



Purpose.  
Passion.  
Performance.

VAIBHAV GLOBAL LIMITED  
28th Annual Report 2016-17

ANCHORED ON THE PHILOSOPHY OF ‘DELIVERING JOY’, VAIBHAV GLOBAL LIMITED HAS A VISION OF A WORLD WHERE PEOPLE ARE HAPPIER AND LIVE BETTER LIVES. INSPIRED BY OUR SENSE OF PURPOSE AND LED BY A PASSIONATE CULTURE, WE ARE DRIVEN TO OUTPERFORM EVERY DAY.

## Our purpose

See more on page 2-3

## Our passion

See more on page 4-5

## Our performance

See more on page 6-7



## Our business strategy

See more from page 18 onwards

### Stronger financials

How our financial performance is influenced by expanding our product categories, by sustaining consumer excitement through engaging storytelling and by creating an omni-channel network to reach out to the widest number of households across our chosen markets.

### Stronger teams

How we help our human resources realize their full potential and drive quality and safety in all that we do.

### Stronger societies

How we support our communities and the external environment.

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# HIGHLIGHTS

## Introduction from the Chairman



The year 2016-17 was an important one for Vaibhav Global Limited as our business turned free cash flow positive to ₹58 crore compared to a negative ₹59 crore in 2015-16. The re-emergence of free cash flow is the outcome of the nearing completion of our expansionary capex cycle wherein our cash flows were invested in multiple business-strengthening initiatives including a ramp-up of our manufacturing facilities and e-commerce platforms, a more extended household coverage through television and initiatives like Budget Pay leading to deeper customer engagement. Today, our earnings model remains strong and I am confident that we have been able to construct a sustainable value creation platform for our shareholders.

**Sunil Agrawal**

### **Vaibhav Vision:**

Be the value leader in electronic retailing of jewellery and lifestyle products.

### **Vaibhav Mission:**

- Build a learning organisation with high performing people
- Offer low-priced, high-quality products
- Delight our customers every day

## Stronger financials (page 18-21)

### **Revenues**

**₹1,440 crore**

Growth over 2015-16: 12.8%

### **EBIDTA<sup>@</sup>**

**₹105 crore**

Growth over 2015-16: 45.8%

*@ Excluding exchange/gain loss*

### **Gross profit<sup>#</sup>**

**₹867 crore**

Growth over 2015-16: 7.8%

*# After material cost, job work charges and manufacturing costs*

### **Net profit**

**₹58 crore**

Growth over 2015-16: 45%

### **Net debt**

**₹6 crore**

Decline over 2015-16: 90%

## Stronger teams (page 22-24)

### **Revenue per employee\***

**₹38 lacs**

Growth over 2015-16: 8%

*\* Including part-time employees*

### **Gender diversity**

**30.7%**

**female employees**

No. of female employees: 566

## Stronger societies (page 25-26)

### **CSR investments**

**₹1.52 crore**

Growth over 2015-16: 9.8%

### **Mid-day meals**

14,186 meals delivered every day

141 schools reached every day

### **CSR goals**

- Promote education through schools and other organisations
- Contribute to eradicate hunger, poverty and malnutrition
- Promote healthcare, including preventive healthcare, to the society through recognized trusts, old age homes and hospitals





# Our purpose

WE BELIEVE IN 'DELIVERING JOY' TO OUR CUSTOMERS. INSPIRED BY THIS PHILOSOPHY, WE FOCUS ON DELIVERING QUALITY PRODUCTS AT ATTRACTIVE PRICES AND A WORLD-CLASS SERVICE THAT TOGETHER ENHANCE THEIR SENSE OF ASSOCIATION WITH US. IN DOING SO, WE ALSO DELIVER JOY TO OUR COMMUNITIES, EMPLOYEES AND INVESTORS.



### Our purpose of being customer obsessed

Our purpose is to make a difference by providing our customers with a vast range of high-quality fashion jewellery that possess heritage value and a captivating history of origination. To this mainstay bouquet of fashion jewellery, we have also added fashion accessories and lifestyle products. We constantly evaluate the performance of our in-house brands like GP, Lucy Q and Bali Legacy, among others, based on customer feedback so that we can give them exactly what they want.

### Vertical integration enhances customer visibility

With an end-to-end business model that spans a global and continuously expanding supply chain capability with state-of-the-art manufacturing presence in India, we reach out to 110 million households (FTE basis) through proprietary television home-shopping and e-commerce platforms across the US and the UK. Creating a sizeable B2C franchisee in developed markets is a distinctive achievement by an Indian company and is a visible recognition of our deep value fashion and lifestyle products offering among a large and growing customer base.

### Outcome of our purpose is reflected in strong retention rates and repeat purchases

As an enterprise that is anchored on customer excellence, we have strong service-driven platforms on offer including Budget Pay EMI and easy returns, strengthening our value proposition in highly competitive markets. In a major initiative,

we re-branded Liquidation Channel to ShopLC in the US with the brand gaining recognition in showcasing an ever-expanding range of fashion jewellery and lifestyle products. With a view to expand customer accessibility, we launched a mobile app for ShopLC in the US and The Jewellery Channel in the UK.

### Financial showcase

#### Television sales

Revenue (₹ crore)

2015-16	2016-17
932	1,000
+7.3%	

Sales volumes ('000)

2015-16	2016-17
5,854	6,092
+4%	

Average selling price (US\$)

2015-16	2016-17
24.4	24.5
+0.4%	

#### Web sales

Revenue (₹ crore)

2015-16	2016-17
223	250
+12.1%	

Sales volumes ('000)

2015-16	2016-17
2,264	2,145
-5.3%	

*Web sales volumes growth returned, growing 20% y-o-y in Q4FY17, validating our focus on deeper customer engagement.*

Average selling price (US\$)

2015-16	2016-17
15.1	17.4
+15.2%	

#### B2B sales

Revenue (₹ crore)

2015-16	2016-17
122	190
+55.7%	







# Our passion

FOSTERING A UNIQUE PERFORMANCE-DRIVEN CULTURE, WE HARNESS THE PASSION OF OUR PEOPLE TO STRIVE FOR EXCELLENCE IN ALL THAT WE DO. OUR PASSION IS TO ENSURE THAT OUR PURPOSE OF DELIVERING JOY TO OUR STAKEHOLDERS IS AT THE FOREFRONT OF ALL OUR ACTIONS. IT IS REPRESENTATIVE OF OUR CULTURE AND DNA. WE FOCUS ON MAKING OUR ENTERPRISE BETTER THAN YESTERDAY.

## **Our passion of creating an ownership-driven environment**

With a distinct culture that nurtures high-achievers, we foster an environment in which our teams take ownership with a unanimous “It’s my Company!” With the passion, drive and optimism of entrepreneurs, we defy the status quo with a better way of doing things. This hunger drives us to be the very best and is manifest in our manufacturing teams who are focused on reducing wastages, in our hosts who are inspired to engage our customers with compelling storytelling, in our customer teams who are obsessed with excellence in warehousing, packaging and logistics and in our senior management who are enthused to navigate the business through their vision and passion.

### Our core values

- Team work
- Honesty
- Commitment
- Passion
- Positive attitude

### Our values are very important to us

We believe in doing things right – with a high sense of honesty, transparency and meritocracy. We believe in the power of collaboration and together achieve newer products sourcing, improved craftsmanship, efficient technology incorporation and more accurate financial modelling and governance. We empower our teams through continual re-skilling opportunities so that they grow with the times and continue to remain relevant in a dynamic operating environment.

### Passion in action

#### Gross profit per employee (₹ crore)

2015-16	2016-17
0.22	0.23
+3.5%	

#### Salary and incentives (₹ crore)

2015-16	2016-17
233.7	245.7
+5.1%	

#### Employee base#

2015-16	2016-17
3,673	3,824
+4.1%	

#Including part-time employees



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Our human resource philosophy is all about encouraging our people to pursue ideas and projects they believe in and find innovative ways to achieve their goals. We create a culture of diversity so we benefit from different experiences and provide our teams outstanding career progression opportunities across roles and transfers to different parts of the world.

*Jeff Allar, Senior Vice President, Group HR*

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Rich employee diversity!

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Our global employee base comprises people across 6 countries





# Our performance

WE HAVE CREATED A PLATFORM THAT BRINGS TOGETHER SKILLED AND PASSIONATE PEOPLE. WE GIVE THESE TEAMS A CLEAR PURPOSE AND A FOCUSED DIRECTION WHICH HAS TODAY RESULTED IN OUR ABILITY TO ACT FAST, LEARN QUICKLY AND TAKE OWNERSHIP AND RESPONSIBILITY, HELPING US OUTPERFORM.





### Delivering performance through capacity ramp-up

As a global fashion retailer with proprietary television home-shopping networks and growing visibility of e-commerce platforms (web and mobile app), we are committed to extend our unique deep value fashion and lifestyle products proposition to our customers. An important way in which we do so is by strengthening our global supply chain capabilities to map the latest fashion trends and facilitate better price discovery. During 2016-17, we fully operationalised our 100,000 sq. ft fully-integrated, LEED-certified ('Gold' level) facility at SEZ, Jaipur. We now possess an augmented annual capacity of 7 million pieces.



### Embracing some foundation-building initiatives

We rebranded The Liquidation Channel in the US to ShopLC, a brand which is gaining even stronger recognition and customer affiliation for showcasing a vast range of jewellery products and fashion accessories. Through this rebranding initiative, we have also been able to disassociate from the sometimes negative connotation linked with The Liquidation Channel of liquidating old inventory. We also upgraded our technology infrastructure to the latest versions of SAP-Hybris and DemandWare - our major e-commerce operating platforms that have enabled us to create better customer engagement opportunities and provided exceptional operational flexibility and scalability.

### Operating leverage

Our business turned free cash flow positive in 2016-17 with the nearing completion of our capex cycle with the funds invested in growing manufacturing capacities, extending household coverage and developing deeper customer engagement initiatives like Budget Pay EMI scheme and easy returns. With scalability that enables better fixed cost coverage, we have been able to derive the benefits of operating leverage, the full impact of which will play-out over the coming years.

### Financial showcase – Operating leverage

#### Revenue (₹ crore)

2015-16	2016-17
1,277	1,440
<b>+12.8%</b>	

#### Net profit (₹ crore)

2015-16	2016-17
40	58
<b>+45%</b>	

Operating cash flow turnaround!

**₹88 crore**

Turnaround in our operating cash flow – from negative ₹10 crore in 2015-16 to positive ₹88 crore in 2016-17

Free cash flow generation!

**₹58 crore**

Turnaround in our free cash flow – from negative ₹59 crore in 2015-16 to positive ₹58 crore in 2016-17

# Chairman's statement

OUR OUTSTANDING PERFORMANCE ON THE BACK OF BOLD INITIATIVES EMBRACED OVER THE PAST TWO YEARS HAVE VALIDATED THAT OUR STRATEGY IS WORKING AND WE ARE NOW AT THE CONFLUENCE OF SERVING A LARGE AND GROWING CUSTOMER BASE WITH AN EVER-EXPANDING JEWELLERY AND LIFESTYLE PRODUCT RANGE.



## An important year

Enhancing customer convenience is fundamental to our business and one of our top priorities was a focus on execution, building over the initiatives that we boldly embraced over the last two years.

Our consumers look at affordability of high quality products as a primary driver of purchase. Within this context, consumers in moderate income groups prefer a staggered payment option compared to an upfront full payment and an interesting insight here is that they do not mind increasing their buying frequency if they can get an option to amortise the payment. With the availability of Budget Pay EMI option on our TV and web platforms in both the US and the UK markets, we now have an edge over competitors already offering EMI options as it makes our low-priced products even more attractive. As of now, Budget Pay comprises three installment options with the first installment to be paid on purchase and the rest at monthly intervals. As with our easy returns policy, this initiative was also well received, helping us drive increased sales.

Keeping in view the electronic retail landscape and the prevalent 'multi-screen' culture, we launched our mobile apps – ShopLC in the US and TJC in the UK, across both iOS and Android platforms, which received a positive response and have enhanced customer engagement. Our focus on moving with the markets was also evident when we developed SmartTV apps that facilitate live streaming of content via internet on these televisions. Additionally, we also upgraded our e-commerce platform SAP-Hybris to the latest version which strengthened responsiveness, elevated user experience and hence, customer stickiness.