Vaibhav Global Limited

Q3 and 9M FY '23 Earnings Conference Call

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MANAGEMENT: **MR. SUNIL AGRAWAL – MANAGING DIRECTOR – VAIBHAV GLOBAL LIMITED**
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MODERATOR: **MS. DISHA SHAH – ADFACTORS PR**

Moderator: Ladies and gentlemen, good day, and welcome to Vaibhav Global Limited Q3 and nine months FY '23 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Disha Shah from Adfactors PR. Thank you, and over to you, ma'am.

Disha Shah: Good evening, everyone, and thank you for joining us on Vaibhav Global's earnings conference call for the quarter ended December 31, 2022. Today, we have with us Mr. Sunil Agrawal, Managing Director; Mr. Nitin Panwad, Group CFO; and Mr. Prashant Saraswat, Head of Investor Relations.

We will begin the call with opening remarks by Mr. Sunil Agrawal on the business operations, key initiatives and a broad outlook, followed by a discussion on the financial performance by Mr. Nitin Panwad, after which the management will open the forum for Q&A session.

Before we get started, we would like to point out that some statements made or discussed on today's call may be forward-looking in nature and must be viewed in conjunction with the risks and uncertainties that we face. A detail statement and explanation of these risks is included in the earnings presentation, which has been shared with you all earlier. The company does not undertake to update these forward-looking statements publicly.

I would now like to invite Mr. Sunil Agrawal to make his opening remarks. Over to you, sir.

Sunil Agrawal: Thank you, Disha. I welcome you all to Vaibhav Global's Q3 FY23 earnings call. I hope that you have reviewed our results and the accompanying presentation that provides details on the business operations and the current market conditions.

I will now take you through the quarterly performance for this quarter. Sales for the quarter were Rs. 724 crores, down by 3.6% from Rs. 750 crores in the third quarter of last year. However, the topline is encouraging over pre-COVID period of Q3 FY20 with a strong growth of 28.5%. This performance is with the backdrop of current moderating consumer demand amidst inflationary environments. In our UK market, many of major delivery partners are facing strikes which had an industry wide impact on deliveries. Further, during the quarter, we faced a cyber-attack which resulted in temporarily disruption to our US and UK businesses. The company has demonstrated resilience in current economic environment as our revenue growth would have been flattish YoY if we negate the impact of cyber-attack and delivery disruption.

Our gross margins continue to remain strong at 60.6%. Our vertically integrated business model allows product differentiation with lower ASP and helps us maintain market leading gross margins. EBITDA for the quarter has been at 10.5% in Q3 vs 8.1% in Q2 and 11.4% in Q3 of last year. Our sustained efforts on cost optimization helped us sequentially improve EBITDA margin which bottomed out in Q4 FY22.

During the quarter, our Germany business continued its growth momentum and is now clocking approx. 1.4 million Euro revenue every month. Other business matrices are also trending positive. Today, we are dispatching more than 3,500 pieces a day. In terms of customer engagement, our CSAT score in Germany is 96%. We are under discussion with other affiliates to gain more households in Germany.

At Shop TJC (UK), the Freeview channel upgrade continues to give positive outcomes in terms of 'new TV customer acquisition'. New TV customer acquisition rate which was negative prior to upgrade continues to be positive with YoY growth every month. Customer acquisition growth was, however, overshadowed due to historical inflationary levels and weak consumer sentiments. Our D2C brand- Rachel Galley is performing very well with 200% YoY revenue growth on low base. In US, even though inflation is inching downwards, consumer sentiments remain muted. We are taking proactive measures to mitigate the impact of these headwinds on our business, including expanding portfolio of under 10 and 20 dollar products, content improvement, expand our TV footprint, digital and OTT promotions, etc., We believe that these headwinds are transient, and we are well placed to leverage the true potential of US and UK markets.

Our vertically integrated supply chain network spanning 30 countries is the backbone of our business and a key differentiator. It is helping us with increased product availability. The low-cost manufacturing with value sourcing enables to serve value conscious customers in our addressable markets in US, UK, and Germany, thus achieving industry-leading gross margins. We reach TV homes through cable, satellite, telco networks and over-the-air antenna also called as OTA broadcasters. Our products are also available on digital channels, including proprietary website, smartphone Apps, OTT platforms and marketplaces.

Further, our 4R's framework - Widening Reach, New Customer Registration, Customer Retention and Repeat Purchases remains to be our key levers for growth. The reach of our TV networks by the end of Q3 FY23 was approximately 129 million TV homes, which is ~2% higher YoY.

We have been expanding our customer base by leveraging diverse product portfolio and omni-channel presence. Our unique customer base is at half a million, new registrations on TTM basis are at 3.2 lakh. New customer acquisition on TTM basis stands at 2.4 lakh, which is lower by 1% YoY but significantly higher by 79% over pre-COVID period of Q3 FY20.

On the sustainability aspects, we are glad to announce that recently we successfully conducted and passed the SMETA-4 pillar audit for 2 of our units. SMETA audit signifies highest standard of labour, health and safety at our manufacturing facilities and recognises our efforts towards sustainability.

Another important aspect of sustainability efforts is our midday meal program, 'Your Purchase Feeds....'. Recently, we crossed a milestone of 73 million meals with a run rate of approx. 54,000 meals donated every single school day.

We are also closely monitoring the economic landscape and are adapting our strategies as necessary to take advantage of any opportunities that may arise. Overall, while we are aware of the current macro headwinds, we remain optimistic about the future and are confident in our ability to navigate these challenges and achieve our goals.

Considering current macro indicators, we expect to achieve flattish to 2% topline growth in Q4 and end this fiscal year with negative 3% to negative 2% topline growth. For FY24, we expect to deliver revenue growth in 8% to 10% range with strong operating leverage over current year. However, our mid-term outlook remains intact, and we expect to deliver mid-teens revenue growth in subsequent periods with decent operating leverage.

Further, the Board of Directors of your Company have declared an interim dividend Rs. 1.50 per share for the quarter. We look forward to maintaining a balance between growth, investment, and quarterly payouts to generate sustainable value for our stakeholders. With this, I now hand over the call to Nitin to discuss financial performance. Over to you, Nitin.

Nitin Panwad: Thank you, Sunil, and good evening, everyone. A warm welcome to Vaibhav Global's earning conference call. While Sunil gave some details on overall performance and business status in the just concluded quarter, I will now take you through our financial performance for the quarter and nine months ended 31st December 2022 in detail.

Broader economic challenges which are there since last few quarters continues to impact the growth scenario. Quarterly revenue of Rs. 724 crores were on the backdrop of muted consumer sentiments resulting in revenue decline of 3.6% YoY. While the Q3 FY23 topline reflects temporary impact of current macro environment, however, growth of 28.5% over pre-COVID period of Q3 FY20 is encouraging.

In local currency terms, Shop LC (US) had a decline of 11.3% in sales which was majorly driven by the weak consumer sentiments and cyber-attack in last quarter. However, with declining inflation rates in US, we hope that it might trigger the consumer sentiments positively and may create new opportunities as the US economy continues to evolve.

In Shop TJC (UK), growth in 'new tv customer acquisition' on Freeview TV continued during the quarter reassuring our investment in upgrading our channel position. However, weak consumer sentiment in UK overweighted the growth prospects and hence Q3 revenue have shown a decline of 10.9% YoY. Performance in UK were also partly affected by the cyber-attack & disruption in the delivery market during the quarter. As Sunil had mentioned earlier also, that had this attack & delivery disruption did not happen our revenue would have been flattish YoY. Germany is scaling up well with revenue and customer numbers increasing every month. At operating level, we are confident to break-even in this territory by H2 of FY24.

Our TV revenue was Rs. 441 crores and digital revenue was Rs. 269 crores. TV revenue declined by 5.5% YoY and digital revenue grew by 0.4%. Our focussed investments in omni-channel helped in relative better performance in digital segment for us. On comparing against pre-

COVID period of Q3 FY20, the growth is encouraging with TV growing by 18.7% and digital by 50.2%. While the current macro situation is volatile, long term growth prospects are promising in our addressable markets.

Our sustained investments in growing omni-channel have resulted in ~59% of new customers being acquired digitally. Omni-channel distribution promotes cross-selling potential, encourage customers to transact on both TV and digital platforms, which gives them a unique shopping experience. Omni channel customer also have a significantly higher lifetime value than customers who buy only on TV or only on digital. Having a wider product basket across platforms is a great opportunity to increase share of wallet of the consumer.

Our budget pay feature provides customer with the convenience of buying on EMIs. During the quarter the products sold via budget pay contributed 38% of total retail revenues. This feature has added level of affordability, especially during current inflationary environment which also helps in further improving customer engagement.

Our non-jewellery segment comprising fashion accessories, lifestyle products, beauty products and apparel today contributes 28%. Over the last few years, share of non-jewellery has increased multifold, indicating our ability to take higher wallet share out of the same customer.

Owing to our moat of being a vertically integrated, we were able to maintain gross margins at 60.6%. EBITDA margin for the quarter was 10.5% which has shown sequential improvement. Our cost rebase initiatives, better pricing and narrowing losses in Germany helped achieve double digit EBITDA margin during this period.

Profit after tax for the quarter is Rs. 39 crores as against Rs. 69 crores of last year. Our balance sheet continues to remain healthy with robust cash flow generation. Operating Cashflow and Free Cashflow of Rs. 121 crores and Rs. 96 crores respectively reflect YoY improvement owing to operational efficiency and capex reverting to normal levels. ROE and ROCE of 9.5% and 14.5% respectively, on TTM basis, suggest effect of lower profitability.

We perceive current revenue pressure as transient, being linked to recent macro headwinds and near-term challenges in operating environment. We are also committed towards creating and sustaining value for stakeholders and are pleased to announce that the Board has approved third interim dividend for the year of Rs. 1.50 per equity share.

Considering current macro indicators, we expect that topline will be flattish to 2% in Q4 and end this fiscal year with a with negative 3% to negative2% topline growth. For FY24, we expect to deliver revenue growth within 8% to 10% range. We remain committed and are confident to deliver strong returns for our stakeholders in the mid-to-long term and expect to deliver mid-teens revenue growth in subsequent periods with decent operating leverage.

While our financial performance may not have been as strong as we had hoped, we are taking steps to improve and remain confident in our long-term success. We have a wider product portfolio with omni-channel presence and believe that continued focus on our core competencies will drive growth in the coming years.

Thank you. Back to you, moderator, please.

Moderator: We have a first question from the line of Abhilash Hiran, an Investor.

Abhilash Hiran: Can you explain in detail on the sourcing front for our various products that jewelry, fashion accessories, lifestyle products, how do we decide on in-house manufacturing versus outsourcing? Can you elaborate on that in detail?

Sunil Agrawal: Sure, Abhilash. So, we decide on what product line are we good in manufacturing and what product line is best to outsource from outside. So, most importantly, the product ideas starts with the product idea. So, product development is done by our in-house units as well as product samples are submitted to us from the outside.

And that are then presented to our merchandisers and buyers. And then, whatever the product segment which would be successful at the front end at the retail units is then brought back from respective units. So we respect the ingenuity and the creativity of outside vendors. If somebody has presented a new product and interesting product from outside that we believe would be good for us, we will buy it from them, not copy and manufacture it ourselves.

Having said that, we have more than 250 people within our product development team that constantly comes up with new ideas, new product, and so more-and-more manufacturing is going towards our own units. So, predominantly, jewelry will be manufactured by us and apparel, the ladies fashion garments are manufactured by us.

Abhilash Hiran: On the designing part, so that entire designing is done for our products in-house?

Sunil Agrawal: Mostly, unless some third-party vendor would come up with unique design with their own design team and offer those products to us, in that case, we will negotiate the price with them and buy from them. But within Jewelry and Fashion Apparel is a very small amount that we buy from outside. We buy like home product or beauty product or accessory, handbags that we buy from outside.

Abhilash Hiran: Sir, can you explain like why is that these parts are not manufactured in-house? Is it due to -- for what reasons are these not manufactured in-house?

Sunil Agrawal: So, it's a matter of scale. So we want to go into the manufacturing of a product line that has already matured or is at scale, or we can scale very quickly. So, if in future the product line scales in our business and would sustain our own manufacturing, we will definitely go there.

Abhilash Hiran: Sir, how much time does it take to recover the customer acquisition cost to their respective lifetime value across various platforms?

Sunil Agrawal: So on TV, the store for acquiring and selling is same. So it's very difficult for us, it's impossible for us to differentiate what is acquisition cost and what is the selling cost. So we don't look at it that way. How we look at television broadcasting is that within 18 months, the TV cost, the broadcasting cost should be 10% to 12% of our revenue.

So, we look at it in 18-month basis. On our digital customer acquisition, we try to acquire customers at one-third the lifetime value of that customer. And different channels have different lifetime value. For example, Google, Facebook has about $70 to $100 lifetime value, whereas OTT like Roku or Fire TV or Apple TV, there is about $2,500 lifetime value. So we try to keep our customer acquisition cost at one-third the lifetime value or below one-third the lifetime value.

Abhilash Hiran: This is for the various platforms like acquisition through Facebook and Google?

Sunil Agrawal: Yes. Facebook and Google lifetime value is between $70 to $100, and the lifetime value through connected TV or OTT, that we call, is about $2,500.

Abhilash Hiran: Sir, can you explain more on the delivery front across various regions? How do we manage the last mile delivery?

Sunil Agrawal: Yes. So at all three locations, we have contracts with the local shipping companies. For example, in US, we have contact with DHL and FedEx. So, depending on the distance and the weight and value of the item, our software offers the most optimal service, and our operator automatically prints that respective label. In UK, we have service through Royal Mail and Evri and DPD and Amazon, so four providers. And within four providers, our automatic software prints the most optimum label for us. In Germany, it is all DHL and DPD that distribute our products.

Abhilash Hiran: Sir, last question from my side. Sir, you have mentioned that you generally don't sell products which have a gross profit margin lower than 60%. So, sir, have we ever considered or are there products which can generate higher traffic but might generate less gross profit than 60%? Are we open to that or are we going to stick to these gross profit margin above 60%?

Sunil Agrawal: Yes. So we have designed our business on Zara, if you know Inditex. So, Zara model is all in-house brands and minimum they'll make 54%, 55% margin at around 25 billion revenue. So, our model is that we would source product or even third-party brands to be sourced, but only that will afford our gross margin of 60%. If it is lesser than that, we just don't entertain that brand. So that in fact would exclude, say, Apple or Samsung or Dell products for us. And we are happy to stay in the space where our brands would, over the years, become more ubiquitous and known and would have developed equity value within the brands.

Moderator: We have next question from the line of Sachin Kasera with Svan Investments.

Sachin Kasera: Yes, sir. I wanted to crosscheck a data-keeping question. So, the higher EBIT improvement in terms also because of the higher other income, so what exactly is there some operating part of this higher other income or is this just a one-off in that?

Sunil Agrawal: Yes. Nitin?

Nitin Panwad: Hi, Sachin. So, other income includes the foreign exchange gain, which is around $800,000. So it's around Rs. 7 crores to Rs. 8 crores. Apart from that, the other income is mainly will be received through interest or the cashbacks from credit card companies.

Sachin Kasera: Secondly, you did mention that you have reached the pre-COVID December quarter, your revenues are much higher. But even when you compare at the margin level, it's significantly lower. Is it mainly to do with the investments that you have made in Germany or is it also to do with the fact that the high investments we made in sales and marketing in the existing markets, and hence it's a twin impact and was both of this normalize, the margin should be significantly better?

Nitin Panwad: So, yes, as we mentioned, majorly it is related to the investment we have done in Germany. And also that we have started investing in our digitally to grow our digital sales and also investment in our broadcasting. So, compared to financial year '20, so both areas we have invested, so both is impacting our EBITDA margin, but majorly it is related to Germany.

Sachin Kasera: And lastly, considering the current subdued sentiments internationally, what gives us the confidence of being able to deliver 8% to 10% revenue growth next year?

Sunil Agrawal: I'll take that. Sachin, we have our Germany is scaling up, and our airtime that we had acquired in US last year, which had additional investments and the digital investments we made, and as well as the D2C brand that we launched, Rachel Galley and TAMSY, so we are seeing them tracking better, and we'll run the multiple simulations and based on those simulations, we feel confident to deliver 8% to 10% growth in next financial year.

Moderator: We have next question from the line of Pritesh Chheda with Lucky Investment Managers.

Pritesh Chheda: Sir, I was trying to interpret what we have put on Slide 31, where we are seeing a conscious investment for future potential and scale via accelerated investment in broadcasting and digital. When I understand your businesses, it's post gross margin, it's a fixed cost business in terms of largely the broadcasting expense that we incur. So, when I look at your P&L, these numbers are flat Y-o-Y at about Rs. 730 crores. So, the question is, have we added any cable, the TV numbers or some time back we were like fully there in terms of US and UK in terms of a cable TV connection, so just if you could highlight a little bit more on what you want to mean by this?

Sunil Agrawal: Yes. So, Pritesh, in US, the cable broadcasting, we still have about 15 million homes that we are not in currently. So, those 15 million are cable and OTA homes, so, we still after we have made this investment into additional cable homes, for example, Comcast, Cox and many national OTAs, we are still not fully distributed. And as we get the opportunity, we take them because we don't get those cable homes every day. We constantly follow-up, and sometimes they are fully distributed, they don't have any opening. Whenever the opening comes, we will take them. So that is in US.

In Germany, we still have about 15 million homes that we are not in currently. After entering the country, we are majority distributed, but still there is a lot of potential over there. So, this is mainly about broadcasting. And the next part of the digital was also digital marketing on our digital properties as well as our OTT as well as Amazon. So all three places, we made investments in last quarter to get our footprint larger and acquire customers.

Pritesh Chheda: Some quarters back, some years back, we were saying that in US, whatever and wherever we want to beam in, we have beamed in and whatever residual is, is either expensive or it's not our target market. So it's just that it's an opportunistic entry and hence we have taken it. That's how we should perceive it or…

Sunil Agrawal: So, just for example, the Comcast is about 20 million homes that we were very small representation in that. And a few years ago, they were asking quite high amount. But recently, we bought a reasonable broadcast opportunity and we took it. And we'll continue to look at those opportunities whenever they can come our way. So, that 18 million to 20 million homes was an opportunity. Of that, we are already in about 10 million. There are still 8 million opportunity within Comcast. Cox is another 1.5 million and an OTA, the full power OTA, there's other 10 million homes opportunity for us.

Pritesh Chheda: So these are long deals or these are -- so these are multiyear deals that you have signed or these are deals windows for like a couple of years, three years?

Sunil Agrawal: So these deals are we sign for a year, but we have a exit on these deals for within 90 days notice period, we can exit them.

Pritesh Chheda: So you might not get a similar pricing maybe next year? You got to bid.

Sunil Agrawal: Yes. For pricing, even at any price, these may not be available because they are fully distributed from their side.

Pritesh Chheda: Then on the Slide 15, you are mentioning about these households where you're not there. So, we just want to recap. So, in US, out of 75 million, now in how many households we are there?

Sunil Agrawal: So, this was mentioned, we are about 8 million to 10 million homes, still short from fully distribution.

Pritesh Chheda: From, so you are in 65 out of 75?

Sunil Agrawal: I don't have exact number with me how many we are out of this, but OTA, the 17 million includes full power and low power. Now, full power point of view, we are still 10 million homes which have still potential for us to get in on full power. Now, the revenue difference between full power and low power is about 5x to 7x. So, whenever we'll get that opportunity, we'll take them in future as well.

Pritesh Chheda: And in UK, if you could give a similar -- in 27 million, how much more left to reach?

Sunil Agrawal: Yes. So in UK, we are fully distributed in all 27 million homes, but there is still opportunity. For example, ITV is the number 2, number 3 broadcaster here in terms of audience. So, if we get an opportunity to get a few hours on ITV broadcast, we will take it. So we already are on OTA, full power OTA that is freeview in US and UK. But to get into the nationally broadcast channel to get part time on that, we'll still take it. But then there's, again, very opportunistic. Sometimes those airtimes are very rare to come by. If it comes, that only increases our reach to the audience that would not normally come to shopping genre. So shopping genre in certain area, they may not come.

Pritesh Chheda: And Germany, you said you have 15 more to go, so you are in 12 out of 27?

Sunil Agrawal: So, Germany and Austria put together is, I think, 43 million. Prashant, if you can give an exact number?

Pritesh Chheda: As of now, we are in Germany or we have started beaming in Austria also?

Sunil Agrawal: We started in Austria from day one last year also. So they are pretty combined markets, and they ship out to Austria already. So combined market, we still have 15 million opportunity there.

Pritesh Chheda: So if you want to share our outlook on the carriage cost next year, inclusive of the OTA channel cable, will there be a rise in -- there is you're going to add something or we saw a step up this year and next year, we need not see the rise?

Sunil Agrawal: Again, Pritesh, this is very opportunistic. We don't know when we will get. So, I cannot give a guidance on that. But what we are giving guidance is a strong leverage next year, because this year's profitability was quite subdued. And how we are seeing --- we already bottomed out from a margin point of view. As you saw in current quarter, we're already double digit. So, year-over-year, our margins will continue to expand.

Moderator: We have next question from the line of Sumesh Guleria with WealthCulture.

Sumesh Guleria: Sir, my question is regarding to EBITDA margin. So, right now, we have reached 3.5% EBITDA margin range. And you have mentioned that it's bottomed out. So, financial year '24, what number we can expect from the Company?

Sunil Agrawal: So we don't give guidance on EBITDA for the next year. But what we can say is, the confidence that you would have a strong leverage over current year. And year-over-year, you will see growth in every quarter.

Moderator: We have next question from the line of Nilesh Shah from Envision Capital.

Nilesh Shah: Sunil. Just wanted your color in terms of -- you've mentioned about introducing products in the $10, $20 categories. What kind of products these would be? Would these be in our traditional jewelry or our lifestyle segment or are we looking at some other products? Number one. And number two is, what impact will this have on our margins? I mean, would this be margin dilutive or are general fundamentals of 60% gross margins even be applicable for this category? So if you can just kind of share your thoughts on this, please?

Sunil Agrawal: Sure, Nilesh. So, I'll answer your second question. For us, 50% margin is a bottom line. So we would not bring any product category or any product segment which would go against this business principle. So, to answer your second question, no, our margin will stay above 60%. The first part of the question is $10, $20. We already have airtime dedicated to $10 and $20. What I meant to say in my remarks is that we are -- in view of the current economic sentiments, we are accelerating that space a little bit more. And with that, the customer acquisition is higher, customer engagement is better and the return rate is low.

Moderator: We have next question from the line of Rohan Mehta, an Investor.

Rohan Mehta: Sir, I had a couple of questions. If you could just shed some more light on the cyber-attack that had happened and the impact on our operations?

Sunil Agrawal: Sure. So, around 12th of November, we had a cyber-attack on US and UK servers. So, for about two days, our business was disrupted almost completely. And after that, we started broadcast -- actually online business came back up within 24 hours and our TV business came after two days. And our shipment was blocked for about one week, both US and UK, we could not ship products that customer had ordered. But overall, if we had not had this impact and also postal disruption in the UK, we would have been flat year-over-year this quarter.

Rohan Mehta: So, sir, are we going to be making any investments in cyber-security going forward?

Sunil Agrawal: Yes. So we already have good cyber-security. But with such an attack, we came back up within two days. And normally in such attack, people have about two weeks that they take. So, we were able to we had all the backups on cloud and whatever our on-prem server apps were, we were able to move it on cloud and started from there. Now, all our apps are on cloud and we have beefed up our security through CISA and Sophos. And we are fairly confident of repairing any such attack in future. Now you can never guarantee them, but we feel fairly confident that we have now good position, good situation.

Rohan Mehta: So you spoke about the German market. So, is growth in line with our expectation of forecasts or has there been any impact in terms of the general global economic scenario and the inflation that we hear about?

Sunil Agrawal: Yes. So if it was not for inflation or current subdued environment, we would have been profitable earlier. But we are still feeling fairly comfortable to become breakeven in H2 of next financial year. For the full year, we won't be profitable, but we will be breaking even in H2 of next financial year.

Rohan Mehta: One last question, sir. In terms of the countries where we source our products, is there any specific region or country wherein we are able to make better margins if you source from those countries or…

Sunil Agrawal: So, I would go a different way. So we go to the country and the product where we can make our 60% margin or up. Otherwise, we don't even touch any other places that we can't do those margins. So, as I mentioned earlier in my remarks, we buy products from 30 countries and then merchants cover them from whatever will be the right product from all over the place. And then, we put in the best possible product for the limited airtime we have on TV or limited space that we have online within our criteria of how much forward inventory we can keep, how many SKU we want to keep and how many inventory turns we would have.

Moderator: We have next question from the line of Aniket Redkar, an investor.

Aniket Redkar: I have a few questions. So, sir, as we know that COVID situation, which has been there in China, how does this impacting us in terms of sourcing?

Sunil Agrawal: Yes. So, since we source from 30 countries and our majority of sourcing is from India, and we are pretty agile. So we did not have any issues in getting our product or our requirement fulfilled.

Aniket Redkar: So, sir, do we plan to expand this business model in India as well?

Sunil Agrawal: Perhaps down the road, Aniket, but not at this time because long distance shopping in India is still not profitable and its still is in discovery phase. So, once Germany is successful and profitable and scaling well, we may look at Japan next before coming to India.

Aniket Redkar: And sir, one last question. How many new products do we target to add every year?

Sunil Agrawal: So, on an average, we launch about 100 new products every day.

Aniket Redkar: 100 new products every day?

Sunil Agrawal: Yes. So, it will be less, a little more, but that is about the velocity that we have.

Moderator: We have next question from the line of Sachin Kasera with Svan Investments. Please go ahead.

Sachin Kasera: Sir, just one follow-up question on Germany. You mentioned about breakeven next year. So, one, are we referring to the EBITDA or the net breakeven? And secondly, currently I believe at $1.5 million revenue your monthly run rate, at any point of time or at what type of revenue run rate will the German operations become at the par with the company average?

Sunil Agrawal: So, the current run rate was EUR 1.4 million, about $1.5 million, and the profitability comes at EUR 2.5 million. That is a current state. But now, from next year, we may get more airtime or we may have additional expenses. So we believe that it will need to be around EUR 3 million for it to breakeven at that level of expense. So, this is what we're expecting in H2 of next year. We're expecting about EUR 3 million per month net revenue.

Sachin Kasera: But that EUR 3 million you're expecting a net breakeven, sir?

Sunil Agrawal: Yes. So, we don't have any taxation because we've had accumulated losses, only depreciation and the base of gross block is not large. So, it is on PBT level. So, pretty much that is a net level.

Sachin Kasera: And do you expect in financial year '25 or '26, Germany should come to the company level? What is your -- any broad sense on that?

Sunil Agrawal: Yes. So, at financial year '24, '25 we will be profitable for the full year. But next year H2, we will be breakeven. For the full financial year, we won't be breaking even. But even after considering the losses in Germany, we will have strong leverage year-over-year next year.

Sachin Kasera: Sir, my question was that in which financial year will be operations of Germany, the EBITDA margins be at par with the company average level that we are having? So next year, we'll break even. But when do we reach the company level of margins? Is it '25, '26, which year you think?

Sunil Agrawal: So we created the model, but that model is not in front of me and I would not even give the guidance such far out. So that's a good question, Sachin. We can't give guidance on that.

Sachin Kasera: The other question is related to Japan. You said at some of time start in Japan. So, is it that once at least Germany reaches almost closer to the company averages, then we look at a new venture because as we mentioned, that new venture has some sort of investment impacting margins. So, internally, what is the type of numbers we are looking? Are we looking at least Germany reaching the company level before we take up any other large one like Japan?

Sunil Agrawal: Yes. So we look at Japan approximately three years' time from now.

Moderator: We have next question from the line of Abhilash Hiran, an Investor. Please go ahead.

Abhilash Hiran: Sir, can you explain why the full power OTA are 10 times more expensive than the low power OTA? And you had also mentioned that they're productive around 6 to 8 times the normal cable. So can you explain that in detail?

Sunil Agrawal: So, the full power OTA are affiliated with the CBS, ABC, NBC or FOX. So, they have a lot of audience available to them because they are linked to the national programmers. And therefore, they have a large distribution, they're large companies as well and customers who would want position on their platforms. They are on low power, they have no national affiliations and they are very small players, so no large customers are looking to distribute on them. So, full power OTA has more leverage into getting the better prices themselves, but still at our spend to sales ratio, they are very profitable for us.

Abhilash Hiran: Yes. So, sir, out of the 75 million households in the US, can you give the breakup on full power OTA, low power and normal cables, what will they generate to the Company?

Sunil Agrawal: Yes, let me look at it. Nitin, do you have the data of how many -- 70 million OTA homes, how many are full power and how many are low power? How many homes? We are in 70 million homes in OTA, of that how many are full power and how many are low power?

Nitin Panwad: So, out of total 22 million OTA homes in US, so low power is 17 million and high power is 4 million.

Abhilash Hiran: Nitin, how many high power units are still left to be penetrated? Like what will be the number of households -- total households in the overall 75 million US households?

Sunil Agrawal: So, 22 million, Abhilash. So, total 22 million OTA homes, where all of those homes have full power as well as low power. So, there are for example, when you look at the channel like antenna, where no cable is needed. So you get about 30, 40 channels there. So of the 30, 40 channel, the top five have our full power and the rest of them are low power.

Abhilash Hiran: And sir, can you give the same numbers for UK and Germany?

Sunil Agrawal: Yes. In UK, how many hours are for freeviews?

Nitin Panwad: 17 million.

Abhilash Hiran: And sir, in this non-jewelry segment, you had mentioned that non-jewelry segment has higher customer acquisition costs. So why is that, sir?

Sunil Agrawal: Higher customer acquisition number, not the cost.

Abhilash Hiran: Okay.

Sunil Agrawal: More from non-jewelry than jewelry.

Abhilash Hiran: They acquire more from non-jewelry.

Moderator: We have next question from the line of Hina Parekh, an Investor.

Hina Parekh: Actually I just had a few questions. I wanted to know the split between jewelry and non-jewelry products in terms of revenue?

Sunil Agrawal: So, it's split between jewelry and non-jewelry in what?

Hina Parekh: In terms of revenue?

Nitin Panwad: Let me take this question. So, I said in the remarks, so currently, it is 28% revenue comes from non-jewelry products and remaining they were jewelry products.

Hina Parekh: And what is the EBITDA margin for jewelry and lifestyle products?

Nitin Panwad: Hina, we don't monitor separately. We have interval, but we don't monitor separately that EBITDA margin for jewelry and non-jewelry. We consider as overall performance of the product based on their productivity, how the productivity is coming to reach item code.

Hina Parekh And so, I mean, any estimate for the EBITDA for the next three to five years collectively?

Nitin Panwad: Hina, as Sunil also mentioned that we don't give the guidance on EBITDA. But definitely that in coming years that we will see operating leverage as revenue grows in coming years.

Moderator: We have next question from the line of Aditya Mehta from G. K. Capital.

Aditya Mehta: Yes. Hi, sir. Thanks for the opportunity. So, apologies if my question might sound bit repetitive. As for next year, we are giving a guidance of 8% to 10% growth. So, any just broad range of guidance, where we'll be at an EBITDA level, just a broad range?

Sunil Agrawal: So we'll have strong leverage over current year, Aditya. We don't give guidance on EBITDA level. But having been at 15% kind of EBITDA in the past, our aim is to get to that number as soon as possible. But we will be next year, I don't think it will be 15% next year, but we will get there pretty soon.

Aditya Mehta: So next year, most probably we will be in the double-digit range, is it possible?

Sunil Agrawal: So we don't give guidance specifically, Aditya. But we'll have definitely leverage over current year and strong leverage over current year.

Aditya Mehta: And sir, secondly, on the market share gains, so how are our peers performing in the respective markets?

Sunil Agrawal: Yes. So we've gained market share consistently over last 10, 12 years that you've been on air, and we are seeing the same in current financial year as well. So, we recently tried to look at it. Some of our competitors have not published their numbers yet. But whoever has published even the September numbers, we have seen for the nine months rolling, we will gain market share against all of them. I can't say all of them. One company called ASOS, so they have shown a flat year-over-year growth, but they had also acquired some companies locally in the UK last year. So, we couldn't really split out their acquisition versus their own like-for-like. But otherwise, when you look at other competitor, we gain market share against them.

Aditya Mehta: So currently we might be around 2% to 3% market share?

Sunil Agrawal: Yes, between that.

Moderator: Thank you. As there are no further questions from the participants, I'd now like to hand the conference back over to Mr. Sunil Agrawal for closing comments. Over to you, sir.

Sunil Agrawal: Thank you, Bikram. So I want to thank all the participants for your time and great questions. And I also thank you for your support to VGL during last past years. If you have any further questions, please feel free to reach Prashant Saraswat at VGL or Amit Sharma at Adfactors PR India, and we'll be happy to answer your questions. Thank you once again.

Moderator: Thank you very much sir. Ladies and gentlemen on behalf of Vaibhav Global Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.