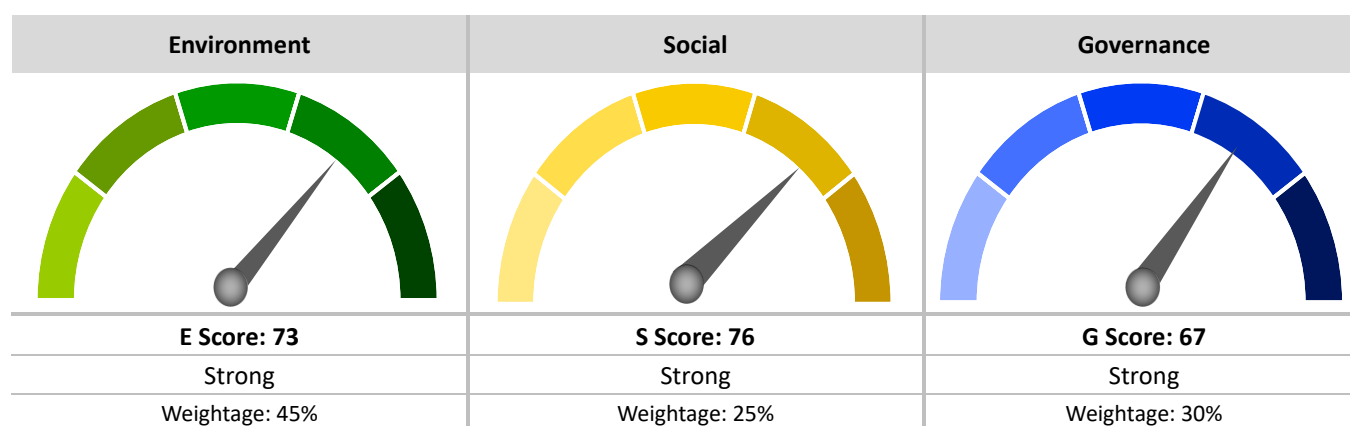
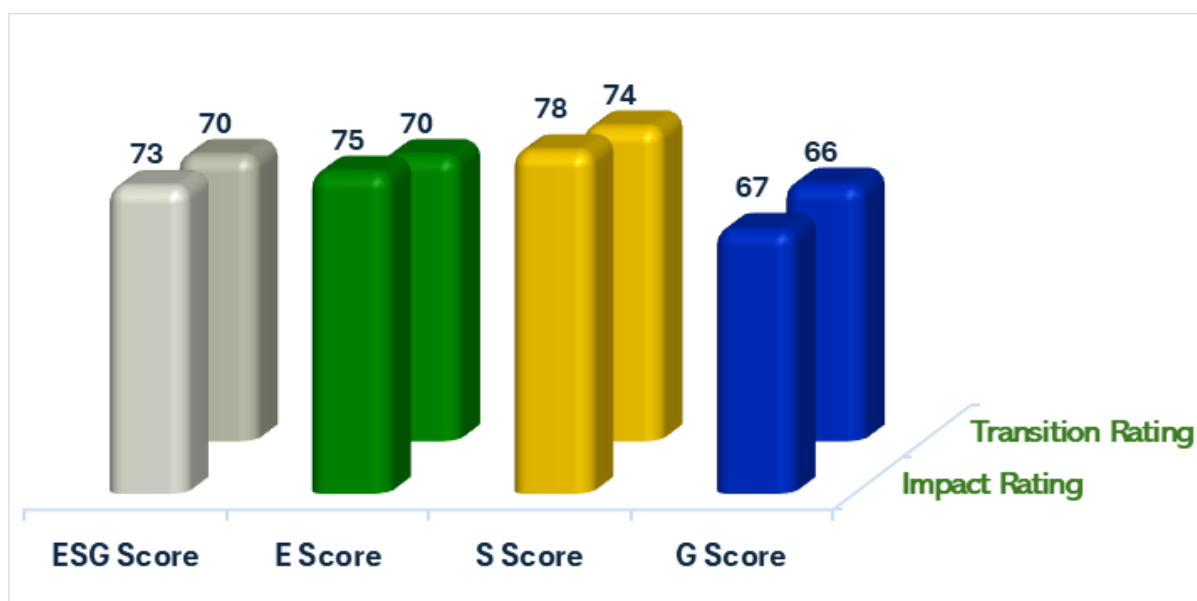


March 28, 2025

Vaibhav Global Limited: Rating assigned
Summary of rating action

Vaibhav Global Limited (VGL)	Previous Score	Current Score	Rating Symbol	Rating Movement
ESG Combined Rating	-	72	Strong	-


Components of VGL's ESG Combined Rating


Rationale

ICRA ESG has assigned a **Combined ESG rating of 72 (Strong)** to Vaibhav Global Limited (VGL), which has been derived from an **Impact rating of 73 (Good)** and a **Transition rating of 70 (Progressing)**. The combined rating reflects VGL's focus on improving its environmental and external social impact along with its efforts at transitioning towards the net zero pathway by integrating sustainability considerations into its long-term strategic goals. VGL plans to achieve carbon neutrality, and complete renewable energy integration in the near term, while continuing its efforts towards water conservation and responsible waste management. On the social side, the company has established well-tested employee well-being and customer satisfaction frameworks to maintain strong employee and business relationships. Additionally, VGL is well committed to community services through its flagship mid-day meal programme that has been running over the years. Also, the board and promoter level focus on sustainability initiatives and established governance frameworks act as favourable factors in the combined ESG score.

However, the combined rating is constrained by a lack of comprehensive targets covering all environmental parameters, alignment of key commitments with international bodies, implementation of climate risk assessment frameworks as well as assurance for its sustainability disclosures. In addition, VGL has limited diversity at the board and senior management level. Independence at board and committee level is also an area of improvement. While VGL has a successful mid-day meal programme that is strongly linked to its business, it does not spend towards community upliftment in aspirational districts and create jobs in rural areas. Improved monitoring of suppliers, especially with respect to various environmental impacts including biodiversity, could further strengthen the score.

Environment

VGL has demonstrated a strong commitment to environmental sustainability, achieving a combined 'E' score of **73 (Strong)** led by its progress in key areas like greenhouse gas (GHG) emissions reduction and renewable energy (RE) adoption. It also takes into consideration VGL's accomplishments in its path to achieve water neutrality and responsible waste management, adopting cleaner technologies, and improving operational efficiency. The score also considers VGL's level of preparedness with respect to achieving carbon and water neutrality goals.

VGL's environment impact rating of **75 (Good)** reflects its current impact towards varied environmental indicators, mainly related to energy, emissions, water, waste, and biodiversity, in addition to the impact of its value chain. Through its solar energy infrastructure, the company generates approximately 4.4 million kWh of solar power annually, which fulfils most of the energy requirements at two of its manufacturing facilities. Furthermore, investing in electric furnaces for its manufacturing operations has supported its path to achieve energy efficiency and reduce air emissions. Moreover, the wide adoption of electric vehicles (EVs) in its fleet of operations and their promotion among its employees, through company provided electric two-wheelers (e2Ws), reflect its commitment to overall sustainability. Consequently, VGL's Scope 1 and Scope 2 emission intensity stands modest at 9.4 tCO₂e/ Rs. crore. The company has made healthy progress towards a water-neutral status (expected to reach 98% water recharge status by FY2026) by implementing various water management measures such as rainwater harvesting, water recharging, and a zero liquid discharge system, thus ensuring the complete usage of treated water within its operations. Furthermore, the entity has been responsibly managing waste generation with continuous efforts to reduce the waste sent to landfills. VGL's water and waste intensity stood at 39.8 kl/Rs. crore and 0.003 t/Rs. crore respectively in FY2024 reflecting its low impact. Given the global sourcing of input materials, typical to VGL's business, ensuring responsible and sustainable sourcing, including monitoring of biodiversity impacts in the mining areas, is crucial but challenging.

Going through validation by the Responsible Jewellery Council (RJC) and Sedex Members Ethical Trade Audit (SMETA) enables VGL to ensure that key raw materials like metals are sourced as sustainably as possible and that jewellery manufacturing remains responsible. However, there is still potential for improvement. Identifying all types of waste generated, including paper and plastic, and setting internal targets for reducing overall waste generation would be beneficial. Additionally, tracking the extent of sustainably produced inputs and committing to targets aligned with international standards could further enhance the company's environmental impact score, going forward.

VGL's environment transition rating of **70 (Progressing)** reflects its proactive approach towards achieving its sustainability goals reflected by the pace of its RE adoption and progress towards water neutrality, GHG and air emission reduction. However, waste reduction and tracking, and biodiversity assessments especially among its suppliers are areas that require further progress.

VGL began tracking its Scope 1 and Scope 2 emissions from FY2022 and has succeeded in reducing absolute emissions and intensity by ~17% during FY2022-FY2024. This has been achieved by integrating renewable energy into its operations, initiating process improvements and adopting cleaner sources of logistics. Its overall RE consumption grew eight-fold since FY2020 and VGL targets to further increase its usage to 100%, going forward. VGL has undertaken an afforestation programme through Miyawaki forests with 28,000 trees and additionally planted 7,500 saplings in various locations. Through these actions the company aims to offset its residual emissions going forward. These efforts contribute towards the carbon neutrality goals set by the company for FY2031, and other interim targets. Since FY2020, the company has been tracking and has succeeded in reducing its water use, waste and air emissions intensity, demonstrating its focus on other environmental aspects. However, areas like value chain emission accounting, adoption of science-based targets and better monitoring of environmental performance of suppliers including biodiversity impact, need attention. While the company disposes hazardous waste through authorised vendors and recyclers in addition to converting biodegradable waste into compost at its units, it does not have waste related targets, and its waste recycling efforts have remained at ~66-67% in the last few years. VGL's energy intensity, while at a moderate impact level, grew by 7% since FY2020, indicating the need for focused initiatives in this area.

While VGL is well-positioned for transformation, its ability to effectively scale renewable energy adoption, achieve adequate progress towards carbon neutrality and water positive status remains crucial. Over the past five years, VGL's efforts towards adoption of sustainable practices have yielded results in reducing the impact of its operations.

Social

A combined social score of **76 (Strong)** gains from areas such as well-defined employee welfare programmes and benefits and focus on human right related aspects. The score is further supported by the healthy customer and business relationships maintained by VGL along with its efforts in ensuring child/student welfare by supporting mid-day meal programmes. However, monitoring the health and safety aspects of the value chain, maintaining overall supply chain sustainability along with the low impact of job creation in smaller towns and increasing the coverage and scope of Corporate Social Responsibility (CSR) activities are areas of improvement.

VGL's social impact score of **78 (Good)** highlights a well-developed system to maintain employee and business relationships. An established grievance redressal mechanism, adequate employee training and wellness programmes as well as focus on career pathing are key components of the company's approach to workforce welfare and development. Apart from medical and insurance coverage, VGL offers various employee benefits like career progression programmes for its high potential talent, scholarships for employee's children, stock options, and mental health focused initiatives.

The company also distributed e2Ws to a large part of its workforce to improve their quality of life while reducing vehicular emissions. Consequently, VGL's attrition stands moderate at ~ 16%¹. The company has a favorable wage gap with an income inequality rate of only 13.4 demonstrating its equity and equality related focus. VGL's end-customer base is sizeable, hence maintaining product quality and managing grievance redressal remain crucial. ICRA ESG notes that the company's integrated operations enable effective control over finished products and service quality and ICRA ESG also notes that VGL communicates in detail about all its product information and their impacts in detail. The company employs mechanisms to ensure high satisfaction levels, as evidenced by its Customer Satisfaction (CSAT) survey scores and customer friendly grievance resolution policies. ICRA ESG also notes that VGL has recently implemented a robust IT security framework after witnessing a breach in FY2023 to improve its data privacy and cybersecurity.

VGL's social transition rating of **74 (Progressing)** reflects its readiness to address social challenges through innovative tools and deepening community initiatives. Over the years, the company has made efforts to implement employee feedback and enhance its human resources policies in addition to placing a stronger emphasis on the well-being and mental health of its employees. The implementation of advanced tools for real-time safety tracking and plans to adopt AI-driven predictive safety analytics demonstrate a commitment to improving workplace safety. However, ICRA ESG notes that the Lost Time Injury Frequency Rate (LTIFR) increased from 0.77 in FY2023 to 1.32 in FY2024, and work-related injuries rose from 3 in FY2023 to 5 in FY2024 for the workers category, though there have not been any major severe instances. With no cases of forced product recalls, VGL publicly discloses its commitment to product quality, safety, and customer satisfaction, and actively tracks its progress in these areas. The company's mission statement is aligned with its social responsibility initiative and it targets one million meals every school day by FY2040 (currently serving 57,000 meals every school day). The programme enables VGL to contribute to the causes of health, nutrition and education, and is implemented consistently despite the vagaries of business cycles. The company is thus able to create a targeted social impact in local communities. Over the years, community programmes such as healthcare and educational facilities in addition to its mid-day meal initiative have enabled VGL to enhance livelihoods and support long-term social sustainability. VGL's CSR spending has remained much above 100% as it has exceeded the budgeted allocation during FY2020-FY2024.

The social transition score, however, is constrained by the need for a well-rounded CSR programme across various causes, spent in aspirational districts and job creation in rural and semi-urban regions.

Governance

A combined governance score of **67 (Strong)** reflects an effective oversight mechanism including identification of risk management scenarios, and adequate disclosures to investors. These efforts are supported by advanced tools like the implementation of a regulatory technology (RegTech) system. A dedicated sustainability team, a governance committee and sustainability linked compensation of senior management ensures accountability in operations and alignment with long-term ESG objectives. However, the absence of a climate risk assessment framework, board and top management diversity, and external validation of long-term commitments present opportunities for improvement.

VGL's governance impact rating of **67 (Good)** reflects well-defined board oversight structures, proactive compliance management, and extensive sustainability disclosures. Moreover, the presence of internal sustainability targets and commitments underline the sensitivity towards ESG impact. The company's board includes eight directors, with three independent members bringing expertise from diverse industries such as retail, finance, and technology. Key committees such as Ethics, Audit, Risk Management, and CSR, ensure comprehensive oversight of ESG-related risks.

¹As per VGL's internal working, attrition for permanent employees is calculated as 16%, which is lower than the reported 27.5%. This will be rectified in the annual report disclosure of the following year, as confirmed by the management.

Proactive measures include implementing RegTech for real-time compliance management, regular audits, employee compensation-linkage with sustainability parameters and transparency through detailed financial and related disclosures. The company also adheres to rigorous disclosure practices, including statutory and secretarial audits, while maintaining regular investor connect, to reinforce transparency and ethical business conduct.

However, gender diversity on the board stands moderate at 25% and nil for Key Managerial Personnel (KMP). Strengthening diversity, getting third-party assurance on sustainability parameters and taking up key environmental targets with international bodies are critical for enhancing VGL's governance impact.

VGL's governance transition rating of **66 (Progressing)** highlights the risk and opportunities identified by the company after analysing its environmental/ social parameters. Aligning with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, the company has identified its physical and transitions risks and has been taking steps to derisk its business from physical risk exposure to its supply chain. The company has also identified a wide range of climate related opportunities related to its operations. VGL has recognised the significant rise in demand for products contributing to environmental/social sustainability and worked towards developing such products at a larger scale, which currently generates a modest share of revenues. The governance transition also takes into consideration higher involvement of the board towards the company's sustainability aspects, as the board meetings include discussions on ESG matters and related affairs.

The adoption of advanced compliance tools like the RegTech system enables real-time monitoring of regulatory requirements and reduces manual dependency, ensuring sustainable monitoring of legal and regulatory compliance in the long run. The company does not get its sustainability data assured, leaving room for robustness. Further, lack of long-term commitments for environmental parameters with external validations, paucity of third-party assurance, and the absence of detailed climate risk assessments aligning with various identified climate scenarios, and lack of revenue alignment with sustainable taxonomies currently pose limitations.

Key Rating Drivers

Strengths

- **VGL's efforts in reducing environmental impact of operations:** The company's operations have a low environmental impact due to its proactive measures. VGL's GHG emissions are at a modest level as reflected by Scope 1 and Scope 2 emissions of 4,595 tCO₂e. Its effective water management practices, including a 90% water recycling rate, have led to lower water consumption. It has also maintained a low waste generation and air emission intensity through effective measures like switching to electric furnaces and reducing waste generation through operational efficiency improvement measures.
- **Adoption of RE sources leading to energy efficiency:** VGL has demonstrated a strong commitment to sustainability through the adoption of RE sources with more than 50% of its energy demand (including fuel and electricity consumption) in FY2024 met through renewable sources. This transition to renewable energy aligns with VGL's carbon neutrality goals. In 2023, VGL's Special Economic Zone (SEZ) unit in Jaipur achieved the "Net Zero Energy Building" certification from the Indian Green Building Council (IGBC). The company is in the process of setting up more solar energy capacity to reach its target of 100% RE usage for all manufacturing facilities in the near term.
- **Comprehensive employee welfare programmes:** VGL has established employee welfare policies and human rights compliance. The company has comprehensive employee benefits and career development policies. Additionally, VGL focusses on mental well-being programs and conducts yoga sessions for its employees on a regular basis. The

workplace demonstrates equitable policies in terms of gender wage gap and income disparity. This focus on employee welfare and human rights compliance underscores VGL's dedication to ethical business practices.

- **Board level focus on sustainability issues:** The board and promoter focus at VGL demonstrates a strong commitment to sustainability, driven by the active interest of its promoter in prevalent ESG issues and current performance against VGL's set targets. This focus is evident at the board level, where ESG-related discussions are a regular part of the agenda. The board's dedication to sustainability is reflected in the company's strategic initiatives aimed at reducing environmental impact, promoting social responsibility, and ensuring robust governance practices. Dedicated teams and ESG issues as part of Key Responsibility Areas (KRAs) lend comfort.

Weaknesses

- **Absence of targets aligned with international standards and lack of comprehensive climate risk assessments-** While VGL has made substantial progress in adopting renewable energy and reducing its carbon footprint, it lacks specific, measurable environmental targets aligned to international frameworks. The company is yet to conduct a climate risk assessment as per identified scenarios to understand the extent of impact due to climate change.
- **Need for diverse community initiatives and impact evaluation-** VGL's social impact at the community level is limited considering its main focus towards the flagship midday meal programme. Currently, the company has concentrated most of its CSR spending towards "Your Purchase Feeds" programme while it had carried out skill development initiatives in previous years. Also, the company has not carried out an impact assessment of its CSR initiatives, with the negligible impact of direct job creation in smaller towns. The CSR spending has consistently exceeded budgetary allocation, however, there are no projects targeted at aspirational districts. These limitations showcase the need for diverse community initiatives and impact evaluation by the entity.
- **Scope for improvement in board composition:** The current composition of the board of directors, comprising two women and three independent directors, presents an opportunity to enhance gender diversity and independence at the board level. Additionally, the chairman of the board is a non-independent director, highlighting a potential area for improvement in decision-making processes.

Rating sensitivities

Positive Factors: A substantial reduction in VGL's energy intensity, increase in the RE adoption, achieving the water neutrality status and the improvement in waste recycling could positively impact the score. Enhancing women's diversity at the board and KMP level would also favourably influence the ratings. Additionally, getting third-party assurances on sustainability data, development of a climate risk assessment tool, taking up environmental targets validated by Science Based Targets Initiative (SBTi) or other international bodies, concentrated efforts to implement value chain sustainability, including biodiversity and expanding CSR initiatives to aspirational districts combined with higher job creation in rural areas would be positive rating factors.

Negative Factors: ICRA ESG could downgrade VGL's rating/score if there are adverse movements in emission intensity and renewable energy adoption against expectations or other environmental impacts. Furthermore, any deviation from the current high standards of waste and water management and social welfare initiatives could negatively impact the ratings. Further, substantial increase in attrition, safety incidents or a decline in women diversity at the board, KMP level, instances of continued customer or stakeholder grievances, severe fines and penalties levied by regulatory bodies or rise in significant litigation, or any adverse outcomes that could affect VGL's operations and value chain would also be negative rating factors.

Analytical Approach

Analytical Approach	Comments
Rating methodology	ESG Combined Rating Methodology: ESG Impact Rating Methodology , ESG Transition Rating Methodology While the impact rating is based on the latest information, including FY2024 disclosures, the transition rating considers performance over the past few years as well as future action goals.
Rating scale	ESG Rating Scale
Last review date	NA
Data Availability	Good
Rating boundaries	For arriving at the rating, ICRA ESG has considered the standalone report of the company along with the publicly disclosed sustainability reports. ICRA ESG has further taken into consideration the relevant policies, standards and ESG relevant information shared by Vaibhav Global Limited along with discussions with its key function heads during multiple management meetings.

About the company

Vaibhav Global Limited (VGL), founded in 1980 and headquartered in Jaipur, is a prominent player in the global fashion jewellery and lifestyle accessories market. Promoted by Mr. Sunil Agrawal, the company has been listed on the stock exchange since 1996-97. The company operates primarily through its home shopping channels, Shop LC in the USA, Shop TJC & Ideal World in the UK, Shop LC in the Germany along with multiple digital platforms in these territories and other regions. VGL generates most of its revenue through the sale of fashion jewellery and lifestyle products, with additional income from its business-to-business model and other services. VGL's strategic goals include expanding its global footprint, enhancing operational efficiency, and maintaining a competitive edge in the digital retail of fashion jewellery and lifestyle market. The company is committed to sustainability, with initiatives focused on renewable energy adoption, waste reduction, and social responsibility. The company operates seven offices globally and employs over 1,255 people domestically, which also includes call centre operations. VGL's manufacturing facilities in Jaipur are powered by solar energy, contributing to its environmental goals. With a diverse product portfolio that includes a wide range of jewellery and lifestyle accessories, VGL serves customers across multiple countries through an extensive network of TV channels and online platforms. In FY2024, VGL reported a profit after tax of Rs. 50 crore on a revenue of Rs. 489 crore, with a net worth of Rs. 587 crore as of March 31, 2024.

Key ESG Indicators

Parameters	Unit	FY2024
Environment indicators		
Energy intensity	MJ/Rs. crore	39,106.7
Renewable energy consumption	%	55.5%
Emission intensity	tCO ₂ e/Rs. crore	9.4
Water consumption intensity	m ³ /Rs. crore	39.8
Waste generation intensity	tonnes/Rs. crore	0.0
Social indicators		
Employee turnover	%	15.7%
POSH complaints reported & resolved	Number	Nil
Income inequality ratio	Ratio	13.4
CSR inhouse volunteers	Yes/No	Yes
Governance indicators		
Presence of RegTech system	Yes/No	Yes
% of women in BOD	%	25.0%
% of women in KMP	%	Nil
Average attendance in board meetings	%	100.0%

Source: Company, ICRA ESG's Analysis

Common Directors (if any): None

Source of Information

While assigning the ratings, ICRA ESG has considered the annual reports, Business Responsibility & Sustainability Reporting (BRSR) report, and sustainability reports of the company along with other policies. ICRA ESG has considered additional information and comments provided by the company through management discussions.

Status of non-cooperation with previous ERP: Not applicable

Rating history for past three years

S. No.	Parameter	Current Rating		Previous Rating	
		Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
		March 28, 2025	-	-	-
1	ESG Combined Rating	72, Strong	-	-	-

Source: ICRA ESG Ratings

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