Vaibhav Global Limited

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

Q4 & FY13 Financial Results Presentation

May 2013

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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Key Highlights for FY13

Home TV Network Coverage Reaches 116 Million Households

- 97 million households on full time equivalent (FTE) basis
- 63 million households in the US
- 35 million households in the UK
- 18 million households in Canada

Retail Volumes Rise 72% to ~7 million Units

- Volume growth driven by transition to Fashion Jewelry
- Successfully launched new lines of Lifestyle Accessories
- 59% higher volumes on Home TV shopping
- 130% higher volumes on Web shopping

Strong Financial Performance

- Total Income rises 38% to Rs. 931 crore
- Profit after tax at Rs. 78 crore (pre-exceptional items)
- Debt reduced by Rs. 31 crore to Rs. 115 crore, due to repayment from internal accruals
- Free cash generation of Rs. 74 crore

Significant Improvement in Return Ratios

- Return on Equity at 49%
- Return on Capital Employed at 34%

Chairman's Message

Commenting on FY13 performance, Mr. Sunil Agrawal , Chairman, Vaibhav Global said:

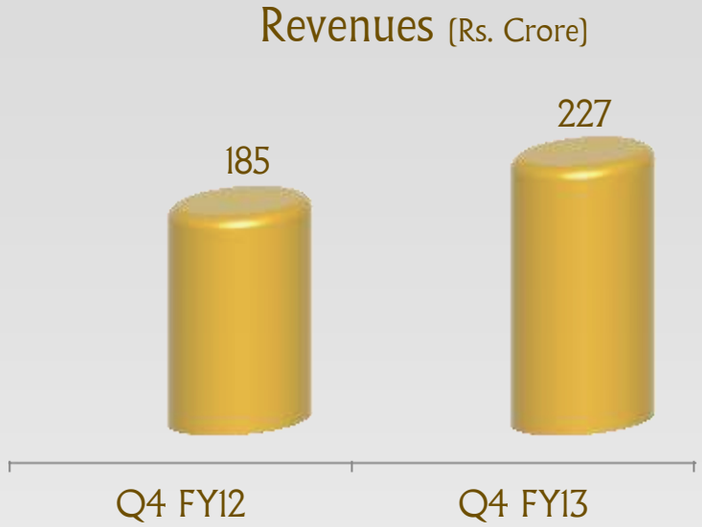
"Last year has been a successful year for us from many perspectives. We have transitioned our business to an established retail franchise in fashion jewelry and lifestyle accessories with a core value perception. We have aggressively expanded coverage in US and UK markets, launched Canada and now reach well over 100 million households. We have also invested in expanding marketing, operations, facilities, people development, and hardware/software technologies for e-commerce and TV, to build the critical infrastructure needed to refine our execution capabilities and our customer experience.

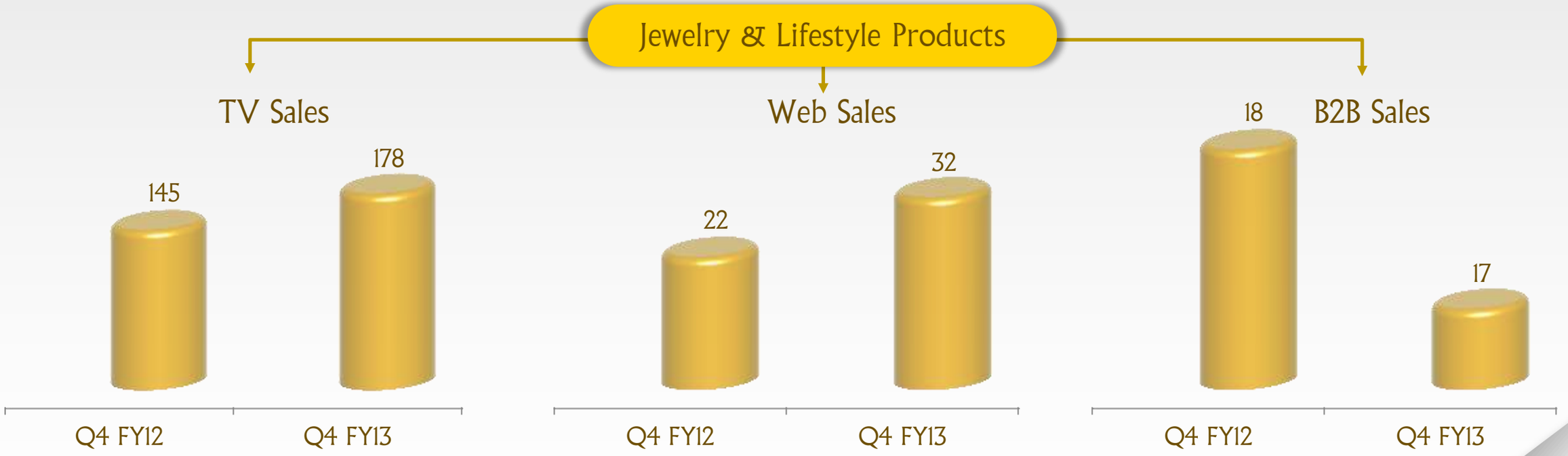
The result has been 72% growth in retail volumes, 38% increase in revenues, stable profit, strong operating cash flows and liquidation of debt, all in a continuously tough global operating environment.

With the improving environment, we now see 18-20% revenue growth in Q1FY14 and revival of margins to 10-11%. We also look forward to expanding our market presence further while maintaining margins at 10-11% in FY14 with the objective of delivering growth on the existing investments and driving ongoing shareholder value."

Financials – Q4FY13 Performance

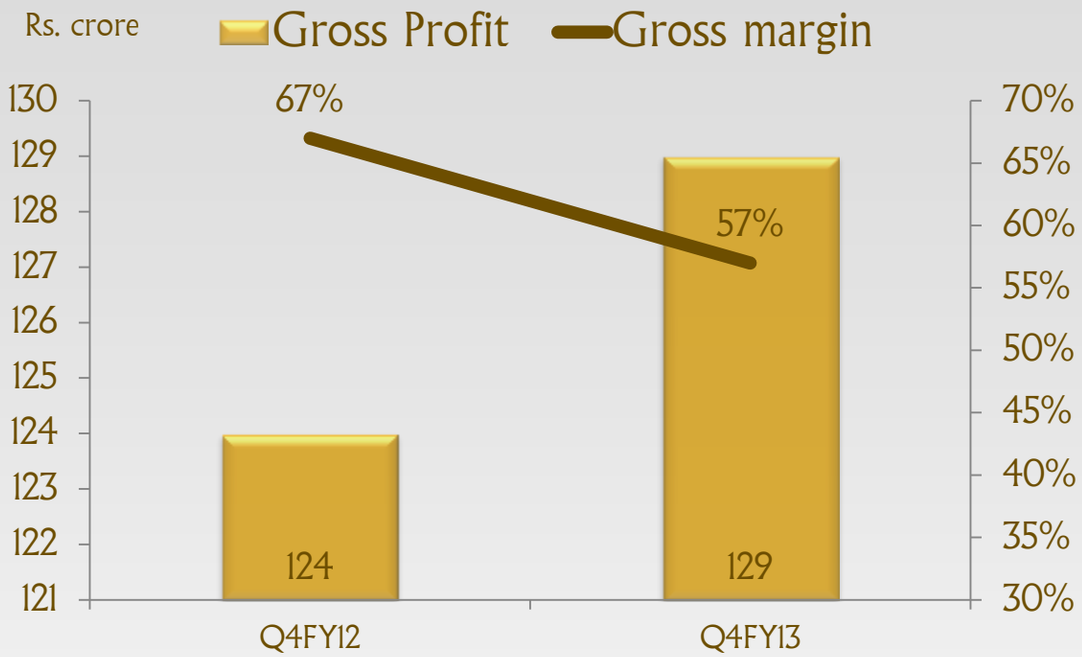
(Revenues)



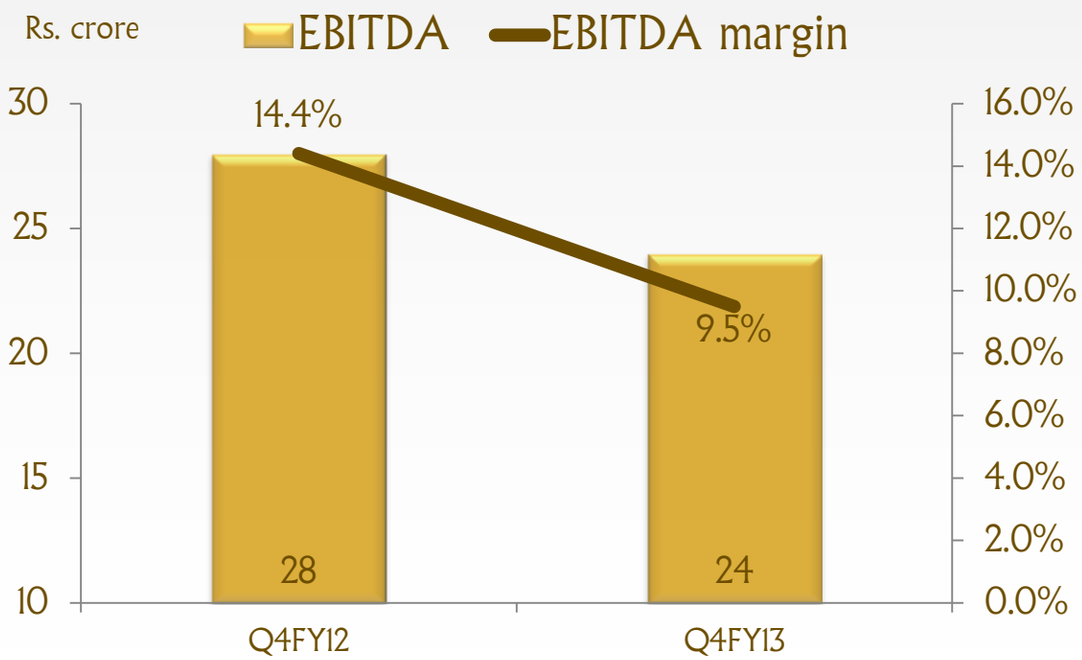


Financials – Q4FY13 Performance

(Margins)



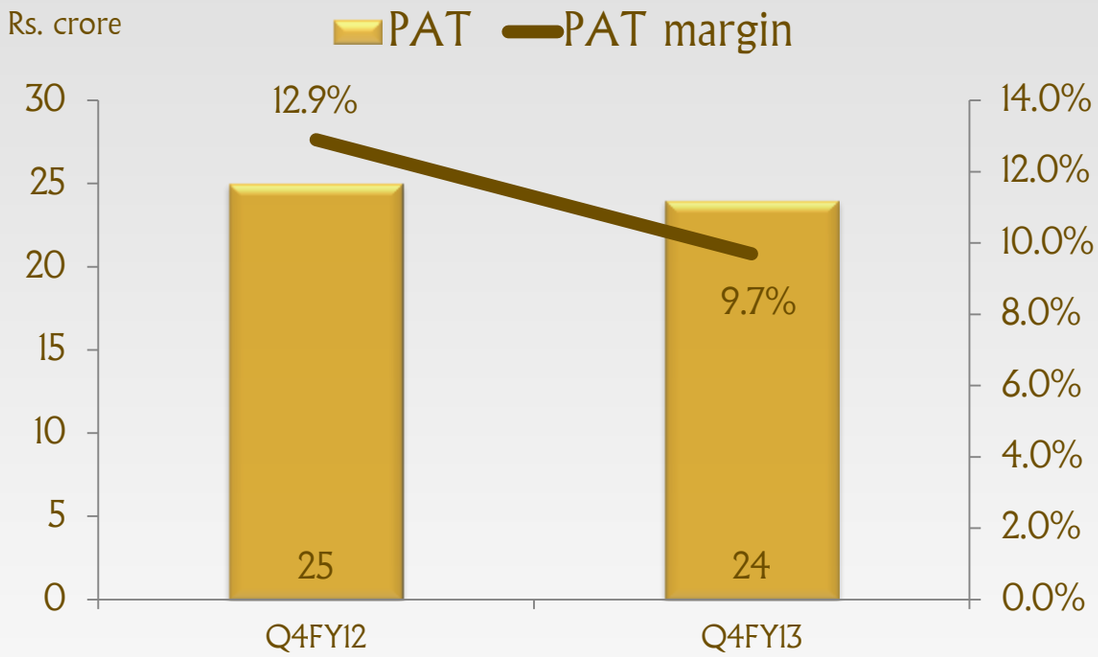
- Gross margins were impacted by management's decision to continue discount pricing with the objective of expanding market share and liquidating stocks. More recently, demand outlook has been stronger and retail margin visibility has re-emerged.



- Long-term strategic investments made in expanding marketing, operations, facilities, people and technology have increased the fixed cost base.

Financials – Q4FY13 Performance

(Profits)



- Q4 profits include Rs. 21 crore from exchange gain, consisting of a one-time gain of Rs. 13 crore from the write back of a previously written off subsidiary following a detailed evaluation.
- Now expanding market share driven growth on existing assets/operating base to enable longer term business benefits.

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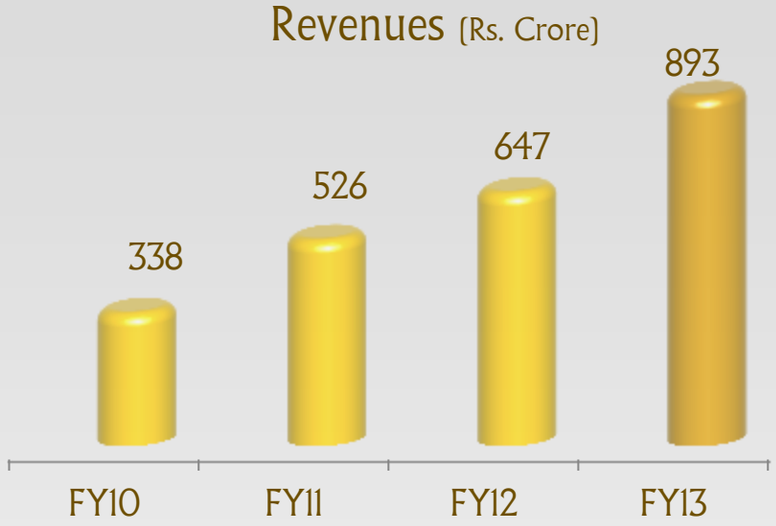
Financials Performance Trends

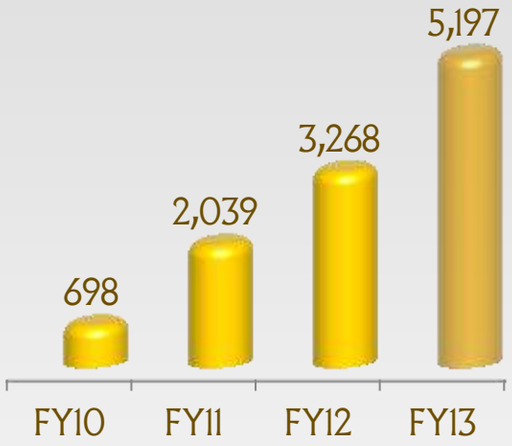
(Revenues)



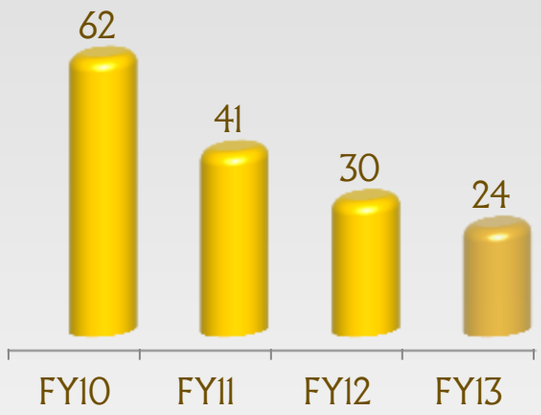
Retail Performance Trends

TV Sales

Sales Volumes ('000s)

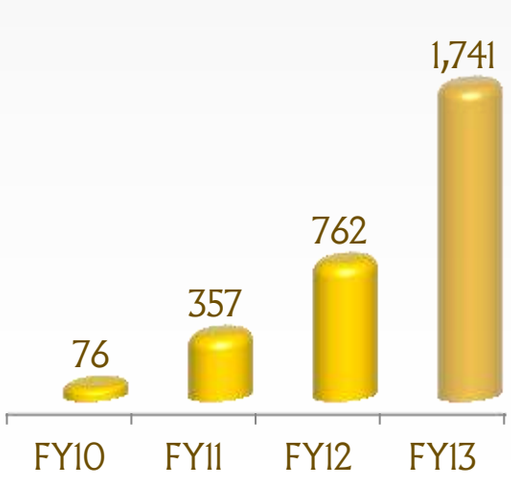


Average selling price US$

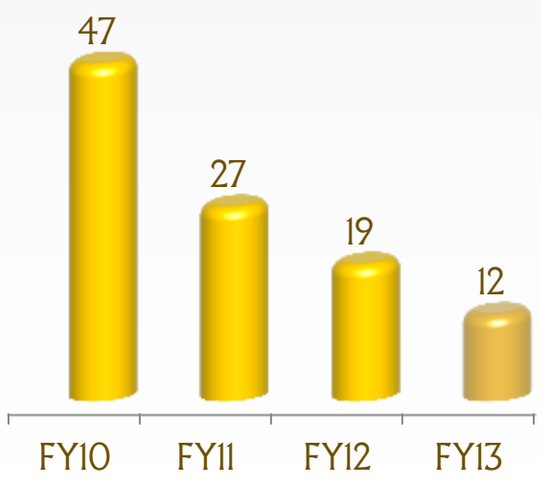


Web Sales

Sales Volumes ('000s)



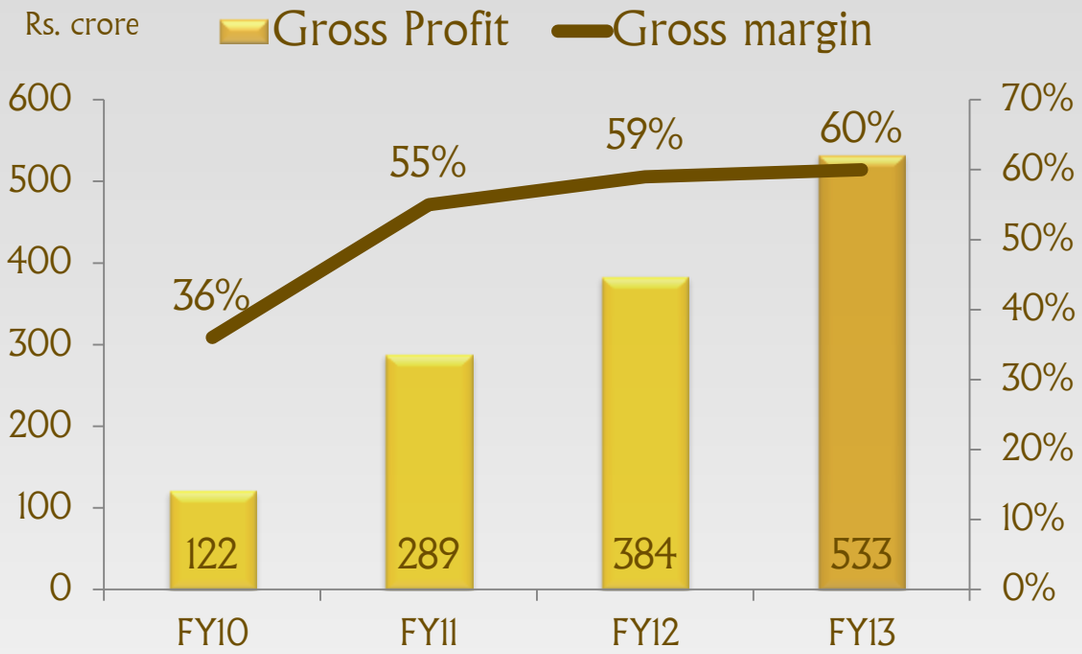
Average selling price US$



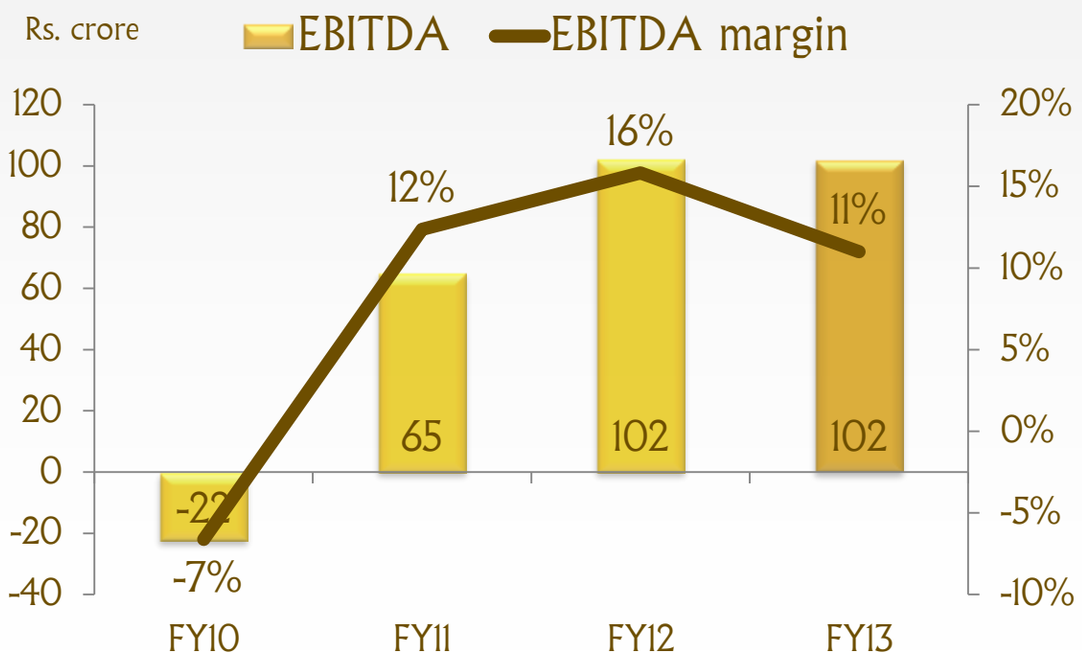
- Volumes have expanded significantly across both sales platforms (TV and Web) even as the product mix has transitioned from precious jewelry to fashion jewelry and lifestyle accessories.
- Web sales have been effectively used to complement sales on the company's TV shopping channels.
- Web contribution to profitability is in line with that of TV that has higher costs associated due to airtime expenses

Financials Performance Trends

(Margins)



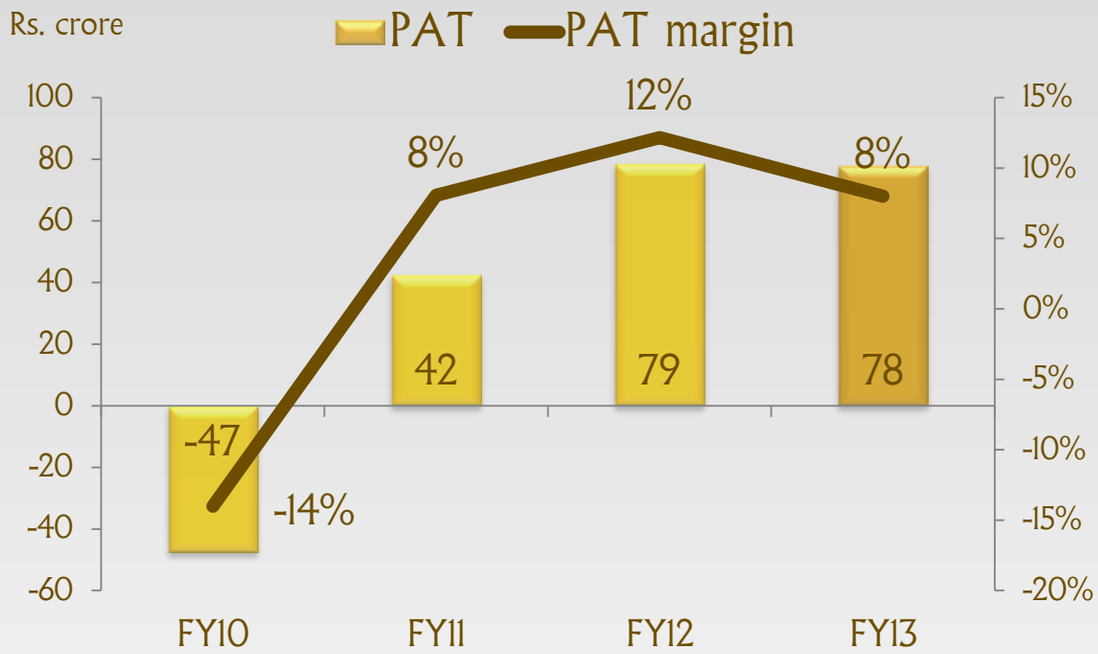
- Gross margins have continue to expand as material cost are lower in a product portfolio that has transitioned from fine jewelry to the current lines of fashion jewelry and lifestyle accessories

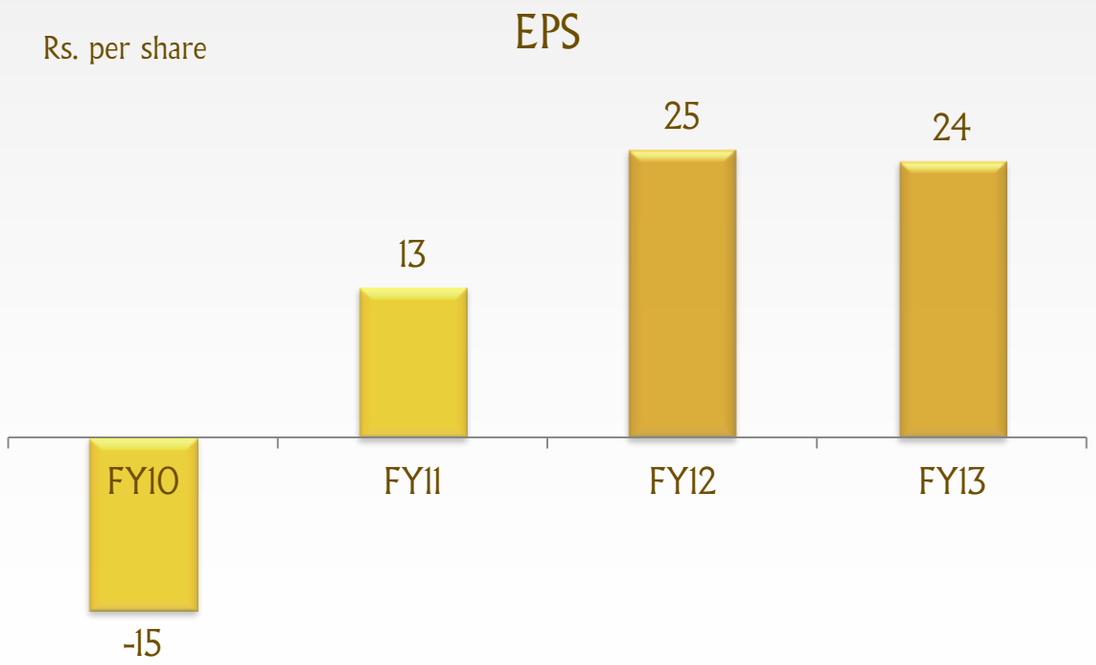


- While EBITDA remained stable, growth investment across multiple parameters have resulted in margin pressure

Financials Performance Trends

(Profits)



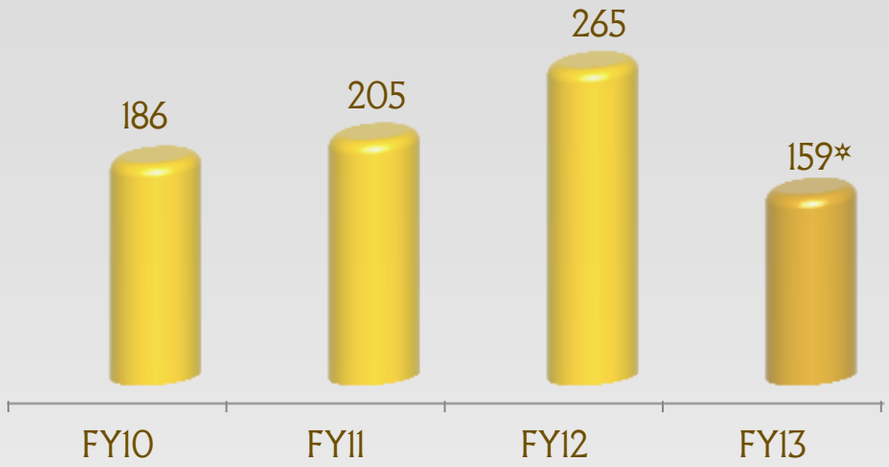


- Expanding the resource base across both US and UK impacted profits, the company is now focused on growing market share and will continue to re-invest in various initiatives that drive shareholder value over the long term.

Financials Performance Trends

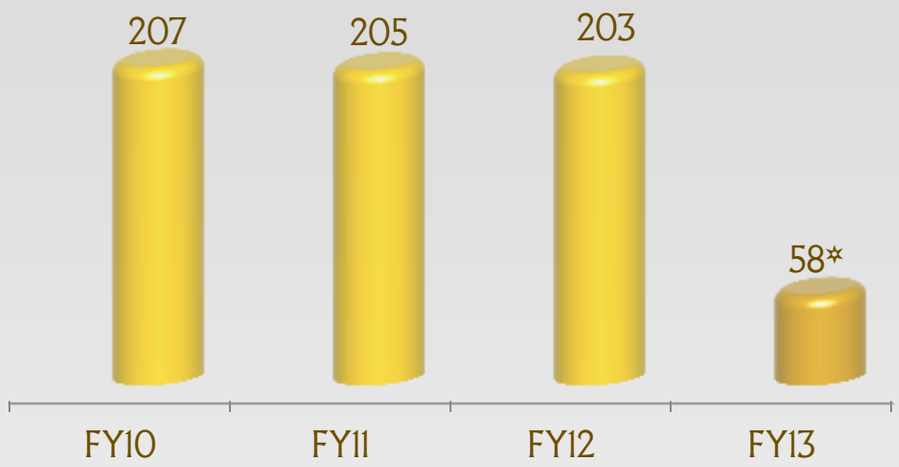
(Balance Sheet)

Shareholders' Equity



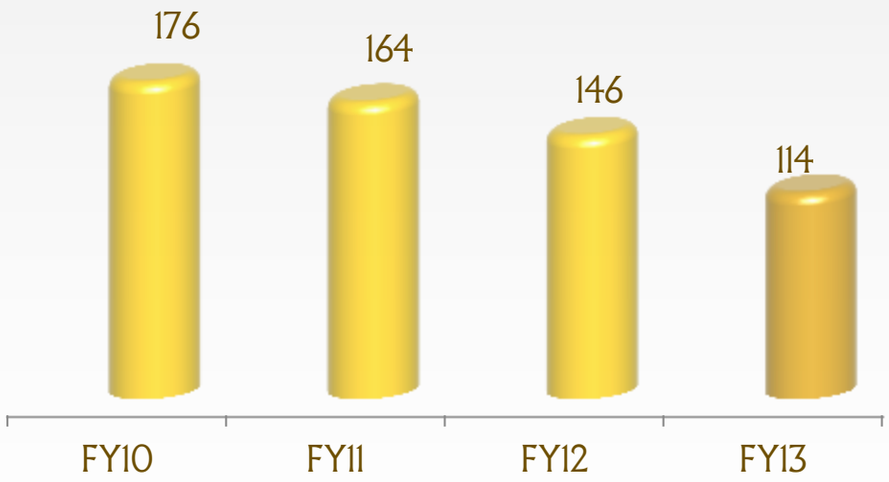
** During FY13, Shareholders' Equity was adjusted lower by Rs. 163.7 crore due to goodwill written off (Rs. 151.1 crore), provision for CDR recompense interest (Rs. 11.2 crore) and write off on liquidation of subsidiary (Rs. 1.5 crore)*

Fixed Assets

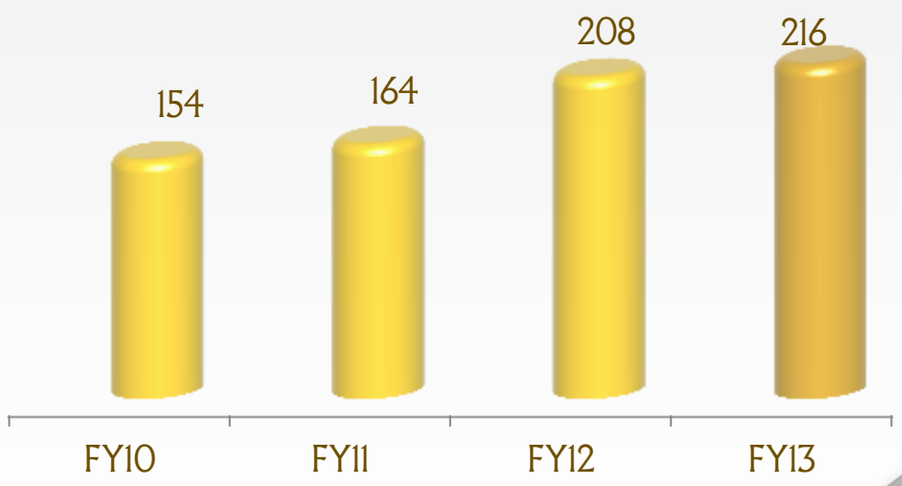


** During FY13 fixed assets were adjusted lower by Rs. 151.1 cr due to goodwill written off*

Net Debt

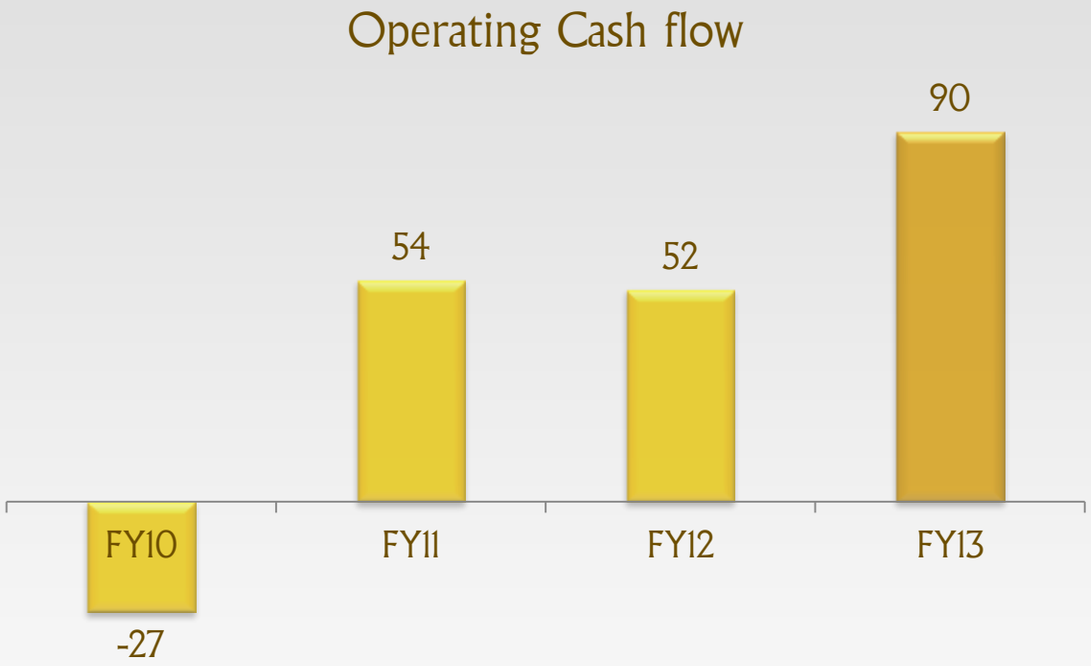


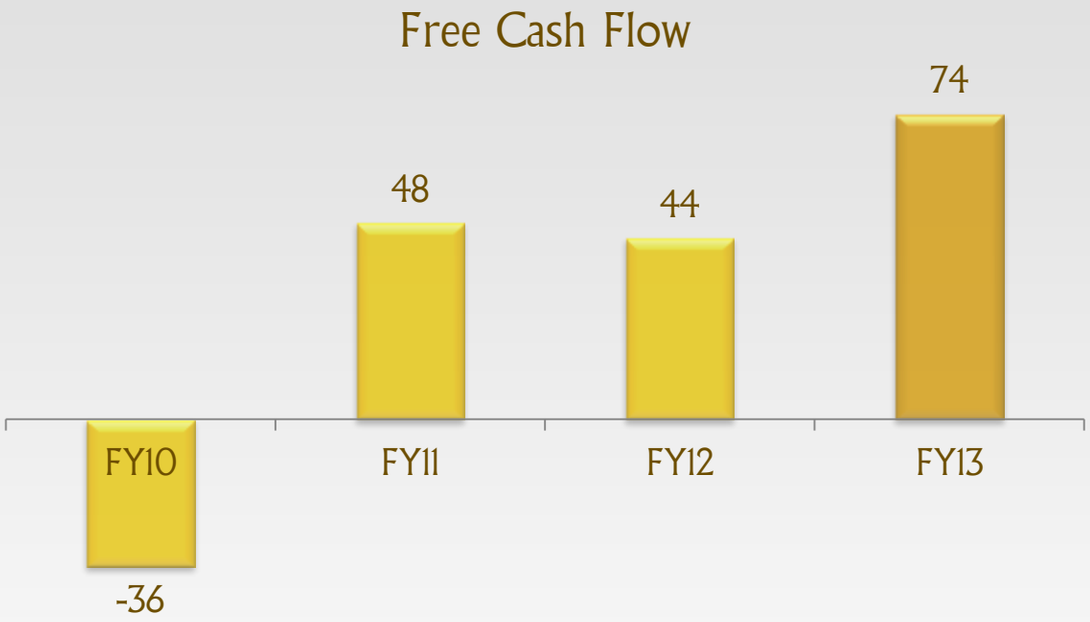
Net Current Assets



Financials Performance Trends

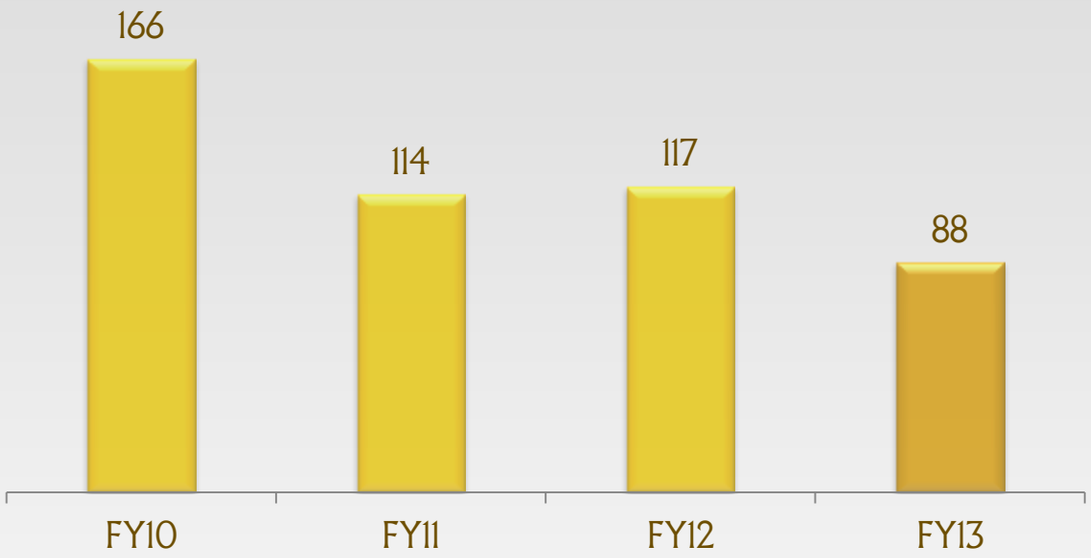
(Cash Flow)



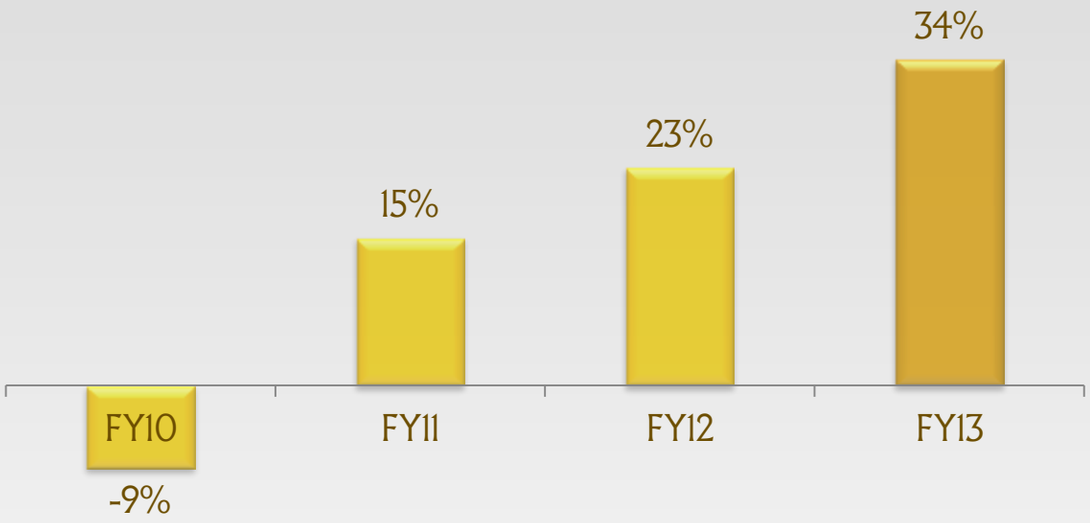


Financials Performance Trends
(Key Ratios)

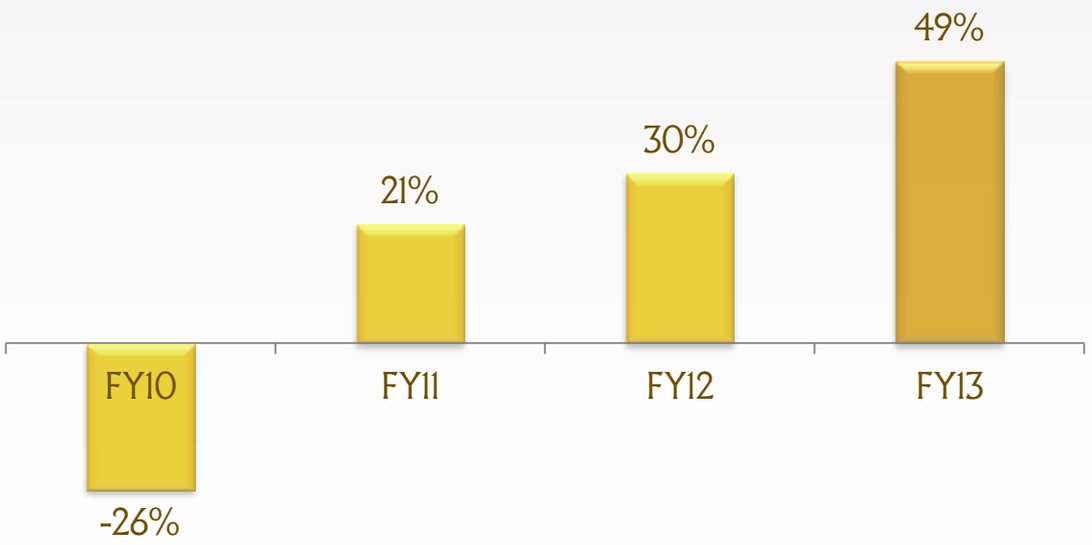
Working Capital Days



ROCE



ROE



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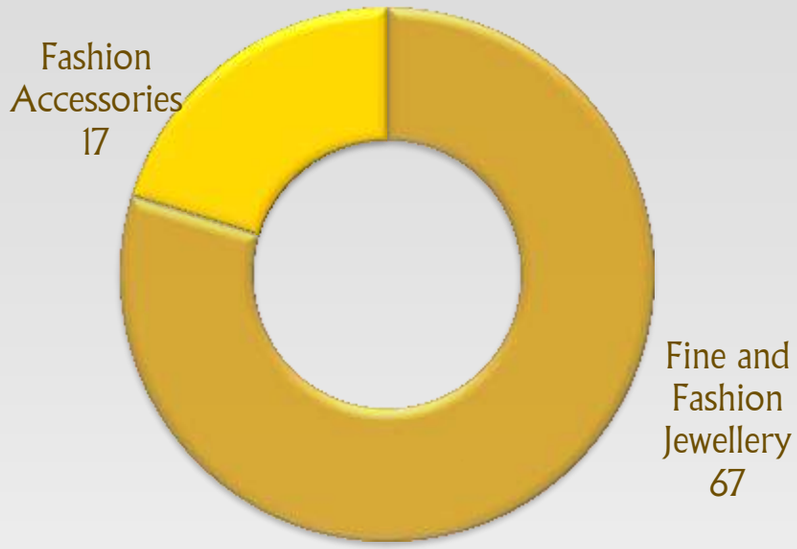
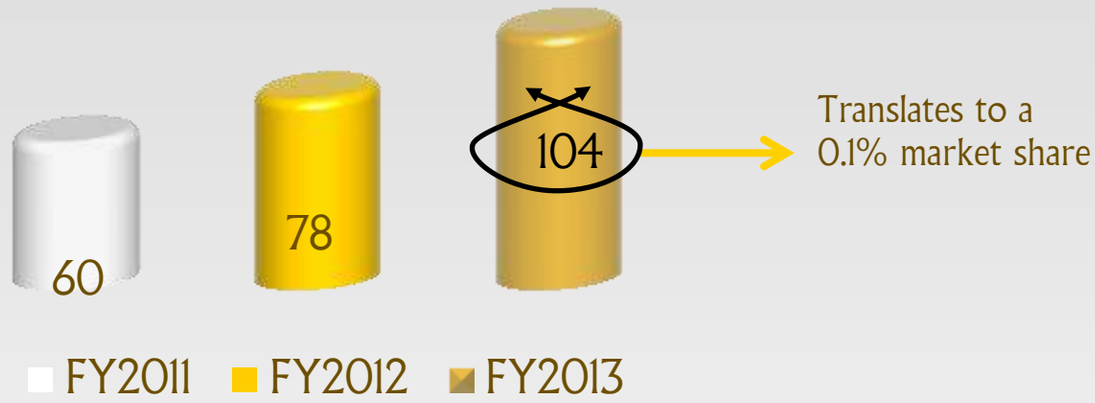
Market Opportunity

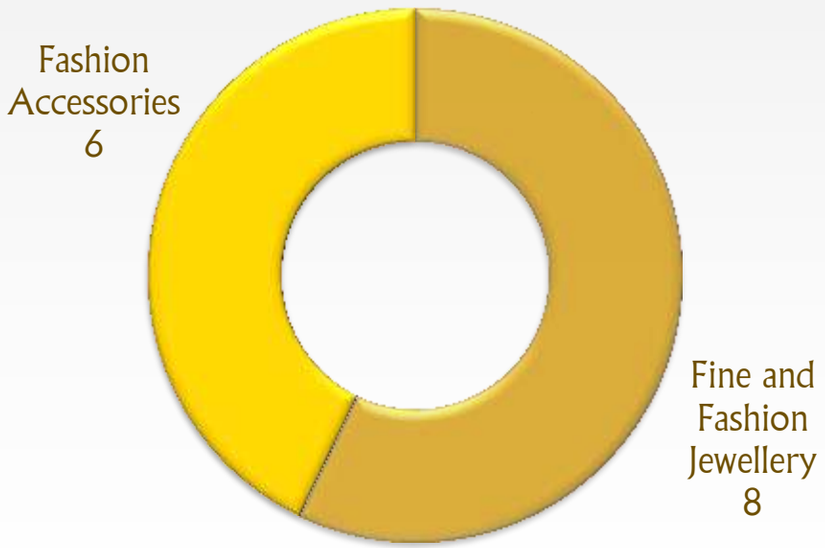
US market size (US$ Bn)



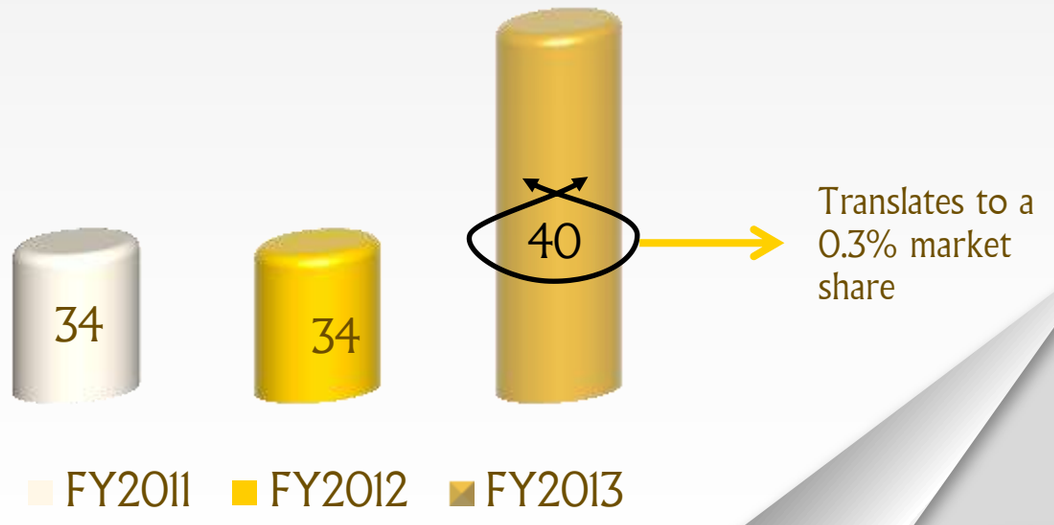
Vaibhav Global - US Revenue [US$ mn]



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

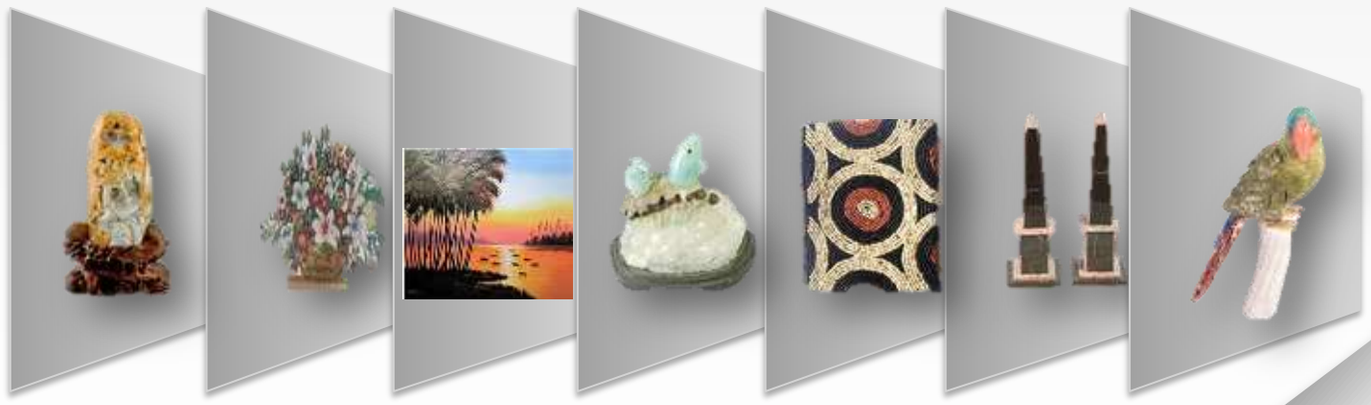
Product catalogue includes bracelet, bangle, earring, studded jewelry etc.

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

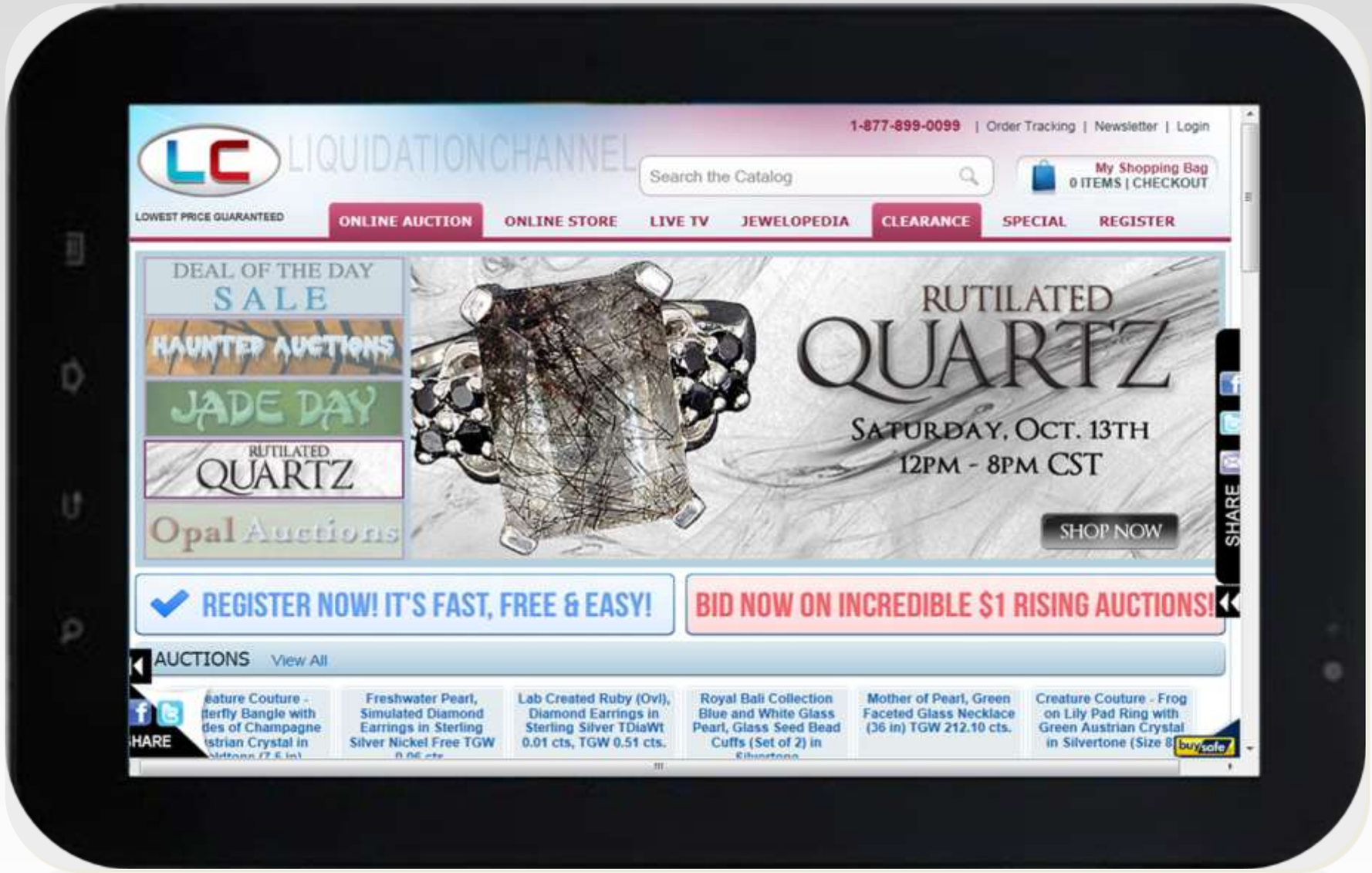
COX

Roku

TIME WARNER CABLE

Charter

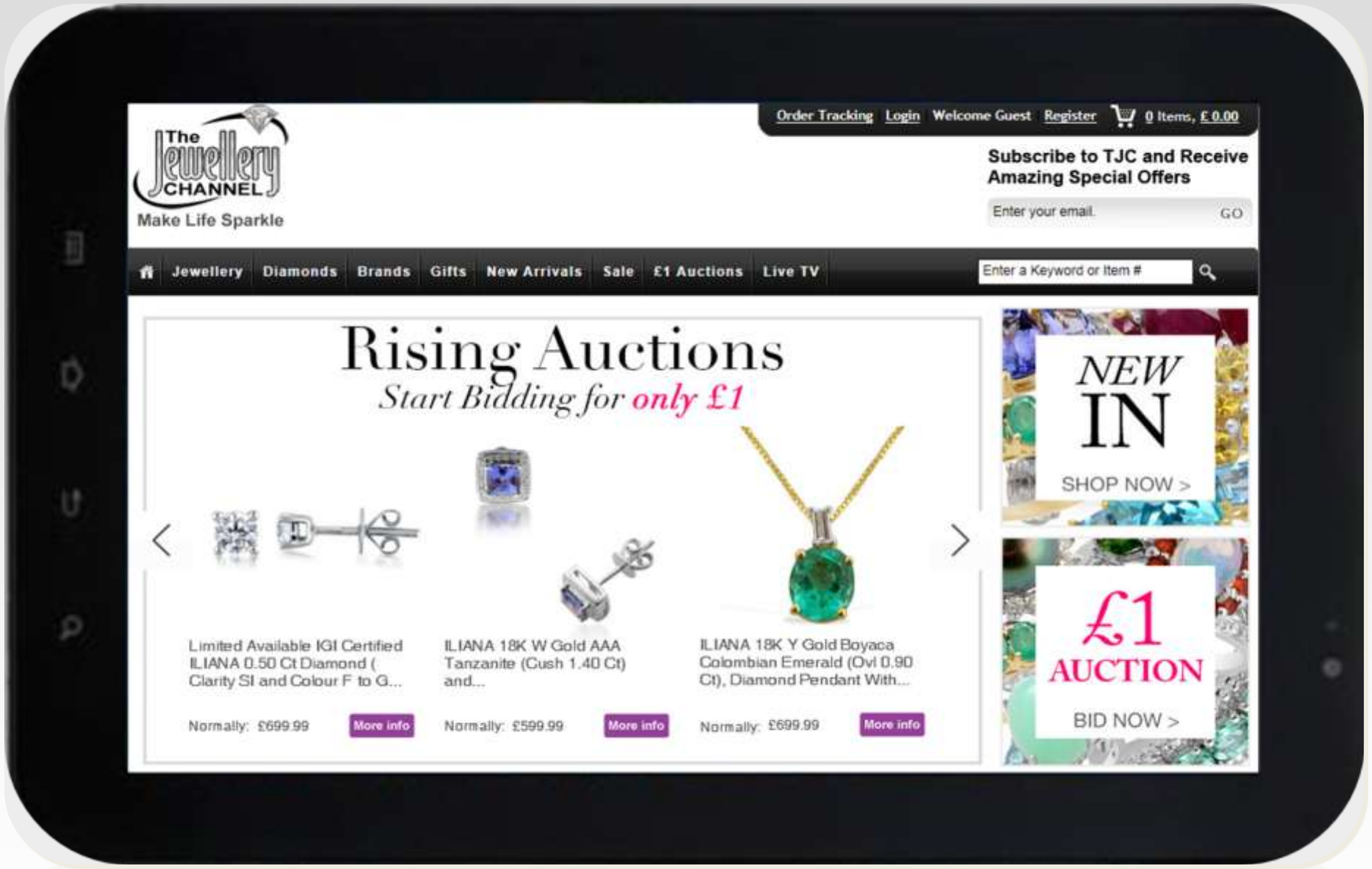
OCEAN MEDIA systems



https://www.liquidationchannel.com

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

UK Market Access on the Jewellery Channel



www.thejewellerychannel.tv

Access to 30 million households of the total 35 million households

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

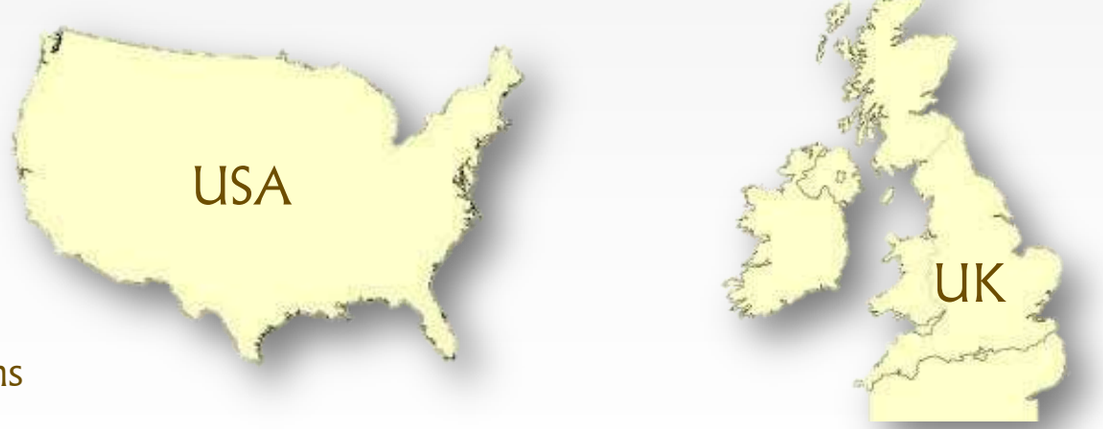
Asia

- 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 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 35 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

Holiday Season

Process begins – Jun 2013
Product in warehouse – Oct 2013

2013 Collections

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 $ 100 million 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

Manish Shah

General Manager, Application Development & Delivery in IT

- 22 years of IT leadership experience in technology and management of projects across diverse environments in the US, Europe and India
- Focused on leading the expansion of VGL's global IT capabilities

Contact Information

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Thank You