



COMMITTED TO
OUR PURPOSE.
CREATING
CONSISTENT
VALUE.

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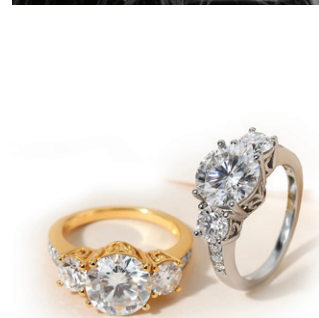
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Forward-Looking Statement

This document contains statements about expected future events and financial and operating results of Vaibhav Global Limited, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There might be a risk that the assumptions, predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the management's discussion and analysis of the Vaibhav Global Limited Annual Report FY22.



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SOCIAL AND
RELATIONSHIP
CAPITAL



COMMITTED TO OUR PURPOSE. CREATING CONSISTENT VALUE.



At Vaibhav Global Limited, with well-defined strategy, aligned purpose, vision, mission and core values, we are committed towards creating, delivering and sustaining value for all our stakeholders. We reinforce our drive for long-term value creation by focusing on business expansion, process improvement, people engagement, innovation and most importantly, corporate governance. We maintain a constant focus on our operational efficiency, optimal allocation of capital and assets. Strong relationship with our customers and effective governance framework have been the key to our organisation. An effective organisational culture, socially responsible business practices further help deliver long-term sustainable value for all our stakeholders.

Over these four decades of operations, we are continually scaling up our product portfolio, adding adjacent categories and venturing into new geographies. Our resilient business model and a vertically integrated manufacturing and sourcing base facilitates us in providing consistent returns to shareholders.

Offering our value-conscious customers with an assortment of fashion jewellery, gemstones & lifestyle products, we have been able to drive repeat purchases, strengthen volumes and enhance customer life-time value over these years. Our omni-channel model fosters a greater level of engagement with our customers. With more than 40 years of value creation journey, today the number of our unique customers stands at half a million.

We are determined to continuously find new opportunities within our portfolio and investing to scale our teams, technology, and partnerships to support our growth ambitions. We believe seeding these long-term investments are necessary to build on significant opportunities for the future.

Today, we have reached a level of business where we are self-reliant, very well-entrenched through omni-channel distribution and serving with widest possible product portfolio. From our current standing, we look forward to expanding ourselves by building greater scale and strength. We are continuously exploring ways to establish new channels of growth and value creation and will progress forward with conviction and determination.



Vaibhav Global Limited – By the Numbers

0.5 Million

No. of Unique Customers

~20,000-25,000

No. of SKUs

~14,000

new Jewellery Designs introduced every year

Deals in
250+

gemstones, including rare gemstones

~US\$ 29

Average ticket size

253 K

New customer acquisition in FY22 (Adjusting for essentials, growth rate would be 16% over FY21 and 60% over FY20)

40%

Customer retention rate

8

No. of Manufacturing Facilities

30

No. of countries sourcing from

8.4%

YoY increase in Revenue (25 years CAGR: 19.4%)

27

Average pieces purchased per customer

100%

Power requirement for 2 manufacturing locations in India and US met through renewable source

63 Million

Meals provided to school children in India, US and UK since inception of our flagship one-for-one meal initiative 'Your Purchase Feeds...'

25 YEARS OF PUBLIC LISTING

An end-to-end digital retailer

Listed in 1996-97 on Indian stock exchanges, Vaibhav Global Limited (VGL) is an end-to-end electronic deep discount electronic retailer of fashion jewellery, gemstones and lifestyle products in United States, United Kingdom, Germany and Canada.

How we create value

Today's customers seek convenient shopping experience. We are available to the customers via our proprietary TV Shopping channels (Shop LC in US & Germany and Shop TJC in UK) and other digital medium which includes website, mobile apps, Over-The-Top platforms (OTT's), social-media and third-party marketplaces. Thus, today VGL reaches out to almost 124 million households across US, UK and Germany. As digitisation increases, online retail is expected to grow & mature, our portfolio & omni-channel strategy will accordingly evolve alongside.

Our journey of transformation

Headquartered in Jaipur (India), VGL initially began operations as a B2B player reaching the patrons via intermediaries like Walmart, Sear, and Macy's, among others. Since 2005, the Company started to expand the customer funnel by venturing into the B2C business model, wherein it opened physical retail stores in major international tourist destinations, such as Alaska, Mexico and the Caribbean Islands, and opened 19 such stores till 2007. In parallel, the Company moved more closer to consumers through proprietary TV channels in the US, UK and Germany. The above measures were a part of bigger plans to become a prominent player in the teleshopping industry.



However, the opportunity of growth was confronted with the challenge of the global financial crisis in 2008. To address the lower discretionary spending by customers, VGL started liquidating its inventory at low prices. This discovery of liquidation model turned out to be a blessing in disguise. The Company further consolidated its operations and exited the German market and closed its physical retail stores. This led to changing our long-term strategy to focus on the 'Deep-Discounted' business model and this marked another phase of evolution for the VGL Group.

Also, our moat of being a vertically integrated business model further supported the successful assimilation of our new strategy and replacement of our old high-end fine jewellery business model. We also started to expand the distribution channel and adopted the 'omni-channel' strategy for product sale through web-based electronic media. In 2013, leveraging

the immense potential of digital retail, we also introduced several low-priced non-jewellery products, such as handbags, scarves, beauty products, and mobile accessories, thereby expanding to lifestyle accessories. With this, we marked our foray into lifestyle accessories. The Company then changed its name to Vaibhav Global Limited.

Further, in 2015, we strengthened the non-jewellery offering and added new products like Home Décor, Beauty Care and Hair Care products. 2017 onwards, we started to strengthen our TV network reach through Over-The-Air (OTA) platforms, and also augmented our digital sales network through mobile applications, Over-the-Top (OTT) platforms, Marketplaces, and the Social Media.

Today, we have transformed ourselves into a full-fledged deep discount digital retailer.

Reaching our customers

The TV shopping channels reach out to customers directly 24X7 on almost all major cables, satellite, DTH platforms, YouTube, OTT platforms and the social media. Our e-Commerce websites in United States (www.shoplc.com), UK (www.tjc.co.uk) and Germany (www.shoplc.de) along with mobile applications complement our TV coverage, diversify customer engagement, and aid our customer lifetime value.

OUR VISION

Be the Value Leader in Electronic Retailing of Jewellery and Lifestyle Products

OUR MISSION

To deliver one million meals per day to children in need by 'FY31' through our flagship program: Your Purchase Feeds..

OUR CORE VALUES



TEAM WORK



HONESTY



COMMITMENT

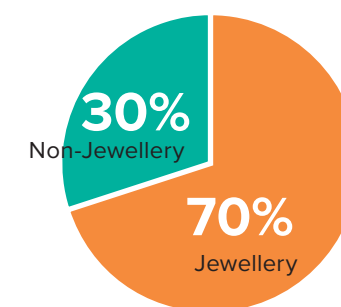


PASSION

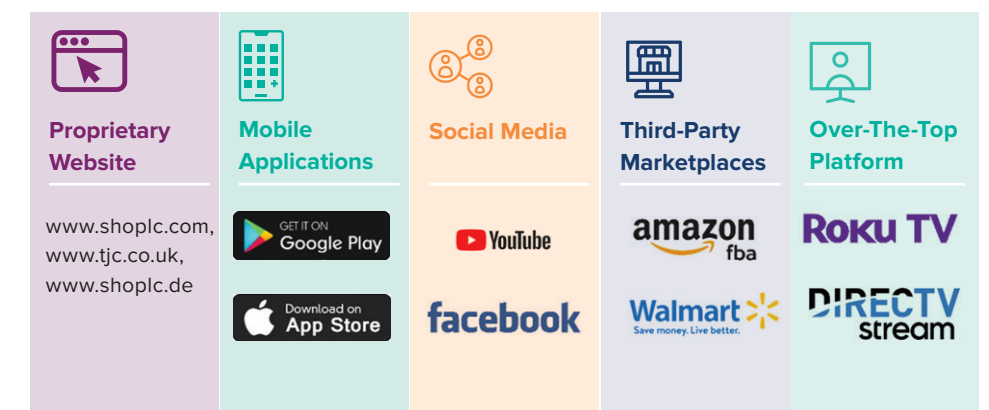


POSITIVE ATTITUDE

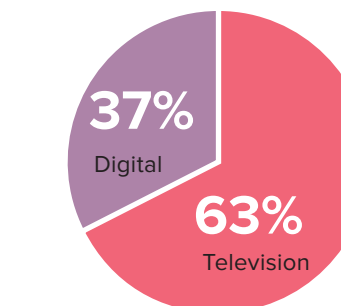
Revenue break-up



Digital platforms



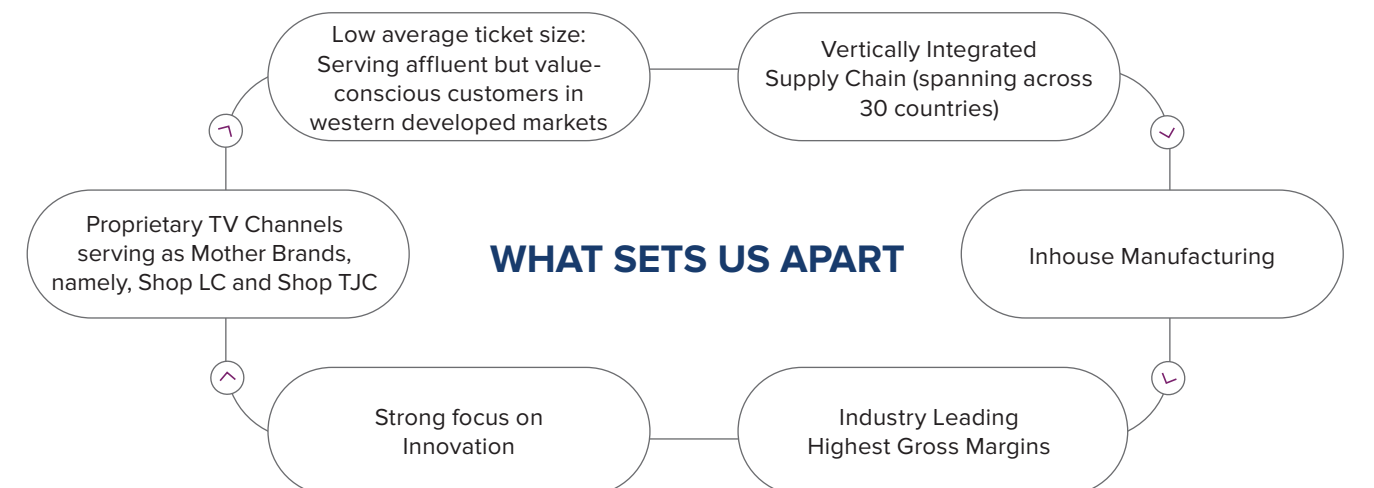
Revenue by Format



Growing further through the 4R Strategy

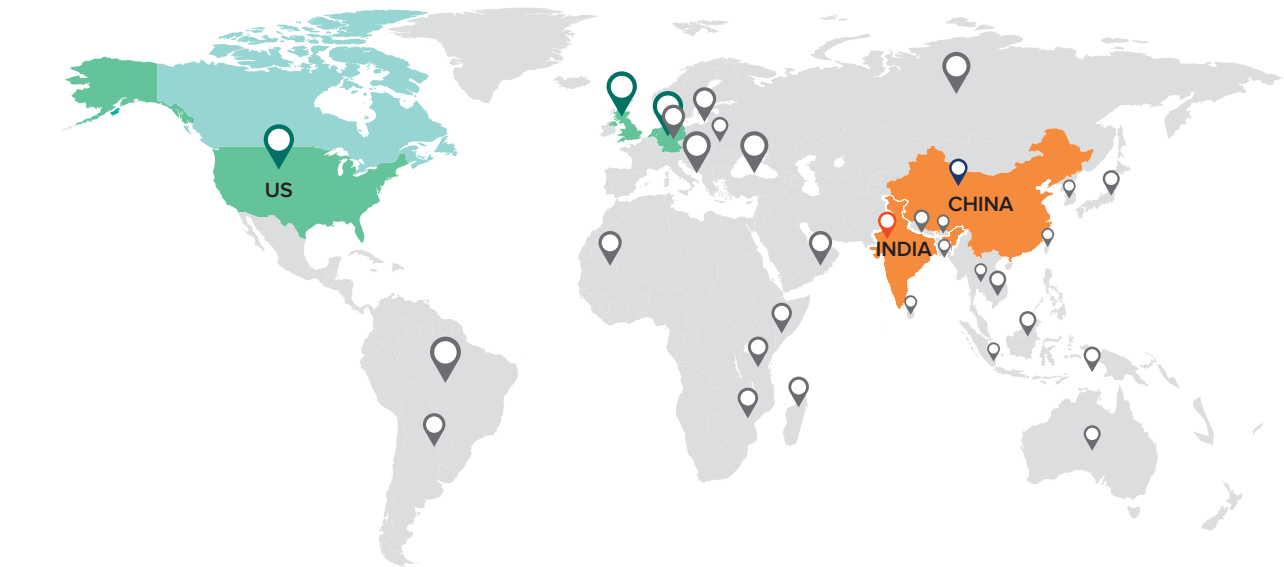


WHAT SETS US APART



OUR GLOBAL FOOTPRINT

We cater to the highly engaged customers in three of the world’s largest and advanced retail markets of US, UK and Germany. We also operate through marketplaces in Canada. Given our deep value proposition, we have established a wide presence across mediums, with a robust customer connect.



- Retail Markets
- Manufacturing Countries
- Sourcing Countries

Map not to scale. For illustrative purposes only

Retail markets and geographies where we operate:



Global Sourcing Providing a Competitive Edge

- Countries we source from:
- | | |
|-----------------|--------------------|
| 1. India | 17. Mozambique |
| 2. China | 18. Germany |
| 3. Thailand | 19. Italy |
| 4. Indonesia | 20. Turkey |
| 5. Tanzania | 21. Poland |
| 6. Russia | 22. Singapore |
| 7. Morocco | 23. UAE |
| 8. Madagascar | 24. Japan |
| 9. Bolivia | 25. Bangladesh |
| 10. Kenya | 26. Philippines |
| 11. South Korea | 27. Czech Republic |
| 12. Vietnam | 28. Nepal |
| 13. Brazil | 29. Taiwan |
| 14. Sri Lanka | 30. Australia |
| 15. USA | |
| 16. UK | |

OUR PRESENCE ACROSS PLATFORMS

We are an omni-channel player, selling via TV (including OTA) and digital medium which includes Over-The-Top (OTT), websites, mobile applications and all kinds of social media and marketplace platforms. This unique positioning gives an engaging shopping experience to our customers and a high recall value, besides the value positioning we command.

TV PLATFORMS

US UK Germany

Proprietary TV

Shop LC
TJC
TJC Beauty
Shop LC

Live TV

Shop LC livestream on	TJC livestream on	Shop LC Livestream on
<input type="checkbox"/> Shoplc.com	<input type="checkbox"/> Tjc.co.uk	<input type="checkbox"/> Shoplc.de
<input type="checkbox"/> YouTube	<input type="checkbox"/> YouTube	<input type="checkbox"/> YouTube
<input type="checkbox"/> Facebook	<input type="checkbox"/> Facebook	
<input type="checkbox"/> Amazon Live		

DIGITAL PLATFORMS

Proprietary web platform

shoplc.com
tjc.co.uk
shoplc.de

Mobile app on App store and Google Play

Shop LC
TJC



OTT platforms

- | | |
|---|--|
| <input type="checkbox"/> Amazon Fire TV | <input type="checkbox"/> Roku TV |
| <input type="checkbox"/> Android TV | <input type="checkbox"/> Facebook Live |
| <input type="checkbox"/> Apple TV | <input type="checkbox"/> YouTube Live |
| <input type="checkbox"/> Samsung Smart TV | <input type="checkbox"/> Apple TV |
| <input type="checkbox"/> LG Smart TV | |
| <input type="checkbox"/> Roku TV | <input type="checkbox"/> Magenta |
| <input type="checkbox"/> Xumo | <input type="checkbox"/> YouTube |
| <input type="checkbox"/> Vizio | |
| <input type="checkbox"/> Facebook Live | |
| <input type="checkbox"/> YouTube Live | |



Marketplaces

- | | |
|---|---------------------------------------|
| <input type="checkbox"/> Amazon (FBA) | <input type="checkbox"/> Amazon (FBA) |
| <input type="checkbox"/> Google Marketplace | <input type="checkbox"/> eBay |
| <input type="checkbox"/> eBay | <input type="checkbox"/> Fruugo |
| <input type="checkbox"/> Walmart | <input type="checkbox"/> Etsy |
| <input type="checkbox"/> Overstock | <input type="checkbox"/> Wayfair |
| <input type="checkbox"/> Zulily | |
| <input type="checkbox"/> Wish | <input type="checkbox"/> Amazon |

Social media retailing of targeted products

- | | |
|------------------------------------|------------------------------------|
| <input type="checkbox"/> Instagram | <input type="checkbox"/> Instagram |
| <input type="checkbox"/> Facebook | <input type="checkbox"/> Facebook |
| <input type="checkbox"/> Pinterest | <input type="checkbox"/> Pinterest |
| <input type="checkbox"/> YouTube | <input type="checkbox"/> Facebook |
| <input type="checkbox"/> Snapchat | <input type="checkbox"/> YouTube |
| | <input type="checkbox"/> Instagram |
| | <input type="checkbox"/> Pinterest |

OUR REGION-WISE PERFORMANCE – A REVIEW

Being an omni-channel player, we grew our unique customer base across the markets we are present in. We are aiming at growth by continuously gaining market share in US and UK, and recently have increased our geographical presence by venturing into German market.

Our business model is capable to operate in all kinds of economic cycles. We have been expanding our customer base leveraging product portfolio and omni-channel presence and have been gaining good traction. With a robust business model, healthy balance sheet, stable cashflows and experienced management, we are well positioned to explore high return on investments and tap future opportunities.

UNITED STATES

Key highlights of FY22

United States is our largest market and delivers the highest revenue share. The contribution of this region to our consolidated revenue stands at 68%.



US\$ 246.2 Million

Revenue

Up 5% YoY (Up 28% over FY20)

68%

Contribution to Group Revenue

57%

New Customers registered digitally

During the year, in constant currency, Shop LC (US) grew by 4.8% YoY. However, when compared on a two-year scale, the growth is even more encouraging at 28.1%. With economy opening post COVID-19 and people moving to in-person shopping after a sharp jump towards the digital medium in FY21, we faced macro headwinds after tailwinds of the last year. We perceive this as a temporary aberration in the ever-increasing digital transition. At the same time, we are

taking strategic steps to utilise this opportunity to serve customers with an expanded value proposition and filling the product gaps.

During the year, our customers were successfully migrated to Sales Force Commerce Cloud. The platform is also being utilised in targeted campaigns based on customer segmentation (dormancy duration, product category purchase, and purchase source). Besides this, we also launched our

proprietary Mobile App 3.0 and enhanced our investment on OTT (Over-The-Top) platforms in US in a bid to expand our customer funnel and tap future growth opportunities. Within OTT, traction has been encouraging with our revenue and unique customers trebling. Our presence on prominent OTT players like Roku, Amazon Fire TV, Direct TV Stream is expected to provide us with long-term growth opportunities. Apart from digital, we also enhanced our TV affiliates and improved our association with customers through customer segmentation and personalisation.

We also launched two D2C brands, namely, Rachel Galley and TAMSU in US and UK. TAMSU is a female apparel brand which has been created, incubated and launched in-house by targeting customers above 40 years with an increased focus on fit and value. On the other hand, Rachel Galley is a contemporary jewellery brand of UK, whose worldwide digital brand rights were acquired by us. It offers exceptional jewellery at affordable prices, thus aligning well with our focus on 'value conscious' offerings.



Repeat Purchase

Up 7.5%

over FY21

Net Promoter Score

Up 3%

over FY21

Customer Satisfaction

Up 3.2%

over FY21

Besides, we also implemented GEEK+ warehouse robotic automation at our warehouses in US and UK. GEEK+ are advanced robotic systems that provide customisable solutions in picking material in a time-efficient manner, making warehousing management affordable, efficient, flexible, and safer. GEEK+ is expected to improve the picking productivity by almost thrice vis-à-vis conventional manual picking, while reducing the error rates.

For financial year 2022-23, we are targeting to expand our OTT reach to new platforms and VOD (Video on Demand). We also intend to increase reach of cable and OTA by 10 million additional households in FY23. On the digital side, our efforts will be to improve salesforce marketing cloud as well as web and mobile app performance, improve customer review mechanism, scale digital marketing for Google and Facebook, expand influencer marketing program, acquire more customers and enhance customer lifetime metrics.

UNITED KINGDOM

Key highlights of FY22

Shop TJC (UK) is another important territory of VGL Group which roughly contributes 1/3rd to the Group's total revenues. In local currency terms, UK grew by 1% YoY. But in comparison with FY20 (being a normal operative year), the UK business grew by a robust rate of 32%. Due to the macro headwinds which globally impacted the digital retail industry, UK was impacted the most amongst all our addressable markets. Having firm belief in our strong business model and considering long-term growth prospects, we made significant investments in technology and digital platforms, and expanded digital footprint during the year.



GBP 80.6 Million
Revenue

Up 1% YoY (Up 32% over FY20)

31%
Contribution to
Consolidated Revenues

77%
New Customers
registered digitally

With engaging content and popular influencers elevating consumer experience, TJC experienced consistent growth in new customer acquisition which grew by 9.7% YoY. In UK too, significant investments have been made in technology and digital platforms. We launched two D2C brands (TAMSY and Rachel Galley), upgraded technology infrastructure in the form of salesforce commerce cloud; and upgraded Mobile App 3.0 and OTT applications.

These investments will aid in developing digital capabilities, enhancing and personalising customer experience and improving product information through infographics and PIM (Product Information Management).

A key development of the year has been the improvement in our channel positioning on Freeview broadcasting – from Channel 50 to Channel 22. Our new broadcasting right is expected to strengthen our visibility and enhance viewership, leading to a corresponding

increase in our market share. With 27 million households, this upward channel revision is expected to facilitate customer acquisition too.

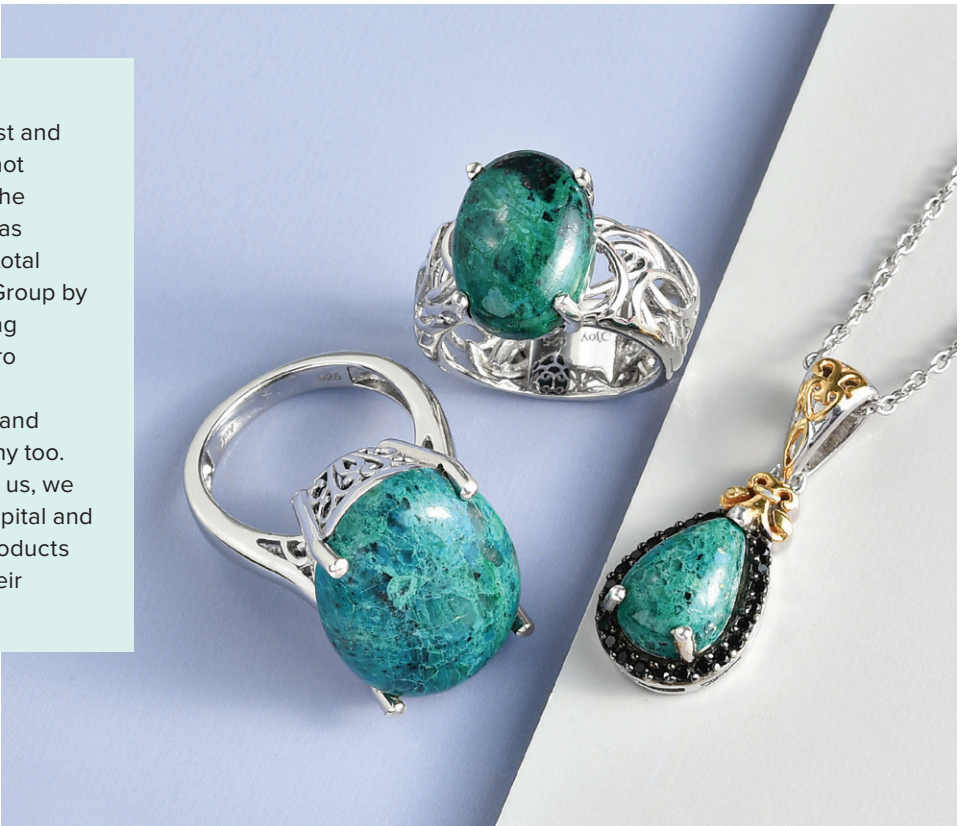
We embarked on our journey on digital and automated operations in UK, with 77% of our new customer registrations happening digitally today. In terms of product offerings, we are leveraging our omni-channel network and wider procurement base to offer more varieties under 'non-jewellery segment', which today contributes ~43% of overall revenue in UK.

TJC Beauty's reach was expanded further by being launched on SKY Network, UK's largest Pay-TV broadcaster, being aligned with the channel's philosophy of 'Beauty is for Everyone'. With this arrangement, it will now be airing for 8 hours. Going forward, we see good potential in this segment and will continue to expand its reach.

GERMANY

Trends and challenges

The German market offers vast and robust growth opportunities not only in television, but also in the e-Commerce market, which has approximately increased the total addressable market for VGL Group by 20%. In Germany, teleshopping market alone is more than Euro 2 billion. We are confident of replicating the success of US and UK business model in Germany too. Being a Greenfield market for us, we are carefully deploying our capital and talent to offer good quality products to customers and enhance their shopping experience.



KEY HIGHLIGHTS OF FY22

We forayed into Germany during the year and also serving Austria from there. Having registered Shop LC GmbH, we launched retail operations and have already reached 27 Million households through live programming on TV (including 2 million households in Austria). Besides satellite, we are also present on IPTV and many other cable operators. We continue to leverage our value-driven model and focusing on customers looking for value and quality products. We have gained loyal and repeat customers and have been seeking to convert them into omni-channel customers. We are taking efforts to acquire pure digital customers and utilising social media platforms to acquire further new customers.

4 Million Euro
Revenue

1%
Contribution to
Consolidation Revenue

314 Euro
Spend per customer

~10 times
Average pieces purchased
per customer

~21,000
New customers

~63%
Customers
Satisfaction Score

MESSAGE FROM THE CHAIRMAN



We have consistently believed that value creation and sustainable business practices are complementary goals. We are on the right course, in the right direction and the Company would continue with its tireless efforts to improve returns for its shareholders, delivering quality products, and taking customer centricity to the next level. We are also proud to be a company with the highest level of corporate governance and transparency.

Dear Shareholders,

I am happy to present to you the 1st Integrated Report and 33rd Annual Report of Vaibhav Global Limited for the financial year 2021-22. The year was characterised by global macro challenges of volatility, cost inflation and pandemic-led aberrations. Our commitment to grow responsibly, and strategy of maintaining a diversified product portfolio, enabled us to deliver stable performance and emerge resilient. We remain focused on investing in future capabilities. Our business model, underpinned by a robust strategic approach, can adapt to any environment.

Differentiated value proposition

We are an electronic retailer of fashion jewellery, gemstones, lifestyle products and accessories in US, UK, and Germany, with access to approx. 124 million households through our TV home shopping networks and digital platforms. The Group has reported a track record of consistent growth in digital retailing of jewellery, gemstones, and lifestyle products over the years. We take pride in being a value player by offering compelling values to customers enabled by our direct sourcing and an asset-light business model. Our focus on expanding our channel footprint along with widening the product portfolio has broad-based market share gains across US and UK over the years and we are confident of continuing this momentum.

What helps sustain margins

A fully integrated supply chain is our moat, and we manufacture majority of our jewellery products which allows bulk sourcing and better price negotiations. Apart from, we also ventured into manufacturing apparels. Besides, China, India, Thailand and Indonesia, we have a strong sourcing

arrangement from several countries. This strong supply chain mechanism allows a strong value proposition to the customers and sustains gross margins above 60%. Our vertically integrated supply chain has worked favourably for us till date. Even during the recent period when the freight prices went up sharply along with air freight capacity constraints, we were able to tide over these challenges with relatively reduced impact. Besides costs, our vertical model also help reduced delivery time and better control over the quality of products.

Expanding non-jewellery categories

We understand the potential of being an omni-channel retailer with cross-category selling potential. With the intent of deepening our customer engagement, we continue to introduce new non-jewellery products regularly. TJC Beauty, our dedicated beauty channel, expanded its reach in UK by launching on SKY - UK's largest pay-TV broadcaster. Non-Jewellery products provides synergistic adjacency to its fashion jewellery portfolio at similar price points, allowing us to target a larger wallet share of customers. This also helps us improve retention and repeat purchase by customers.

Brand: Deep Discounting Focused Retailing

Our key focus of the year has also been to consolidate our branded products to enhance customer trust and loyalty. Today, our in-house brands contribute 25-30% of Group revenue. Further, during the year, we acquired global online brand rights of 'Rachel Galley', a UK-based jewellery designer brand. It is a multiple award-winning brand which focusses on the principle of 'exceptional jewellery at affordable prices'. Also, we launched 'TAMSY', a new female fashion apparel

brand targeting customers above 40 years of age. We believe that wider brands presence across multiple sales channels allows higher recall, therefore, better customer retention and repeat sales opportunities.

Innovation facilitating business efficiencies

At Vaibhav Global Limited, we constantly nurture a culture of innovation across products as well as processes. In product innovation, we have created multiple programmes such as 'Innov8' for employees and family members, 'Draw a Design' for college students, 'SPARK' for entrepreneurs, 'Idea Labs' for customers, 'Catapult' for outside Innovators. We are proud to share the fact that revenue from our innovation products contributes ~5% to our global revenue. Similarly, on the processes front, we encourage our employees to share their process ideas. During the year, we received more than 2,000 innovative process ideas, out of them 246 ideas have already been implemented. Process innovation is expected to provide operational synergies and cost optimisation across the organisation.

Committed to sustainability

We have consistently believed that value creation and sustainable business practices are complementary goals. Renewable energy is a key focus area in VGL's strategy for mitigating climate change risks. As the world races towards Net-Zero, we have set a target to become carbon neutral in Scope 1 & 2 emissions by 2031. We remain committed to using responsibly sourced material. Our solar power capacity of 3.23 MW is addressing 100% of our energy requirements in Jaipur. Our two office buildings in the US are also using

100% renewable energy. During the year, we developed 2 Miyawaki forests in India across 2 acres of land and planted ~26,000 saplings there. We compost all our biodegradable waste and safely disposed of our plastic and e-waste in our India units. Efforts are already underway to follow the same at other Group units too. Under our flagship one-for-one meals initiative 'Your Purchase Feeds.', we served 13 million meals to school children in India, US and UK during FY22. With this, we have served 63 million meals till date.

Moving forward

Our differentiated value proposition through the deep discounting model presents an opportunity to grow faster organically (US and UK) and through our foray into the new territory of Germany. We are on the right course, in the right direction and the Company would continue with its tireless efforts to improve returns for its shareholders, delivering quality products, and taking customer centricity to the next level. We are also proud to be a company with highest level of corporate governance and transparency.

As we look ahead, on behalf of the Board of Directors, I take this opportunity to express my sincere appreciation to our Customers, Partners, Employees and Shareholders for your support and trust. I seek your continued support to grow and progress our Company to greater heights.

Best wishes,

Harsh Bahadur
Chairman

MESSAGE FROM THE MANAGING DIRECTOR



Our business model revolves around customer centricity with a wide range of product, engaging content and deep value proposition supported by a vertically integrated supply chain.

Assessment of year gone by

The year depicted a significant landmark as Vaibhav Global Limited accomplished milestone of completing 25 years of being a publicly listed company in India. We take this opportunity to thank our shareholders who shared this journey with us and contributed to our success. This has been a great journey with consistent healthy returns since listing. We are grateful to all stakeholders for their continued trust, confidence and support in the past years. All these years, our deep discount value positioning worked well in various kinds of economic cycles.

FY 2021-22, being a challenging year, was well navigated owing to our strengths, strategic initiatives and the perseverance of our team. While facing short-term headwinds of cost inflation and pandemic, we were able to achieve 8.4% of revenue growth on an unusually higher base of last year. Our performance over the past many years have remained consistent with healthy double-digit growth across business parameters. We continue to gain market share in our addressable markets of US & UK and our endeavour is to sustain this market leading growth in future also.

The year gone by comprised a series of macro events which had direct impact on consumer sentiments and digital retail industry. We believe that the revenue pressure, which industry faced in FY22 was transient. Our business continues to be driven by value proposition at an expanding range of innovative products and deep customer engagement. The underlying long-term business prospects are

promising, and our long-term ambition is to sustain growth whilst building operating leverage.

It is also pertinent to note that FY22 was a 'year of investments' for us whence we created future growth levers. During the year, we ventured into new geography of Germany, thereby expanded our addressable electronic retail market. We made significant investment on digital front through various initiatives. We are expanding our sales points across channels – Cable TV, Over the Air (OTA), websites, mobile apps, OTT, social-media, and third-party marketplaces.

On Region-wise performance

Today, we have a strong base of half a million unique customers with healthy repeat purchase across our addressable markets. Our primary markets of US and UK started the year on a strong note. However, post first quarter, as vaccination in both US & UK reached pivotal levels, economy started to open up. Consequently, consumer went out en-masse in a phenomenon called revenge outing & revenge buying. Global macro headwinds in the form of geo-political tensions and inflation also impacted consumer sentiments in second half of the year.

Owing to our robust business model, we delivered stable performance. In full year FY22, in constant currency terms, Shop LC (US) grew by 4.8% YoY, and 28.1% over FY20. While UK grew 1% YoY, against FY20 it grew by a strong 32.3%.

In US, which is our largest market, we finished upgrading our tech infrastructure on Salesforce Commerce Cloud for the website and mobile applications. This would enable elevated customer experience in coming periods. Besides this, we also invested on acquiring more OTA homes. We also purchased land in Texas to build new integrated headquarters of Shop LC (US) which is expected to bring operational synergies and cost savings.

In UK, digital investments on technology infrastructure and customer experience were made similar to US. In addition to those, Shop TJC (UK) upgraded its Freeview channel position to 22 from erstwhile number 50. This investment is expected to provide long-term growth opportunities and increased market share. During the year, TJC UK's dedicated beauty channel ('TJC Beauty') widened its reach by launching itself on 'SKY' – UK's largest pay-TV broadcaster. We see good potential in this segment and will continue to expand its reach going forward.

German operations are faring well, and its performance has been as per our plans. We are already present on prominent TV networks, digital platforms like Website, marketplaces, OTT and social media. Today, we have coverage in approx. 27 million households in Germany and are continuously expanding our presence there. We expect to breakeven in Germany by H2 of FY24.

There are multiple levers for future growth available to us and we continue to remain alert and agile to capitalise on upcoming opportunities. We are adopting pragmatic approach to continue to gain further market share.

On Operational Efficiencies

We are proud to be the fastest growing digital retailer driving efficiency in our business model and having a well-established cost-effective supply chain. Several key steps were adopted to achieve operational efficiencies in our business operations during the year. The call centre in India became operational. This has helped us in achieving excellent CSAT (Customer Satisfaction) scores of 95% for both US and UK. Presently, ~50-60% volume of US & UK is being catered by Indian call centre. We acquired one apparel manufacturing unit thereby expanding our lifestyle products category. The acquisition is likely to give flexibility in terms of procurement, better control over quality and cost arbitrage. Further, commissioning of GEEK+ robots at our warehouses in US and UK have

been completed which is expected to improve the picking productivity by almost 3 times vis-à-vis conventional manual picking, while reducing error rates. We also acquired majority stake in a packaging company in Sri City. This investment is already enabling us to cut our packaging box costs in US and UK.

On Key Focus Areas in FY23

Our business model revolves around customer centricity with a wide range of product, engaging content and deep value proposition supported by a vertically integrated supply chain. In FY23, our key focus area will be to further strengthen our omni-channel presence enabling cross-selling potential and resultant improved customer lifetime value. We also intend to increase our TV reach by increasing the number of households we broadcast to. We will continue to invest in strengthening our 'Digital' capabilities. We will work on further improving shopping experience of customers by improving various customer touchpoints, while maintaining overall profitability.

The recent challenges related to inflationary trends and recession fears might affect consumer sentiments in the short term. However, with focused strategic pillars in place which are 'broadening our omni-channel reach', 'expanding customer base through compelling content and promotions', 'increase retention by improving customer experience' and 'increase repeat purchase through varied product offering', we expect continued and sustainable growth in the medium and long term.

Towards the end, I would like to say, that we are confident to continue our growth trajectory with healthy margins, as our current investments will help build on significant opportunities in the medium and long term.

Best wishes,

Sunil Agrawal
Managing Director

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

At Vaibhav Global, looking back on the last year, our financial discipline, constant focus on innovation and other significant investments made to scale further, will enable us to continue to grow our market share.

Dear Shareholders,

I am honoured to present the first Integrated Annual Report of your Company for FY 2021-22. During the year, your Company managed to register a decent revenue growth of 8.4% with sustainable gross margins amidst current macro environment setup. Despite all this, with focused execution our business stayed firm and achieved a market leading growth.

This year, we have also completed our 25 years of public listing and it gives us pleasure to share the fact that during this period, VGL Group delivered top decile shareholder returns consistently.

The year gone by was also a year of investments for us wherein we invested on creating strategic building blocks for future growth. Emphasis was laid on further expanding our customer reach digitally and upgrading our business processes. I am sure that these initiatives would complement our path of sustainable growth and value creation.

FY22 Report Card

For the year under review, we faced macro headwinds after tailwinds of FY21, initially with economies opening and people moving to in-person shopping after a sharp jump

towards digital medium a year ago. During later part of the year, digital retail industry was further impacted by Omicron and inflationary pressures in our addressable markets. But we believe this is a temporary aberration in the ever-expanding digital retail market and at the same time we are taking strategic initiatives to utilise the opportunity to serve customers with expanded value proposition and filling product gaps.

During the year under review, our B2C revenues grew by 6.8% YoY, however, on over FY20, the growth is even more robust at 40.0%. TV Revenues grew 5.8% YoY (32.3% over FY20), while Digital Revenues grew relatively stronger at 8.5% (55.8% over FY20). At ₹67 crore, B2B revenue registered a growth of 162.7%. This was on account of cautious yet focused B2B approach. Also, we have started to directly serve our B2B customers from our existing supply chain in Asia and that seems to result in better ROIs for the Group.

In terms of products, the Jewellery segment reported a rise of 8.8% during

the year (25.3% over FY20), whereas the non-Jewellery segment increased 2.4% (93.1% over FY20). In terms of geography, for full year FY22, in constant currency, Shop LC (US) grew by 4.8% YoY, and by 28.1% over FY20. While UK grew 1% YoY, for FY20 it grew strongly by 32.3% in constant currency terms. Germany, the virgin territory explored during the year, contributed 1% to Group's revenues.

Our Gross Margins stood at 62.3% of net revenue which is at par with FY21. EBITDA registered a 5-year CAGR of 24.3%. EBITDA margin at 11.0% of net revenue is down by 4.3% YoY which reflects short-term impact of planned investments on digital marketing, marketplaces, increased airtime for OTA platforms and our initial setup cost of Germany. Adjusted for losses in Germany, EBITDA margins are healthier at 12.7%. We have undertaken a cost optimisation program in the recent times and are expecting annualised visible saving of US\$ 6 million to US\$ 7 million through these cost efficiency initiatives. Going forward, with expanding operations in Germany and losses to decline substantially, easing



of supply chain constraints, improved productivity and cost optimisations, this could lead the way to recovery in profitability.

Profit after tax for the year is ₹ 237 crore versus ₹ 272 crore YoY, owing to increase in investments and macro headwinds. Adjusted for loss in Germany and exceptional item, PAT for the year would have been ₹ 258 crore. Operating cash flow of ₹ 86 crore in March '22 reflects the impact of higher transit inventory, because of port congestion and lack of air-freight capacity. Negative free cash flow of ₹ 214 crore are on account of planned CAPEX towards technology infra upgrade, warehouse automation, free view channel upgrade in UK, new headquarter in US and initial setup cost of Germany.

However, despite these investments on TTM basis, our ROCE and ROE continue to be strong at 31% and 23% respectively. And this reflects our short-term impact of conscious business investments, though they are still at par with normal pre-COVID years.

Earnings Per Share was ₹ 14.56, compared to ₹ 16.77 in the earlier year. I am delighted to share that our Board has recommended total dividends of ₹ 6.00 per equity share (including interim dividend payouts of ₹ 4.50 per share). Through this, our dividend payout ratio is 41%, implying healthier shareholder returns.

FY22 - A Year of Investments

The year was marked with several planned capital investments and increased operating expenses to enable a significant leap in our operations. To sustain a growing business in size and complexity, we made strategic investments considering future growth potential. We kickstarted our German operations wherein initial response is encouraging with expanding customer base and coverage reaching ~27 million households within 1 year of operations.

We also stepped-up investment in digital and broadcasting space. In the digital tech space, we made investments in digital marketing

through channels to make our presence felt across all mediums – social media, OTT and OTA.

Our warehouse automation project was another significant investment of the year. This refers to GEEK+ robotic automation and is set to deliver huge benefits on operational efficiencies. We expect that nearly 55-60% of the picking will be done through robots in future. IT-related projects on technological infrastructure upgradation were another key investment of the year. Besides, we also purchased land in the United States to move our headquarters from rental premises, this investment is expected to provide synergy in terms of cost optimisation and functional integration.

Further, we also started two D2C brands – TAMSYS and Rachel Galley – which strengthened our brand portfolio. TAMSYS is an in-house brand-incubated and launched internally. It is a female apparel brand targeting customers above 40 years of age with higher focus on fit and value. Rachel Galley is a multiple award-winning contemporary jewellery brand of UK, and we acquired its online brand rights globally. Further, we acquired a 60% stake in Sri City-based Encase Packaging, which specialises in manufacturing and trading of various types of packaging materials. This will enhance our supply chain network by providing required flexibility and cost advantage. It will consolidate our existing integrated supply chain, offer substantial savings in the packaging cost of jewellery products and strengthen our efforts on sustainable packaging. Apart from above, in terms of operating expenses, we substantially increased our investments on affiliate costs and digital marketing costs to build future growth levers.

We are of the firm belief that the benefits of above investments will be accrued over the next couple of years in the form of future growth, customer acquisition and profitability.

Delivering value to shareholders

Through our product quality, comprehensive portfolio and value positioning and an asset-light business

model, our foremost objective is to generate value for our shareholders on a sustainable basis. Our margins continue to be strong owing to our vertically integrated supply chain. To illustrate, the new market of Germany, that we forayed into during the year, delivered 60%+ margins within few months of kick-starting operations. With this level of margins, we expect our Germany business to break even by H2 of FY24.

Moving forward

At Vaibhav Global, looking back on the last year, our financial discipline, constant focus on innovation and other significant investments made to scale further, will enable to continue to grow our market share. From hereon, we believe our growth will be sustainable as it is predicate on the strengths of our organisation – an able and competent leadership, deep customer relationships, ability to innovate and develop new products, globally competitive manufacturing capabilities, and an efficient supply chain and distribution infrastructure.

Today, we are able to take advantage of market dynamics through our diversified portfolio and credibility among the customers and thus remain confident of robust growth in future and building market share gains.

In conclusion

I would like to express my deep gratitude and appreciation for all our stakeholders – our customers, vendors, suppliers, employees and our shareholders. We are ready for a promising future with the multiple business drivers that will enable us to achieve our goals.

Let me assure you that we endeavour to build on to the momentum and create further value for all our stakeholders.

Best Regards,

Vineet Ganeriwala
Group Chief Financial Officer