Vaibhav Global Limited

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

Corporate Presentation
December 2012

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.

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Business Overview

Vertically-Integrated Retailer of Fashion and Lifestyle Accessories

Front-end transition from fine jewelry to fashion and lifestyle accessories	Back end transition from manufacturing to outsourcing

Global, Direct to Consumer Business Model in Developed Markets

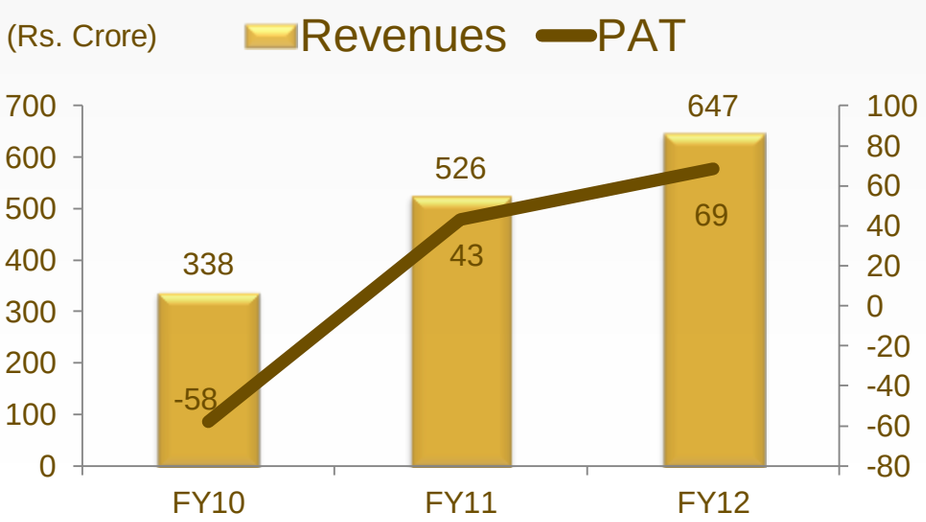
96 million households on Home TV shopping and E-commerce in the US and UK. Recently launched Canada (3.2 million FTE households)	Expanded product portfolio to lifestyle accessories; new launches closely following demand trends

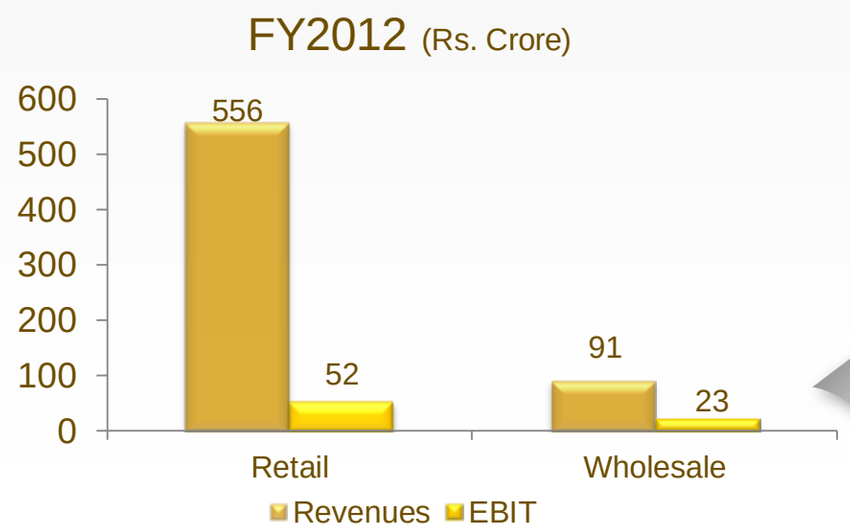
Robust Manufacturing and Outsourcing Supply Chain Infrastructure

Manufacturing operations in Jaipur, India	Outsourcing operations across China, Thailand and Indonesia

Business Growth Momentum driving Strong Returns and Cash Flows

Revenue grew 38% CAGR over FY10-12	FY12 - RoE - 30%	FY12 - Free Cash Flow - Rs. 44 crore





Growth Drivers

Business transformation

- Transition from fine jewelry to fashion and lifestyle accessories
- Transition from manufacturing to outsourcing

Portfolio expansion

- 65,000 designs portfolio, 2,533 introductions over the last year
- Launched new product categories in lifestyle accessory segments - expected to contribute significantly to growth

Geographical expansion

- Continuously expanding key markets within US/UK;
- Recently broadcasting into Canada & shipping into Mexico
- Multi-channel distribution also expanding volumes

Robust supply chain mechanism

- Closely following global fashion trends
- Optimizing manufacturing/ outsourcing mix
- Developing ideal locations for sourcing key product categories

Marketing initiatives

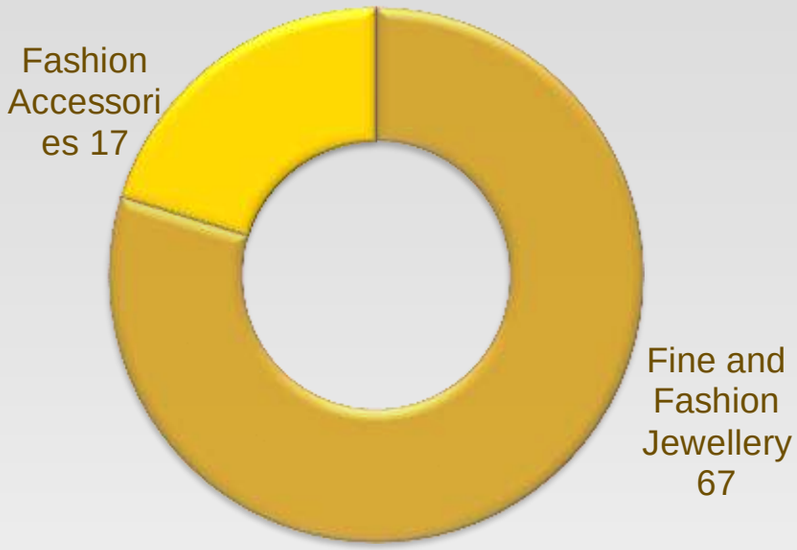
- Increasing share of customer spend and repeat orders
- Delivering on strategies for greater customer engagement

Business model is ideally positioned to capture growth from

- Market preferences / shift towards value segment in advanced western economies
- Emerging trends in online shopping in developing economies

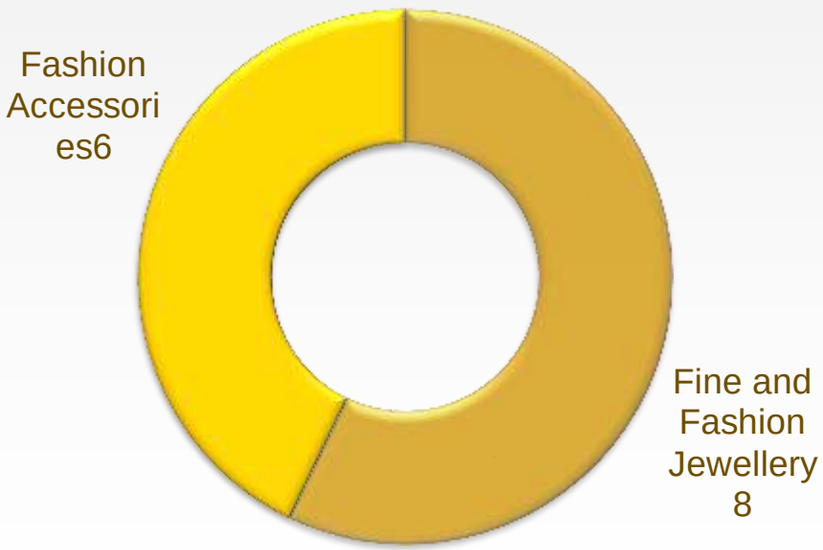
Market Opportunity

US market size (US$ Bn)

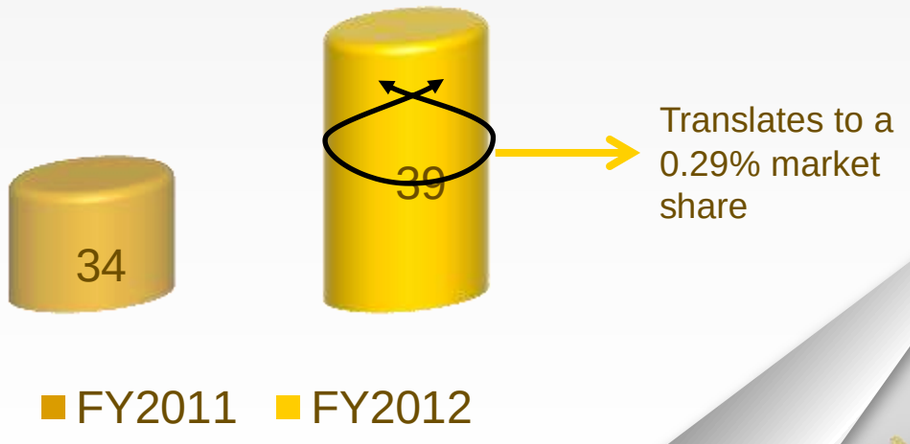


Vaibhav Global - US Revenue [US$ mn]

UK market size (US$ Bn)



Vaibhav Global - UK Revenue [US$ mn]



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

Product Profile

FINE & FASHION JEWELLERY

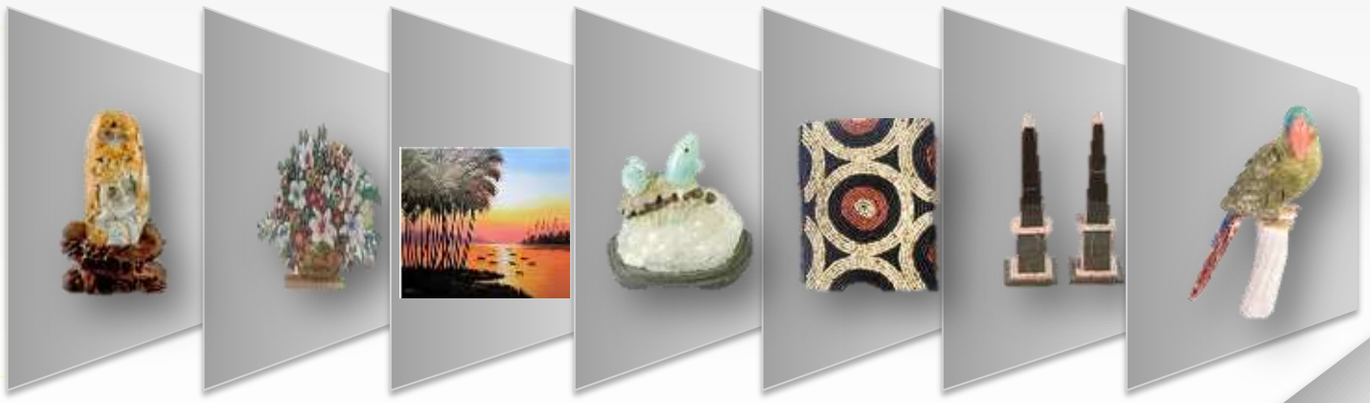
Product catalogue includes bracelet, bangle, earring, studded jewelry etc.

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

dishtv

comcast

Verizon FiOS

DIRECTV

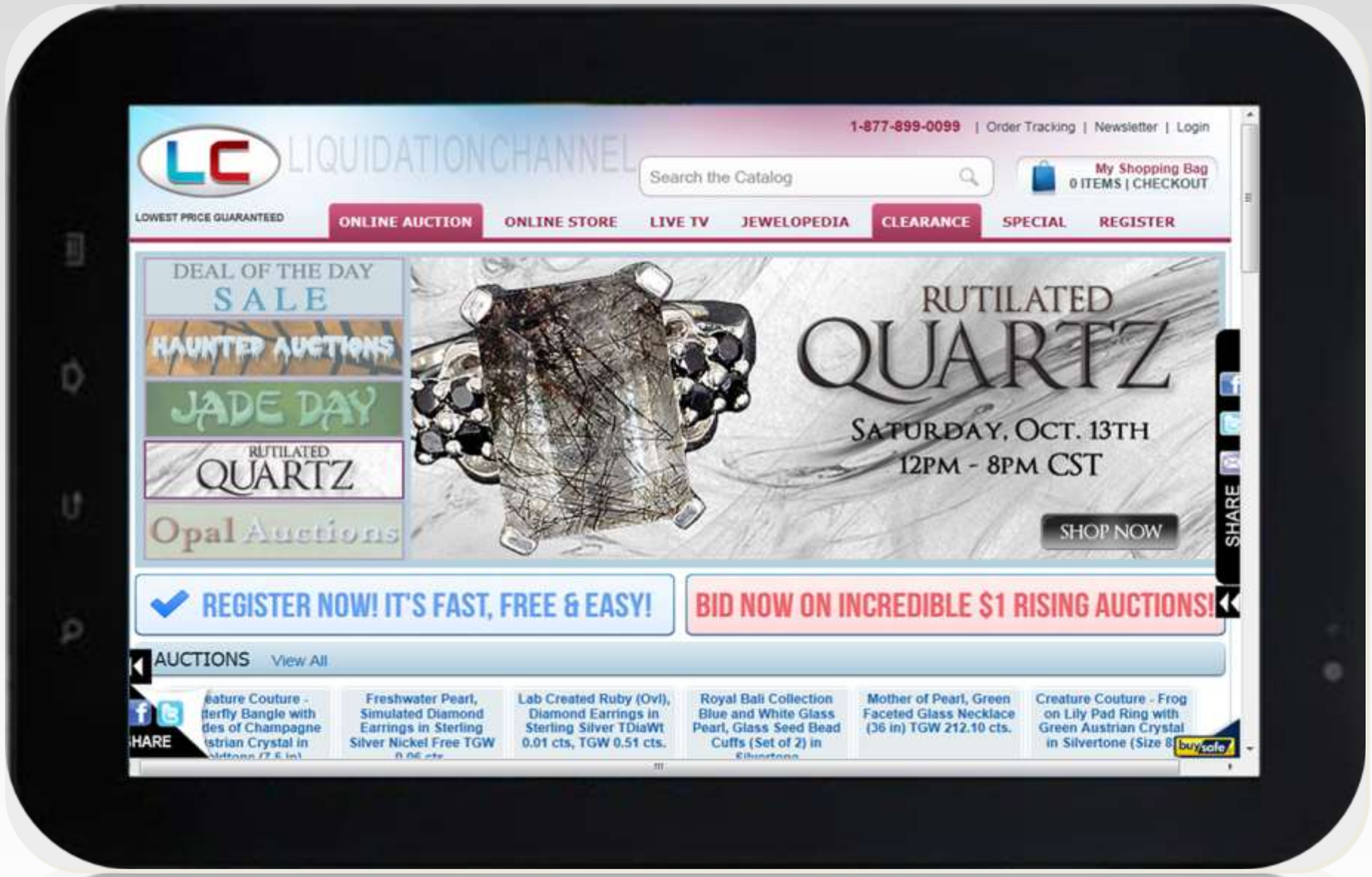
COX

Roku

TIME WARNER CABLE

Charter

OCEAN MEDIA systems



https://www.liquidationchannel.com

Access to 65 million of the 115 million households in the US

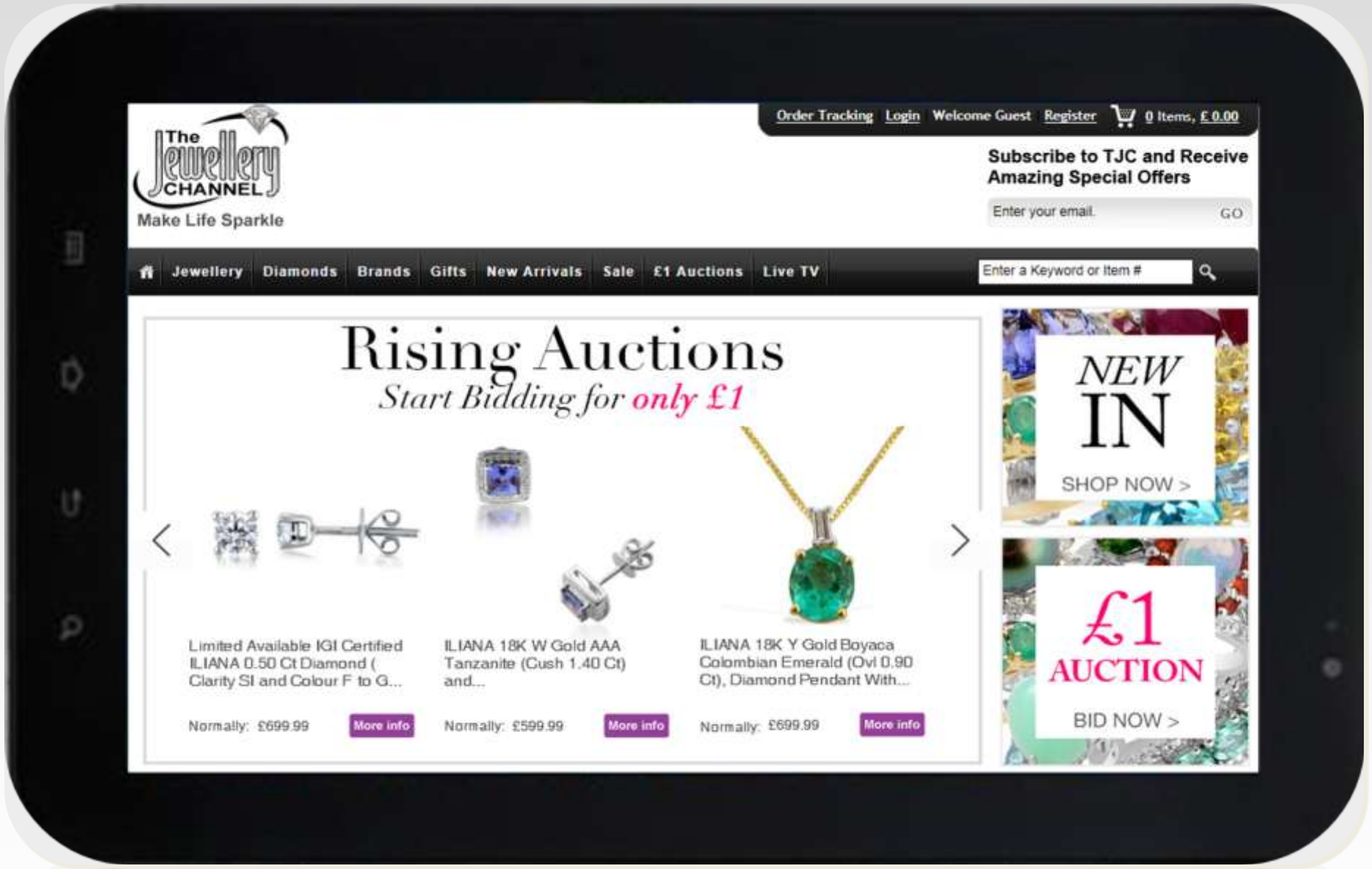
UK Market Access on the Jewellery Channel

Freeview

sky

freesat

Virgin media



www.thejewellerychannel.tv

Access to 31 million households of the total 41 million households

Customer Focus

Increasing market share

Enhanced Brand Trust

Higher customer retention

Expansion of life-time value

Exquisite designs

Exceptional quality

Outstanding Value

Excellent service

Successful implementation has seen significant market share gains in focus

Integrated Global Operations

SOURCING MARKETS

India

- Corporate HQ – Jaipur, Rajasthan
- ISO 9001:2008 manufacturing facilities
- ~1.2 million pieces produced p.a.
- Over 1,700 people in corporate, manufacturing, design, sales & marketing, customer service, logistics and support functions

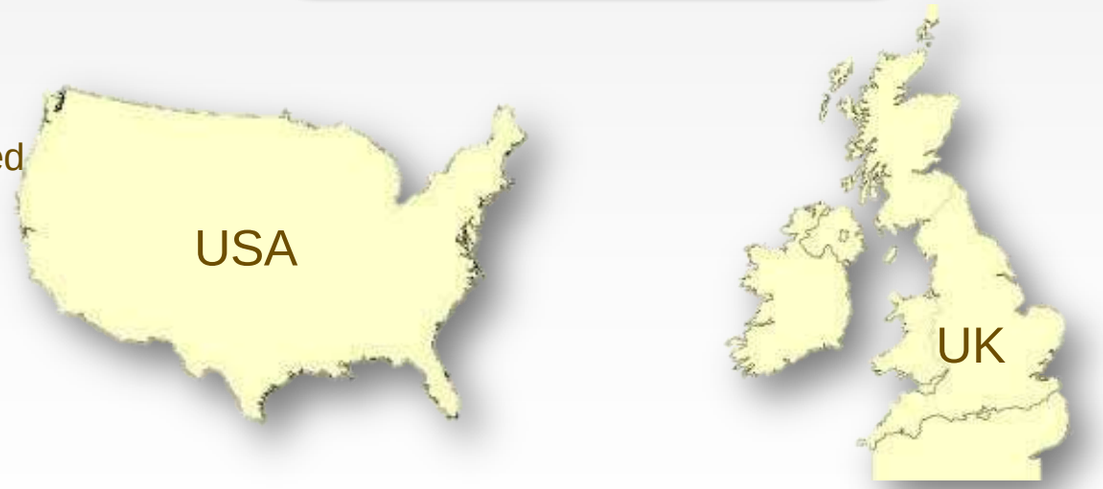
Asia

- China is the hub for sourcing fashion and lifestyle accessories, accessed from multiple locations
- ~3.6 million pieces procured p.a.
- Outsourcing operations expanding to Hong Kong, Indonesia and Thailand
- 82 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 65 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 31 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

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

Vendor evaluation process

- Core competency of vendor
- Delivery/ quality/ timeliness
- Proprietary design/ development capability
- Size of product line/ capacity

Focus on best price to customer

- Sourcing price to deliver excellent value
- Multi-vendor quotes to gauge bottom price discovery

Sourcing from appropriate micro-markets in China/Asia

Aligned with Demand Patterns

Valentine Day & Spring Product Line

Process begins – Sep 2012

Product in warehouse – Jan 2013

Mothers' Day

Process begins – Dec 2012

Product in warehouse – April 2013

Summer Product Line

Process begins – Dec 2012

Product in warehouse – May 2013

Fall Product Line

Process begins – Mar 2013

Product in warehouse – Aug 2013

2013 Collections

Holiday Season

Process begins – Jun 2013

Product in warehouse – Oct 2013

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

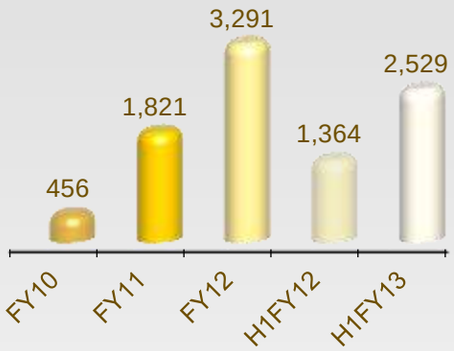
5
- Products finalized by buyers
- Orders placed

6
- Product in warehouse

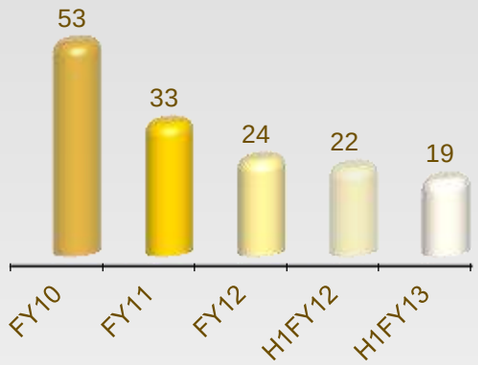
Operating Performance Trends

VGL – US Home TV Market

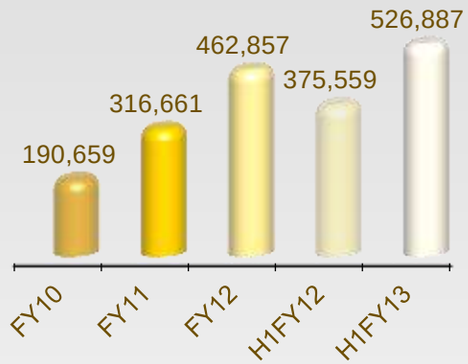
Sales Volumes ('000s)



Average selling price US$

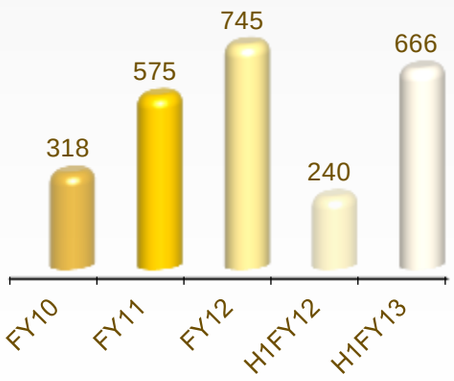


Registered customers

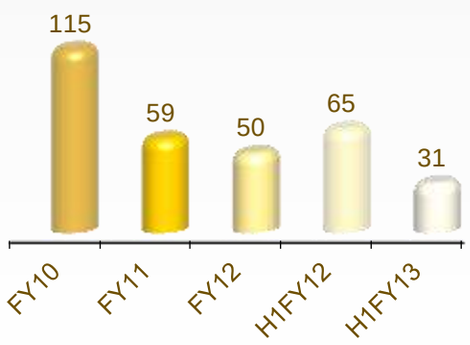


VGL – UK Home TV Market

Sales Volumes ('000s)



Average selling price US$



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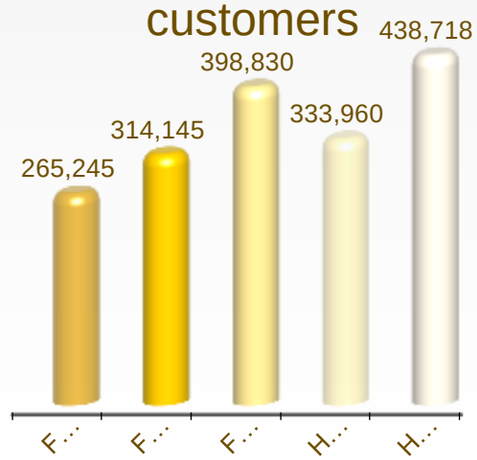
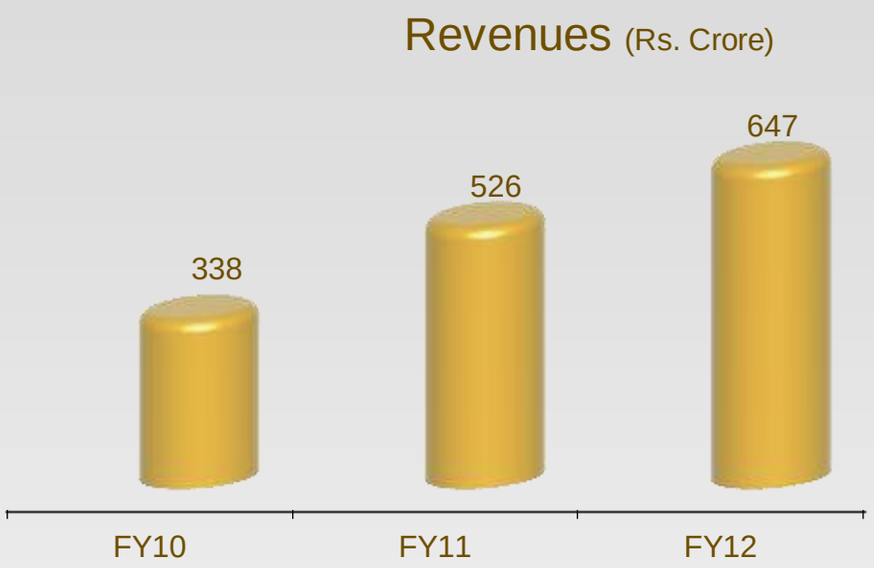
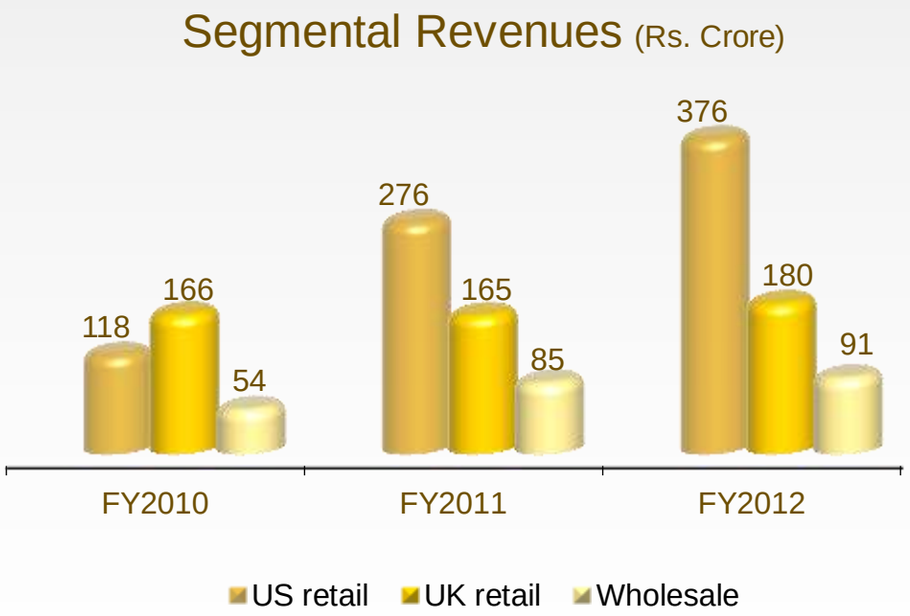


Financials – Annual Performance (Revenues)

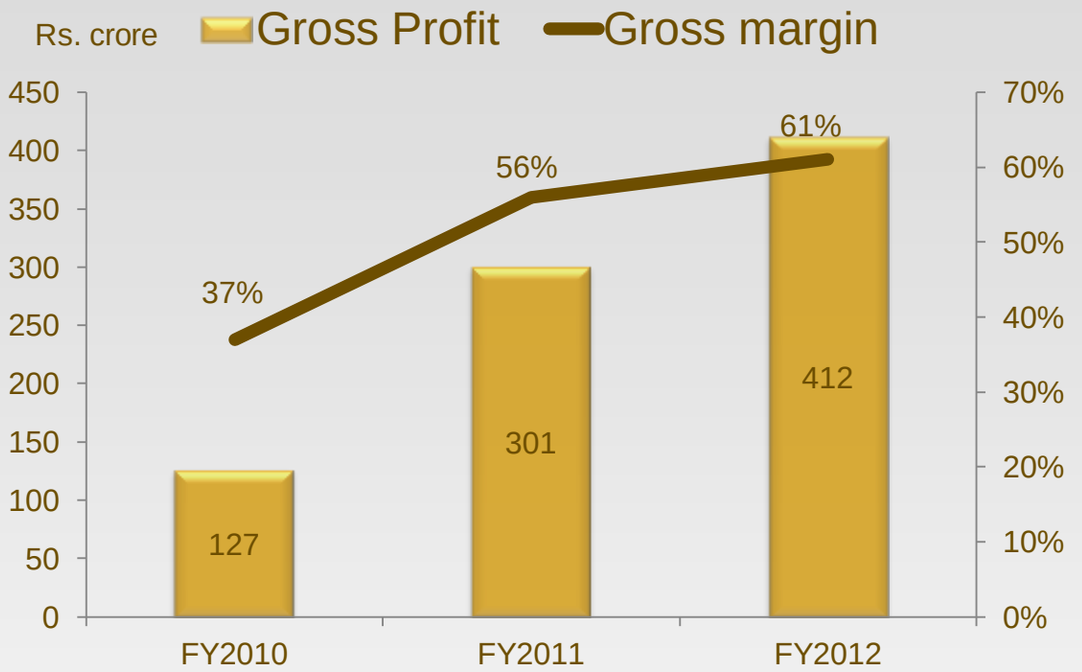


- Strong revenue growth at 38% CAGR in FY10-12, primarily driven by growth in the retail business
- Focus has transitioned from fine jewelry to fashion and lifestyle accessories, resulting in strong volume growth and lower average realizations based on product mix

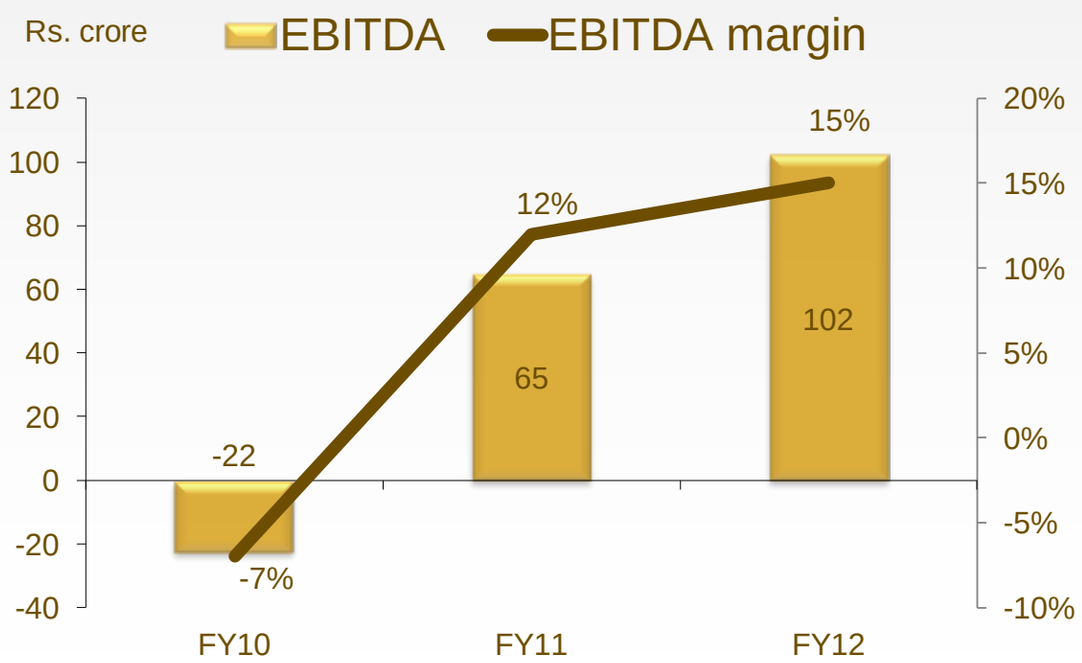


- Retail segment registered growth at CAGR of 41% over FY10-12
  - US retail business registered an impressive growth at 81% CAGR
  - Moderate revenue growth in UK , as volumes transitioned to lifestyle products
  - Launched second proprietary channel in UK – TJC Gold – to re-focus on the fine jewelry opportunity

Financials – Annual Performance (Margins)

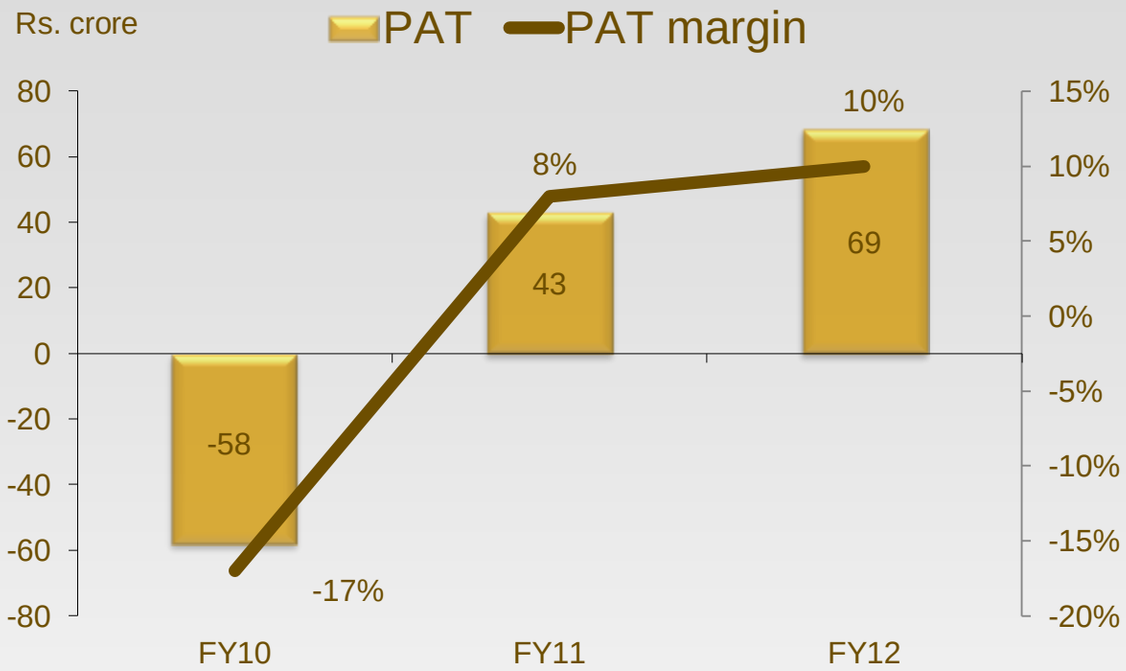


- Gross margin expansion has been driven by the successful business transition and global outsourcing strategies in China/Asia

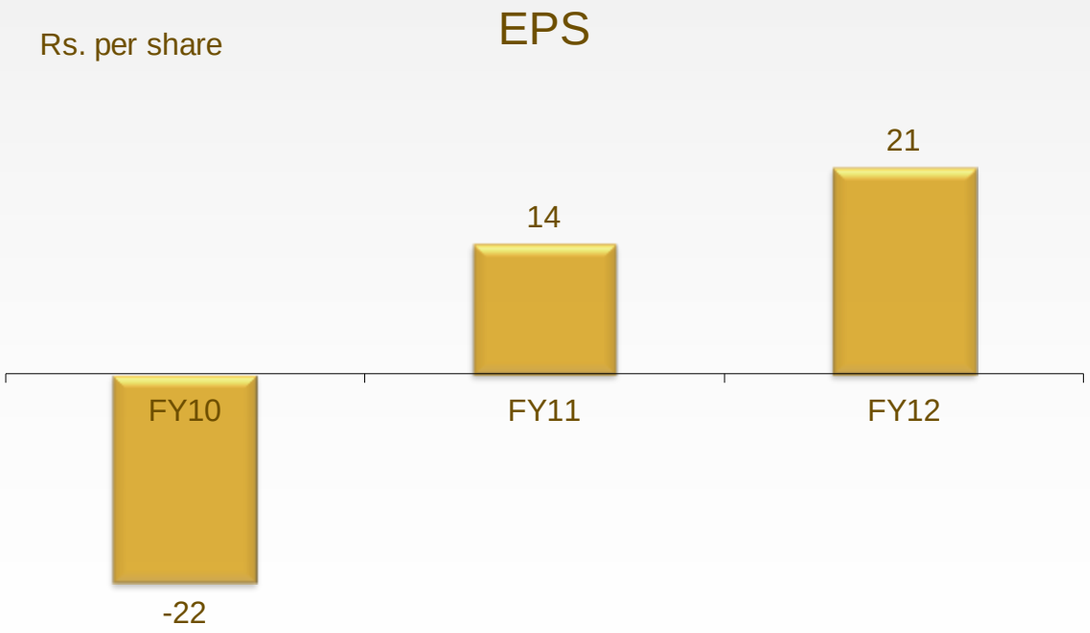


- Growing volumes have led to fixed cost absorption over a larger operating base, leading to expansion in EBITDA margin

Financials – Annual Performance (Profits)



- Expanding volumes, higher operating profitability, leverage of existing asset base and declining debt leverage has helped deliver a strong turnaround in net profits
- Net margins have also improved significantly on successful capture of market opportunity in fashion and lifestyle accessories in the mature markets of US and UK



- Resulting in growing value contribution to shareholders' investments

Summarized Financials

Rs. crore

PROFIT AND LOSS STATEMENT	FY12	FY11	FY10
Total income	675	538	343
Direct expenses	263	237	217
Gross Profit	412	301	127
Indirect expenses	310	236	149
EBITDA	102	65	-22
Depreciation	9	8	9
Interest / Finance expenses	14	15	16
Profit Before Tax	79	42	-47
Tax	-	-	-
Profit After Tax	69	43	-58

Rs. crore

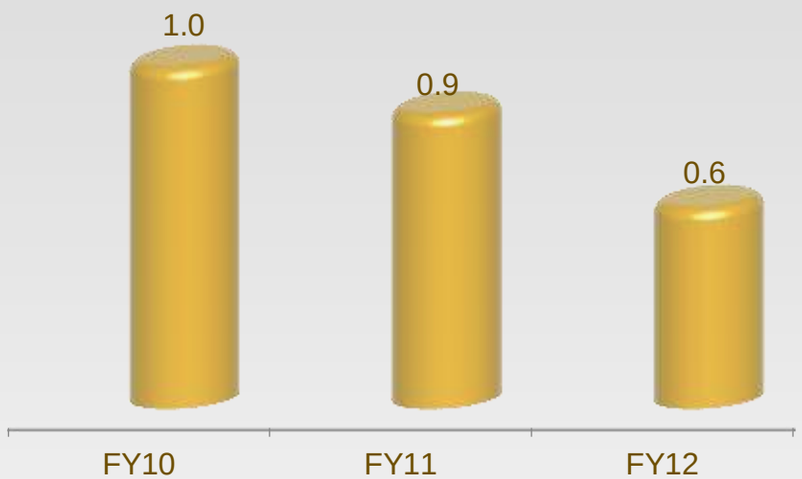
BALANCE SHEET	31-3-12	31-3-11	31-3-10
Net Shareholders' Equity	265	205	186
Net Debt	146	164	176
Total	**411**	**369**	**361**
Fixed Assets	203	205	207
Net current assets	208	164	154
Total	**411**	**369**	**361**

Rs. crore

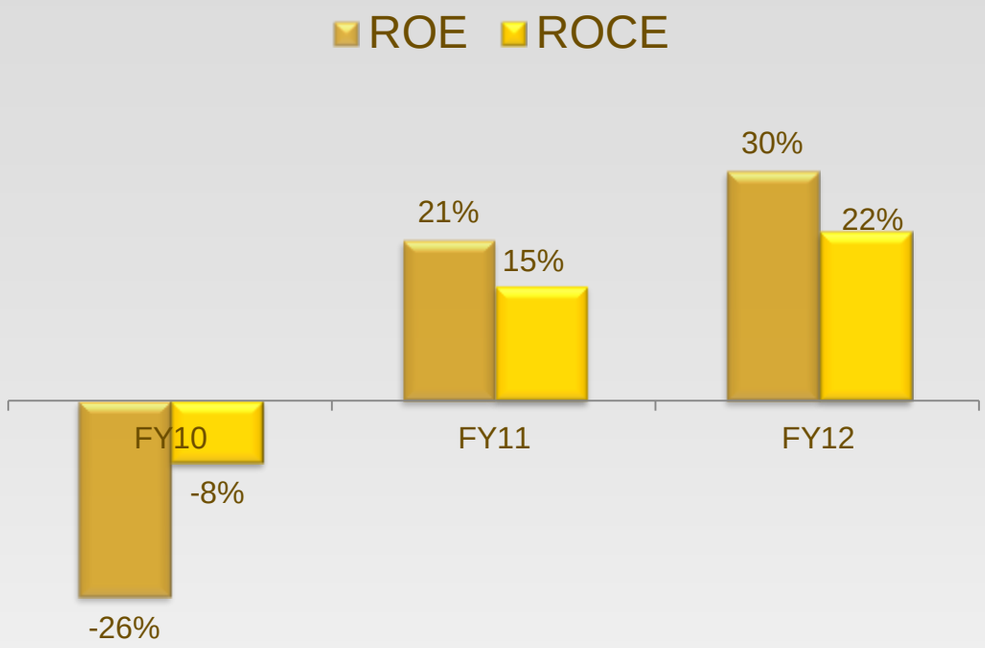
CASH FLOWS	FY 2012	FY 2011	FY 2010
From Operating Activities	52	54	(27)
From Investing Activities	(3)	(10)	9
From Financing Activities	(48)	(36)	15
Free Cash Flows	**44**	**48**	**(36)**

Financials – Key Ratios

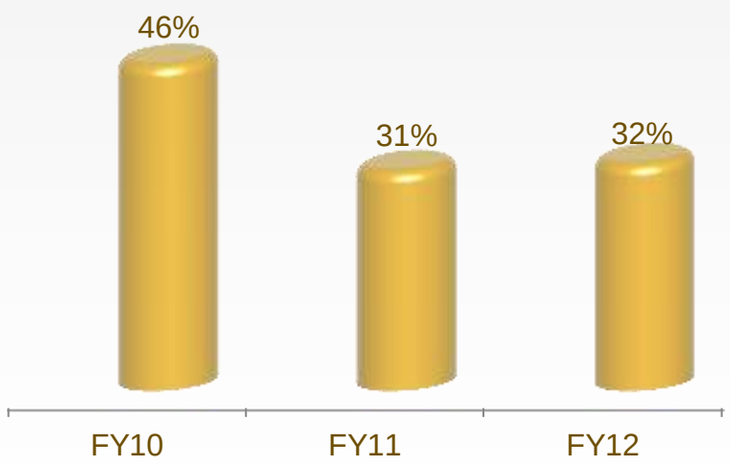
Debt equity ratio



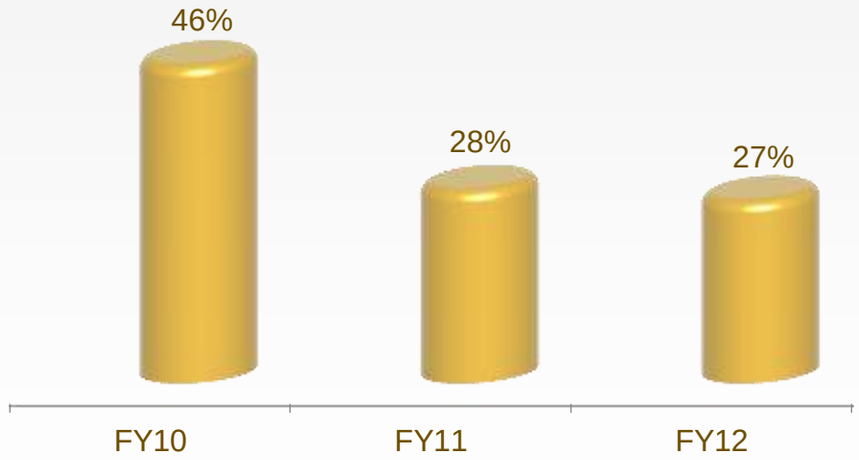
ROE ROCE



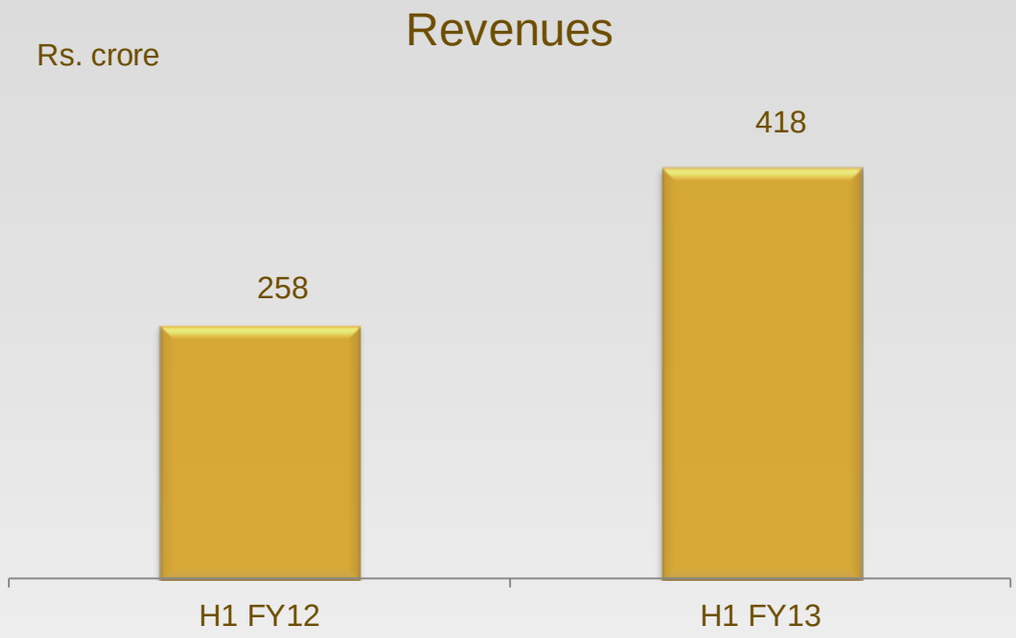
Net current assets / Sales

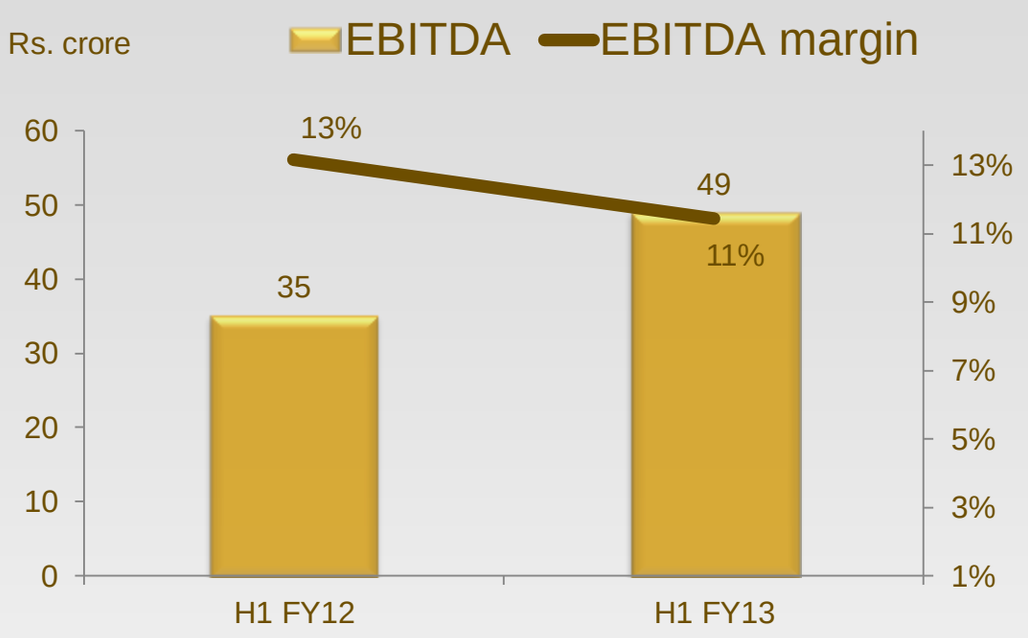


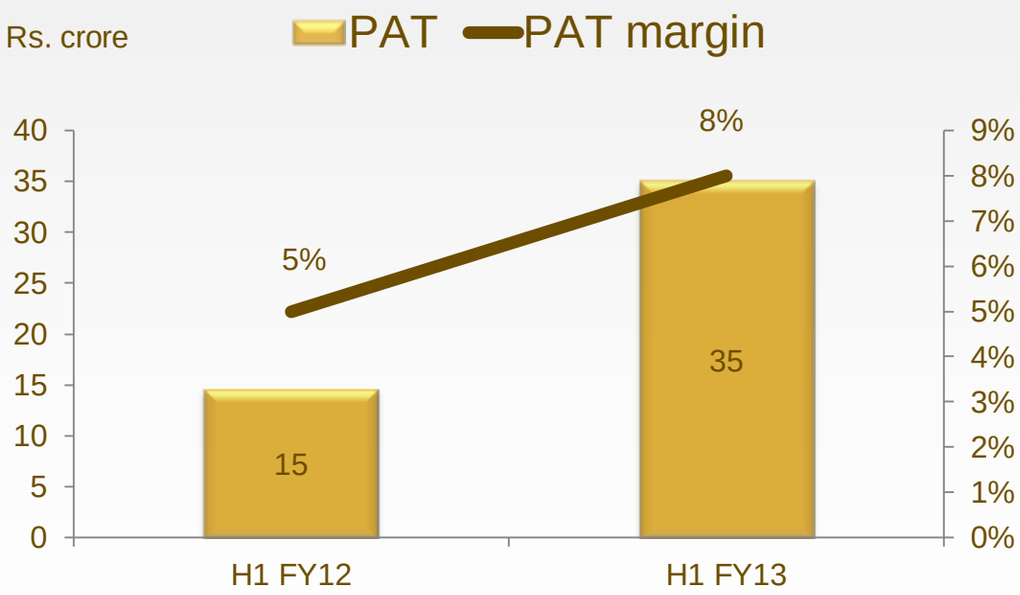
Inventory / Sales

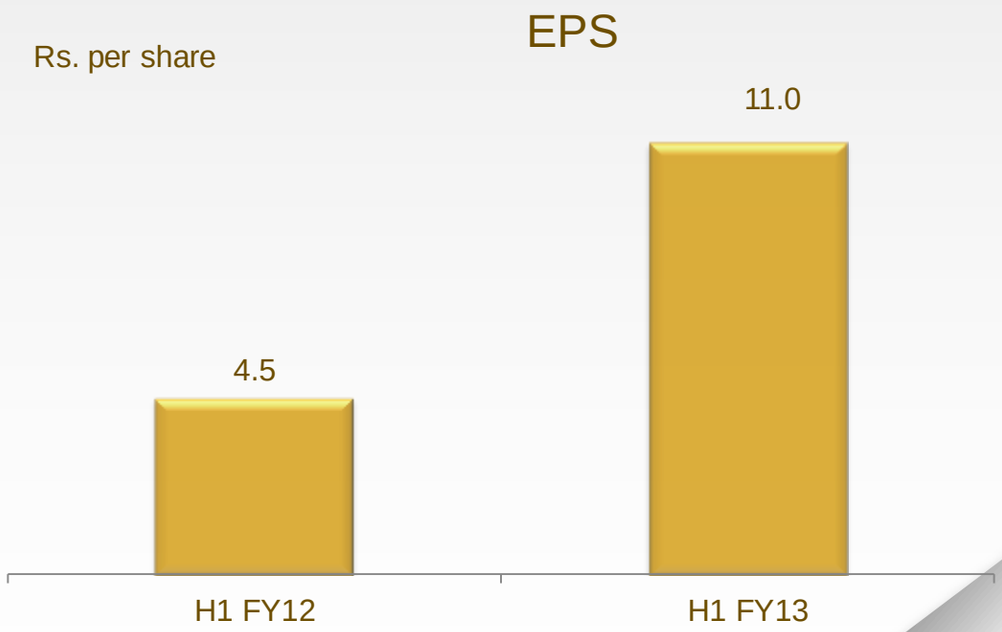


Financials – Half Yearly Performance (H1)









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Thank You