



Vaibhav Global Limited  
26th Annual Report 2014-15

# Corporate Information

## Board of Directors

Sunil Agrawal (*Chairman & Managing Director*)

Rahimullah (*Whole Time Director*)

P. N. Bhandari

Surendra Singh Bhandari

Nirmal Kumar Bardiya

Sheela Agarwal

Vikram Kaushik

Pulak Chandan Prasad

Mahendra Kumar Doogar

Peter Duncan Whitford

## Key Management Team

Hemant Sultania

Group Chief Financial Officer

Gerald Tempton

President-Liquidation Channel, USA

Colin Wagstaffe

Managing Director- The Jewellery Channel, UK

Jeffery M Allar

Group Senior Vice President-Human Resource

Charlie Curnow

Group Chief Information Officer

Praveen Tiwary

Group Director Business Development

Pushpendra Singh

Vice President-Human Resource Asia

Nitin Dugar

Vice President Strategy-Liquidation Channel, USA

Salil Sud

Vice President Operations-STS China

## Company Secretary

Brahm Prakash

## Stock Exchanges where Company's Securities are listed

BSE Limited

National Stock Exchange of India Limited

Luxembourg Stock Exchange (GDRs Listed)

## Registered Office

K- 6B, Fateh Tiba, Adarsh Nagar, Jaipur - 302004

Tel: +91-141-2601020, Fax: +91-141-2605077

## Corporate Office

E-69, EPIP, Sitapura, Jaipur - 302022

Tel: +91-141-2771948, Fax: +91-141-2770510

## Website

[www.vaibhavglobal.com](http://www.vaibhavglobal.com)

## Investor Relations Email ID

[investor\\_relations@vaibhavglobal.com](mailto:investor_relations@vaibhavglobal.com)

## Corporate Identity Number

L36911RJ1989PLC004945

## Board Committees

### Audit Committee

Surendra Singh Bhandari (*Chairman*)

P. N. Bhandari

Mahendra Kumar Doogar

Nirmal Kumar Bardiya

### Nomination & Remuneration Committee

P. N. Bhandari (*Chairman*)

Surendra Singh Bhandari

Nirmal Kumar Bardiya

Vikram Kaushik

### Compensation Committee

P. N. Bhandari (*Chairman*)

Surendra Singh Bhandari

Nirmal Kumar Bardiya

Vikram Kaushik

### Corporate Social Responsibility Committee

P. N. Bhandari (*Chairman*)

Nirmal Kumar Bardiya

Sunil Agrawal

### Stakeholders Relationship Committee

Surendra Singh Bhandari (*Chairman*)

Rahimullah

Mahendra Kumar Doogar

## Statutory Auditors

M/s Haribhakti & Co. LLP, Mumbai

M/s B. Khosla & Co., Jaipur

## Secretarial Auditor

M/s JAKS & Associates, Jaipur

## Internal Auditor

M/s S.S Surana & Co., Jaipur

## Bankers

Punjab National Bank, Jaipur

State Bank of Bikaner and Jaipur, Jaipur

Union Bank of India, Jaipur

## Registrar & Share Transfer Agent

M/s Karvy Computershare Pvt. Ltd.

Karvy Selenium Tower B, Plot 31-32,

Gachibowli Financial District,

Nanakramguda,

Hyderabad – 500 032

Tel: +91-040-67162222

Fax: +91-040-23001153



How would one describe an online discount jewellery and lifestyle accessory retailer reporting a gross profit margin of 61%, return on employed capital of 44%, return on equity of 31% and remaining a net zero debt company in 2014-15?

Hidden gem, we presume.



## Contents

<b>03</b>	About us	<b>04</b>	From the desk of the Chairman	<b>06</b>	Business model	<b>08</b>	Financial highlights
<b>12</b>	Group CFO's review	<b>14</b>	Our competencies	<b>16</b>	Risk Management	<b>18</b>	Board's profile
<b>21</b>	Social Responsibility	<b>22</b>	Notice	<b>26</b>	Board's Report	<b>55</b>	Management Discussion & Analysis
<b>60</b>	Corporate Governance Report	<b>76</b>	Financial Statements - Standalone				
<b>104</b>	Financial Statements - Consolidated						

What makes Vaibhav Global one of the world's few profitable online discount jewellery and lifestyle accessory retailers?

Why do customers trust their precious cash to this company without even being able to physically appraise its products?

How has the company successfully created its virtual personality in as short a time as it has?

What is distinctive about the company's business model in a mature sector?

Online. Deep discount. Profitable.

Vaibhav Global addressed some of the biggest challenges in the global jewellery retail sector.

Through manufacturing products around exceptional quality, exquisite design and outstanding value.

Emerging as a successful industry model.



### Rapid growth

Vaibhav Global began to electronically market products in the US and the UK for the first time in 2007 and 2006, respectively; the Company shipped over 9.8 million pieces of jewellery and lifestyle accessory items in 2014-15.

### Value chain

Vaibhav Global is not just about the online marketing of discounted products (through teleshopping channels and the Web); it is supported by its extensive vertical integration from a presence across global sourcing hubs to a low-cost, high quality manufacturing competence to a reach across 100-million households and a repeat customer purchase pattern (17.8 times; average purchase of 26 pieces).

### Promptness

Vaibhav Global, via its subsidiaries, ships around 95% of its orders to channel customers of LC and TJC within 48 hours of order placement.

### US access

Vaibhav Global's US market access is facilitated by major television distributors and satellite television providers (Charter, Comcast, Time Warner, DishTV, AT&T, Verizon and DIRECTV, among others). This makes it possible to reach 77 million households (out of 117 million households) 24x7, complemented by a web presence ([www.liquidationchannel.com](http://www.liquidationchannel.com)).

### UK reach

The Company's UK reach on TJL (formerly The Jewellery Channel) is facilitated by FREEVIEW, SKY and freesat and Virgin, penetrating 25 million households (FTE basis); this platform is synergic with the web platform ([www.thejewellerychannel.tv](http://www.thejewellerychannel.tv)).

### Manufacturing bandwidth

Vaibhav Global possesses three manufacturing facilities (at Sitapura) with an aggregate gemstone processing capacity of about 300,000 pieces per month. We intend to increase our operational capacity by 50% over the foreseeable future.

### Range

Vaibhav Global possesses a wide range of designs comprising fine and fashion jewellery (bracelets, bangles, earrings, studded jewellery etc), fashion accessories (watches, handbags, scarves, phone protective shells etc) and other lifestyle products (for office and home décor). Almost 150 new SKUs are introduced to customers every day.

### Brands

Vaibhav Global possesses a clutch of robust homegrown brands comprising ILIANA, Rhapsody, J Francis, FH, Karis, Elanza, Strada, Genoa and Eon1962.

### Average realisations

Vaibhav Global generated average per product realizations of USD 23 in 2014-15, shipping 9.8 million pieces to more than 396,000 customers.

### Going green

Vaibhav Global emerged as the first within its industry to operate a 100 kV solar power facility (established in December 2014) that addresses almost 10% of its electricity consumption; the Company is engaged in discussions with SEBs to wheel unutilised power to the state electricity grid in exchange for revenues.

### Integration vis-à-vis cost reduction

Vaibhav Global intends to integrate operations into a state-of-the-art 100,000 sq. ft manufacturing and warehousing facility (excluding gemstone cutting operations) in exchange for efficiencies and economies bringing down costs.



From the desk of the  
**Chairman**



*Dear Shareholders*

At Vaibhav Global, we are driven by the conviction that our business model can deliver robust growth coupled with high margins translating into enhanced shareholder value.

I am pleased to state that the depth of our business model was validated through attractive growth in recent years. Though revenue growth in 2014-15 was moderated to 6% for various reasons that have been described in my overview, I wish to communicate that the Company is prudently structured and adequately invested to respond favorably to revenue growth.

I am pleased that the Company reported a 44% return on capital employed and a core product margin of 61%, both of which are among the best-in-class in its sector. The performance translated into compelling Balance Sheet strengths, reflected in efficient working capital management, strong cash flows and zero net debt. As a future-facing corporate, the cash flow was prudently invested in infrastructure, technology, knowledge and brand-building with the objective to reinforce organizational sustainability.

**The retail revolution**

At Vaibhav Global, we address humankind's intrinsic desires to appear attractive and derive an attractive bargain.

In addition to this enduring reality, we now see a larger scope for our business for some good reasons. In the rapidly growing area of electronic retail, there are two customer segments: one segment in which customers do not know what they want and would like trusted companies like Vaibhav Global to offer product suggestions. The other segment comprises customers who know what they are looking for and would be happy seeking these products online.

I am happy to communicate that Vaibhav Global addresses both these customer segments through proactive investments in its television and e-commerce platforms.



## Vision

Be the Value Leader in Electronic Retailing of Jewelry and Lifestyle Products.

## Mission

We will:

- Build a Learning Organisation with High Performing People
- Offer Low Priced High Quality Products
- Delight Our Customers Every Day.

## Core values

- Team Work
- Honesty
- Commitment
- Passion
- Positive Attitude

During the year under review, the Company implemented a number of technology initiatives that enhanced customer proximity. The Company implemented an upgraded TV business management platform across its US operations. It graduated to a SAP-based human resources information platform. It is engaged in the process of launching a SAP-owned Hybris web platform that deepens its web customer engagement. It is poised to launch a mobile app as well as a responsive website in the US, extending its access to new customers on a sales channel that is rapidly gaining traction.

Vaibhav Global recognized that with the increasing integrity of e-commerce engagements, customers will find it increasingly convenient to buy off the net and have products delivered home. The result is that the sweeping e-commerce revolution platforms have evolved from basic order-and-pay to sophisticated extensions of corporate brands, comprising detailed product descriptions, catalog-quality photographs and transparent customer reviews.

Vaibhav Global responded to an evolving reality through proactive social media investments (Facebook), a highly robust Hybris web platform, software-tracking website customer behavior, focused email campaigns to widen customer engagement, periodic software upgrades, outsourced call center management and stronger customer care.

The result is that e-retail is not incidental to Vaibhav Global's business model; it is

integral to it. The Company is attractively positioned to capitalize on the sweeping e-commerce revolution with all the attending advantages of asset-lightness and scalability.

### Optimism

At Vaibhav Global, we are optimistic of our prospects for a number of reasons.

During 2014-15, the Company's cash profits enabled it to rationalize debt and emerge as a net zero debt Company. The Company returned to the dividend list with an interim payout (including tax) of ₹ 2.89 per share. Owing to recent amendments in the Companies Act, 2013, which puts restrictions on the payment of dividend, the Board has not proposed any final dividend for the financial year 2014-15. The Company remains committed to utilize cash flows to reinvest and grow its business. However, we are in the process of restructuring our capital subject to approval from Hon'ble High Court and other regulatory bodies in order to start paying dividend.

Vaibhav Global progressively expanded its US coverage of TV households, improved the positioning of its home shopping TV channels, migrated to HD television and increased the share of non-jewellery products (including new categories like home furnishings, beauty and textiles). The Company is building production infrastructure in a Special Economic Zone (SEZ) in Jaipur to address the increasing demand for jewellery products.

The combination of a robust Balance

Sheet and these business-strengthening initiatives should sustain revenue and profit growth, translating into enhanced shareholder value.

### People

The Company lost the services of its Board member Mr. M. L. Mehta following his sudden demise. On behalf of the Board, I would like to acknowledge his valuable contributions. We appointed Mr. P.N. Bhandari, an ex-IAS officer, to the Board as an Independent Director.

We reinforced our management bandwidth through the recruitment of Jeff Allar as Senior Vice President, Group HR, and Salil Sood as Vice President, Operations, in China.

### Overview

At Vaibhav Global, we are optimistic of emerging as a rare Company in our sector that is expanding its customer franchise in some of the world's most developed markets.

We expect to build on this platform to emerge as a respected global brand and enrich value in a larger way for our stakeholders.

Sincerely,



**Sunil Agrawal**

*Chairman and Managing Director*

DIN : 00061142

Vaibhav Global's business model is unique.

Reconciling speed, globalness, dynamism, flexibility, economy and scalability.

With the objective to enhance profitability and sustainability.



Presence in major global gemstone hubs in China, Thailand, Indonesia and India

Multi-vendor procurement strategy enabling bottom price discovery, in turn facilitating unmatched customer value

### Hybrid sourcing infrastructure

Ear-on-the ground approach in aggressive trend spotting, assessing product value perception, design and prices in end markets

Benchmarked vendor evaluation process including assessment of competency, delivery, designs capability and capacity

Scalable operational infrastructure synched to major demand periods (Black Friday, Mother's Day, Valentine's Day etc)

Robust 2,300+ well-trained craftsmen at manufacturing facility encouraged and incentivized to reduce costs and enhance quality at every process

### Manufacturing aligned with demand patterns

Integrated and seamless link between the US, UK and India, ensuring the confluence of expectations and end products

Strategically located manufacturing facility in Sitapura, Jaipur, in a jewellery EPZ, with a monthly capacity of 3 lac pieces





## Did you know?

... Vaibhav Global is among the few global companies to deal with more than 400 precious and semi-precious gemstones! 🌟

Favourable contracts with global shipping major including FedEx, DHL, UPS etc

Optimized lead times ensuring on-time product delivery and customer satisfaction

### Logistics and warehousing

Robust warehousing space and practices both in India (2 lac sq. ft space in Jaipur) and the US (1 lac sq. ft space in Austin, Tx)

High flexibility in despatches including air and ocean freight, depending on cost, product and availability considerations

Ability to scale the logistics value chain to cater to sudden demand spikes, seasonal sales, etc

Customer stickiness with TV shopping in developed markets, keeping the Company highly engaged with a loyal and consistent customer base

Highly trusted show hosts engage customers through story-telling as the key sales pitch; dedicated call centre and delivery promises ensure robust customer service

### Marketing with high revenue visibility

Typical target audience includes the 35-65 year old white Caucasian woman; the US Census Bureau indicates that there are about 63 million women in this age group

Interconnected platforms (TV and e-comm sites) ensure opening up new customer segments, especially in the 15-35 year age bracket (42 million as per the US Census Bureau)



Vaibhav Global has reported one of the biggest transformations in its business model in the last few years. Its dramatically improved financials are proof.

