VAIBHAV GLOBAL LIMITED

Ref: VGL/CS/2023/104

Date: 9th October, 2023

National Stock Exchange of
India Limited (NSE)
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra, Mumbai – 400 051
Symbol: VAIBHAVGBL

BSE Limited
Phiroze JeejeeBhoy Towers,
Dalal Street,
Mumbai – 400 001
Scrip Code: 532156

<u>Subject: Credit Rating for Bank Facilities</u>

Dear Sir / Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform that the Company's credit rating for the Long term/Short term bank facilities have been assigned/reaffirmed by CARE as per the following table:

Facilities	**Amount (Rs. in Crore)**	**Rating**	**Rating Action**
Long Term Bank Facilities	2.00	CARE A; Stable (Single A; Outlook: Stable)	Assigned
Long Term / Short Term Bank Facilities	105.00 (Reduced from 110.00)	CARE A; Stable / CARE A1 (Single A ; Outlook: Stable / A One)	Reaffirmed
Short Term Bank Facilities	3.00	CARE A1 (A One)	Assigned
Total Facilities	**110.00**		

A letter dated 9th October, 2023 issued by CARE inter-alia covering the Rating Rationale is enclosed herewith.

Thanking you,

Yours Truly,

For Vaibhav Global Limited

SUSHIL SHARMA
Digitally signed by SUSHIL SHARMA
Date: 2023.10.09 21:02:19 +05'30'

Sushil Sharma
Company Secretary

No. CARE/ARO/GEN/2023-24/1169

Shri Nitin Panwad
Chief Financial Officer
Vaibhav Global Limited
E - 68, EPIP,
Sitapura
Jaipur
Rajasthan 302022

October 09, 2023

Credit rating of bank facilities

Please refer to our letter no. **CARE/ARO/RL/2023-24/4835** on the above subject and the Press Release for the ratings is attached as an Annexure-I

If you require any further clarifications, you are welcome to approach us.

Thanking you,

Yours faithfully,

Ujjwal Patel

Associate Director
ujjwal.patel@careedge.in

Annexure-1
Press Release
Vaibhav Global Limited

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	2.00	CARE A; Stable	Assigned
Long Term / Short Term Bank Facilities	105.00 (Reduced from 110.00)	CARE A; Stable / CARE A1	Reaffirmed
Short Term Bank Facilities	3.00	CARE A1	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Vaibhav Global Limited (VGL) continue to derive strength from the vast experience of its promoters in the manufacturing of gemstone-studded fashion jewellery & e-retail segment, its end-to-end vertically-integrated operations, sustained scale of operations during FY23 (FY refers to the period April 01 to March 31), comfortable capital structure and strong liquidity. The ratings also take into account successful execution of asset sale agreement and acquisition of e-commerce company by VGL through its wholly owned subsidiary company i.e. Shop TJC Ltd (UK) along with scaling up of its operations in Germany.

The ratings, however, continue to remain constrained by geographical concentration of its revenue (mainly dependent on USA and UK markets) and susceptibility of its scale of operations to economic slowdown, local regulations and intense competition. The ratings strengths also continue to be partially offset by working capital intensity of its operations due to high inventory holding, susceptibility of its profitability to volatility in exchange rate & raw material prices and the risk of bad debt/write-off on budget pay (EMI scheme) sales.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- TOI of more than ₹3500 crore through greater geographical diversification of its revenue with improvement in its operating profitability (PBILDT) margins beyond 13% on a sustained basis while maintaining its working capital cycle and capital structure.

Negative factors

- Reduction in PBILDT margin below existing levels on a sustained basis
- Any major debt funded capex resulting to deterioration in capital structure with overall gearing moderating above 0.25 times
- Significant increase in receivable/inventory level or bad debts affecting cash flows and profitability.
- Any regulatory changes or slowdown in key markets (USA and UK) impacting the business of the company at consolidated level

Analytical approach: Consolidated. The company has operational synergies with its subsidiaries and hence consolidated approach has been considered. List of subsidiaries and step-down subsidiaries has been attached as Annexure- 6.

Outlook: Stable

The Stable outlook on the rating reflects CARE Ratings Limited's (CARE Ratings') opinion that VGPL will benefit from its experienced promoter group, established market presence in the market of USA and UK along with comfortable financial risk profile.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Detailed description of the key rating drivers:

Key strengths

Experienced promoter group

Mr Sunil Agrawal, Managing Director & Promoter, has around four decades of experience in the gems and jewellery business. He is supported by a team of functional professionals and independent directors, who have vast experience in e-commerce and retail, finance, merchandising, etc. Under their leadership, the group has demonstrated a track record of growth in e-retail of jewellery as well as lifestyle and essential products.

Vertically integrated business model with strengthening its presence in USA & UK and scaling up in Germany

Owned manufacturing facilities in India for jewellery, strong sourcing arrangements in over 30 countries through wholly owned subsidiary (WOS) from China, Hong Kong, Indonesia, etc. has helped VGL to reduce delivery times. Further, marketing of products through proprietary channels and increasing its presence on web platforms, online marketplaces and social commerce platforms has helped VGL to improve its presence in the e-retail market. Under the retail division, VGL reported TV coverage of around 141 million households (124 million households in FY22) on full time equivalent (FTE) basis in UK and US with around ~5 lakh unique customers and 3.18 lakh new customer registrations in FY23. VGL has achieved CSAT (Customer Satisfaction score of 95% in both UK and USA market and 96% in Germany market.

VGL has three proprietary TV sales platforms, i.e. Shop LC in the USA, Shop TJC in the UK and Shop LC Gmbh in the Germany (which contributes major part of the total revenue) out of which television revenue accounts for nearly 63% of its TOI for FY23, while the balance is contributed by web platforms.

Stable scale of operations and moderate profitability

VGL's TOI (at a consolidated level) largely remined stable on y-o-y basis to Rs. 2703.48 crore (PY: Rs.2757.03 crore) in FY23. However, the sales volume of the company declined by 22% in FY23 over FY22 on the backdrop economies opening up and return to brick-mortar stores, decade high inflation in the western economies resulting in lower spends on discretionary products. However, the average sales realisation from TV sales and Web sales increased by 26% and 23% respectively in FY23 due to the sale of higher average sales price products.

VGL derived around 73% of its TOI in FY23 from sale of fashion jewellery and balance 27% was generated from sale of lifestyle and beauty products. Revenue from B2C segment continues to constitute around 97% of total consolidated sales during FY23, with marginal moderation in TV and Web revenue by ~4% (to Rs.1633 crore) and ~1% (to Rs.977 crore) respectively over FY22. Revenue from sales through budget pay EMI scheme remained stable and constituted around 39% (39% in FY22) of B2C revenue in FY23.

VGL's PBILDT margins moderated by 158 bps y-o-y to 8.80% in FY23 (PY:10.38%) primarily on account of increase in content and broadcasting expenses by 5.30% of cost of sales in FY23 over FY22 due to increased investment in adding in more cable TV and OTA household in USA along with increase in consumer reach in Germany. The moderation in PAT margin was higher at 471 bps y-o-y to 3.89% in FY23 (PY:8.40%) due to increase in depreciation cost by 42% over FY22. At a consolidated level, VGL reported GCA of Rs. 179.38 crore in FY23 (PY: 288.63 crore).

On a standalone level, VGL's TOI remained stable at Rs. 452.52 crore (PY: Rs. 496.17 crore).

As per Q1FY24 (provisional) results, VGL's TOI grew by 5.64% to Rs.665.67 crore (Q1FY23: Rs.630.12 crore) along with improvement in PBILDT and PAT margin to 9.84% and 4.44% respectively in Q1FY24 (6.97% and 3.11% in Q1FY23).

Comfortable capital structure and debt coverage indicators:

Healthy net worth base supported by strong cash accruals and lower debt levels resulted in low overall gearing at 0.19 times as on March 31, 2023 (P.Y. end 0.17 times). The debt coverage indicators stood comfortable marked by interest coverage and total outside liabilities to net-worth of 29.02 times (PY:46.92 times) and 0.57 times (PY: 0.57 times as on March 31, 2022) respectively as on March 31, 2023. VGL's total debt to PBILDT remained comfortable at 0.81 times in FY23 (FY22: 0.58 times). On a standalone level, VGL's capital structure stood comfortable with overall gearing of 0.18 times as on March 31, 2023 (P.Y end: 0.16 times) with healthy debt coverage indicators.

Successful execution of asset sale agreement and acquisition of e-commerce company

VGL, through its WOS , Shop TJC Ltd (UK), has successfully executed an 'Asset Sale Agreement' to acquire assets of Ideal World Ltd at a total transactional value of GBP 1.125 million. Ideal World, through its proprietary TV shopping channel in UK, is into

teleshopping and digital-retail of lifestyle products. Through this agreement, Shop TJC has acquired the Ideal World's IP rights, broadcasting rights, studio equipment along with other intangible assets.
Further, VGL has also entered into a definitive agreement to acquire Mindful Souls BV, an e-commerce company dealing in subscription based online sales in USA, UK/EU, Canada, and Australia of fashion jewellery, gemstone, and lifestyle products at a total sale consideration of Euro 12 million. Both the above acquisitions are funded through surplus liquidity and internal accruals.
Going forward, VGL's abilities to derive the envisaged benefits (of increasing the market presence while achieving growth in scale of operations) from the above investments remains crucial from the credit perspective.

Key weaknesses

High geographical concentration with susceptibility of demand to economic slowdown in key markets

VGL generates majority of its revenues and profits from its subsidiaries in USA and UK. Considering demand of jewellery and lifestyle products is largely discretionary in nature, retail demand for the products and in turn VGL's business prospects is directly linked with economic scenario in its key consumer markets. However, CARE Ratings expects Germany operations to scale up in the near term, providing necessary diversification to its revenue stream and contribute to VGL's profitability.

Susceptibility of profit margin to exchange rate fluctuation and raw material prices

Being a 100% Export Oriented Unit, VGL's profitability is susceptible to exchange rate movements, while the risk on unhedged net receivables is mitigated to a certain extent by availing working capital borrowings in foreign currencies, the group's profitability remains susceptible to timing differences. Moreover, VGL's profitability is also vulnerable to high volatility in the prices of key raw materials for VGL's gems and jewellery products (gemstones, gold and silver).

Intense competition with operations susceptible to strict laws and regulations

VGL's operations in USA, UK and Germany are subject to strict laws and regulations applicable to video and e-commerce business. Moreover, e-commerce retail business is highly competitive and VGL faces direct competition from other established television shopping and ecommerce retailers, traditional brick and mortar stores, discount stores, warehouse stores and speciality stores; catalogue and mail order retailers in USA and UK market. VGL would need to continuously improve, upgrade, adapt and expand technology systems and infrastructure to offer value to its customers with enhanced customer experience in a cost efficient and competitive manner.

Risk of bad debts

During FY23, VGL's budget pay EMI scheme remained stable and constituted around 39% of total B2C sales (PY: 39%). Budget pay EMI scheme (with product return option) allows the customers to pay in interest-free monthly instalments (maximum six instalments, with the first instalment being paid upfront). While total bad debts (including b2b business bad debts) written off/provision for bad debts remains very neglible in F23, however any increase in bad debts or receivable levels can adversely impact the profitability and liquidity of the company; consequently, the same remains a key rating sensitivity.

High inventory holding

As VGL's business model (on consolidated basis) is largely B2C sales model, the company needs to maintain optimum inventory level of around 3 months Moreover, with increasing scale of operations, expansion of product portfolio and a higher lead time has resulted in increase in VGL's inventory levels. VGL's operating cycle remained stable at 96 days in FY23 (FY22: 86 days). Nevertheless, VGL liquidates its slow-moving inventory through rising auctions and clearance sales at a frequent interval. Furthermore, VGL's receivables level remain low since majority of retail sales are on cash basis. Current ratio and quick ratio stood around 2.35 times and 1.12 times as on March 31, 2023 (PY:2.24 times and 1.02times) respectively.

Liquidity-Strong

VGL has strong liquidity characterized by sufficient cushion in its cash accruals vis-à-vis its neglible term debt repayment obligations, stable operating cycle and healthy free cash & bank balance (incl. investments) of 129.61 crore as on March 31, 2023(PY: Rs. 189.76 crore). VGL has sanctioned fund based limit of Rs.113 crore (on a standalone basis) and its utilisation remained high at 84% during the trailing 12-months ended March 31, 2023.
Further, in September 2023, VGL made two acquisitions of approximately Rs.111 crore which is entirely funded from internal accruals of the company.
VGL reported cash flow from operations of Rs. 192.14 crore in FY23 as compared to Rs. 66.49 crore in FY22. Going forward, VGL is expected to generate GCA of around Rs.225-355 crore which is sufficient to meet any capex requirement and repayment obligations.

Environment, social, and governance (ESG) risks

Particulars	Compliance and action taken by the company
Environmental	1. SEZ Unit at Jaipur the only manufacturing unit with LEED (Leadership in Energy and Environment Design) Platinum certification by USGBC (U.S Green Building Council). 16th building in the country to receive 'Net Zero Energy' certification from IGBC (Indian Green Building Council) 2. 100% renewable energy in both the manufacturing units in India. 3. Effluent water treatment plant set up for water recycling with ~17,500 KL recycled every year. 4. Two Premises in US and 1 Premise each in UK and Germany operating at 100% Renewable Energy. 5. 2,200 Kg Electric Waste and 1,750 Kg Plastic Waste disposed till date through government approved recyclers
Social	1. 50,000 meals provided under "Your Purchase Feed" every single day (75 million provided till date). 2. Women employees constitutes 24% of the total workforce globally. 3. 33 micro enterprises created across the group. 4. Certified as Great Place to Work in all locations (except Germany).
Governance	1. Conferred with Great Place To Work (GPTW) certification for the 6th consecutive year. Also, certified as 'Top 50 Best Manufacturing Workplaces TM in India 2023' by 'Great Place To Work'. 2. VGL maintained a non-negotiable stand on value transgressions based on the Grievance Redressal Policy for Employees, HR Escalation Matrix, and the presence of a strong grievance, redressal body. The business partners of VGL, acknowledge and comply with the, Supplier Code of Conduct, which upholds the Anti Bribery Policy.

Applicable criteria

Policy on default recognition
Consolidation
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Short Term Instruments
Manufacturing Companies
Retail
Policy on Withdrawal of Ratings

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Consumer Durables	Consumer Durables	Gems, Jewellery And Watches

Incorporated on May 08, 1989, VGL is a 100% Export Oriented Unit (EOU) having manufacturing set-up for gemstone studded jewellery at Sitapura, Jaipur along with diamond sourcing and manufacturing unit at Mumbai. VGL manufactures low-cost gemstone studded jewellery primarily made of silver and other metals. VGL also sells fashion accessories, lifestyle products and textile and home décor products sourced from various micro markets including India, China, Thailand and Indonesia. VGL retails the products through two proprietary 24 hour TV channels [Shop LC in USA & Canada and The Jewellery Channel (TJC) in UK] on all the major cable, satellite and DTH platforms. Furthermore, VGL operates e-commerce websites in US (www.shoplc.com) UK (www.tjc.co.uk) and Germany (www.shoplc.de) and mobile applications, which complements VGL's TV coverage, while diversifying customer engagement.

Consolidated- VGL

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	Q1FY24 (UA)
Total operating income	2757.03	2703.48	665.67
PBILDT	286.05	237.91	65.50
PAT	237.11	105.14	29.56
Overall gearing (times)	0.17	0.19	-
Interest coverage (times)	46.92	29.02	23.47

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Standalone-VGL

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	Q1FY24 (UA)
Total operating income	496.17	442.90	131.22
PBILDT	27.31	20.95	12.85
PAT	128.85	99.90	6.99
Overall gearing (times)	0.16	0.18	-
Interest coverage (times)	10.55	4.87	7.47

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	2.00	CARE A; Stable
Fund-based - LT/ ST-Packing Credit in Foreign Currency		-	-	-	105.00	CARE A; Stable / CARE A1
Non-fund-based - ST-Forward Contract		-	-	-	3.00	CARE A1

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Non-fund-based - ST-Bank Guarantee	ST	-	-	-	1)Withdrawn (02-Sep-22)	1)CARE A1 (27-Jul-21)	1)CARE A2+ (20-Nov-20) 2)CARE A2+ (29-Apr-20)
2	Fund-based - LT/ ST-Packing Credit in Foreign Currency	LT/ST*	105.00	CARE A; Stable / CARE A1	-	1)CARE A; Stable / CARE A1 (02-Sep-22)	1)CARE A; Stable / CARE A1 (27-Jul-21)	1)CARE A-; Positive / CARE A2+ (20-Nov-20) 2)CARE A-; Stable / CARE A2+ (29-Apr-20)
3	Non-fund-based - ST-Forward Contract	ST	-	-	-	1)Withdrawn (02-Sep-22)	1)CARE A1 (27-Jul-21)	1)CARE A2+ (20-Nov-20)
4	Non-fund-based - ST-Forward Contract	ST	3.00	CARE A1				
5	Fund-based - LT-Cash Credit	LT	2.00	CARE A; Stable				

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT/ ST-Packing Credit in Foreign Currency	Simple
3	Non-fund-based - ST-Forward Contract	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Annexure-6 List of subsidiaries

Name of the entity	% shareholding (As on March 31, 2023)
VGL Retail Ventures Limited, Mauritius	100%
STS Global Limited , Thailand	100%
STS Global Limited, Japan	100%
STS Global Supply Limited, Hong Kong	100%
STS Global Limited, Thailand	100%
STS Jewels Inc., USA	100%
Vaibhav Vistar Limited, India	100%
Vaibhav Lifestyle Limited, India	100%
Encase Packaging Private limited, India	60%
Shop LC GmbH, Germany	100%
Shop TJC Limited, UK	100% subsidiary of VGL Retail Ventures Limited (Erstwhile, Genoa Jewellers Limited)
Shop LC Global Inc., USA	100% subsidiary of Shop TJC Limited, UK
Pt. STS Bali, Indonesia	100% subsidiary of STS Jewels Inc. USA
STS (Guangzhou) Trading Limited	100% subsidiary of STS Jewels Inc. USA

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Deepak Purshottambhai Prajapati Senior Director **CARE Ratings Limited** Phone: +91-79-4026 5656 E-mail: deepak.prajapati@careedge.in	Kalpesh Ramanbhai Patel Director **CARE Ratings Limited** Phone: +91-79-4026 5611 E-mail: kalpesh.patel@careedge.in Ujjwal Manish Patel Associate Director **CARE Ratings Limited** Phone: +91-79-4026 5649 E-mail: ujjwal.patel@careedge.in Puja Dilip Joshi Assistant Director **CARE Ratings Limited** E-mail: puja.joshi@careedge.in

About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For the detailed Rationale Report and subscription information, please visit www.careedge.in