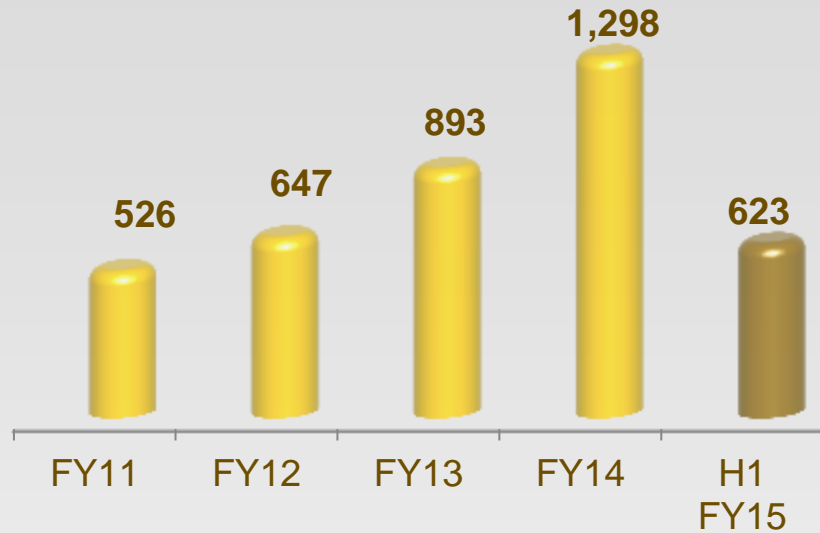
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Financials Performance Trends

(Revenues)

Revenues (Rs. crore)

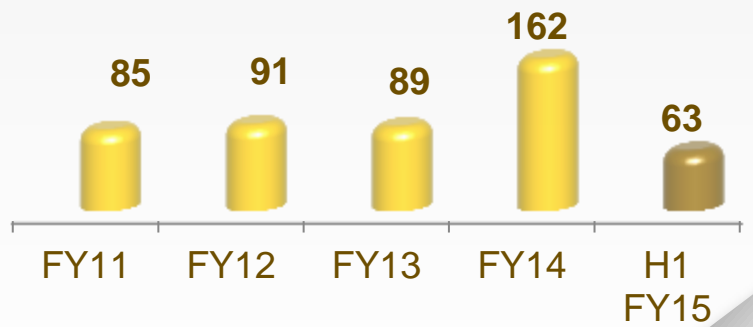
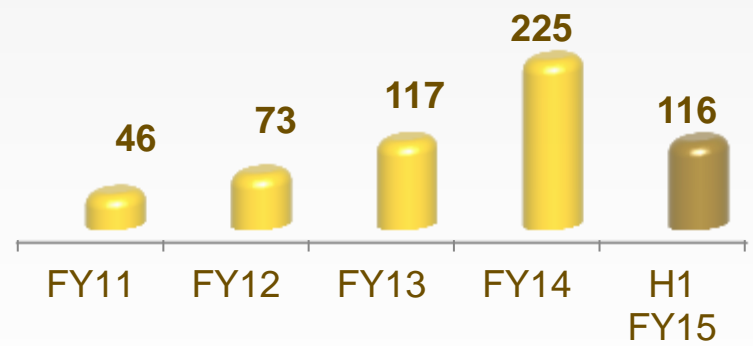
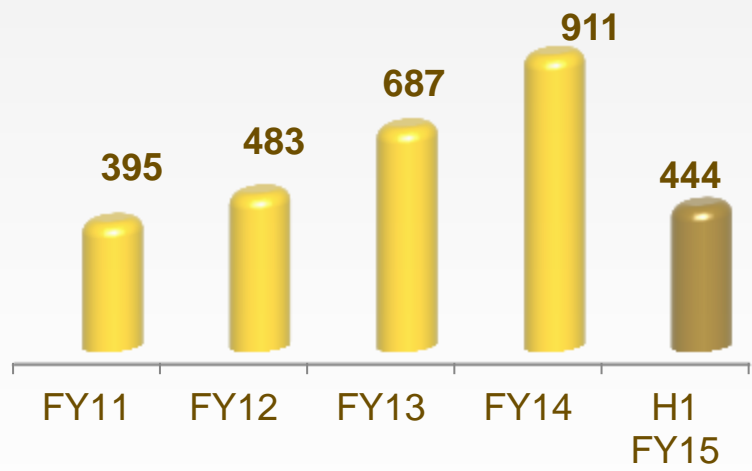


Jewelry & Lifestyle Products

TV Sales

Web Sales

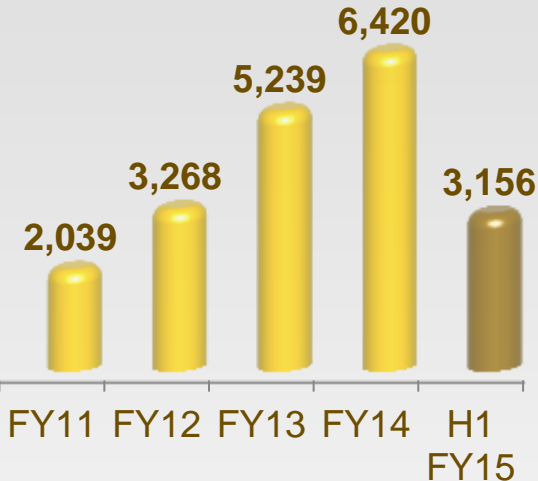
B2B Sales



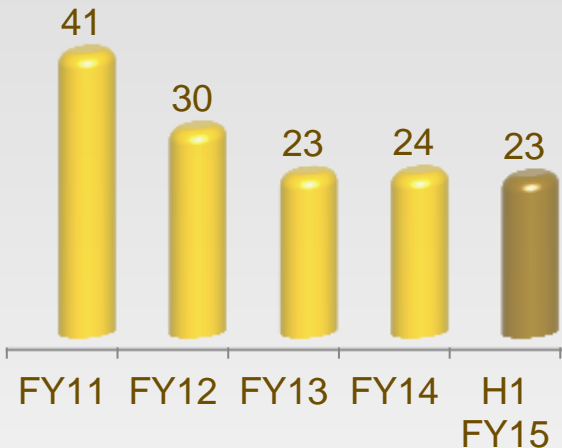
Retail Performance Trends

TV Sales

Sales Volumes ('000s)



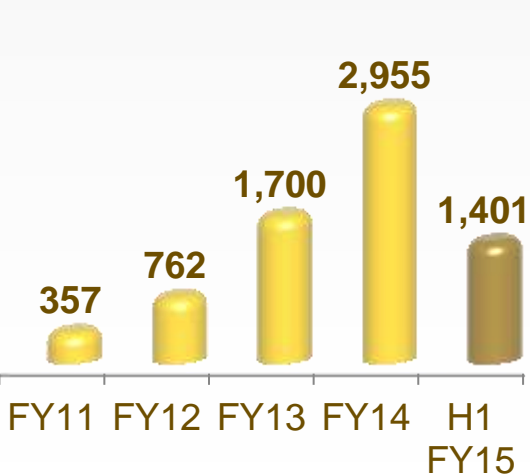
Average selling price US\$



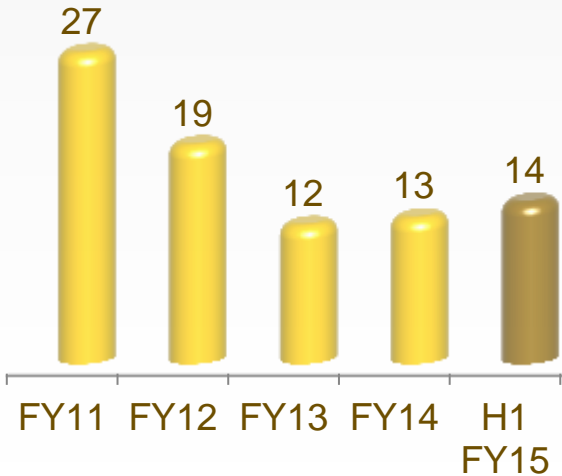
- Robust volume growth driven by strong customer engagement
- ASP has trended in line with portfolio transition from fine jewelry to fashion jewelry and accessories

Web Sales

Sales Volumes ('000s)



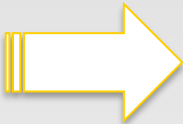
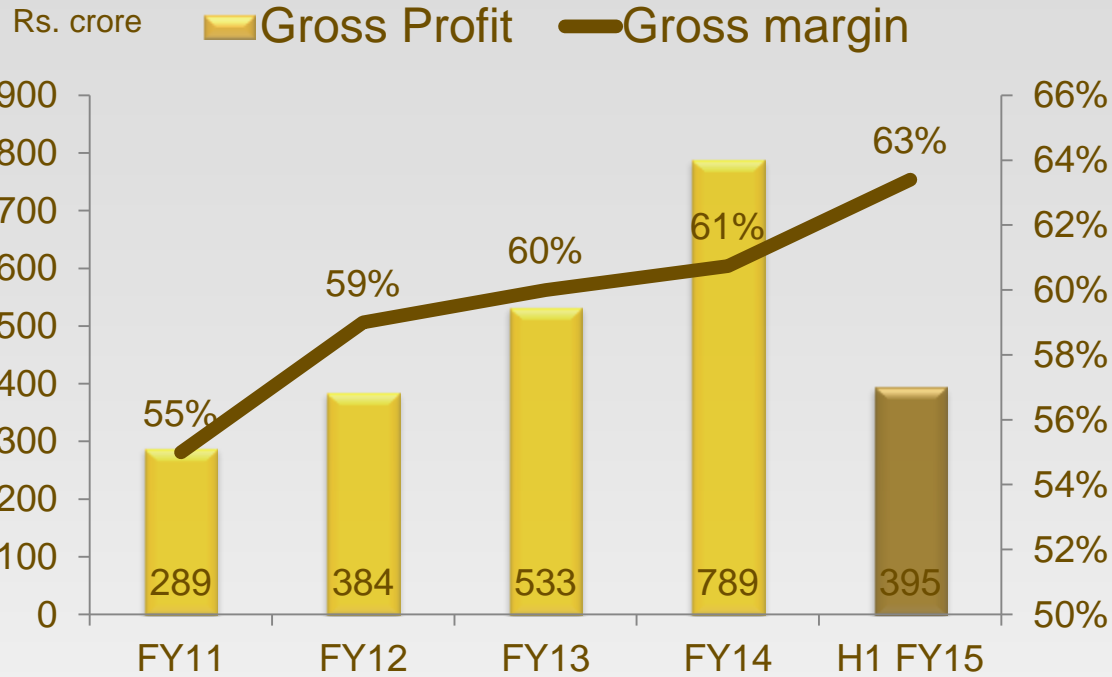
Average selling price US\$



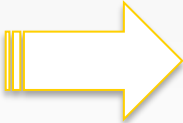
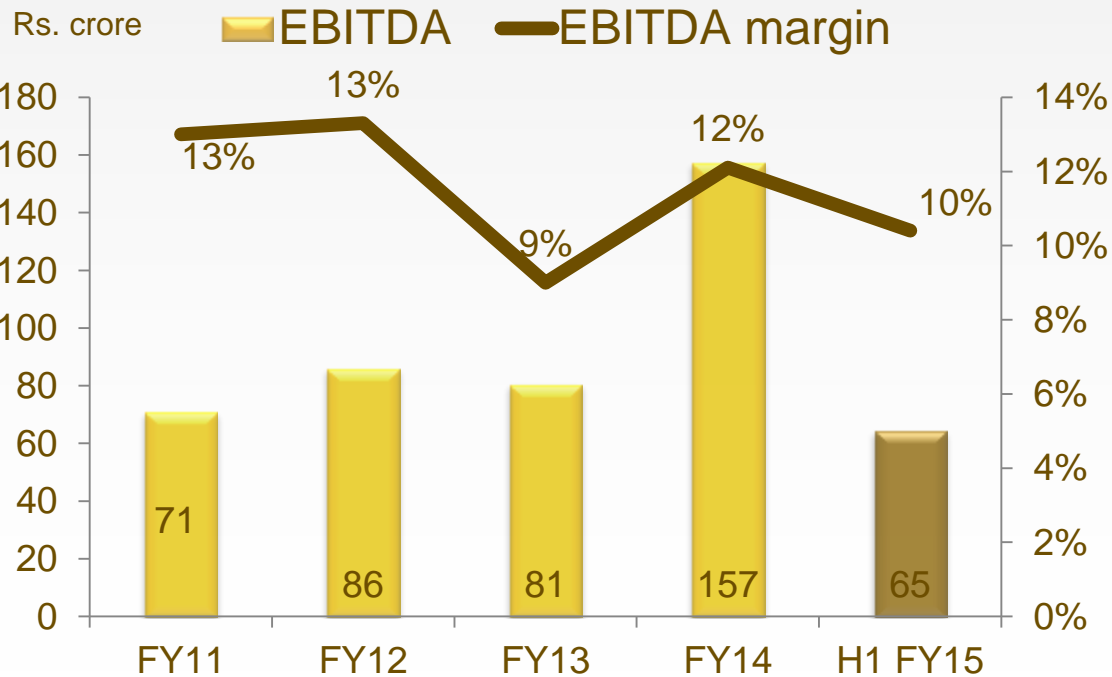
- Internet sales volumes complement TV shopping and create a balanced portfolio

Financials Performance Trends

(Margins)



- Gross margins improved due to better product mix and direct cost efficiencies at India plant.



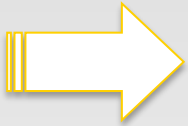
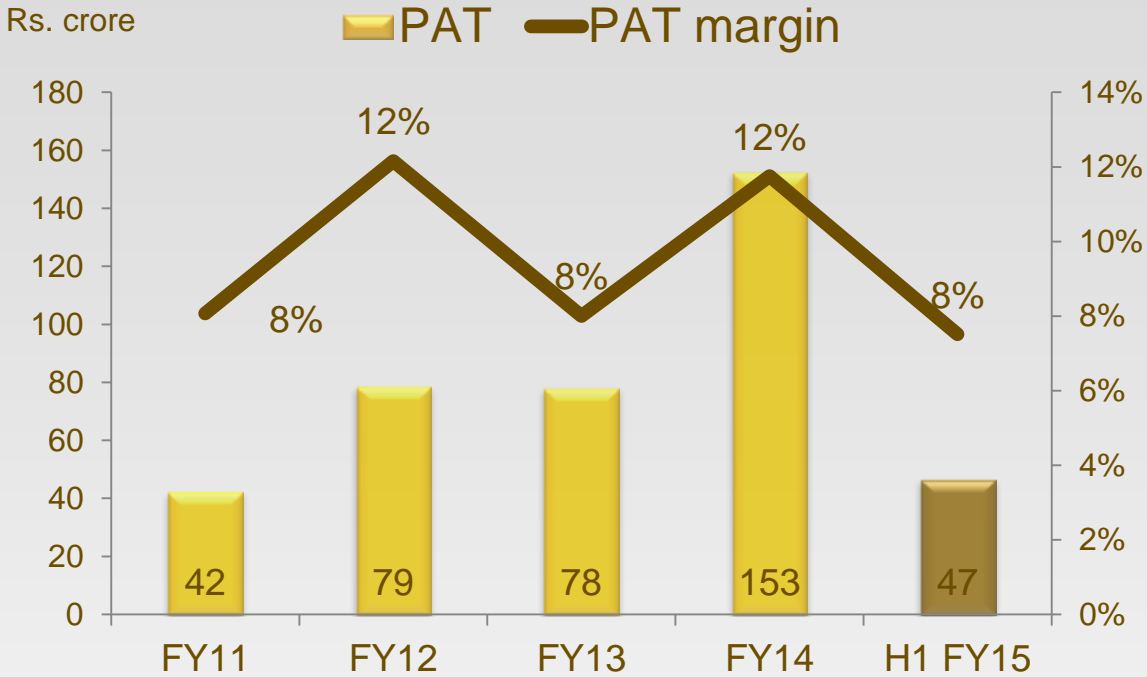
- EBITDA impacted due to continued training and integration at US call center and AMS integration

Note:
EBITDA excludes exchange gain/loss;



Financials Performance Trends

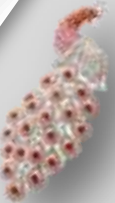
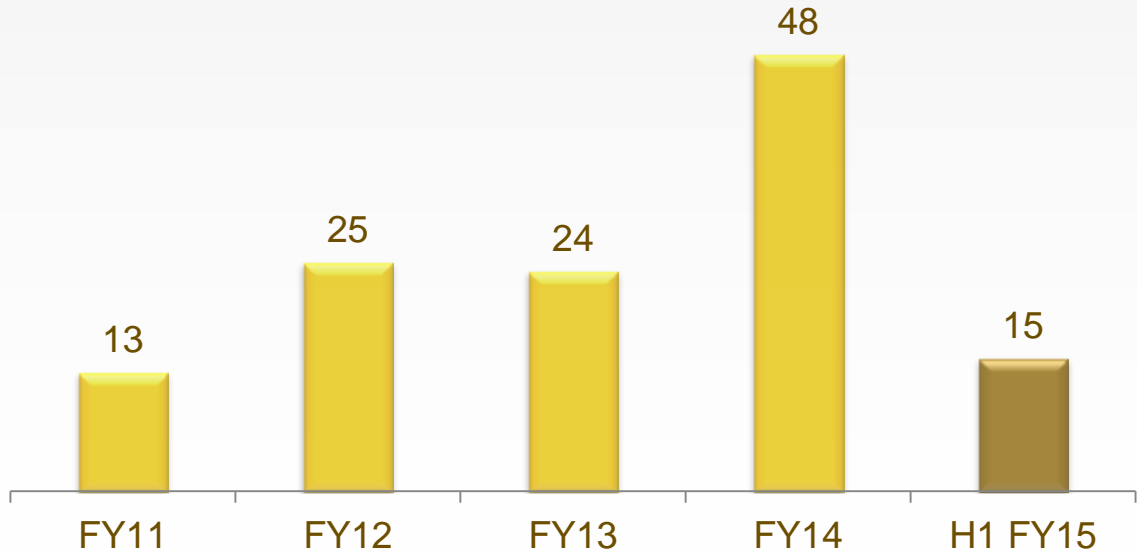
(Profits)



- Margin impact of Q1 continued in Q2 due to call center and AMS integrations

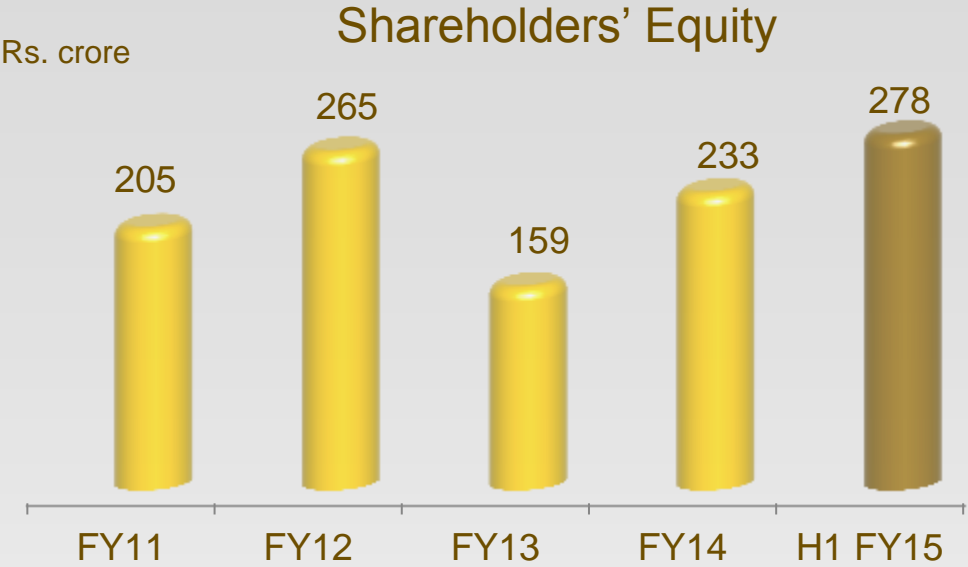
Rs. per share

EPS

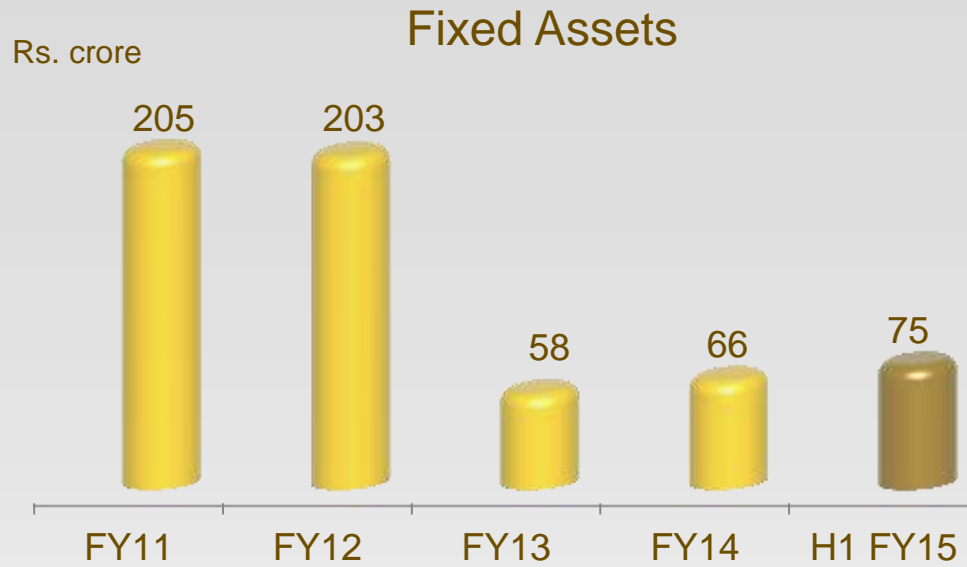


Financials Performance Trends

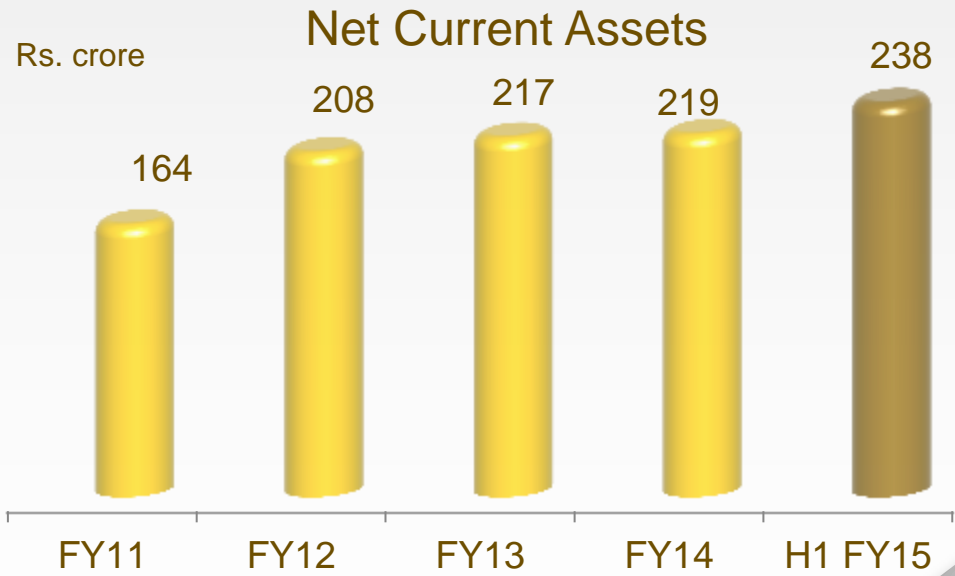
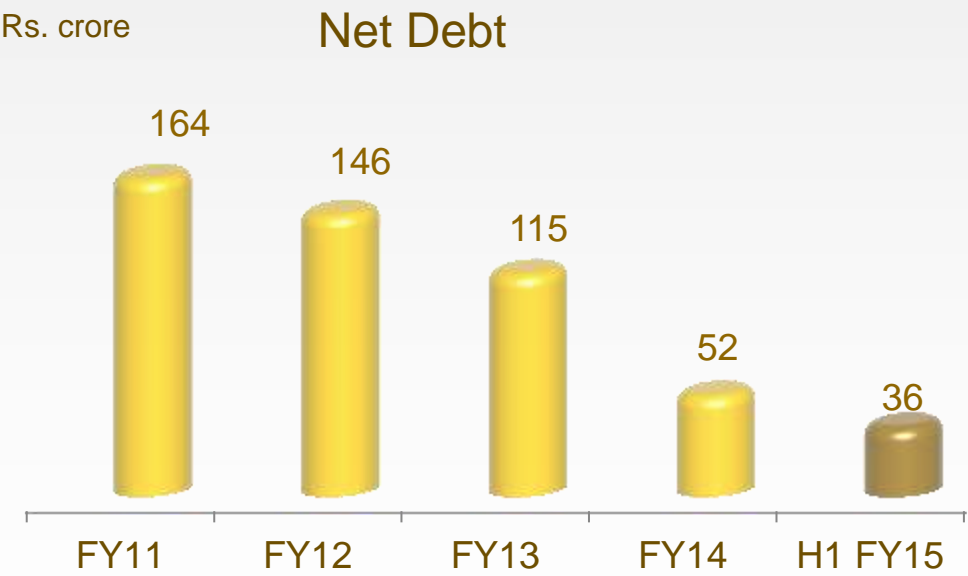
(Balance Sheet)



* 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)



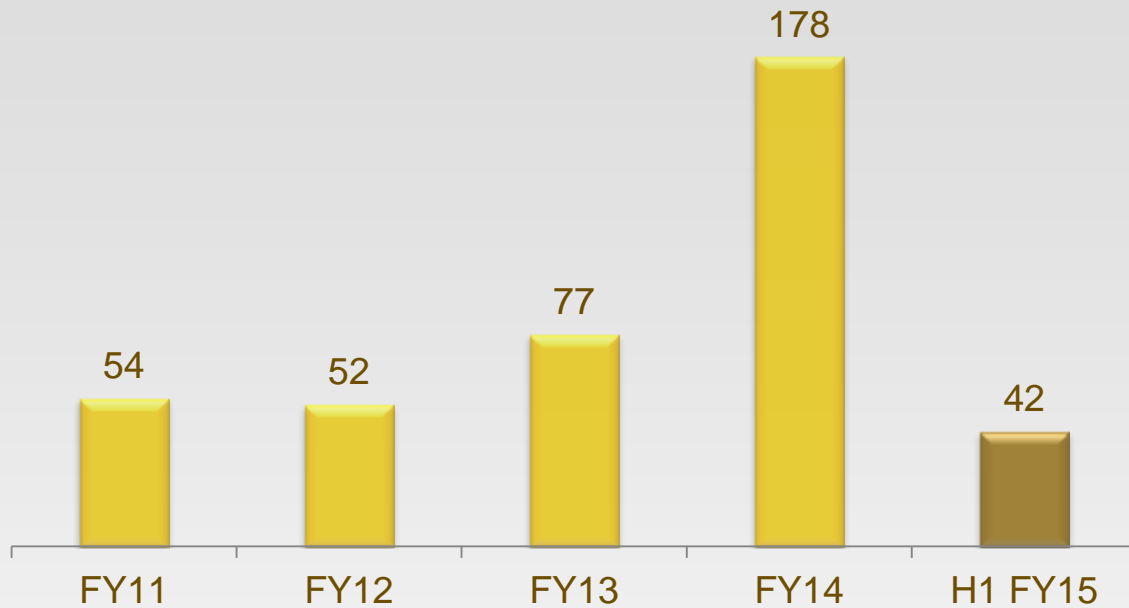
* During FY13 fixed assets were adjusted lower by Rs. 151.1 cr due to goodwill written off



Financials Performance Trends

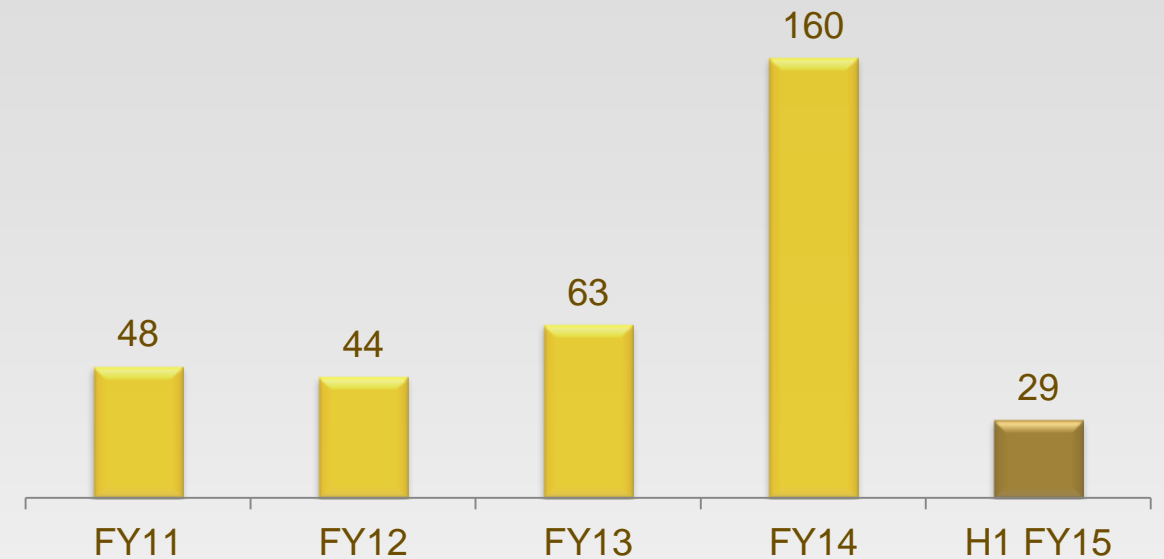
(Cash Flow)

Operating Cash flow Rs. crore



**Includes Foreign Currency Transaction Reserve*

Free Cash Flow * Rs. crore



**Includes Foreign Currency Transaction Reserve*

Key usage areas for cash flow generated in FY14:

- **Debt repaid: Rs. 47 crore**
 - Bank loan - Rs. 29 crore
 - CDR recompense - Rs. 11 crore
 - Related party debt - Rs. 7 crore
- **Preference shares redemption: Rs. 47 crore**
- **Interest paid: Rs. 14 crore**

Key usage areas for cash flow generated in H1FY15:

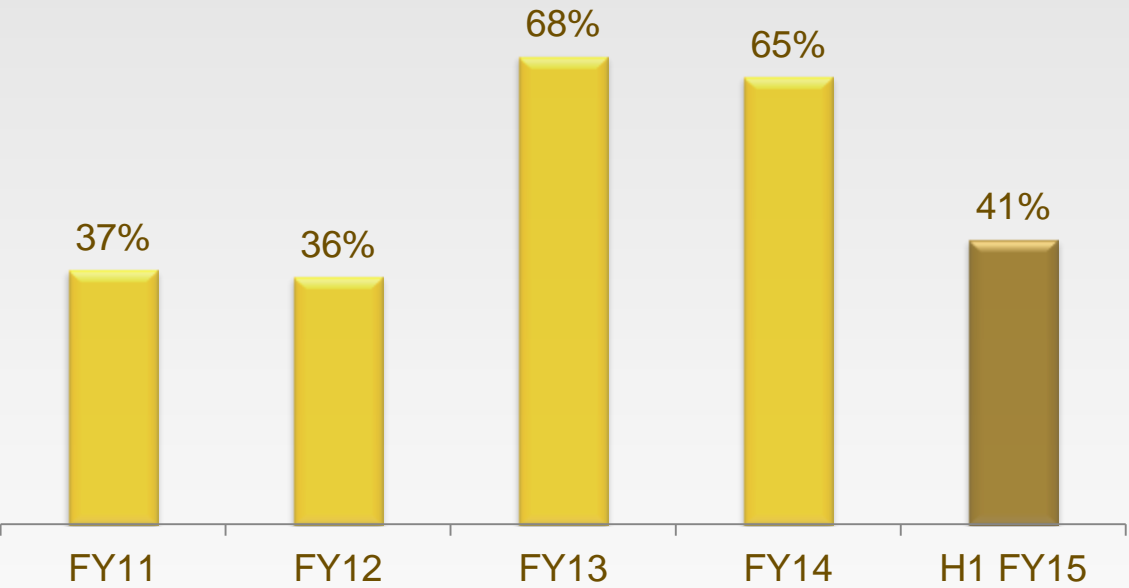
- **Debt repaid: Rs. 34.24 crore**
 - Bank loan – Rs. 33.85 crore
 - Related party debt – Rs. 0.35 crore
- **Interest paid: Rs. 3.97 crore**



Financials Performance Trends

(Key Ratios)

ROE



ROCE

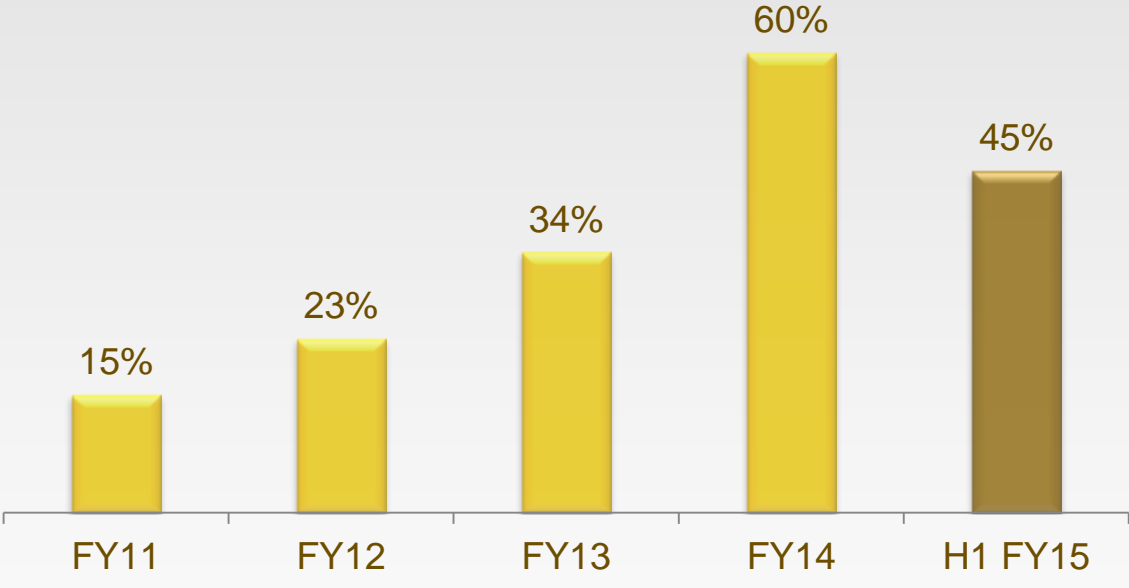
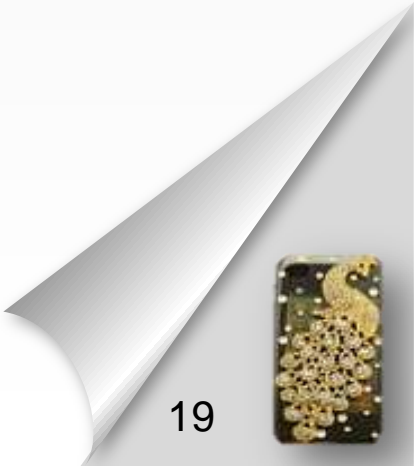


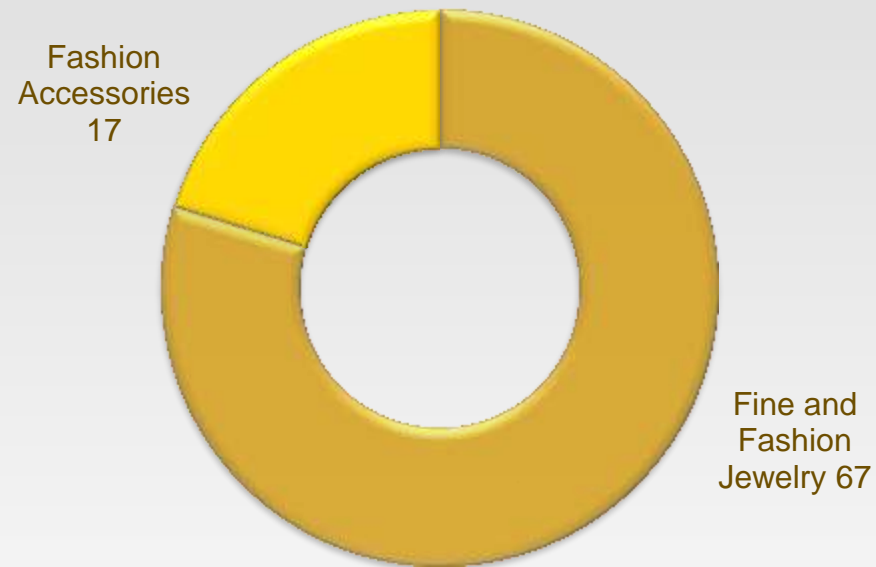
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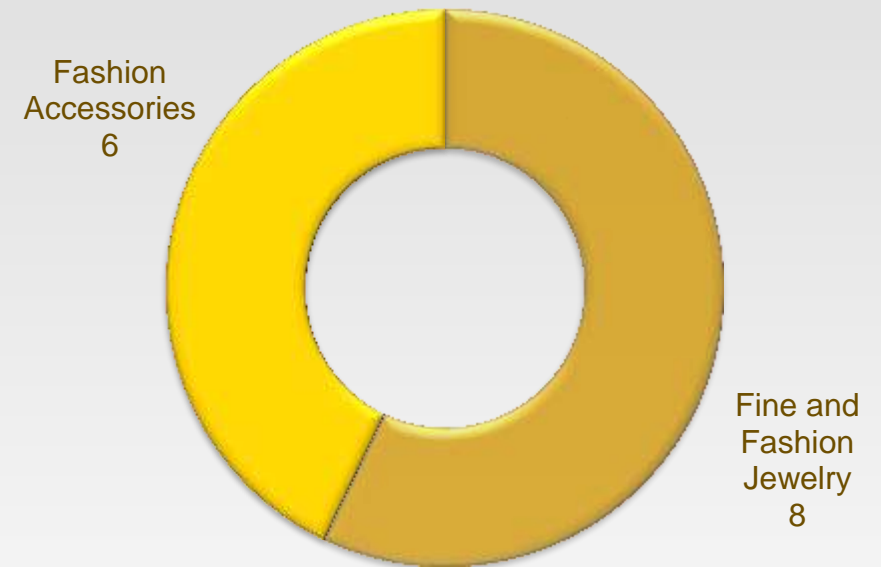


Market Opportunity

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

FINE & FASHION JEWELLERY



Bracelets, bangles, earrings, studded jewelry etc.



FASHION ACCESSORIES

Watches, handbags, scarves, phone protective shells etc.



OTHER LIFESTYLE PRODUCTS

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 Channel



Channel #274



Channel #399 & 1399



Channel #159



Channel #75 & 226



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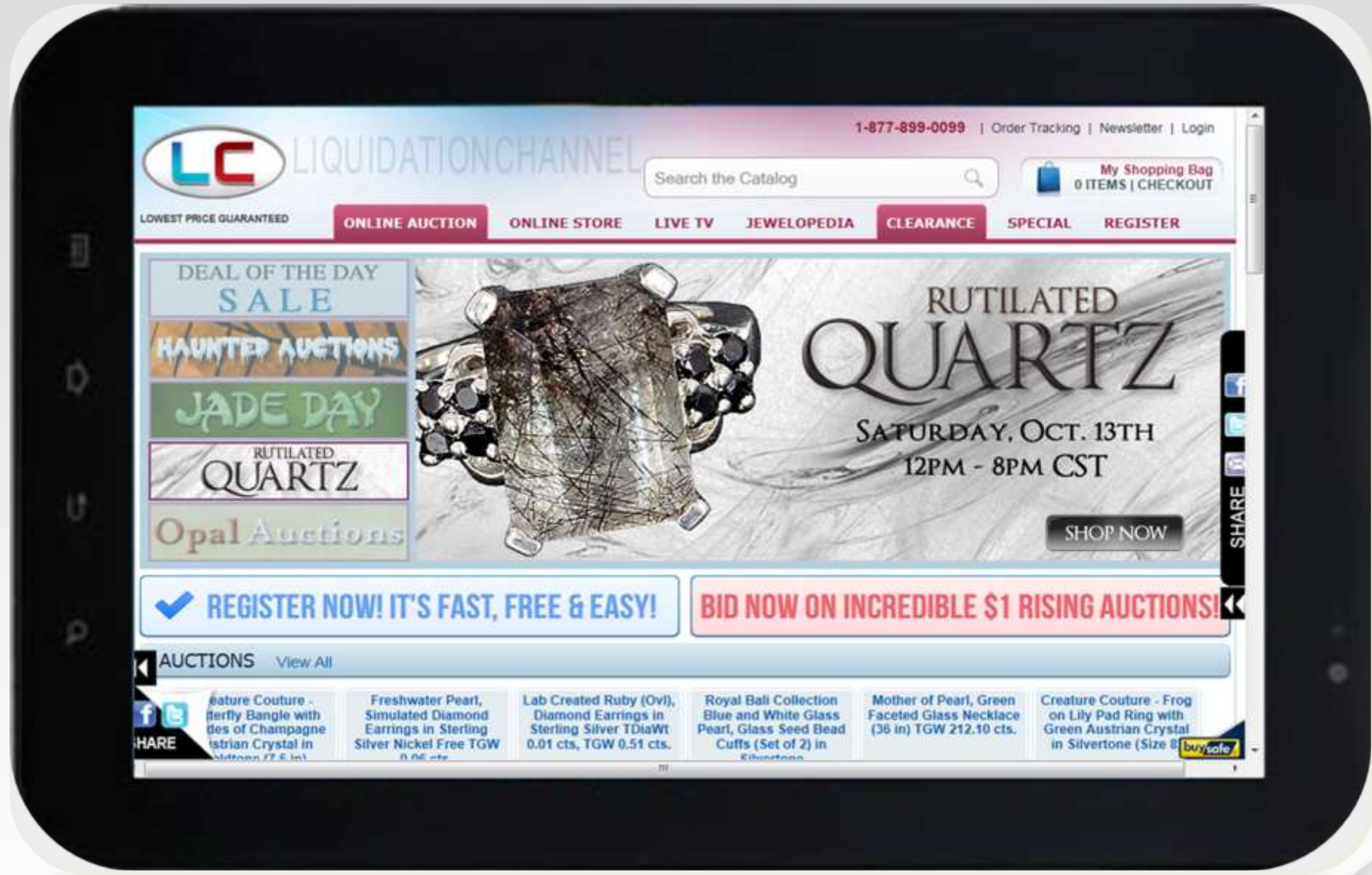


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* Different channel # across various locations



<https://www.liquidationchannel.com>

Access to 71 million (FTE) of the 116 million households in the US



UK Market Access on The Jewellery Channel



Channel #49



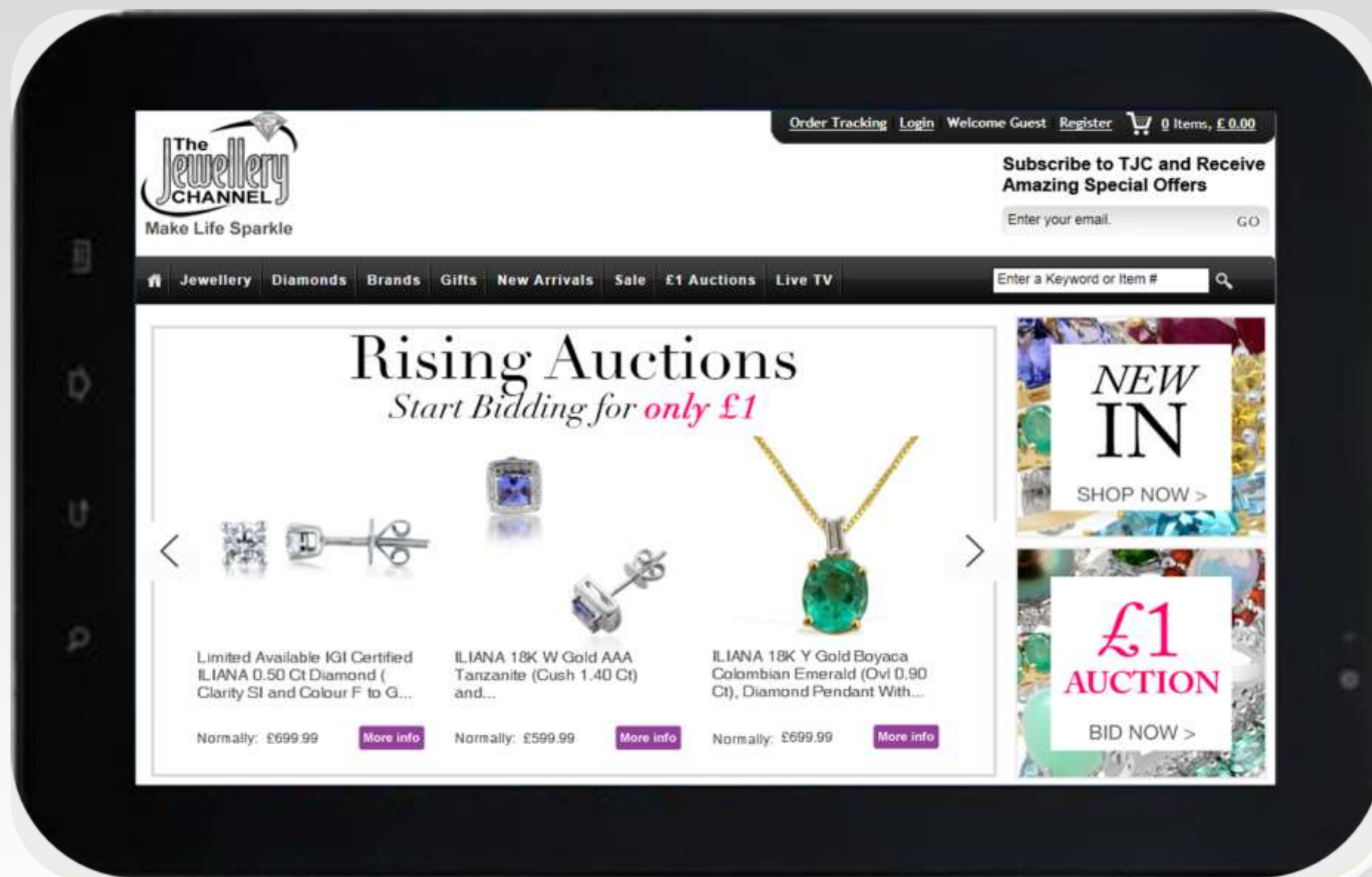
Channel #650



Channel #815



Channel #757



www.thejewellerychannel.tv

Access to 25 out of the total 25 million households



Sourcing Markets

Manufacturing facility in Jaipur, India

Production capacity – 4 million pieces p.a. ISO 9001:2008 manufacturing facilities

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 120 people in purchase/ procurement and ancillary functions across Asia

China	Thailand	Indonesia
<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

Global network for trend spotting and merchandising



Consumption Markets

Access to over 96 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 95 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 71 million (FTE) of the 116 million households in the US, covering all states
- Over 550 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



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 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

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



Management Team

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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karl@cdr-india.com





**Thank
You**