

Company Report

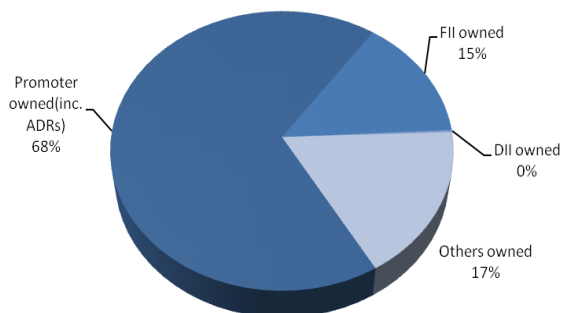
Vaibhav Global Ltd

10th June, 2014**Buy****CMP** **Rs.675.00****Target Price** **Rs.1050.00**

BSE Code	532156
NSE Code	VAIBHAVGBL
Market Cap (Rs Cr.)	2173.50
52 Week High/Low	830.00/142.00
Industry	Internet & Catalogue Retail
Face Value	Rs.10.00
Shares O/S	3.22 cr.

EPS	47.41
Book Value	72.41
P/E	14.24
P/B	9.32

Shareholding Pattern



Research Analyst: Vineeta Mahnot
 research@hemonline.com

- VAIBHAV GLOBAL LIMITED (VGL) incorporated in Jaipur, India in 1989, is a global retailer in fashion & lifestyle accessories on TV shopping and web platforms.
- The company has robust numbers for the quarter ending March 2014. The Revenues from operations on consolidated basis increased by around 57% at Rs.363.89 crores vs Rs.231.26 crores y-o-y. Operating profit zoomed manifold at Rs.33.86 crores from Rs.4.57 crores y-o-y. Adjusted Net profit climbed about 51% at Rs. 36.76 crores from Rs. 24.41 crores (pre exceptional). EBIDTA margin expanded sharply by 733 bps at 9.31% from 1.98% y-o-y. EPS for the quarter stood at Rs.11.43.
- Revenues from TV sales stood at Rs.242 crores in Q4FY14 from Rs.178 crores in Q4FY13; a jump of 36%. Revenues from Web sales almost doubled at Rs.66 crores in Q4FY14 from Rs.32 crores in Q4FY13. Business to business (B2B) sales climbed sharply at Rs.52 crores in Q4FY14 from Rs.17 crores in Q4FY13.
- VGL has large customer base. It has reach to about 95 million households on full equivalent (FTE) basis. Out of which it caters to about 53 million household in the US, 25 million household in the UK and about 18 million households in Canada.
- The company has Demonstrated profitable growth with direct-to-consumer business model on home shopping and e-commerce platforms with US and UK denominated revenue operations.

Valuation

With strong volumes building up; increasing market presence; strong customer base; improved financial performance and balanced product portfolio; Vaibhav Global Ltd. profitability looks positive. We believe the company is trading at an attractive valuation at 13.48x and 10.90x of FY15EPS of Rs.50.06 and FY16EPS of Rs.61.95. We initiate a 'BUY' on the stock with a target price of Rs.1050 (appreciation of about 56%) with medium to long term investment horizon.

Business Details

Vaibhav Global Limited (VGL) is an electronic retailer of discount fashion jewelry and lifestyle accessories in the US, Canada, UK and Republic of Ireland. The company has access to over 100 million households in these countries through its own TV Shopping networks - Liquidation Channel in USA and Canada, The Jewellery Channel in UK and Republic of Ireland. Its TV shopping channels reach customers directly 24x7 on all the major cable, satellite and DTH platforms - Dish TV, DirecTV, Comcast, Verizon Fios, Time Warner, AT&T, Sky, Virgin, Freeview, and Freesat etc. Its e-commerce websites in the US www.liquidationchannel.com and UK www.thejewellerychannel.tv complement the company's TV coverage, while diversifying customer engagement. In addition to electronic Retailing, VGL Group engages in traditional B2B wholesale distribution through STS Jewels, serving various retail chains in USA and UK.

Product range of the company includes: VGL is manufacturing studded (both diamonds and colour stones) yellow as well as white gold jewelry items viz. Rings, Earrings, Pendants and Bracelets, etc out of divine passion with a touch of Indian tradition. Major Brands of the company are RHAPSODY, ILIANA, J FRANCIS, ELANZA, KARIS, EON 1962, STRADA AND GENOA.

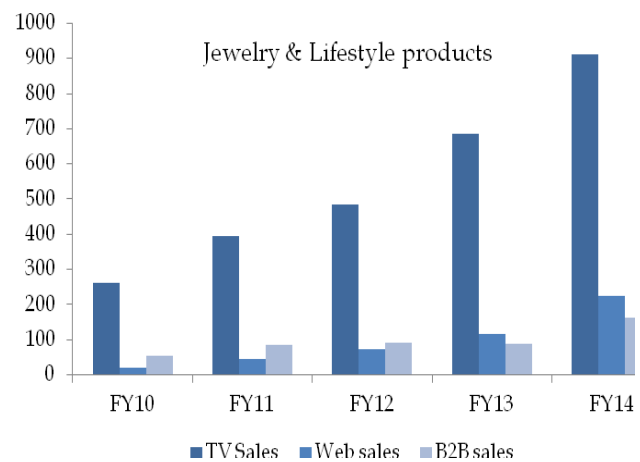
Fine & Fashion Jewelry- Product catalogue includes bracelet, bangle, earrings, studded jewelry etc.

Fashion Accessories- Product catalogue includes watches, bags, phone protective shell etc.

Other Lifestyle Products- Product catalogue includes office and home décor, etc.

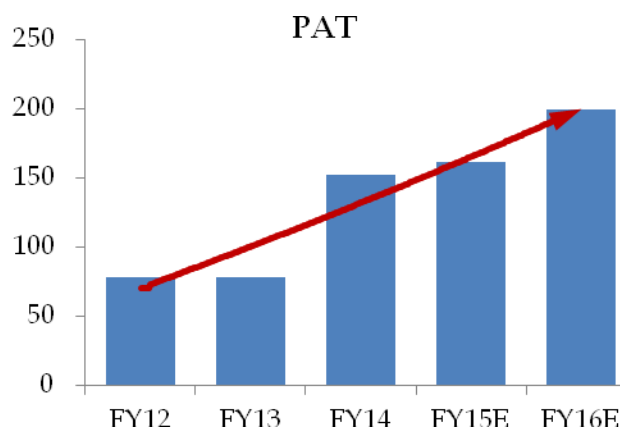
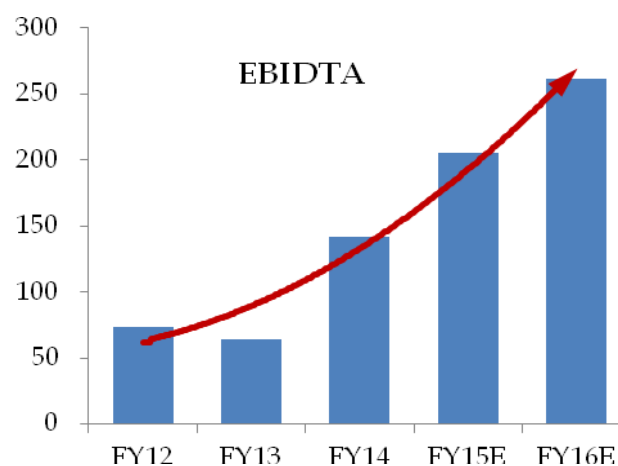
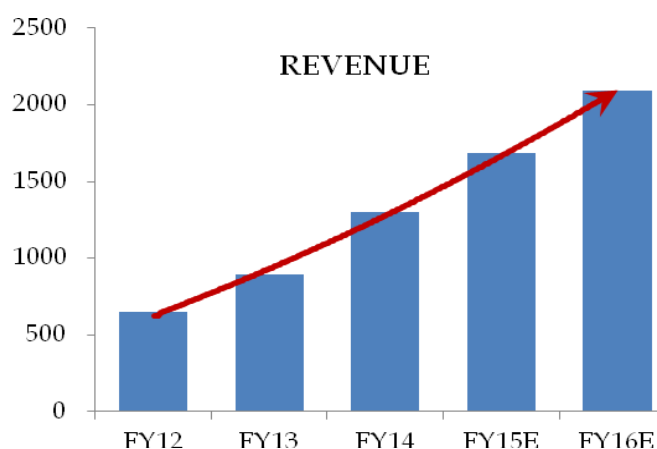
VGL's focus is on the discount seeking buyer, a market that has historically delivered secular growth across various stages of the economic cycle. Its customer proposition is supported by vertical integration with a strong supply chain infrastructure, which includes manufacturing operations in Jaipur and direct sourcing from micro markets in China, India, Thailand, Indonesia and other SE Asian, African & American countries. The company has corporate headquarter in Jaipur, Rajasthan along with ISO 9001:2008 approved manufacturing facility with production capacity of 5-6 million pieces per annum also based in Jaipur. Further, China is the hub for sourcing fashion and lifestyle accessories for the company with the sourcing capacity of 10-12 million pieces per annum.

The company's main consumption market USA has headquarter located in Austin, Texas with over 650 people in sales & marketing, customer service, logistics, TV production, e-commerce and support functions. In UK, the company has headquarter in Hampton, Middlesex with over 100 manpower.



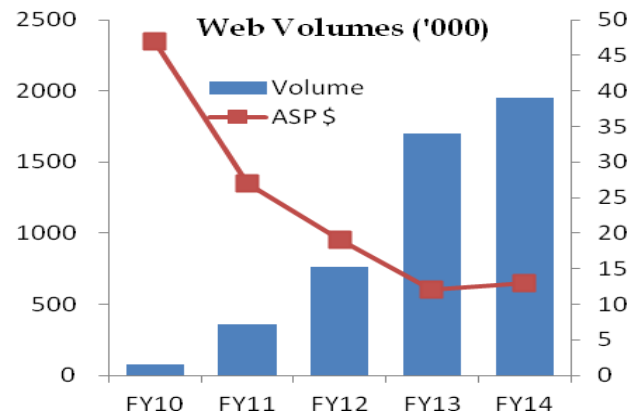
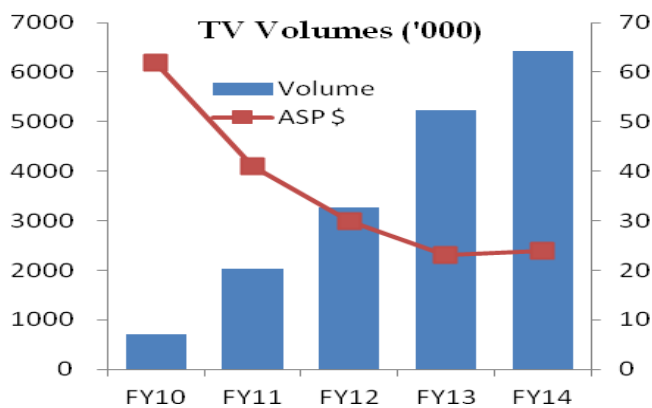
Strong financial performance

Vaibhav Global Ltd. has registered robust financial for the year ended March 2014. Revenues grew sharply by about 45% at Rs. 1298.27 crores from Rs. 892.89 crores last year. Operating profit zoomed sharply by 123% at Rs.142.22 crores from Rs.63.89 crores last year. Net Profit climbed by about 95% at Rs.152.54 crores from Rs.78.11 crores (pre-exceptional) previous year. Operating profit margin expanded by 379 bps at 10.95% from 7.16% last year. EPS for the year ended stood at Rs.47.41. In FY14 customer repeat buying activity increased to 17 from 15 in the same period last year. Over the year, VGL has added over 258,000 new customers and served 394,000 unique customers. Customer retention rate has increased to 51% on some key platforms in US from 48% from last year. The new customer registrations grew by 12% year over year and the unique customers grew by 15% year over year basis. And its total customer database jumped by overall 24%.



Building volume growth

VGL has clocked sharp growth in revenues driven by robust volume growth. Such growth has been driven by expansion of fashion jewelry and lifestyle accessories lines to existing customers and by higher household coverage. Retail volumes have increased by 35% to 9.4 million units in FY14 from 6.94 million units in FY13. The company shipped out over 25,000 products daily during the year. This growth is driven by 23% higher volumes from Home TV shopping at 6.42 million units from 5.24 units in FY13 while volumes from Web shopping grew sharply by about 74% at 2.96 million units from 1.7 million units in FY13. There has been consistent growth in TV sales volume over past year. It has registered CAGR growth of about 74% from 0.69 million units in FY10 to 6.42 million units in FY14 which is resultant from strong customer engagement new customer acquisition coupled with focus on discount customers which has led to increased repeat purchases and high customer retention rate. Further, average selling prices has eased sharply from \$62 in FY10 to \$24 in FY14 attracting large base of customers. Similarly, Web sales volumes have witnessed a sharp CAGR growth or about 150% from 0.76 lakh units FY10 to 29.55 lakh units FY14 with average selling price easing from \$47 to \$13.

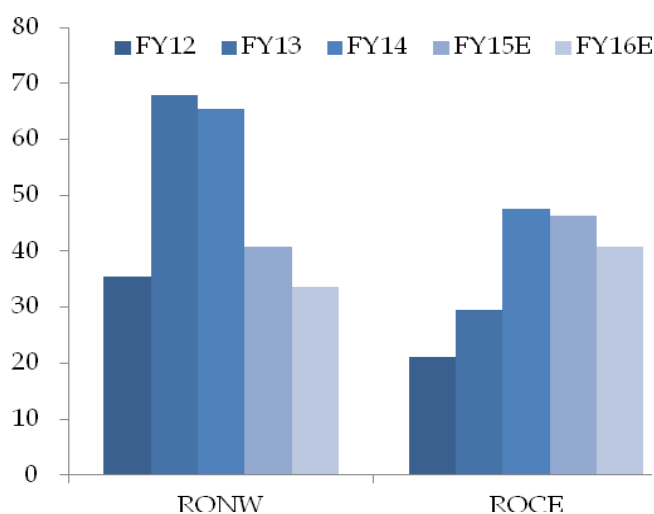
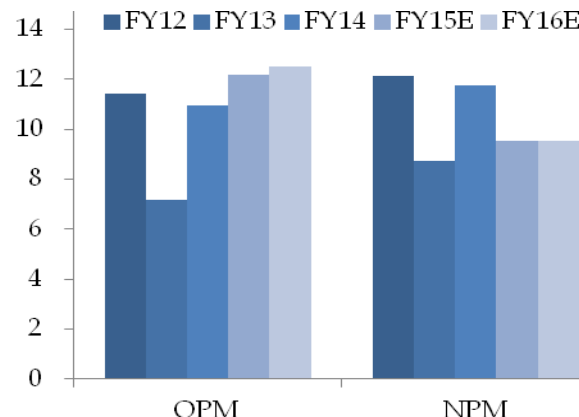
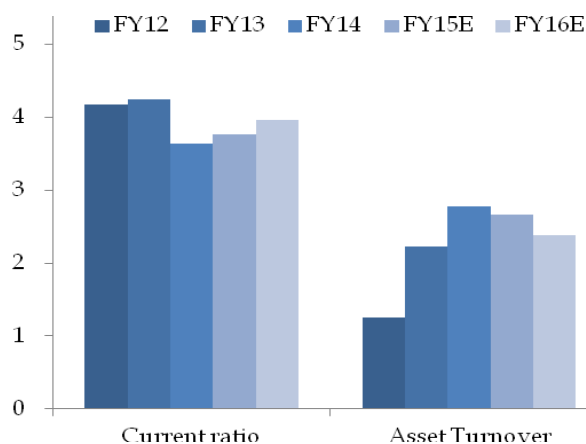


Decent growth ahead

VGL plans to maintain the current growth trajectory in full financial year in FY15 by improving market share within its focus segments. The gross margin will continue to be at a stable level given the mix of products the company is offering. During the recent financial year ended March 2014; the company has witnessed substantial cash flow generation and reduction in debt. Net debt has fallen from Rs.115 crores in FY13 to Rs.52 crores in FY14. The Company has plans to become net debt free in the current financial year. The company continues to focus on expansion, enhancements in its custom offerings, sales platforms, supply chain mechanism, physical infrastructure and management resources. VGL expects its tax rate to be around 25% to 30% in FY15. The company continues to be very much focused on new customer acquisition.

Balanced portfolio mix

VGL's is gradually transitioning from high TV sales volume contribution to growing Web sales contribution. TV sales volume contributed 68.48% in FY14 lower from 75.5% in FY13 whereas Web sales volume contribution has substantially increased from 25% in FY13 to 32% of retail sales volume in FY14. The company has made lot of upgrades to its websites and made the websites more customer centric which has driven higher web sales. In the long term the company hopes to increase its web penetration in order to reach customers who currently do not get TV signals. The \$1 auction that the company offers on the websites continues to gain momentum both in US and UK. ASP's have trended inline with portfolio transition from fine jewelry to fashion jewelry and accessories moving to a balanced product portfolio.



Consolidated Profit & Loss Account

Rs. Crore

Particulars	FY12	FY13	FY14	FY15E	FY16E
Net sales	646.50	892.89	1298.27	1687.75	2089.44
Growth		38.11%	45.40%	30.00%	23.80%
Expenditure	572.51	829.00	1156.05	1481.85	1828.26
EBITDA	73.99	63.89	142.22	205.91	261.18
Growth		-13.65%	122.59%	44.78%	26.84%
EBITDA margin	11.44%	7.16%	10.95%	12.20%	12.50%
Other income	28.32	37.66	35.04	28.69	25.07
Depreciation & Amortisation	9.08	7.32	7.47	9.79	10.61
EBIT	93.23	94.23	169.79	224.81	275.64
EBIT margin	14.42%	10.55%	13.08%	13.32%	13.19%
Interest	14.44	14.46	14.50	10.04	9.89
PBT	78.79	79.77	155.29	214.77	265.75
Tax	0.23	1.66	2.75	53.69	66.44
PAT	78.56	78.11	152.54	161.07	199.31
Minority interest	0.00	0.00	0.00	0.00	0.00
Share of profits in Associates	0.00	0.00	0.00	0.00	0.00
Adjusted PAT	78.56	78.11	152.54	161.07	199.31
Growth		0.57	95.28	5.59	23.74
Net Profit margins	12.15	8.75	11.75	9.54	9.54
Exceptional item	10.05	163.73	0.00	0.00	0.00
Reported PAT	68.51	-85.62	152.54	161.07	199.31
Equity Capital	31.70	32.06	32.18	32.18	32.18
Equity Shares	3.17	3.21	3.22	3.22	3.22
EPS	21.61	-26.70	47.41	50.06	61.95

Ratios

Particulars	FY12	FY13	FY14	FY15E	FY16E
Return on Equity	35.49	67.84	65.47	40.88	33.59
Return on Capital employed	21.05	29.44	47.52	46.33	40.82
Debt/Equity	0.80	1.40	0.53	0.23	0.14
Asset turnover	1.26	2.23	2.78	2.66	2.38
Current Ratio	4.17	4.24	3.64	3.76	3.96
Book value per share	69.83	35.91	72.41	122.47	184.42
Interest coverage	6.46	6.52	11.71	22.39	27.87

Balance Sheet

Rs. Crore

Particulars	FY12	FY13	FY14	FY15E	FY16E
Share Capital	31.70	32.06	32.18	32.18	32.18
Reserves & Surplus	189.64	83.09	200.81	361.86	561.19
Shareholders funds	221.34	115.15	232.99	394.04	593.37
Preference shares	44.00	44.00	0.00	0.00	0.00
Borrowings	177.61	160.93	124.32	91.23	81.94
Deferred tax liability	0.00	0.00	0.00	0.00	0.00
Minority Interest	0.00	0.00	0.00	0.00	0.00
Sources of funds	442.95	320.08	357.31	485.27	675.31
Gross block	257.29	120.00	135.96	150.69	163.24
Accumulated Depreciation	54.66	62.35	69.82	79.61	90.22
Net block	202.63	57.65	66.14	71.08	73.02
Capital work in progress	0.05	0.03	0.00	0.00	0.00
Investments	13.09	0.08	2.95	3.81	4.41
Deffered tax assets	0.26	0.16	0.03	0.00	0.00
Inventories	171.79	209.09	196.15	223.63	351.94
Sundry debtors	37.46	35.58	54.26	89.45	119.98
Cash and bank balance	18.68	45.90	72.06	111.81	143.98
Other current assets	0.08	0.08	0.24	0.00	0.00
Loans and advances	70.41	52.44	74.52	134.18	183.97
Total current assets	298.42	343.09	397.23	559.07	799.86
Current liabilities and provisions	71.50	80.92	109.04	148.69	201.99
Net current assets	226.92	262.17	288.19	410.38	597.88
Misc exp	0.00	0.00	0.00	0.00	0.00
Uses of funds	442.95	320.08	357.31	485.27	675.30

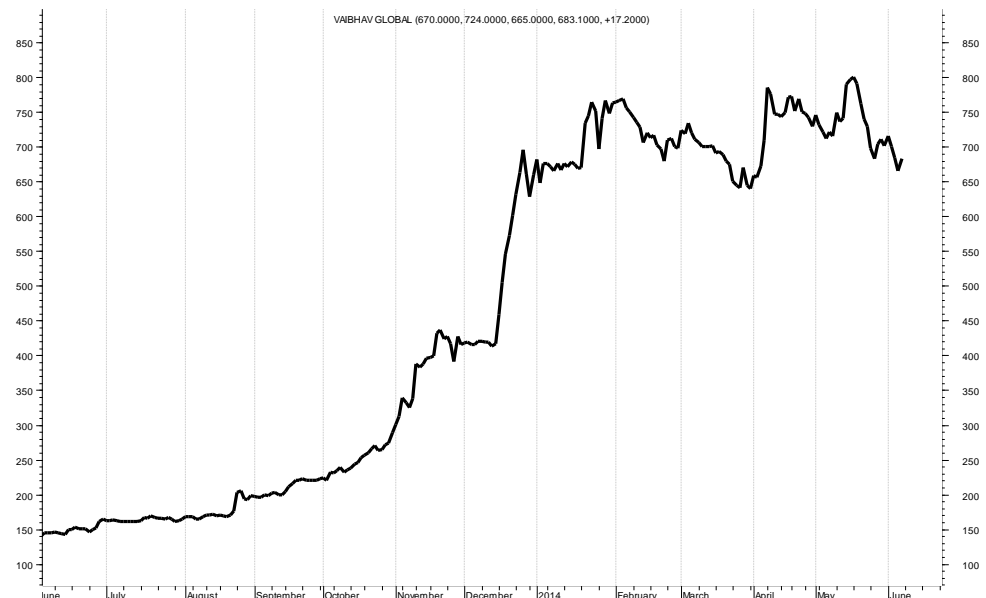
Consolidated Quarterly Financial Highlights

Rs. Crore

Particulars	Q4FY14	Q4FY13	Q3FY14	YoY%	QoQ%
Revenues	363.89	231.26	374.94	57.35	(2.95)
Expenditures	330.03	226.69	326.73	45.85	1.01
Operating Profit	33.86	4.57	48.21	640.92	(29.77)
Adjusted Net Profit	36.76	24.41	31.77	50.59	15.71
Exceptional item	---	(163.72)	---	---	---
Reported Net Profit	36.76	(139.32)	31.77	---	15.71
OPM%	9.31	1.98	12.86	733bps	(355bps)
NPM %	10.10	(60.24)	8.47	---	163bps
Adjusted EPS*	11.43	(43.45)*	9.89	---	15.57

*Calculated on post exceptional PAT

Past Price movement of the stock



www.hemonline.com

research@hemonline.com

HEM SECURITIES LIMITED

MEMBER-BSE,CDSL, SEBI REGISTERED CATEGORY I MERCHANT BANKER

MUMBAI OFFICE: 14/15, KHATAU BLDG., IST FLOOR, 40, BANK STREET, FORT, MUMBAI-400001

PHONE- 0091 22 2267 1000

FAX- 0091 22 2262 5991

JAIPUR OFFICE: 203-204, JAIPUR TOWERS, M I ROAD, JAIPUR-302001

PHONE- 0091 141 405 1000

FAX- 0091 141 510 1757

GROUP COMPANIES

HEM FINLEASE PRIVATE LIMITED

MEMBER-NSE

HEM MULTI COMMODITIES PRIVATE LIMITED

MEMBER-NCDEX, MCX

HEM FINANCIAL SERVICES LIMITED

NBFC REGISTERED WITH RBI

Disclaimer & Disclosure: This document is prepared for our clients only, on the basis of publicly available information and other sources believed to be reliable. Whilst we are not soliciting any action based on this information, all care has been taken to ensure that the facts are accurate, fair and reasonable. This information is not intended as an offer or solicitation for the purchase or sell of any financial instrument and at any point should not be considered as an investment advise. Reader is requested to rely on his own decision and may take independent professional advise before investing. Hem Securities Limited, Hem Finlease Private Limited, Hem Multi Commodities Pvt. Limited, Directors and any of its employees shall not be responsible for the content. The person accessing this information specifically agrees to exempt Hem Securities Limited, Hem Finlease Private Limited, Hem Multi Commodities Pvt. Limited or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and further agrees to hold Hem Securities Limited, Hem Finlease Private Limited, Hem Multi Commodities Pvt. Limited or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays. The companies and its affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material may from time to time, have long or short positions in, and buy or sell the securities there of, company (ies) mentioned here in and the same have acted upon or used the information prior to, or immediately following the publication.

Disclosure of Interest Statement	Company Name
1. Analyst Ownership of the Stock	No
2. Hem & its Group Company Ownership of the Stock	Yes
3. Hem & its Group Companies' Director Ownership of the Stock	Yes
4. Broking relationship with company covered	Yes

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.