

Vaibhav Global Limited

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

Financial Results Presentation Q1 FY2015

July 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

- 95 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

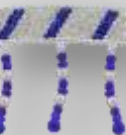


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Key Highlights for Q1FY15

Home TV Network Reaches Over 100 Million Households

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

Retail Volumes increase by 13% to 2.2 Million Units

- 3% higher volumes on Home TV shopping
- 38% higher volumes on Web shopping
- Volume growth driven by Fashion Jewelry
- Deeper customer engagement leads to repeat purchases

Strong Financial Performance

- Total Income increases by 20% at Rs. 301 crore
- EBITDA at Rs. 30 crore
- PAT at Rs. 22 crore
- Earnings per share of Rs. 6.78

Significant Improvement in Return Ratios

- Return on Equity at 53%
- Return on Capital Employed at 52%

Operating Updates

- US call center outsourced following a similar initiative previously undertaken in the UK operations
- Next Generation TV Auction/Scheduling/Customer Service software launched

Substantial Reduction in Debt

- Free Cash Flow at Rs. 22 crore in Q1FY15
- Net Debt at Rs. 40 crore in Q1FY15 as against Rs. 126 crore in Q1FY14



CMD's Message

Commenting on Q1FY15 performance, Mr. Sunil Agrawal, Chairman and Managing Director, Vaibhav Global said:



"We continue to expand our range of offerings, enhance the transaction experience, and deepen our engagement with our base of 1.4 million TV and web customers. This has resulted in improving operating and financial performance. However, during the first quarter, we witnessed some moderation in momentum owing to short term factors around inventory compression and teething issues faced during the transition of our call center operations to an outsourced model. These have been successfully resolved since and we are confident about maintaining our growth trajectory during the course of the financial year by improving market share within our key focus segments."

We continue to judiciously utilize our strong cash flows to pay down debt. Free cash flows stood at a healthy Rs. 22 crore during Q1 and outstanding debt was lower by Rs. 27 crore at the close of Q1 compared to the close of Q4FY14. We expect to pay down our outstanding debt and emerge as a debt free company by the end of FY15."

Having undertaken several noteworthy operational and financial transformations, we are focused on emerging as 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. We have also expanded our management team with multiple senior level appointments and implemented an upgraded SAP based ERP platform, key ingredients to our quest for operational excellence."



Financials – Q1 FY15 Performance

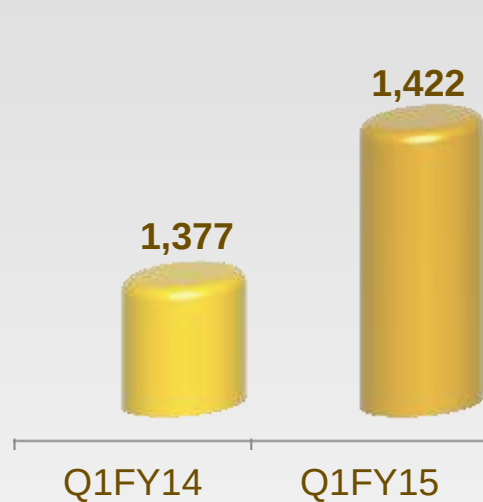
(Revenues)



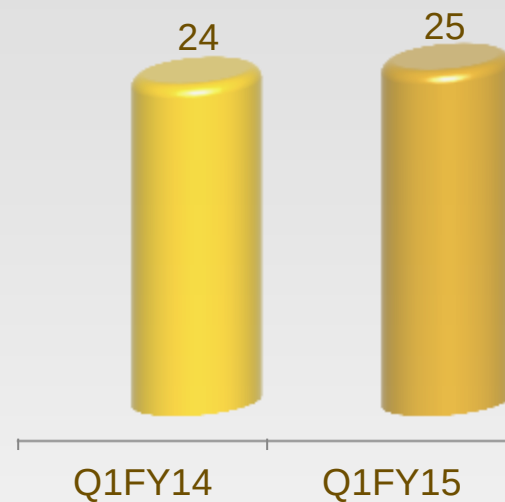
Retail Performance Trends

TV Sales

Sales Volumes ('000s)



Average selling price US\$



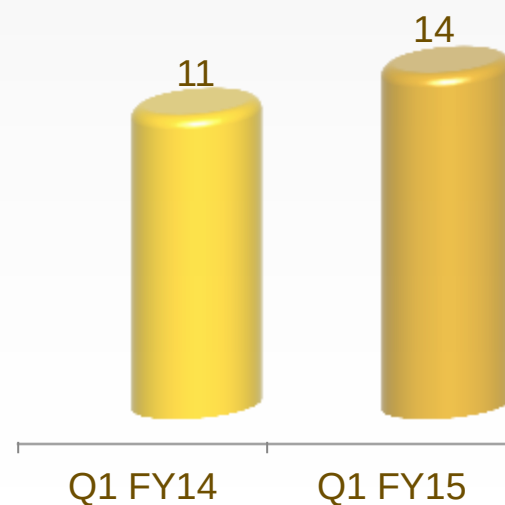
- Volume growth in Q1FY15 – 3% in TV and 38% in Web
- Web sales now contribute 34% of sales volume vs 28% in Q1 last year
- Increasing contribution from catalog sales on the Web platform has improved ASP's

Web Sales

Sales Volumes ('000s)

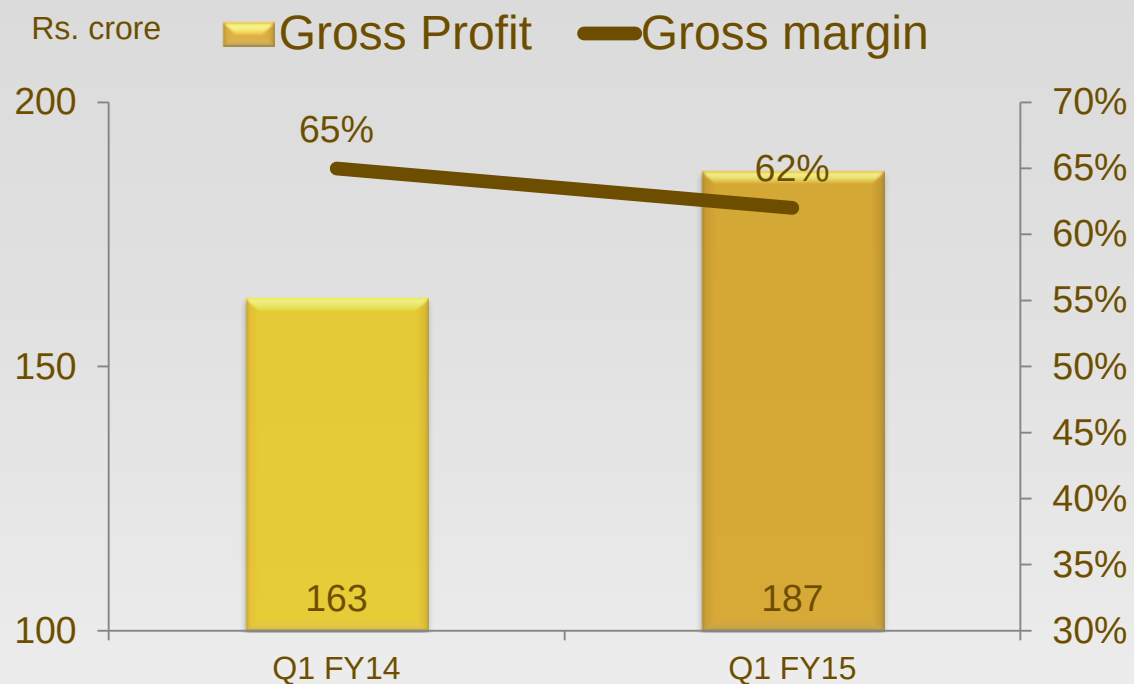
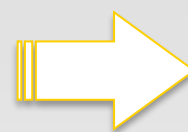


Average selling price US\$



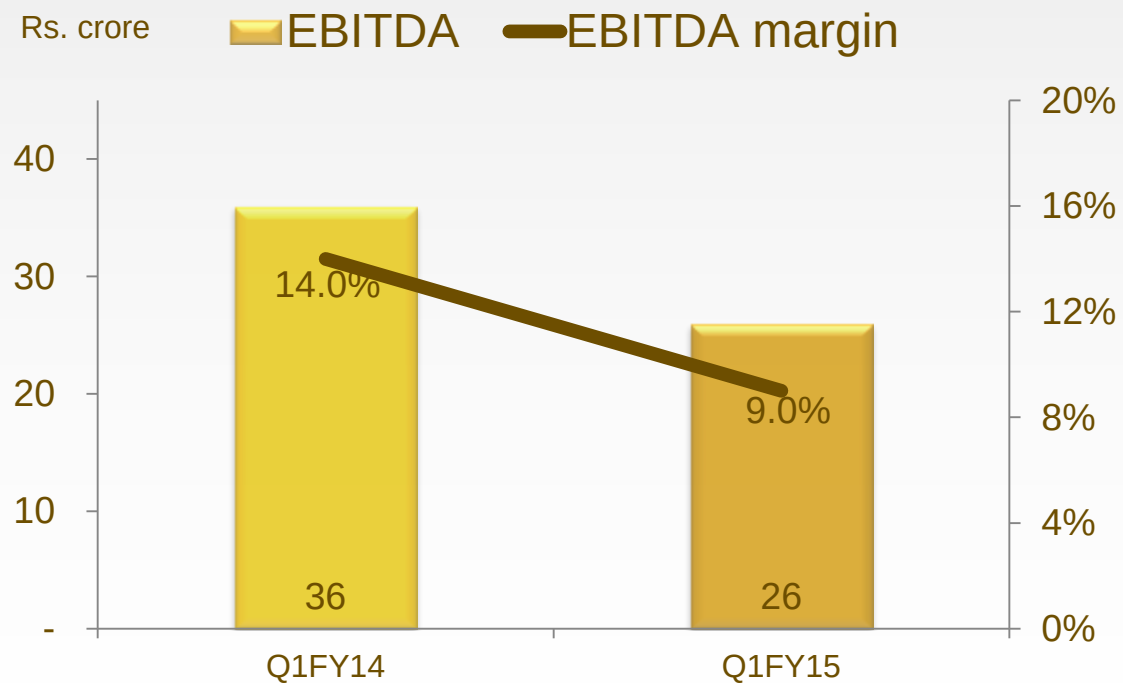
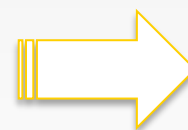
Financials – Q1FY15 Performance

(Margins)



- Gross margins impact from flat TV volumes and higher Web contribution to the overall revenue mix

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



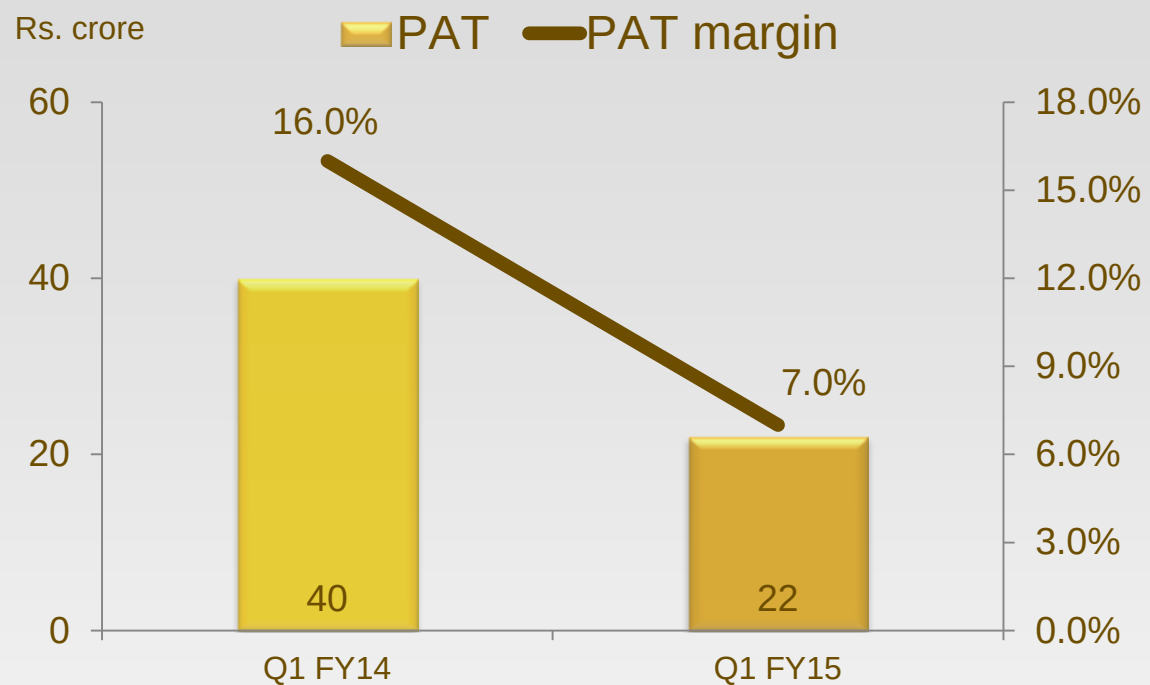
- EBITDA includes quarter specific one-time factors: transition to outsourced call center facility and migration to upgraded auction management system

Note:
EBIDTA excludes exchange gain/loss;
EBIDTA margin including exchange gain/loss stood at 10% in Q1FY15 v/s 18% in Q1FY14



Financials – Q1FY15 Performance

(Profits)



- PAT includes exchange gain of Rs. 3.5 crore in Q1FY15 vs Rs. 10.8 crore in Q1FY14. Tax rate increased from 2% to 14% as both US and India operations are tax paying entities this year

Return Ratios – Q1FY15

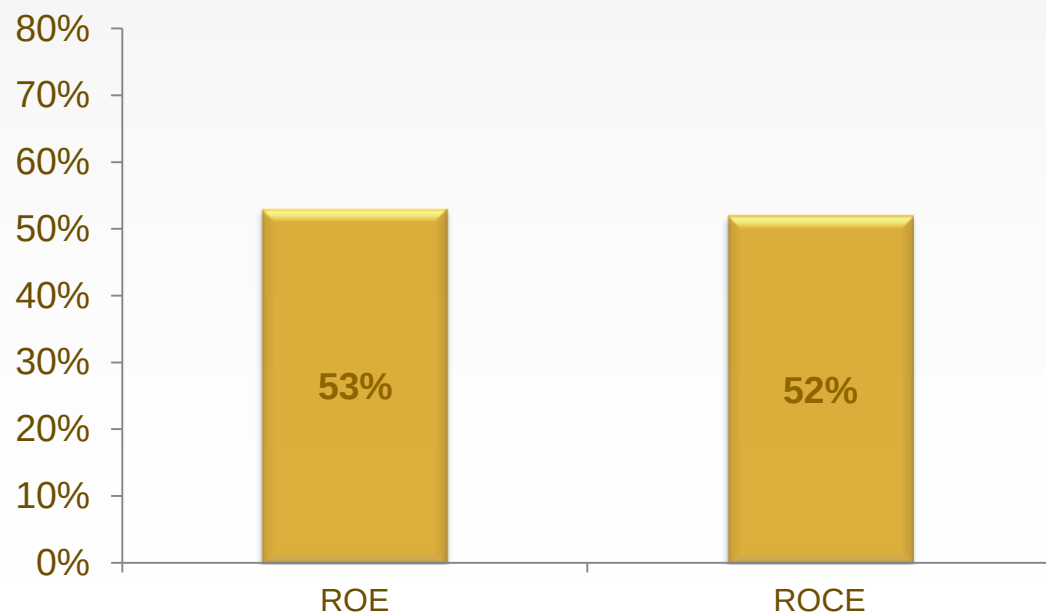


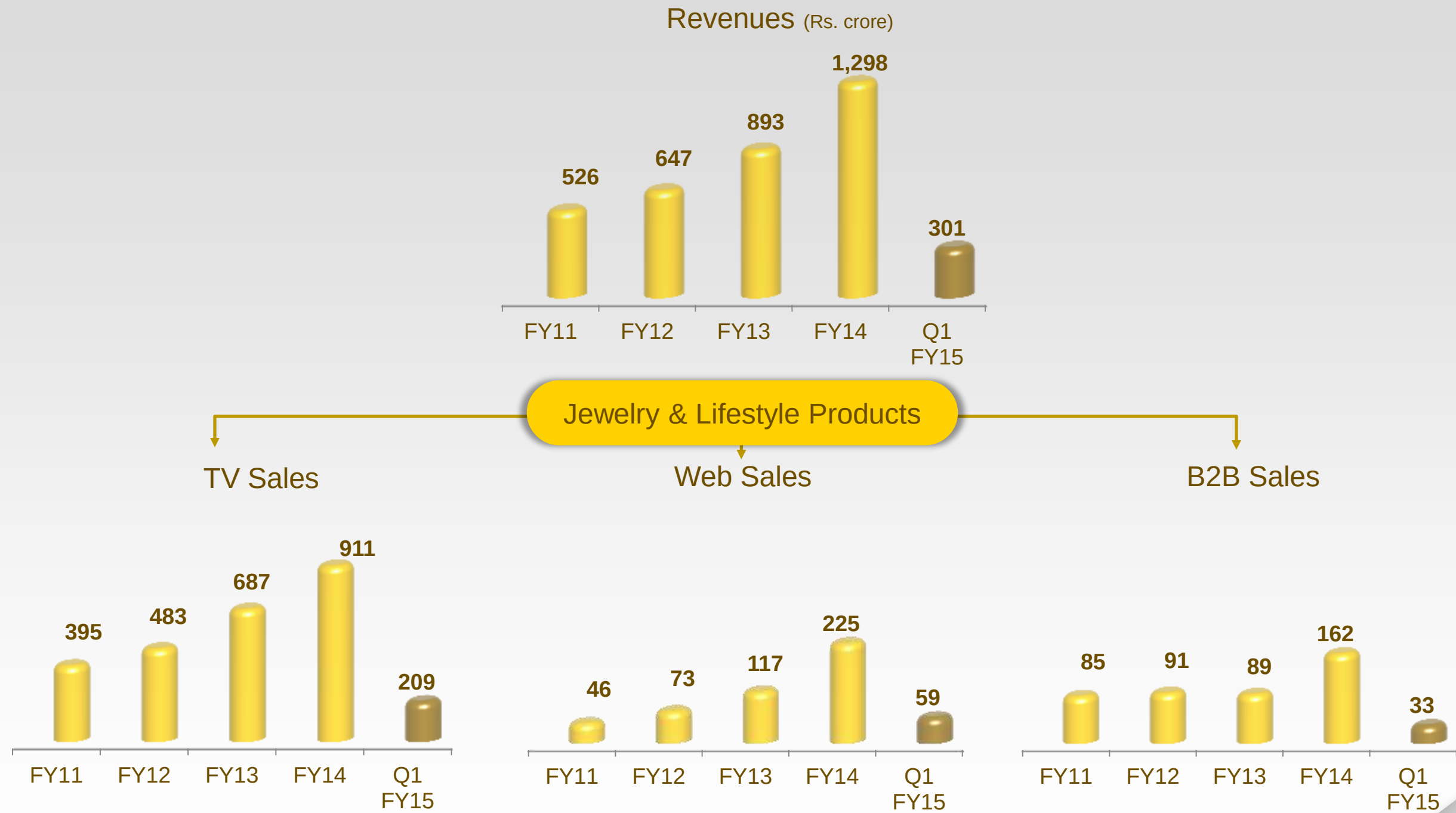
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Financials Performance Trends

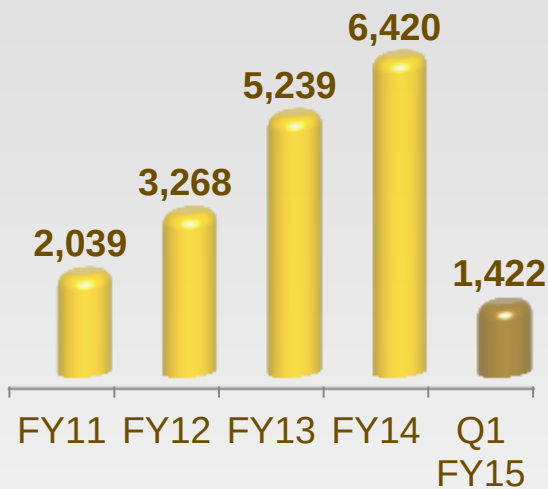
(Revenues)



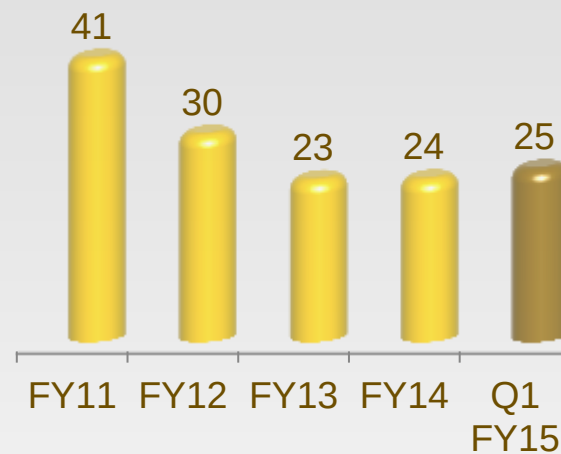
Retail Performance Trends

TV Sales

Sales Volumes ('000s)



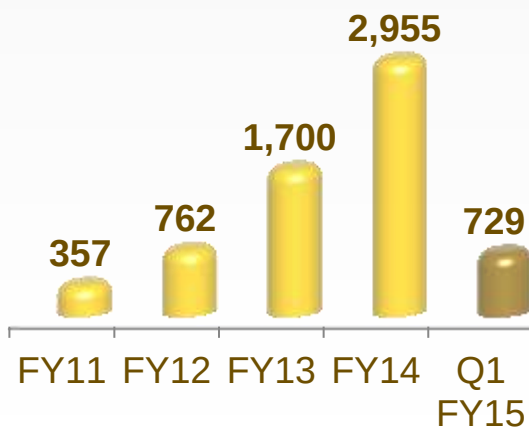
Average selling price US\$



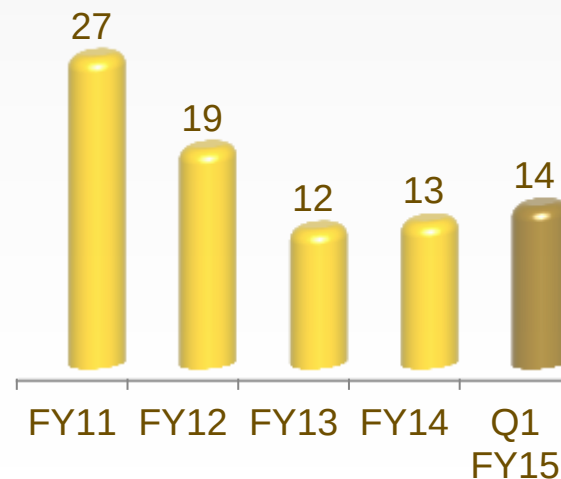
- Robust volume growth driven by strong customer engagement
- ASP has trended inline with portfolio transition from fine jewelry to fashion jewelry and accessories

Web Sales

Sales Volumes ('000s)



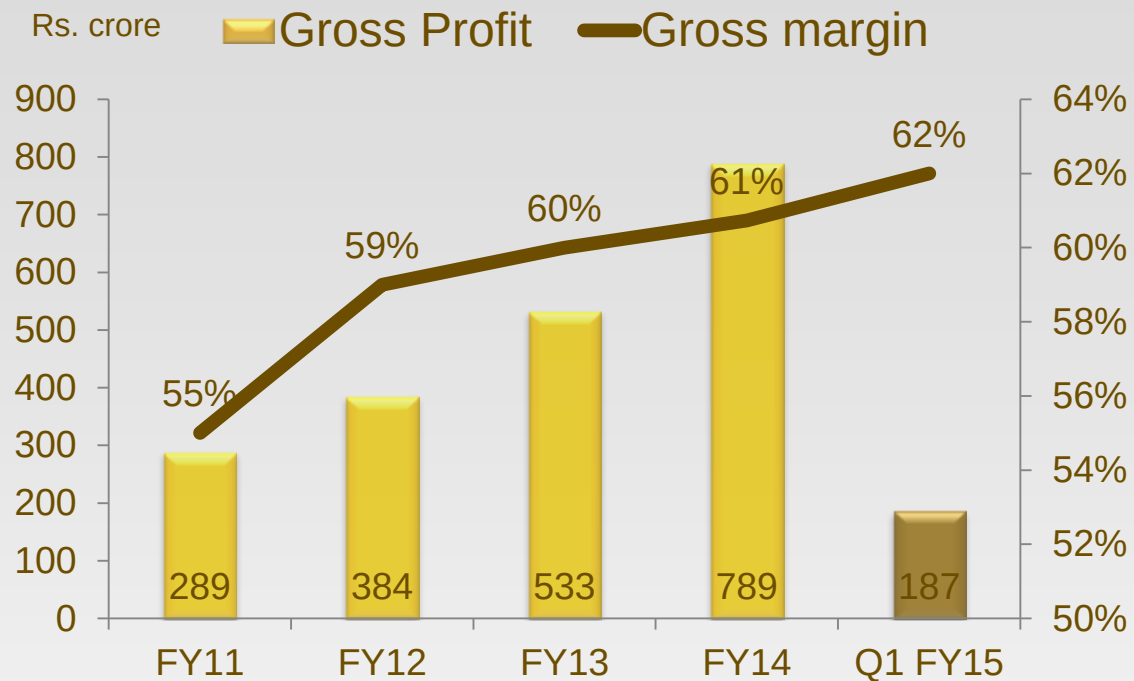
Average selling price US\$



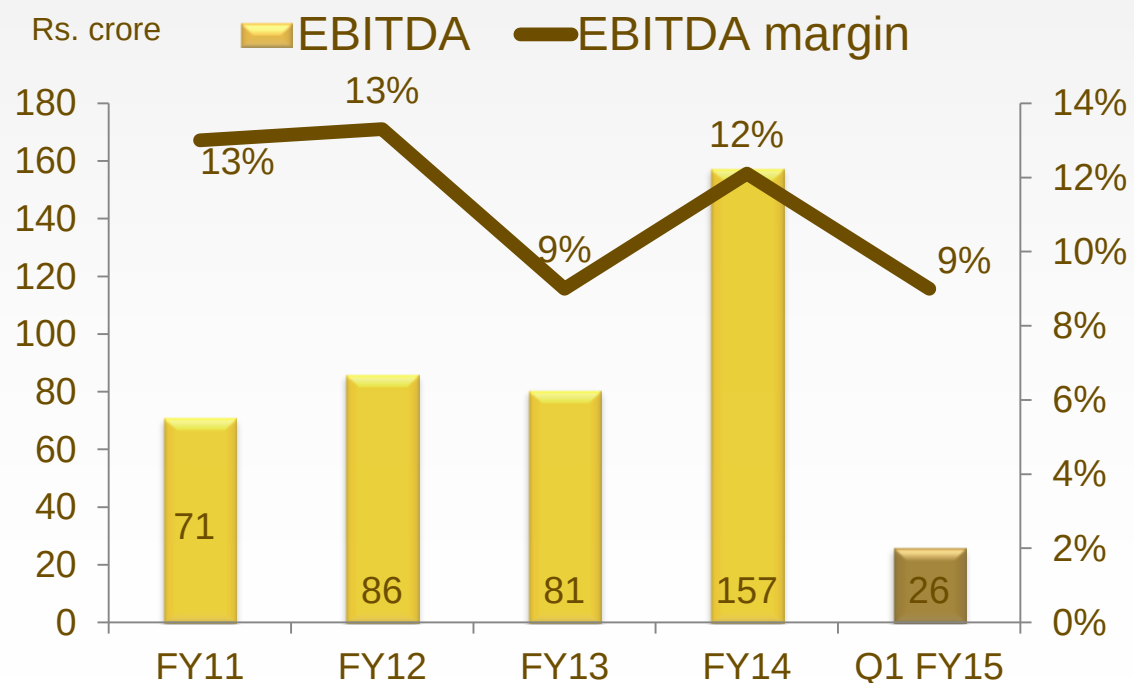
- Internet sales volumes complement TV shopping and create a balanced portfolio

Financials Performance Trends

(Margins)



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



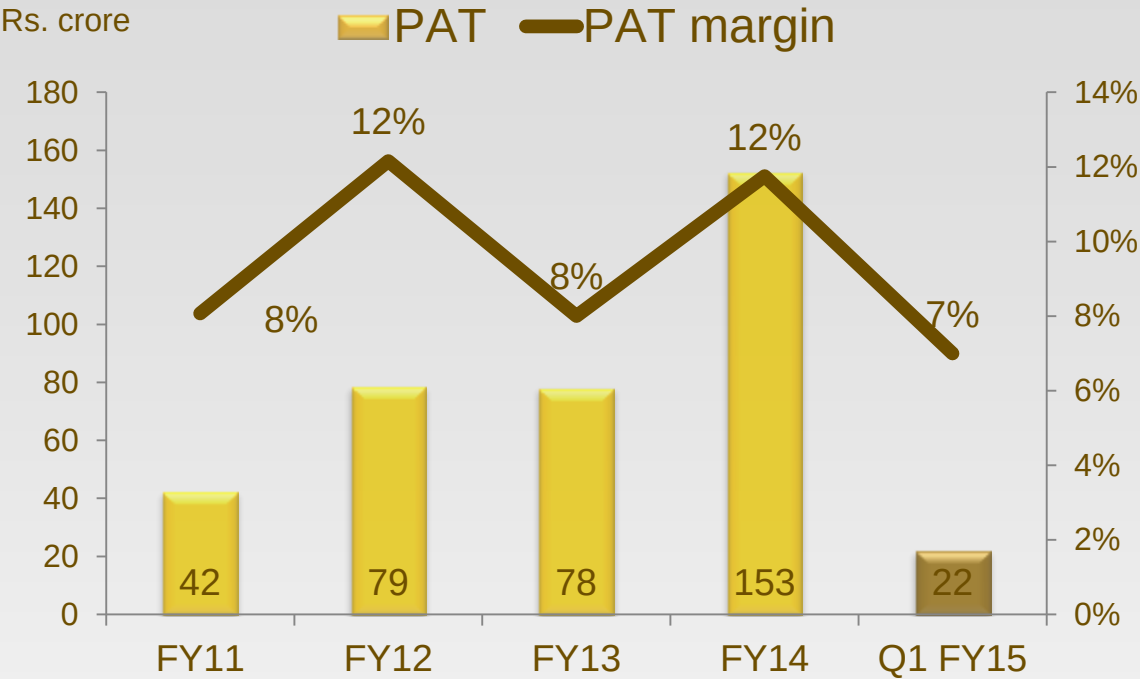
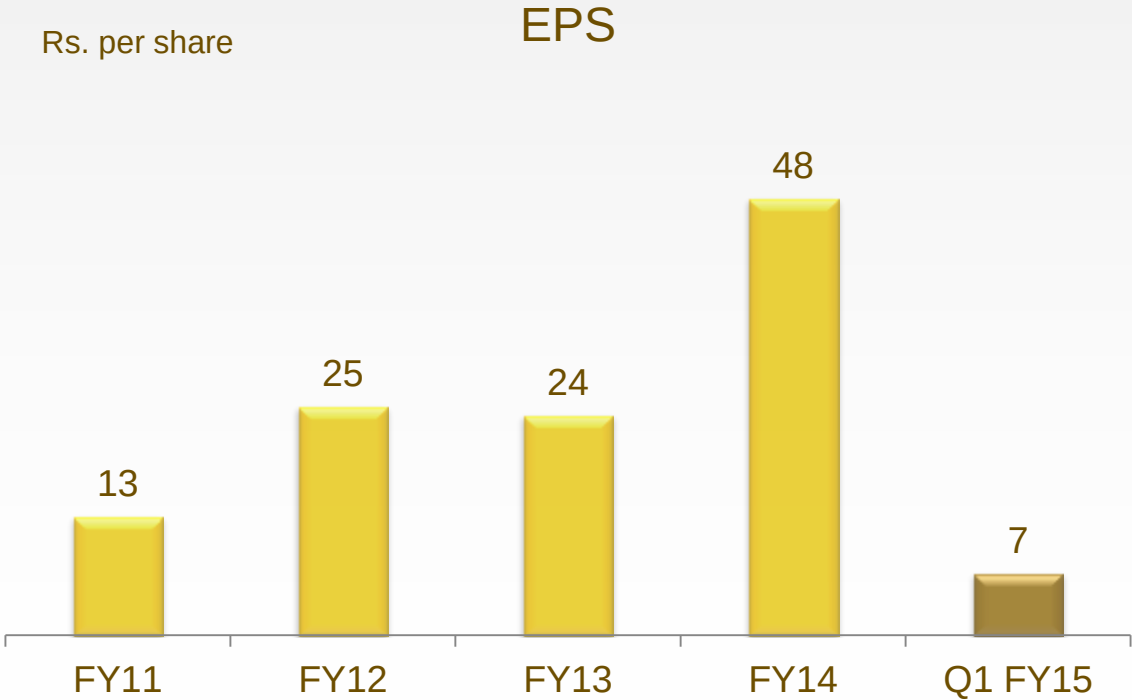
- EBITDA margin gains and strong operating cash flows are being re-invested in expanding household coverage and upgrading the customer experience

Note:
EBIDTA excludes exchange gain/loss;



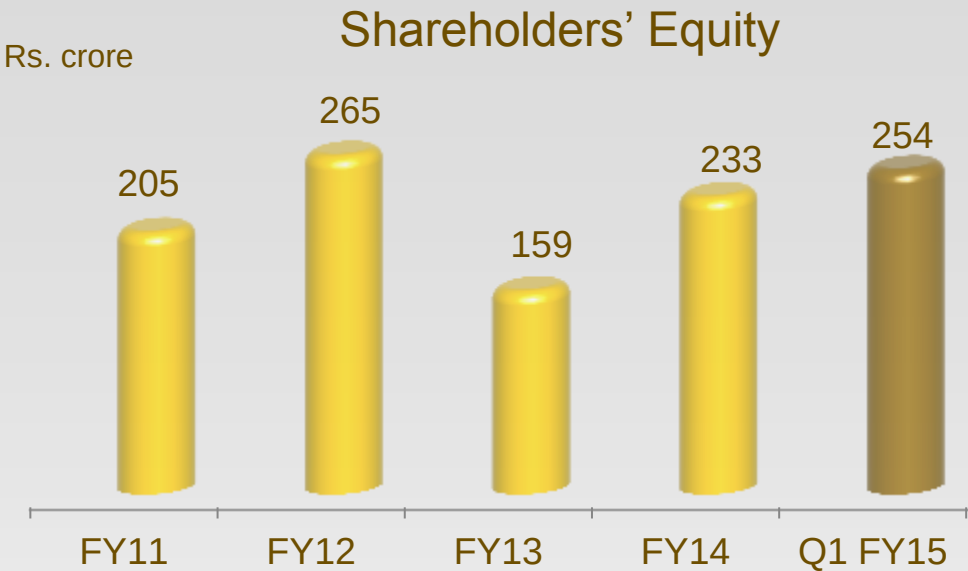
Financials Performance Trends

(Profits)

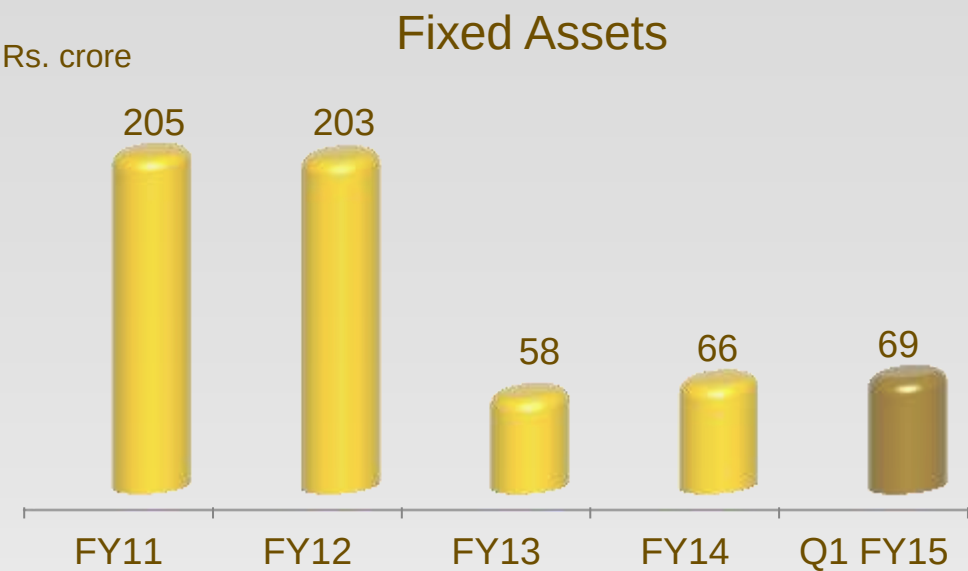


Financials Performance Trends

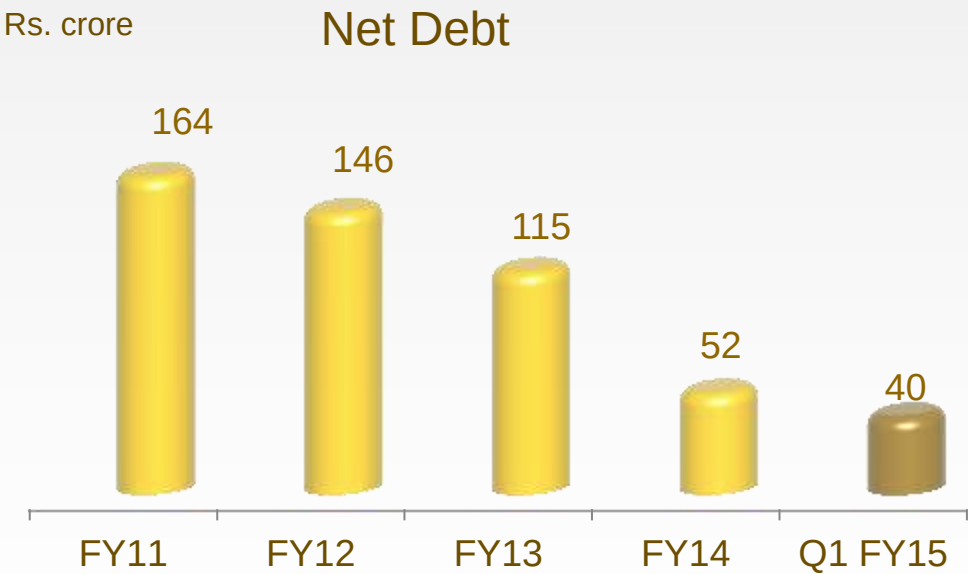
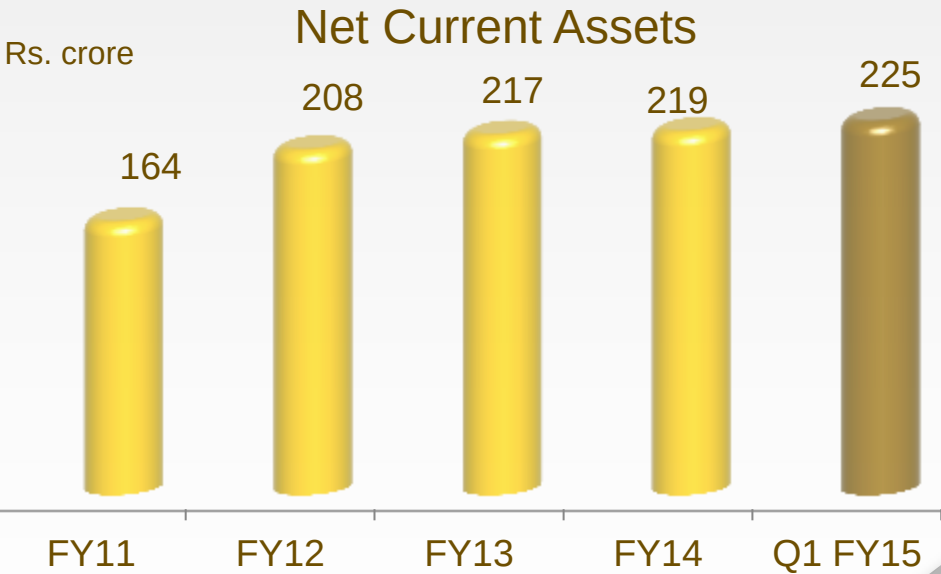
(Balance Sheet)



* 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

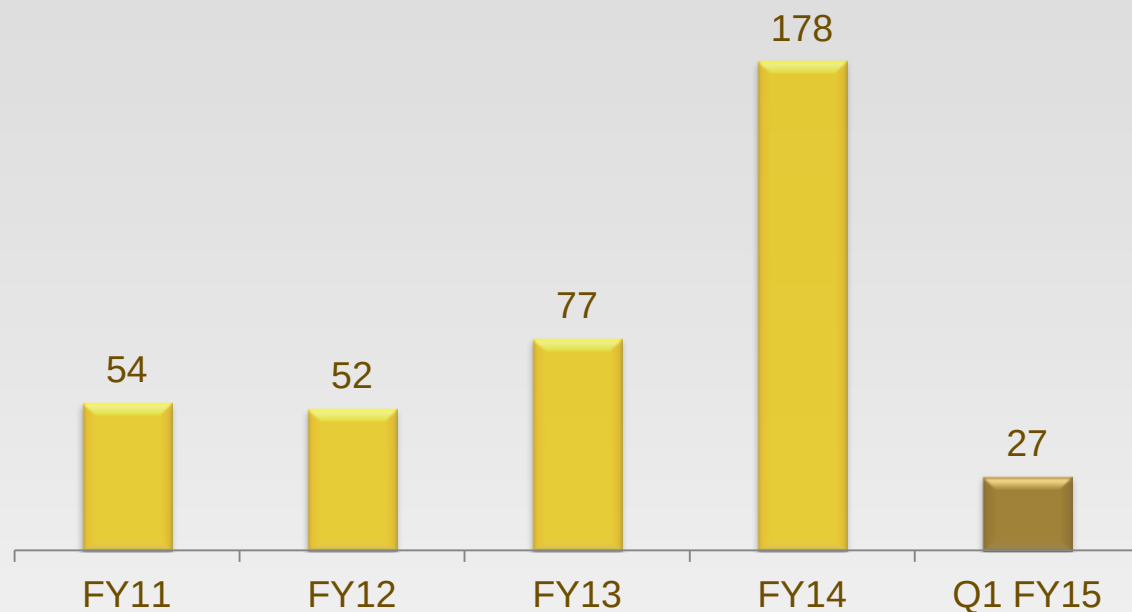


Financials Performance Trends

(Cash Flow)

Operating Cash flow

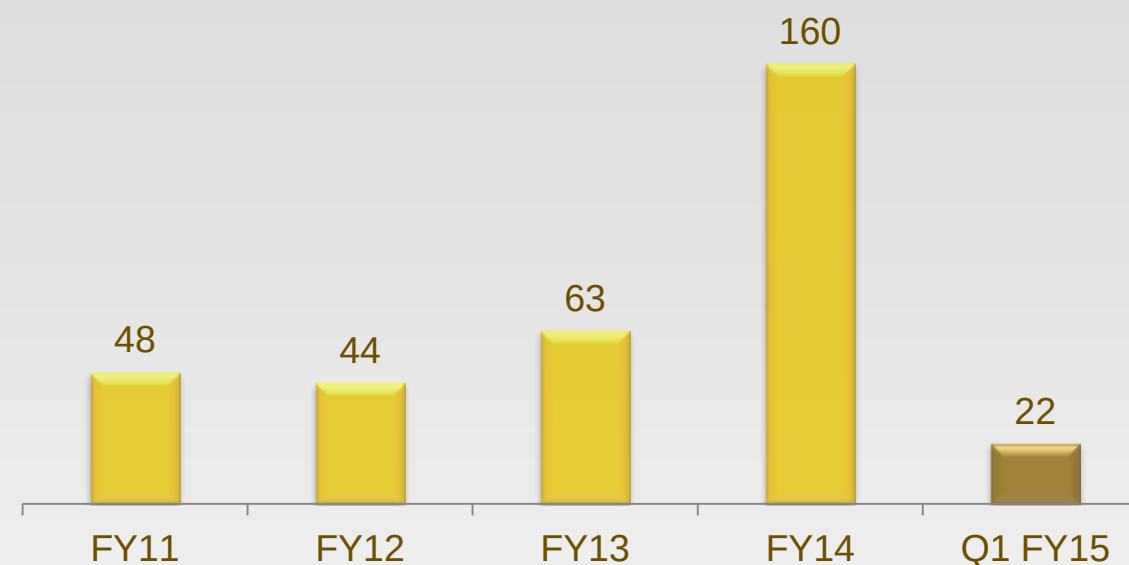
Rs. crore



**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*
- *Cash accretion: Rs. 21 crore*

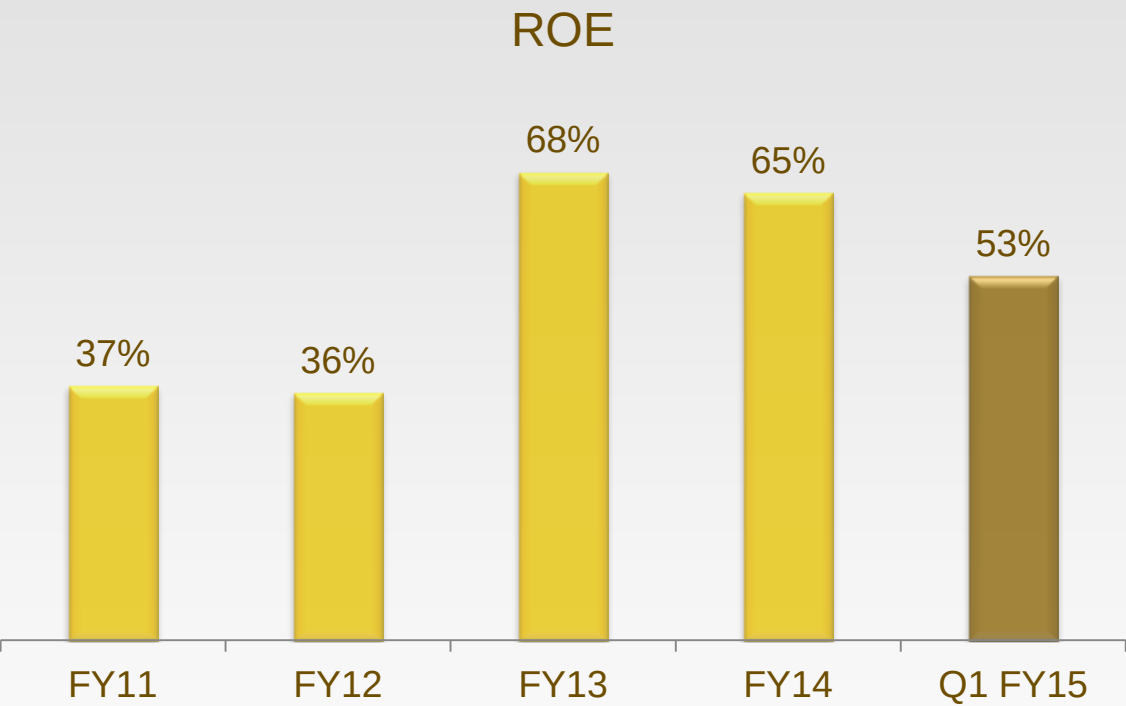
Key usage areas for cash flow generated in Q1FY15:

- *Debt repaid: Rs. 29 crore*
 - *Bank loan - Rs. 27 crore*
 - *Related party debt - Rs. 2 crore*
- *Interest paid: Rs. 2.5 crore*

Financials Performance Trends

(Key Ratios)

ROE



ROCE

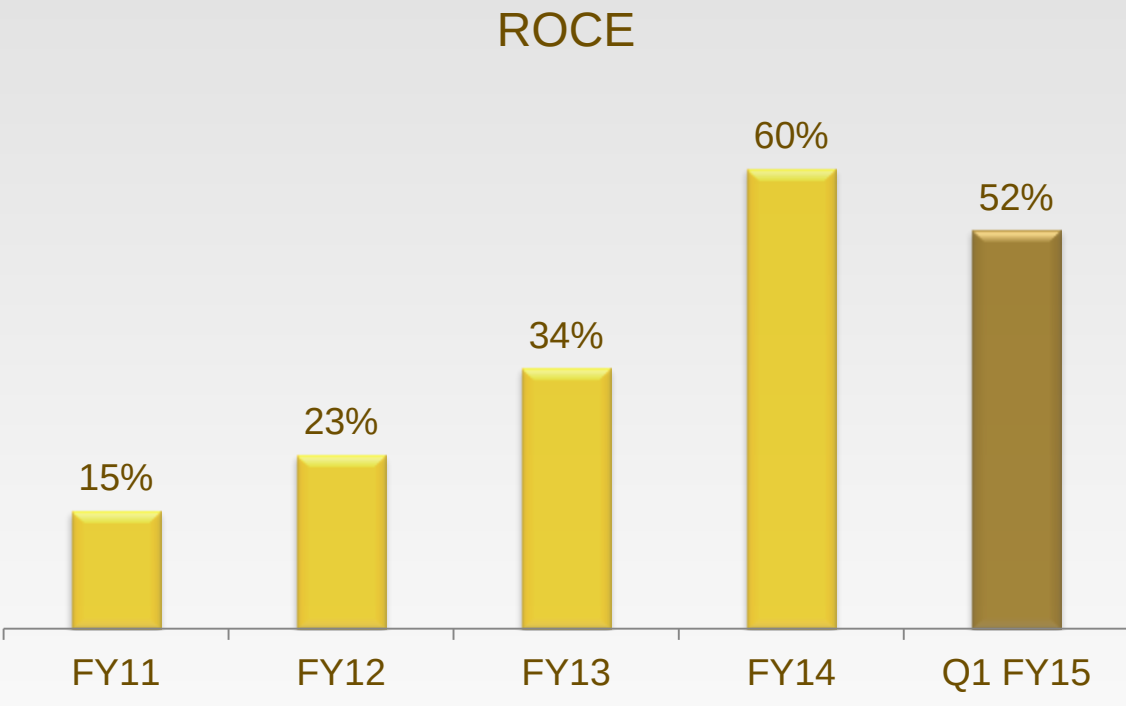


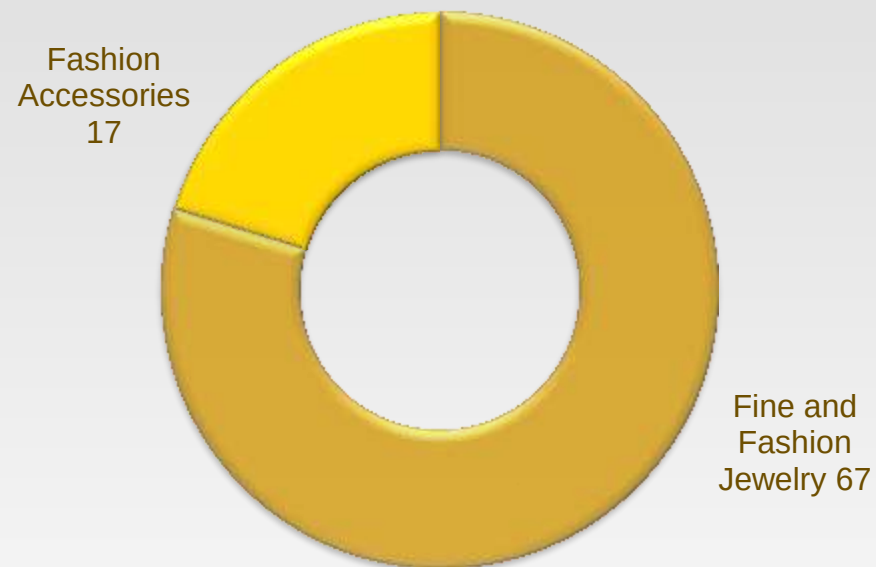
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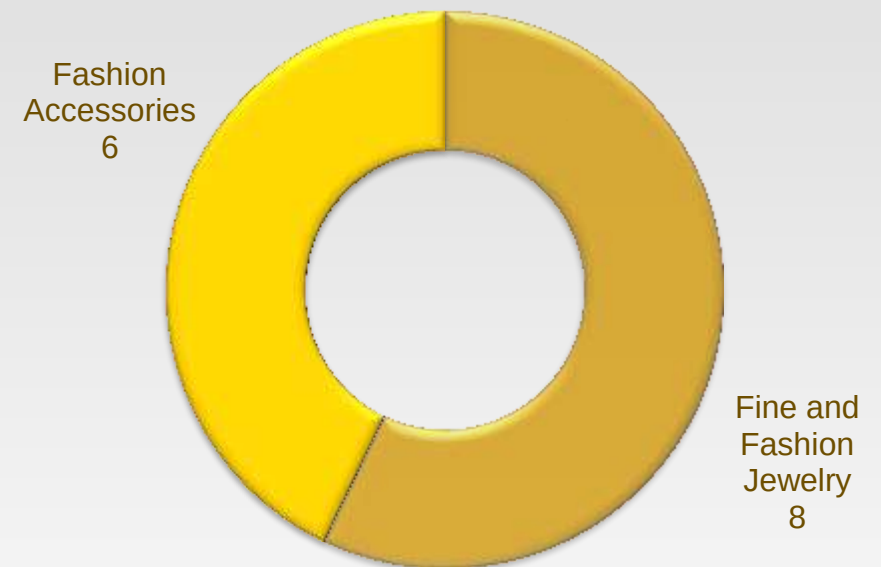


Market Opportunity

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.



Watches, handbags, scarves, phone protective shells etc.

FASHION ACCESSORIES



Office and home décor, etc.

OTHER LIFESTYLE PRODUCTS

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

Verizon FiOS

Channel #159



Channel #75 &
226



*

ROKU

*

**TIME WARNER
CABLE**

*

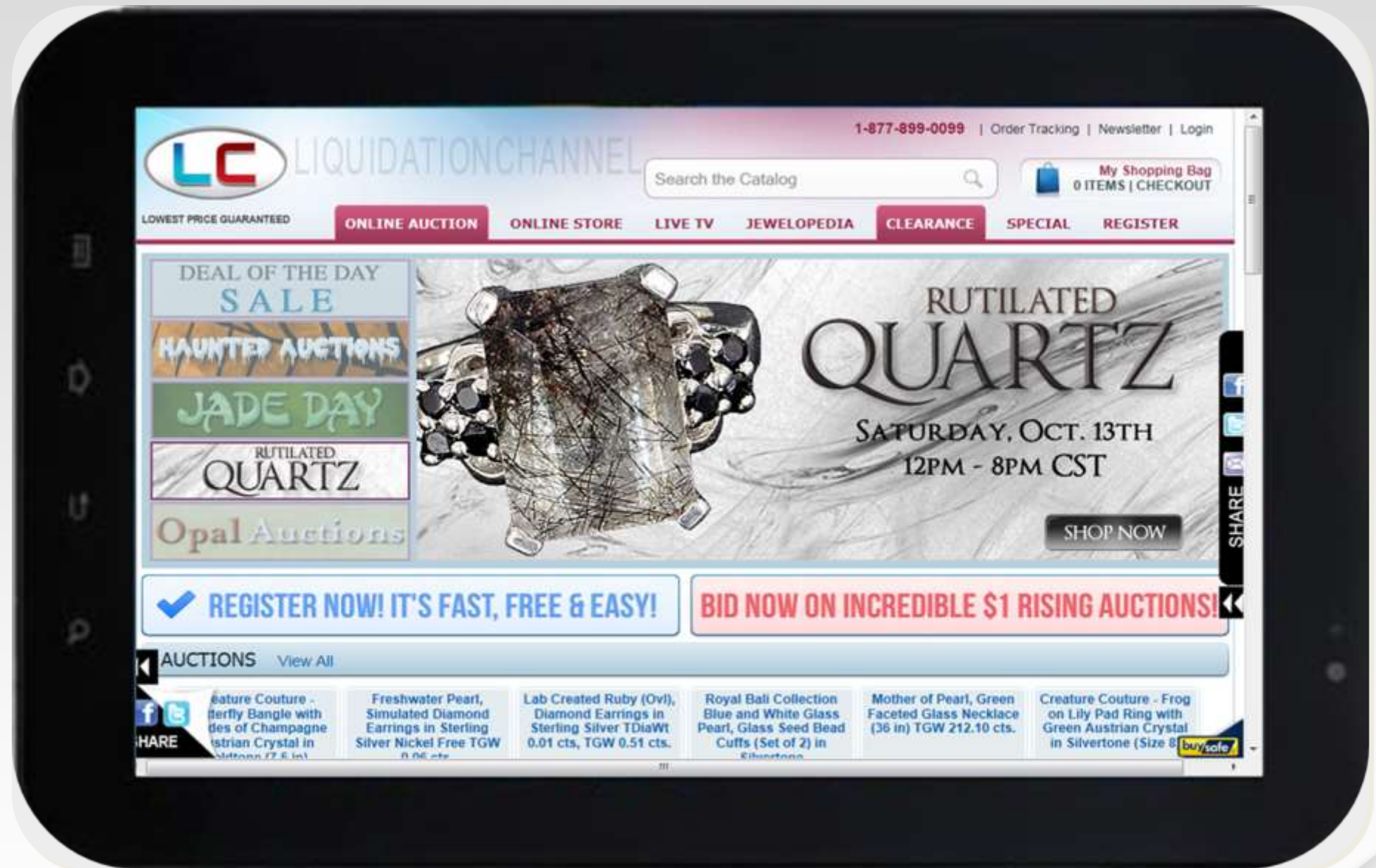
Charter

*

comcast

*

* Different channel # across various locations



<https://www.liquidationchannel.com>

Access to 70 million (FTE) of the 116 million households in the US



UK Market Access on The Jewellery Channel



Channel #49



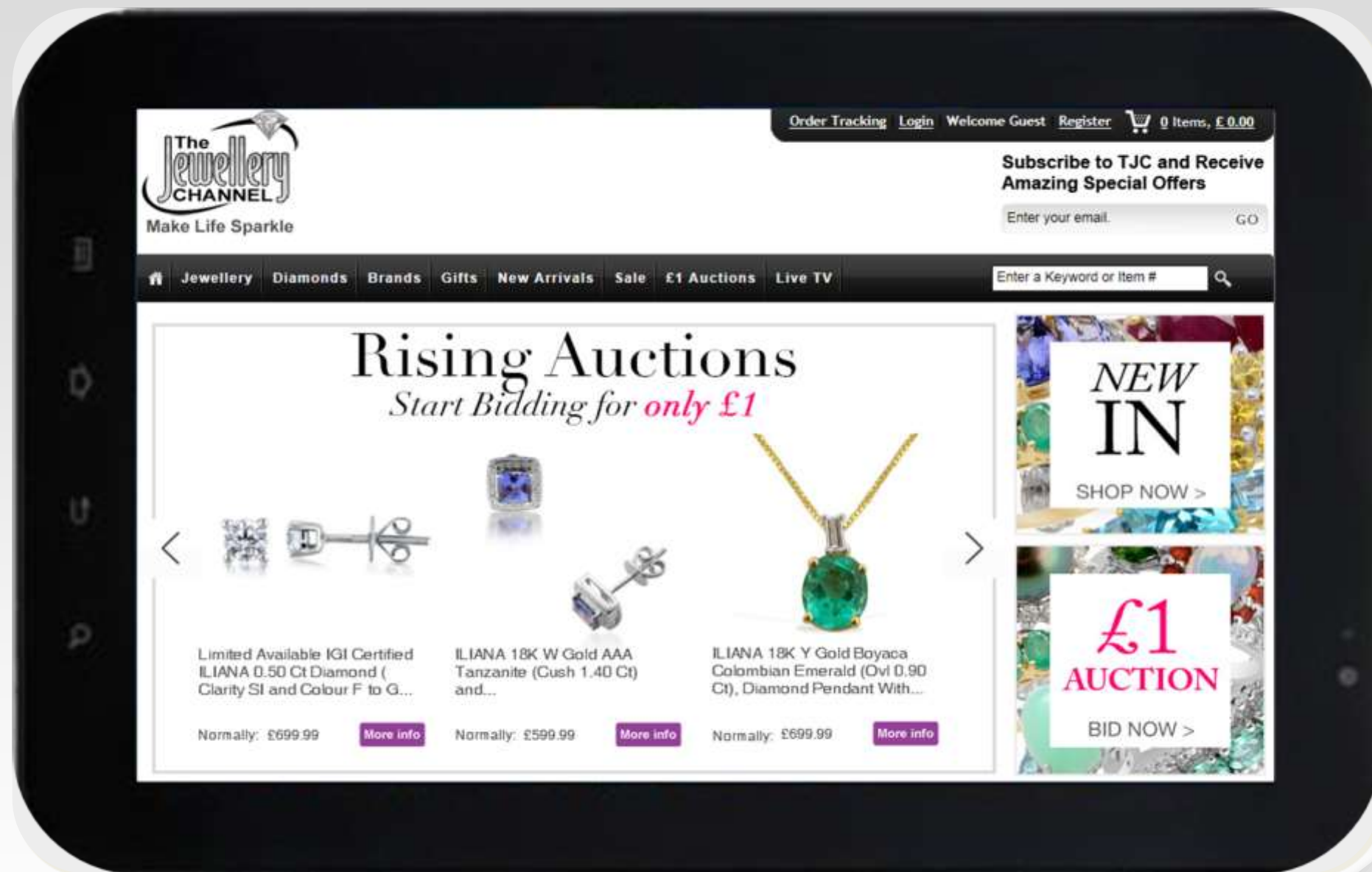
Channel #650



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

- Guangzhou, Haifeng, Hauadu
Shenzhen, Dongguan, Zhuji,
Wenzhou, Wuzhou, Yiwu, Hunan

Thailand

- Bangkok, Chang Mai, Mae Sai,
Kanchanaburi, Chanthburi

Indonesia

- Bali, Yogyakarta, Sumatra,
Madura Surabaya

Global network for trend spotting and merchandising



Consumption Markets

Access to over 95 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 100 people in sales & marketing, customer service, logistics, TV production, e-commerce and support functions

Liquidation Channel

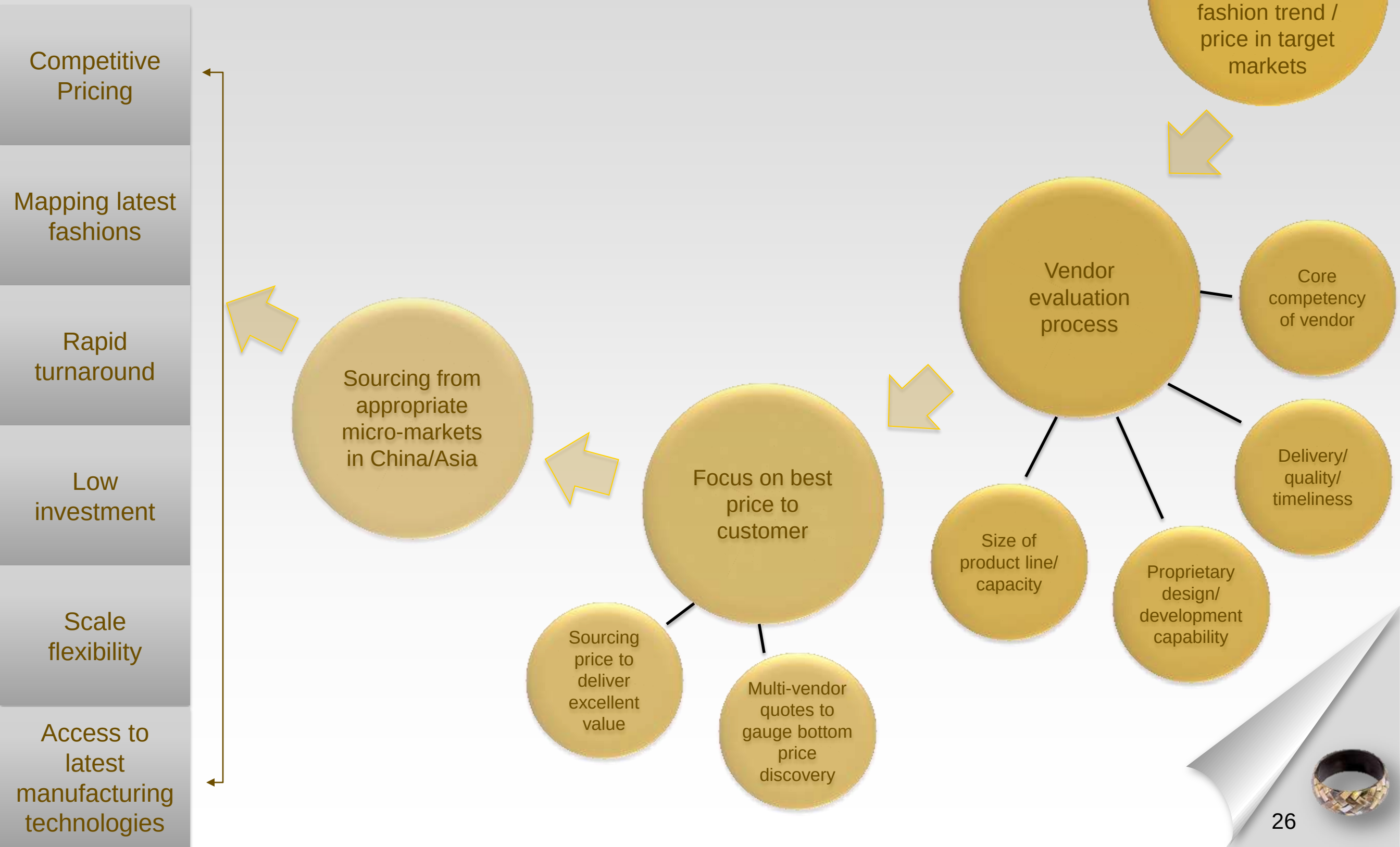


USA

- Liquidation Channel and e-commerce
- US head quarters – Austin, Texas
- Access to 70 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



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 to the Board

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 and India Capital Growth Fund

Peter Duncan Whitford

Director



- 34 years of extensive experience in various fields including consumer products, marketing, merchandising, planning and allocation, global branding, sourcing strategies, licensing strategies, media strategies, social compliance programs, growing and re-inventing organizations internationally
- Previously Group CEO & Chairman of The Wet Seal Inc. and President Worldwide of a division of The Walt Disney Company Inc., among others

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, Frick India, Morgan Ventures, Kamdhenu Ispat and Radico Khaitan



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



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**