

## Vaibhav Global Q4FY21

### Financial Results & Highlights

#### Brief Introduction

Vaibhav Global is a company dealing in fashion jewellery and lifestyle products. They mainly source and assemble their products in India and South East Asia and sell these products in the US and UK primarily. They sell both to businesses and retail customers whom they reach through TV sales channels and shows through they reach more than 100 million TV homes in the US and UK.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	132	198	-33.33%	131	0.76%	462	543	-14.92%
PBT	23	108	-78.70%	14	64.29%	51	133	-61.7%
PAT	21	106	-80.19%	13	61.54%	47	127	-62.99%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	673	502	34.06%	729	-7.68%	2558	2001	27.84%
PBT	72	48	50%	116	-37.93%	344	236	46%
PAT	56	40	40%	92	-39.13%	272	190	43.16%

#### Detailed Results:

- The company continued its phenomenal run in FY21 with a consolidated revenue rise of 34% YoY and PAT rise of 40% YoY. Retail revenues rose 33% YoY in Q4 & 31% YoY in FY21.
- EBITDA grew 41% YoY with margins improving 70 bps YoY to 12.8%.
- The company has declared a final dividend of Rs 1.5 per share bringing up the total dividend for FY21 to Rs 17.5 per share.
- TV sales accounted for 64% of sales while web sales accounted for 36% in FY21. Mobile sales accounted for 61% of web sales in Fy21.
- Non jewellery items now account for 31% of sales in FY21.
- The company has a TV reach of 79 million households in the USA and 25 million households in the UK.
- The revenue growth in different categories in Q4 is:
  - TV sales: 27.9% up YoY (Rs 417 Cr)
  - Web sales: 43.2% up YoY (Rs 242 Cr)
  - B2B: 115.6% up YoY (Rs 7 Cr)
- Shop LC revenues grew 28.7% YoY to \$62.7 million in Q4 & 22.2% YoY to \$234.9 million in FY21.
- TJC UK revenues grew 35% YoY to GBP 20.1 million in Q4 & 31.6% YoY to GBP 80.2 million in FY21.
- TV sales volumes have risen to 2.05 million in Q4 from 1.529 million last year. Correspondingly average selling price has fallen to \$27.9 from \$29.5 a year ago.
- Web sales volumes have risen to 1.348 million from 1.067 million a year ago. The average selling price here has risen to \$24.6 from \$21.9 a year ago.

12. Gross margins in Q4 have risen to 61.2% from 60.4% last year while EBITDA margin has risen to 12.8% from 12.4% in the same period.
13. PAT margin in Q4 has also improved to 8.4% from 8% a year ago.
14. The company has a negative net debt of Rs 377 Cr.
15. Operating cash flow for FY21 was at Rs 324 Cr while free cash flow was at Rs 268 Cr.
16. ROE in FY21 was at 32% while ROCE was at 61%.

#### **Investor Conference Call Highlights:**

1. VGL now has a cash balance of Rs 468 Cr on the balance sheet.
2. The unique customer count has grown 38% YoY to a total of 501,000 (321,000 in USA & 179,000 in UK).
3. Shop LC, USA added international marketplaces like Amazon and Walmart Canada to its system.
4. VGL launched a new channel in TJC called TJC Beauty, which focuses on offering beauty products while providing viewers with expert reviews.
5. The company recently announced the formation of Shop LC GmbH which will be covering Germany. Germany is Europe's largest home trading market with 38 million TV homes. The management is confident of breaking even in Germany within 3 years of rollout.
6. Capex in the German entity is expected to be at \$2 million in FY22.
7. VGL registered an average purchase of 27 pieces on a TTM basis in FY21 by customers as compared with 30 pieces in FY20.
8. The customer retention rate stood at 51.5% on a TTM basis, which was higher than 50% last year.
9. The management guides for 15% to 18% retail revenue growth in constant currency terms in UK & USA.
10. During FY '21, CapEx of INR 56 crore was incurred, mainly for investments in newly commissioned solar power projects, studio improvements, warehouse improvements, ERP, mobile upgrades, and website upgrades.
11. Q4 expenses had 2 one-time items of a one-off COVID bonus payout and some initial OpEx on the German company setup.
12. The new separate beauty channel is only live 4 hours a day compared to 24 hours of the regular new channels. It is to be scaled up slowly from 4 hours to 8 hours as more customers come in. it is operating at a profit currently.
13. The management expects operating losses of \$3-5 million in the first year of operations in Germany.
14. The company is seeing the clearance and rising auctions pulling in higher ASPs in the web channel.
15. The company is not going for a separate TV channel for Canada and is mainly relying on web channel and US shipping facilities to service Canadian customers. The company will only be using the TV channel from the U.S. broadcasting into Canada.
16. The focus on German operations will be predominantly on jewelry.
17. The management expects growth in digital to continue to outpace overall growth for VGL.
18. The company has reduced its delivery time in UK to within 24 hours of dispatch.
19. The debt has increased in FY21 as the company was eligible for the paycheck protection program loan in USA and it decided to take a PPP loan of \$4.8 million. VGL has already applied for forgiveness as per the rules of the scheme but has not received audit confirmation yet.
20. VGL will convert this \$4.8 million into a grant on audit completion. Till then it will stand as a loan in the balance sheet.

21. The \$2 million capex in the German entity includes the website, new offices, and a new studio that is going to be built.
22. Through social media and web channels, the company is targeting the female 40-plus demographic as most of its products are geared towards this segment.
23. The packaging and distribution expense has risen sharply mainly due to the TJC PLUS membership program and the rising Lifestyle Products which incur higher shipping costs.

**Analyst's View:**

Vaibhav Global has established itself as an influential player in the jewellery exporting and telecommerce business. They have consistently delivered good revenue growth in recent years and continue to grow their business through new selling mechanisms and product offerings. The company has had another blockbuster quarter with revenue growth of 34% & profit growth of 40% in Q4. It has also seen its unique user base expand 38% YoY to 5.01 lacs. The company has also launched a new channel TJC Beauty which is already profitable and has established its German subsidiary. It is expecting this new geography to break even in 3 years. It remains to be seen how long the company will be able to maintain its current growth pace and match up to its other TV sellers rivals like QVC and JTV, and whether the venture into the new country become fruitful as per management expectations. Nonetheless, given the company's prudent and efficient cost management, its resilient supply chain, and its agility to introduce new products fast depending on changing situations, Vaibhav Global seems to be an interesting jewellery stock to watch out for.

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