



Vaibhav Global Limited
Annual Report 2018-19

DELIVERING JOY



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Greetings!

Vaibhav Global Limited is a global retailer of fashion jewellery, accessories and lifestyle products on proprietary home-shopping TV and web platforms, marketplaces and social platforms. Through a robust multi-year track record, the company has demonstrated B2C retail success in the developed markets of the US and UK.

Chairman's Statement – 04



“At Vaibhav Global, ‘Delivering Joy’ is an intrinsic part of our culture that inspires us to do better every day.”

MD's Review – 06



“Our value drivers are pivoted on widening Reach, growing Registrations, increasing Repeat purchases and bolstering Retention.”

CFO's Report – 09



“Our business model is characterised by low capex, high gross margins and operating leverage. FY2018-19 was also a demonstration of this.”

Our reporting suite

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NSE code: VAIBHAVGBL

BSE ID: 532156

Sectoral index: NIFTY 500/S&P
BSE SmallCap

M-cap: ₹2,096 cr
(NSE, 31st March 2019)



For you!

We value your feedback. Please write to us on: investor_relations@vaibhavglobal.com

You can also download a digital copy of this Annual Report from our website: www.vaibhavglobal.com

Our corporate culture

Our purpose:

Delivering Joy

Our vision:

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

Our mission:

Through the delivery of high quality, affordable products, made possible by our low-cost direct sourcing, we change the world and touch people's lives, one piece at a time.

Our core values:

Team work
Honesty
Commitment
Passion
Positive attitude

The VGL moat

The coming together of a number of deep and inimitable competencies has made VGL's business distinctive and unique.

1. VERTICALLY-INTEGRATED OPERATIONS:

>> Scalable, hybrid supply chain with world-class manufacturing facilities, aided by proven sourcing capabilities

>> Manufacturing leverages low cost base of India. Worldwide sourcing infrastructure (India, China, Thailand and Bali) enables aggressive trend-spotting and catalogue expansion. Over 250-member strong product development team across different sourcing and front end units

>> Proprietary TV home-shopping and e-commerce (mobile and web) platforms

>> Rapid time-to-market of new trends and successful products due to vertically-integrated operations

2. STRONG BRANDS:

>> Shop LC (US) and TJC (UK) have a combined reach to 100 mn (FTE*) households on TV retail shopping

>> Strong sales visibility through positive customer engagement metrics, including rising customer registrations, retentions and repeatability

* Full-time equivalent basis

3. HIGH-QUALITY CUSTOMER ENGAGEMENT:

>> Successful B2C franchise in mature markets, anchored on exciting content, unique story-telling and exceptional products of high quality at affordable ASPs (Average Selling Prices)

>> Customer recognition of deep value propositions in fashion jewellery has enabled seamless scale-up into adjacent categories (fashion accessories and lifestyle products); a reinforced catalogue has strengthened customer visibility

4. ROBUST TECHNOLOGICAL AND INFRASTRUCTURAL SUPPORT:

>> Modern enterprise and CRM software helps enhance customer engagement and fulfillment

>> High-quality studio production and warehousing and sourcing functions with limited future capex requirements

5. UNMATCHED PEOPLE STRENGTH:

>> Highly experienced senior management team engaged in the full supply chain – sourcing, merchandising, operations, marketing, technical and strategy functions

>> In-depth knowledge and industry experience of senior management, complemented by a highly skilled and engaged workforce

>> Highly experienced and capable Board with Independent Chairman

6. EXCEPTIONAL ONE FOR ONE SOCIAL PROGRAM

>> Every piece sold through our retail channels results in one meal for a school-going child

>> Distributed over 25 mn meals through this program so far, which engages both customers as well as our team members

**THE WHOLE IS
GREATER THAN
THE SUM OF
ITS PARTS**

**Vertically-integrated operations + Established TV shopping/
e-commerce brands + Robust customer-engagement platforms
+ World-wide sourcing capabilities + Hybrid and scalable supply
chain infrastructure + Robust tech backbone + Winning culture
+ One for One program**

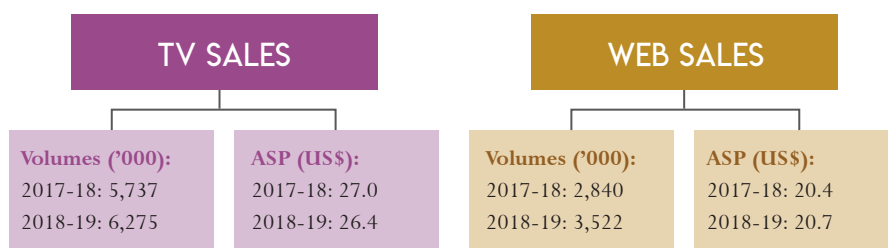
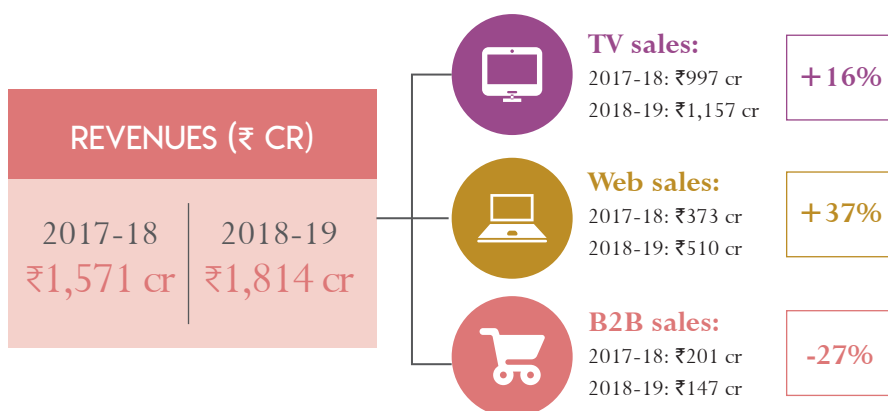
Unique operating model with accelerated growth potential!

2018-19 PERFORMANCE

Strong momentum powered our 2018-19 results, enabling us to deliver substantial progress across all our core financial metrics.

[Read more about our 2018-19 financial performance in our CFO's Report]





GROSS PROFIT

2017-18	Gross profit (₹ cr) 936	Gross profit margin (%) 59.6
2018-19	Gross profit (₹ cr) 1,133	Gross profit margin (%) 62.5

OPERATING PROFIT (EBITDA)

2017-18	EBITDA (₹ cr) 159	EBITDA margin (%) 10.1
2018-19	EBITDA (₹ cr) 217	EBITDA margin (%) 12.0

PROFITABILITY

2017-18	Net profit (₹ cr) 113	Net profit margin (%) 7.2
2018-19	Net profit (₹ cr) 154	Net profit margin (%) 8.5

EARNINGS PER SHARE (EPS)

2017-18	EPS (₹) 34.55	EPS growth (%) 74.1
2018-19	EPS (₹) 47.27	EPS growth (%) 36.8

ASP is Average Selling Price. All previous years' nos. have been regrouped to align with IND-AS 115

2018-19 BIG PICTURE

9.8_{mn}
Pieces sold on TV and web

100_{mn}
Household reach in US/UK (FTE)

3.43_{lac}
Unique customers

19.8_x
Repeat purchases

30_x
Quantity per customer (avg.)

25%
RONW (avg. net worth)

37%
ROCE (avg. capital employed)

10₹
Dividend Disbursed/Recommended

170₹/cr
Free cash flow

CHAIRMAN'S STATEMENT



HARSH BAHADUR

DEAR STAKEHOLDERS

I am delighted to share with you that the year 2018-19 was yet another eventful year for the Company during which we continued to hit the right milestones. The year under report was one of considerable success, evident in the 22% YoY growth in our retail sales and 37% growth in PAT. We have been able to demonstrate strong growth in our retail operations that span across two of the largest developed economies of the US and UK where consumer spending drives almost two-thirds of their respective GDPs. Both the markets are seeing growing contributions from jewellery and non-jewellery products. We are witnessing platforms and products increasingly complementing and enhancing the overall revenues.

Our dynamic business model, congruent with the ever-changing business environment, has 'Delivering Joy' as the central theme with a steadfast focus on positive contribution to various stakeholders.

Delivering Joy at VGL

Our products deliver immense joy to our customers. Having mapped our customers' preferences and behavioural patterns, VGL has found a sweet spot as a deep value discounter of fashion jewellery, accessories and lifestyle products. VGL has expanded the quality and scale of sourcing and supply chain, while also helping bring products on-air within the shortest possible time. During the year, we introduced such exclusive fashion products as granderite



and shungite stones and Moroccan amethyst, which were big hits among our customers. This emphasis on deal-driven discovery is nowhere more visible than Shop LC's Birthday Bash program, during which we sold a record 75,000 pieces within a single day.

We have enabled our consumers to seamlessly fulfill their societal responsibility, while they are pursuing their lifestyle choices. We have linked our business directly with our flagship CSR initiative, the 'One for One' program. Thus, product sales benefit children who get a hot nutritious meal in school for every product sold at our retail channels - Shop LC in the US and TJC in the UK. It gives me immense pleasure to share with you that we have provided over 25 mn meals across the US, UK and India since the inception of this program. This delivers joy to them, while enabling our business to have a positive impact on both education and nutrition.

Human resources form the basis on which an organisation grows. To strengthen the foundation, our people-oriented endeavours are aimed at holistic development through various skill development programs and health and wellness programs. These initiatives foster a fulfilling work environment, in turn delivering joy and satisfaction to our employees. This is reflected in strong growth in revenues and profitability and in some of our operating units being recognised as high performers in the 'Great Place to Work' surveys.

Strong business growth has enabled the enhancement of value distribution to our investors and shareholders. We announced an interim dividend of ₹5 per share and a final dividend of ₹5 per share, taking the total payout at over 20% of profit for the financial year 2018-19.

2018-19 review

Strong performance of 2018-19 was the outcome of our concerted efforts in strengthening the foundations of our business, including technology platforms, data analytics, customer centricity and supply chain, while maintaining affordable ASPs across a larger and more diverse product catalogue. Furthermore, augmentation of our symbiotic omni-channel sales network comprising TV, web, mobile apps, smart TV interfaces, OTT platforms, social and third-party marketplaces, also helped fuel growth. It is also encouraging to see the increasing contribution of web sales to our retail revenues.

- Our revenues rose 15% to ₹1,814 cr
- Gross profit increased 21% to ₹1,133 cr
- EBITDA improved 37% to ₹217 cr
- Net profit grew 37% to ₹154 cr

I am confident of the intrinsic strength of our business model and believe that we will be able to sustain the current growth rate over the coming years.

OUR SYMBIOTIC OMNI-CHANNEL SALES NETWORK COMPRISING THE COMPOSITE OF TV AND WEB HELPED FUEL GROWTH IN 2018-19.

Proactive CSR

We are committed to make sure that the world has a sustainable future and acceptable standards of living for all. We focus on a number of high-impact social responsibility initiatives that help address some of the basic issues faced by societies today, including education, nutrition, social infrastructure reinforcement, healthcare, etc. We are proud of our association with Akshaya Patra, the world's largest NGO-run school meals program, and continue to seek ways to enhance the scope of our involvement.

We are cognisant of the ecological challenges the world today faces and have been taking conscientious steps at maintaining the eco-systems that we operate in. Our sustainability program is all-encompassing and covers renewable sources of energy, rainwater harvesting, waste management, tree plantation, power savings and the like.

We embrace the highest governance practices and have robust process controls in place. Furthermore, our Board plays an active role in the Company's governance and provides counsel on a wide range of issues.

WE FOCUS ON A NUMBER OF HIGH-IMPACT SOCIAL RESPONSIBILITY INITIATIVES THAT HELP ADDRESS SOME OF THE BASIC ISSUES FACED BY SOCIETIES TODAY.

Outlook and prospects

We believe we have created strong global equity in the electronic retail space of fashion jewellery, accessories and lifestyle products. Investing in foundational initiatives over the past few years has enabled superior growth in the year under review, and we are confident of delivering accelerated long-term value to our stakeholders in the coming years as well.

Our unique product value propositions and deep discounting model are well-recognised among our customers, allowing us to scale-up and harmonise adjacent complementary categories,

such as lifestyle products. This synergy reinforces the quality and depth of our catalogue, while also creating the platform for greater customer engagement and higher repeat sales.

Order fulfilment is among the most important aspects of B2C success in electronic retail and I am enthused by the progress we have achieved on this front. We have large multi-locational warehousing facilities, reputed logistics companies as our delivery partners, and specialist call centre operations for enabling customised customer service. We are also at par with competitors in terms of offering affordable payment solutions through our 'Budget Pay' option, easy returns and assured delivery. However, our unique differentiation is in our attractive ASPs, which are 40-50% lower than our competitors. Value pricing will continue to be our principal differentiating factor in the future too.

Beaming a larger catalogue to a bigger number of households in the US and UK, while pivoting around our deal-driven, discovery-based, deep discounting model is what is most exciting, and we look forward to achieving stronger progress in the months and years ahead. We have built strong financial and operational foundations that will enable us to win newer customers and create value for shareholders.

WE SEE SIGNIFICANT POTENTIAL FOR OUR FASHION JEWELLERY, ACCESSORIES AND LIFESTYLE PRODUCTS IN THE US AND UK MARKETS.

Acknowledgements

I would like to take a moment to extend our sincere gratitude to our workforce for their dedication and hard work. Their deep and innate skills and craftsmanship make us proud. We also express gratefulness to our loyal customers for their belief in our value propositions. They encourage us to bring to them unique products that enrich their lifestyle. We thank our shareholders and appreciate the faith they have shown in our Company's management, leadership and future. Our sincere thanks also to our financiers and bankers, suppliers and communities for the work they do in support of our business.

Best wishes,

Harsh Bahadur
Chairman

MANAGING DIRECTOR'S REVIEW

Strategic objectives for accelerated value creation:

Reach:

Widening content distribution to our consumers in the US and UK markets through TV, e-com, marketplace and social

1

Registration:

Growing the base of unique customers with our captivating content

2

Repeatability:

Increasing repeat purchases through excellence in product value, variety and quality

3

Retention:

Building engaging relationships by providing world-class customer fulfillment

4



SUNIL AGRAWAL

DEAR FELLOW STAKEHOLDERS

Our efforts to become a preferred choice for fashion jewellery, accessories and lifestyle products for our customers received solid traction in 2018-19, enabling our company to deliver strong results for the year. Our performance continues to be guided by the purpose of VGL, i.e. 'Delivering Joy'.

GRANULAR QUARTERLY PERFORMANCE

Quarter	Net sales	Net profit
Q1 2018-19	₹ 390 cr	₹ 30 cr
Q2 2018-19	₹ 452 cr	₹ 39 cr
Q3 2018-19	₹ 510 cr	₹ 53 cr
Q4 2018-19	₹ 462 cr	₹ 32 cr

We have delivered growth across parameters, including in revenues, profits, cash flows and shareholder returns. Retail revenue for the year under review grew a strong 22%, driven by strong volume growth of 14% across our wide suite of platforms. In 2018-19, we sold 9.8 mn units on our symbiotic omni-channel sales model, comprising the combination of TV and web platforms, backed by strong demand for our fashion jewellery, accessories and lifestyle products in both the US and UK markets. Our discovery-based deep-discounting model, blended with engaging content and high-class studio production quality, resonated strongly with our customers.

Both gross margins and EBITDA margins expanded by 290 bps and 190 bps, respectively, despite continuous investments in people, marketing, distribution and customer support during the year, highlighting the intrinsic strength of our business model.

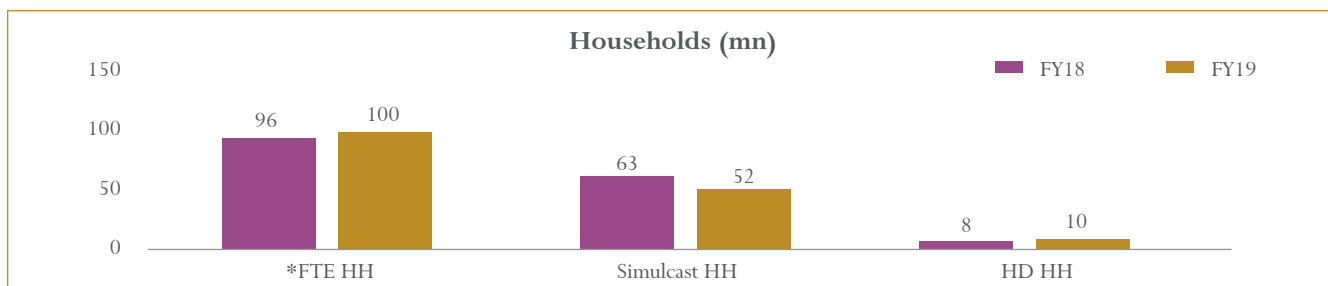
Stakeholder commitment

Continuing our engagement with our stakeholders, we are seeing the benefits,

specifically in terms of employee commitment to the workplace, investor interest in our business, growth in the customer base, improved interactions at industry and supplier levels and stronger community recognition for our efforts in social development and environmental sustenance. Going forward, we intend to continue to deepen and broaden our stakeholder interactions, driving more meaningful and mutually-beneficial relationships.

I want to take this opportunity to call attention to the 4Rs – **Reach, Registration, Repeat purchases and Retention** that together comprise our key strategic objectives for achieving accelerated growth.

COMBINED REACH IN THE US AND UK HOUSEHOLDS



*FTE – Full Time Equivalent

Widening our Reach

During 2018-19, we witnessed strong momentum for our TV and web platforms and higher reach of our content to a larger number of households and consumers. Our TV sales continued to remain brisk, growing 16% YoY to ₹1,157 cr in 2018-19. We garnered increased eyeballs due to modernisation of our studio facility at Shop LC in the US, which facilitated improved product presentation. Our TV sales are also being benefitted from over-the-air presence among the cord-cutter population who can catch the feed directly on their TV sets, and through our presence on smart TVs and streaming devices.

Almost 30% of our total retail sales came from the web, increasing from ₹373 cr in 2017-18 to ₹510 cr in 2018-19. Specifically, our mobile apps performed well in both the US and UK markets. Sales via mobile apps as a percentage of the total web sales stood at 6% in the UK and 14% in the US for 2018-19. Enthused by this response, we are continuing to make investments in our apps by introducing new and exciting features and functions.

To further widen our reach, we have started to offer select products on large online marketplaces like Amazon, Ebay, Wish.com and WalMart.com as these channels also supplement our sales. We are also making efforts to grow our social media presence and have established a specialist social media division. Together with web, social media and marketplaces will give us better incremental reach.

Growing new customer Registrations

Product portfolio comprising designs across different ethnicities and native cultures sourced from across the world add tremendous appeal to the global customer that helps in new customer registrations. Moreover, expert hosts engage our customers with engrossing content that further adds to the allure of our products. This combination has enabled steady growth of new customer enrollments. Our expanding bouquet of brand offerings across categories has demonstrated high resonance with our existing customers, while also attracting new customers to our channels. I am happy to share that the new brands we launched during the year, such as Chaos by Elsie, Xavier, Opatra, Sankom, Kreyol Essence and Manuka Doctor have shown positive customer acceptance.

Furthermore, our robust infrastructural, logistical and operational support go a long way to build customer confidence, while representing a solid platform for new customer acquisition. We're also confident that our initiative to place select inventory on online marketplaces will facilitate new customer acquisition.

NEW CUSTOMER REGISTRATIONS

1,59,000
2017-18

1,80,000
2018-19



Increasing Repeat purchases

The introduction of a larger range of fashion jewellery, accessories and lifestyle products across our consumption platforms is particularly exciting. While fashion accessories as a category is a seamless fit with fashion jewellery, lifestyle products open a whole new way to engage with our customers. An expanding product portfolio augurs well with our objective of driving repeat sales, not only within the category but across the catalogue.

Our ability to keep product prices attractive also builds traction in repeat sales, and I'm proud that we're perhaps the only consumer electronic retail company with deep value pricing in the US and UK markets. Despite low product prices, our tight cost controls and strategic sourcing capabilities has ensured sustenance of industry-leading gross margins.

In a recent initiative that we expect will drive repeatability is the launch of 'Fulfilment by Amazon' Marketplace, which enables us to

place select inventory at Amazon Fulfilment Centres to be qualified as a part of Amazon Prime shipping. Customer fulfilment is an anchor point of our business and our initiatives in this direction will help drive higher product sales.

QUANTITY PER CUSTOMER (AVG.)

29^{pcs}
2017-18

30^{pcs}
2018-19



Bolstering customer Retention

Customer retention is the centrepiece of our strategic objectives. Our customer retention focus is underpinned by our ability to forge relationships that keep our customers engaged with our content for longer periods. Fulfilment is yet another major aspect in customer retention. In pursuit of enhancing customer experience, during FY19, we augmented our Austin call center, while replacing some part of the outsourced call center in Mexico, and hired the services of OnBrand24, a US-based call center services company. We also enlisted the services of Mango, an international call centre service provider in the UK.

Several customer-focused initiatives introduced in the past, including 'Budget Pay' and 'Easy Returns', have been well-received by the market. During the year, we organised 12 customer open days across our US and UK operations for better interaction with our customer groups. This helped us gain insights and valuable feedback, critical in formulating customer retention initiatives.

We are also enhancing the quality of our products and have operationalised several initiatives in automation that complement and embellish the work of our expert craftspeople.

CUSTOMER RETENTION RATE

47.9%
2017-18

49.6%
2018-19

Outlook

We feel confident of delivering strong growth in the medium to long-term. We believe we have created strong and sizeable B2C operations which are gaining increasing brand salience in fashion jewellery, accessories and lifestyle products globally. Judicious and timely spends in customer interface, CRM, e-com, studios, production, warehousing, supply chain and CSR have created a strong transformational platform which will serve us well to navigate the changing industry landscape.

I'm confident of the robustness of our operating model and, going forward, we will continue to drive our focus on our customers, while remaining committed to a cost-conscious culture. Our focus on 'Delivering Joy' to our stakeholders will remain central to our existence.

Thank you.

Sunil Agrawal
Managing Director