“Vaibhav Global Limited

Q4 FY '23 Earnings Conference Call”

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MANAGEMENT FROM 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 Q4 and 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 call, 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 Limited earnings conference call for the quarter end and full year ended 31, March 2023. 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 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, I 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 detailed statement and explanation of these risks are 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. Ladies and gentlemen, thank you all for joining us today on this earnings call. It is my pleasure to share Vaibhav Global Limited performance for Q4 and FY '23 today. I hope you would have reviewed both our results and the presentation that provides details on the business operations and the current market conditions. We sincerely apologize for any inconvenience caused due to the short duration between the release of the results and the earnings call.

Let us begin by discussing the quarterly performance. Sales for the quarter were INR693 crores, an increase of 1.1% from INR685 crores in the fourth quarter of last year. However, our top line had a stronger growth of 39.2% over last pre-COVID period of Q4 FY '20, which is a CAGR of 11.7% during this period. The top-line performance was in line with our guidance but could have been better given the continued macro environment weighing on consumer sentiments.

Our vertically integrated supply chain, combined with a strong global sourcing reach, provides us with a competitive advantage and allows us to maintain a robust gross margin at 61%. EBITDA for the quarter has been at 8% of the revenue versus 6.9% in Q4 of last year. Y-o-Y improvement in EBITDA is on account of operational efficiencies and cost rebase activities. Sequentially, the margin is lower, owing to relatively leaner season vis-a-vis Q3.

I would now like to touch upon each of our addressable retail markets. In the UK, economic headwinds continued with subdued consumer demand. This had an impact on revenue. However, we are taking all mitigating measures, like focus on lower-priced products, by increased airtime allocation for under 10 and under 20-pound products. In US also, the current macro challenges are weighing down consumer sentiments and resultant demand.

We are continuing to augment our reach by adding more TV cable and OTA households. And today, our coverage in US is higher by 4 million households Y-o-Y. We have also initiated additional marketing in OTT or connected TV homes where the customer LTV is very high. We believe in seeding investments for long-term growth. Recently, Salesforce marketing and Salesforce service clouds have gone live in US and UK.

Now our website, marketing and customer service portals are all integrated. This enables us to give a great customer experience through integrated e-mail, SMS, chat, website targeting for upsell, cross-sell as well as precise retargeting on web, etc. Our strategic partnership with Vodafone Cable Networks in Germany has enabled us to extend our reach to additional 13 million households, thus expanding our presence to approximately 90% of total households in Germany and Austria. Having achieved this milestone within 1.5 years of launching retail operations is encouraging and positions us for much stronger future growth.

Our continued market share gain across territories demonstrates our ability to adapt and navigate any economic environment. Our vertically integrated supply chain has worked well for us. The low-cost manufacturing and value sourcing enables us to serve value-conscious customers in our addressable markets in US, UK and Germany, thus achieving industry-leading gross margins. Besides lower costs, our vertical model also helps reduce new product turnaround time, excellence to retailing opportunities and better control of design and quality of our products.

Our 4R'sframework comprises of reach registration, retention and repeat purchases forms the basis for driving operational performance. The reach of our TV networks by the end of FY '23 was 141 million TV homes, which was 124 million in FY '22. That is 14% higher Y-o-Y. We reach TV homes through cable, satellite, telco networks and over the antenna-based TV platforms. Our products are also available on digital channels, including all proprietary websites, smart phone apps, OTT platforms, marketplaces, influencer marketing and social direct response.

New registrations during 12 months were 3 lakh compared to 3.18 lakhs in FY '22. This is significantly higher by 69% over pre-COVID period. 57% of new customers were acquired digitally versus 56% in FY '22. Customers bought an average of 23 pieces on TTM basis versus 27 pieces in the corresponding period of previous year. Finally, our retention rates stood at 38% on TTM basis compared to 40% of FY '22. Both repeat and retention were slightly lower due to higher price points and adverse economic environment.

At Vaibhav Global, we recognized the importance of creating a positive and conducive working environment for our employees. During March quarter, Vaibhav Global Limited India was recognized with a Great Place to Work certification for the 6th consecutive year. On sustainability front, this quarter, we distributed 100 additional e-scooters to employees free of cost for official public purpose. With this, a total of 184 e-scooters have been distributed, resulting in a reduction of 12 buses from the fleet having approximately 70 tons of carbon emissions per year.

This quarter, we touched a milestone of generating 11 million units from our solar power plants on cumulative basis. As stated earlier, we intend to become a carbon neutral in Scope 1 and Scope 2 greenhouse gas emissions by FY '31. Further, I'm delighted to share that VGL's SEZ unit in Jaipur has been certified as net zero energy building status by IGBC. This is a major achievement by VGL and till date, only 15 projects across entire India have been certified so.

I would like to take a moment to share our continuous efforts of giving back to society. Through our "Your Purchase Feeds" program, we have served approximately 70 million meals to underprivileged children in India, US, UK and Germany till date with current run rate of 50,000 meals every school day. This initiated alliance with our values of corporate social responsibility and making positive impact on the communities we are part of.

Amidst the current macro-economic challenges and the ever-changing landscape, our outlook for the future remains positive. I would like to reiterate our current guidance and outlook for the business and are confident to deliver 8% to 10% revenue growth in FY '24 and to deliver mid-teens revenue growth in subsequent periods with decent operating leverage. We remain committed on maintaining balance sheet strength, alongside returning meaningful cash to shareholders. The Board has recommended a final dividend of INR1.5 per share, which is subject to shareholder's approval. Including interim dividends, total dividend payouts against earnings of FY '23 would be INR6 per equity share.

With this, I now hand over the call to Nitin to discuss financial performance. Over to you, Nitin.

Nitin Panwad: Thank you, Sunil. Good evening, everyone. Let me now start with the discussion on quarterly financial part. Revenue for the quarter was INR 693 crores, a year-over-year growth of 1.1%, which was in line with our guidance. Our focus on offering value conscious buying, auctions have resonated well with customer demand. In comparison with Q4 FY '20, the growth is 39.2%, implying a CAGR of 11.7%. Had the broader economic environment been favourable, the performance could have been relatively better.

In local currency terms, Shop LC US and Shop TJC UK, had decline of 12.1% and 4.6% respectively in sales. The decline in sales is attributable to weakened consumer sentiment, inflationary environment, particularly energy in UK and recessionary fear in US had an impact on the demand. However, we believe this is to be temporary in nature. Germany is scaling up well with revenue and customer numbers increasing every month.

Having associated with Vodafone, one of the largest cable TV network providers in Germany, the growth has further accelerated recently. Though we expect a short-term impact on profitability due to the additional airtime cost, but the same will be covered up in future as revenue from new households starts to kick in. At operating level, we are confident we will break even in this territory by H2 FY '24.

For the quarter, our TV revenue was INR409 crores and digital revenue was INR256 crores. Year-over-year, TV revenues declined by 1.7%. However, digital revenue grew by 2.1%. Against pre-COVID period of Q4 FY '20, the growth is encouraging, with TV growing by 25% and digital by 51%. TV refers towards proprietary TV channels that includes free-to-air channels and its OTA platforms. Digital includes our proprietary website, shopping apps, OTT platforms, marketplaces and social commerce.

Digital continued to perform better than TV segments owing to wider discovery potential. Our core focus is to promote and encourage customers to transact on both TV and digital platforms, which gives them a unique shopping experience and such omni-channel customers tend to have significantly higher customer lifetime value than customers that buy only on TV or only on digital. For financial year '22-'23, the budget pay revenue mix was 39% of retail revenue. During inflationary environment, budget pay offers affordability to customer to buy even high-ticket size items with ease.

As far as our product mix is concerned, jewellery accounts for 73% of our total retail sales and thus 27% comprises of lifestyle products, which includes apparel, home decor items, beauty and accessories. Gross margins during the quarter came in at 61% owing to our vertically integrated business model. EBITDA margin for the quarter was 8% compared to 6.9% of Q4 FY '22. Historically, Q4's EBITDA margin had always been lower than Q3 being a linear period versus Q2, it is at par. Efficient pricing, product mix and continuous cost rationalization were key focus areas of the Group during last year and we endeavour to continue the cost rebase momentum in future as well.

Profit after-tax for the quarter is INR23 crores against INR27 crores of last year. Operating cash flows were at INR126 crores for FY '23 against INR86 crores of FY '22. Free cash flow of INR90 crores in FY '23 against negative INR214 crores of last year shows the impact of capex reverting to normalized level. ROE and ROCE of 9.1% and 14.4% respectively reflects impact of subdued profitability during the year.

The Board has paid dividend of INR4.5 per equity share during the first nine months of FY '23 and have further recommended final dividend of INR1.5 per share, subject to approval of shareholders. We are committed to creating enduring value to its stakeholders by striking a harmonious equilibrium between growth, investment and regular payouts. As we move forward, I would like to reiterate our earlier guidance and outlook for the business and are confident to deliver 8% to 10% revenue growth in FY '24 and to deliver mid-teen revenue growth in subsequent periods with decent operating leverage.

With this, I will hand over back to the moderator.

Moderator: Thank you very much. The first question is from the line of Ankur Kumar from Alpha Capital. Please go ahead.

Ankur Kumar: Congrats for a decent set of numbers in a tough environment. Sir, one question. When you say we will expect decent operating leverage, so we at our peak, we made 15% EBITDA margin. So, you think we can reach that number over, say, a two-year's period?

Sunil Agrawal: Thanks for your question, Ankur. We would strive to reach back or cross 15.3% that we achieved in FY '21, but we are not giving specific guidance how soon we'll reach that. But our effort would be to reach there as soon as possible.

Ankur Kumar: Got it, sir. And sir, for the coming year, what kind of employee costs increase, and other expense increase can we expect, because you're saying revenue will grow 8% to 10%. So, I just wanted to check on these two numbers also, about expected growth on these numbers.

Sunil Agrawal: The employee growth and...

Ankur Kumar: Yes, employee growth and other expenses, because other expense would include logistics also which should have come down. So, what kind of numbers can you expect on these two fronts?

Sunil Agrawal: So, they will grow lesser than the revenue growth. Therefore, the leverage. We are not giving specific guidance on specific expense heads, but leverage will come because we will grow lower than the revenue growth.

Ankur Kumar: Got it, sir. And sir, on Germany side, we were talking about breakeven from the second half. So, are we sticking to that number? And what is our loss for Germany in this quarter as well as the full year?

Nitin Panwad: So, Germany right now -- so Germany, as we recently had our partnership with Vodafone, we have seen improvement in sales. So, we are keeping the guidance that by H2, we will make breakeven. But right now, we are around 60% of the sales need to be achieved. So, 40% that is required more, which is almost $1 million per month net sales additionally is required to get the breakeven numbers.

Sunil Agrawal: And what was the loss?

Nitin Panwad: So, loss last quarter is flattish compared to the same time of last year. It is almost around EUR1.5 million from there and it is similar as last year. However, in the presentation, if you see, there is a forex difference because of rupees for us is different. There's a gap of 0.3% down in EBITDA level. But in local currency terms, it is flattish compared to last year.

Ankur Kumar: Sorry, you said EUR1.5 million loss for this quarter?

Nitin Panwad: Yes.

Sunil Agrawal: That is in Q4.

Ankur Kumar: Sure, sir. Thank you and all the best.

Sunil Agrawal: Thank you.

Moderator: Thank you. The next question is from the line of Pradip Maity from RGI Private Limited. Please go ahead.

Pradip Maity: I want to know that why the company had decided to expand its new business at Germany and Austria? Why not in other countries? What are the advantages company look in the future in Germany and Austria if they can grow more?

Sunil Agrawal: Sorry, I could not understand your question. Can you repeat, please?

Pradip Maity: Yes, I can repeat. Why the company had decided to expand its new business at Germany and Austria? Why not in other countries?

Sunil Agrawal: Yes. So, thank you for the question. Germany is considered to be a large economy comfortable with long distance shopping. There is the television and e-comm shopping and the economy is bigger than UK and we had past experience in Germany. So, we felt comfortable going into Germany. Other markets in Europe, like Italy and France, they are smaller markets and in future, we may go into those markets as well.

Pradip Maity: And one thing, how the company will improve its net profit percent in the future? I mean, FY '24.

Sunil Agrawal: Yes. We are not giving guidance of net profit, but we do give guidance that we'll grow 8% to 10% this year with operating leverage. That means, if we are making 8% EBITDA last financial year, we will have higher EBITDA in this financial year that is FY '24, with 8% to 10% revenue growth.

Pradip Maity: Okay. Thank you, sir.

Moderator: Thank you. The next question is from the line of Aman Gupta from Kredent InfoEdge. Please go ahead.

Aman Gupta: Thanks for taking my question. So, the change in inventories of finished growth, so last year, it was like minus INR168 crores and now this year INR21 crores. So, I just want to understand like where like -- where this -- like have we added new inventory or -- other part of the country

Nitin Panwad: So, let me take that question, Aman. So, the inventory level which is showing increase over last year is mainly related to rupee's devaluation over last year. But in local currency terms, in US dollars, it has declined. And last year at the same time, we had a Group-wide $84 million inventory, which is reduced to $78 million in this year end. So, the impact you see is related to mainly rupee devaluation.

Aman Gupta: Okay. And what are your like marketing expenses like in digital and TV?

Nitin Panwad: So, affiliate cost comprises roughly around 8% of our business and digital marketing cost increased in last year, mainly related to our conscious investment in digital learning, expansion of new customers.

Aman Gupta: Okay, understood. And this D2C brand, that TAMSY and Rachel Galley, so what are the growth there? And why are you only targeting women which are 40 years above? Like why not the other women also?

Sunil Agrawal: Yes, this is Sunil. That's a good question. I'll answer that. So, our TV audience is largely 40-plus women who have time on their hand, and they have a need to get the company from live hosts from us. They have time on hand, and they are lonely. So, we give them a company, give them education, give them live communication. So, we answer, we call their name out. So, they feel engaged, and they watch us for a long time. So, our product development skills are geared towards that demographic. And that demographic is increasing in size and affluence in our geography that is US, UK and Germany. So, we remain focused on that demographic because that will continue to grow for many years to come. And that is what we have done for our digital channels as well.

Aman Gupta: Okay. And this TAMSY, the D2C brand, which we acquired TJC?

Sunil Agrawal: So that we initiated about 1.5 years ago. So, they are growing, not as fast as we would have liked because of the macro environment. So, we keep that we expect earlier planned investments into marketing. Even then they both are growing year-over-year in terms of revenue, still small base, but they are increasing in the revenue also from the cost perspective. So, the marketing spend as a ratio of revenue is improving sequentially year-over-year.

Aman Gupta: Okay, understood. Thank you.

Moderator: Thank you. The next question is from the line of Ankur Kumar from Alpha Capital. Please go ahead.

Ankur Kumar: One question on the logistics cost. Can you please tell what is the logistics cost for this quarter and the full year?

Nitin Panwad: So, let me -- so logistic costs...

Sunil Agrawal: Yes, I have the number. So, for the quarter, our shipping cost was about $6 million, compared to $9 million last year. And for the year it was about $25 million versus $33 million last year. This is the shipping cost at the retail level, not the shipping cost that does not include the shipping costs from our supply chain over to our carrier.

Ankur Kumar: Got it, sir. And sir, do we expect reduction in this to continue because things should have reduced in terms of cost?

Sunil Agrawal: So largely, the cost reduction was owing to the lower volume this period. There was some renegotiations that we were able to achieve with carriers as well, but largely with the volume reduction. So, the guidance that we have this year is to a similar price point and the volume will increase. So, cost will increase in proportion to the volume.

Ankur Kumar: Got it, sir. Thank you and all the best.

Sunil Agrawal: Thank you, Ankur.

Moderator: Thank you. The next question is from the line of Nayan Gala from Etica Wealth. Please go ahead.

Nayan Gala: Thank you for the opportunity. Actually, I joined a bit late. So, if you can just give a break-up of the revenue between TV and digital?

Nitin Panwad: So, TV and digital -- for the quarter, TV and digital...

Nayan Gala: For the quarter and full year, both.

Nitin Panwad: For the quarter, TV revenue was INR416 crores and INR250 crores for the digital. And TV has a de-growth of 1.7%, but we have growth of 2.1% on digital. For full year terms, we have INR1,699 crores TV sales for full year. And which sorry, INR1,633 crores sales for the full year which compared to INR1,699 crores of last year on TV. And digital, INR977 crores of sales compared to INR986 crores of last year. So, we have relatively lower de-growth on digital. For the full year, it is 0.9% de-growth on digital compared to TV it's 3.9% de-growth.

Nayan Gala: Okay. And in terms of the EBITDA margin, will there be a significant difference when the sales happen through TV or maybe through digital? So, what is the difference in terms of the margin?

Sunil Agrawal: So, let me answer. This is Sunil. So digital is pretty well connected with our TV business. Within digital, we have 3 components. One is the live streaming goes through digital platforms. The second is the catalogue. And the third is the auction, $1 auction or GBP 1 auction. So, the first 2 components, the TV as well as catalogue, their margin is similar to television. But the auction is much lower because there is a clearing mechanism of TV inventory, the tails and the dogs, which are left over that we pick through $1 auction because we are a vertical unit, we can't return that product back to the vendors. So, we clear most of those items through this $1 auction. And that margin is around 15% to 20% only compared to 50%, 60% in TV and web.

Nayan Gala: And sir, just wanted to know a rough figure as to the $1 auction that we do, that would be how much of the total yearly revenues? A rough estimate would be fine.

Nitin Panwad: So, 5% of the total business sales for a unit.

Nayan Gala: And over the year, this has been around this level, or it has gone down, if you can just comment?

Nitin Panwad: It is a relatively similar ratio.

Nayan Gala: Okay. And sir, I was just going through a presentation. In that, you have mentioned that you have tied up with Vodafone in Germany, wherein now you are targeting around 90% of households. So, if you can just help us understand the kind of opportunity that is there. And how we are going to, and what will be the timeframe for the same to capture this 90% of the household?

Sunil Agrawal: So out of 42 million homes, Vodafone is 13 million homes which is not completely 90%, but now we cover 90% of Germany and Austria after addition of Vodafone. Now the TV homes, they take anywhere from 6 months to 18 months to become mature. Now breakeven of those homes differ from platform to platform. Some platforms start to breakeven in 4-5 months and some platforms take 8 to 9 months to breakeven. So, this is still very new, and it is ramping up pretty good. And that's why we have a fairly reasonable confidence that we will breakeven in H2.

Nayan Gala: In H2 of FY '24?

Sunil Agrawal: Yes.

Nayan Gala: And sir, what is the capex amount that we have incurred? What is the capex amount that we are going to incur?

Nitin Panwad: For our Vodafone investment?

Nayan Gala: Yes, for this investment?

Nitin Panwad: So, it is opex. There's no capex in this. It is a broadcasting right. So, we pay it on a monthly basis what service we use.

Nayan Gala: Okay. And any similar plans in different geographies that we have?

Sunil Agrawal: Yes, we continue to look for additional airtime in US especially. There's still a lot of distribution on OTA that is still available to us. As we get opportunity, we continuously distribute. There's no such -- either way, availability, but whenever it becomes available, we have a team looking for that airtime and we find the opportunity, we take it.

Nayan Gala: Okay. Thank you, sir. This is all from my side. If I have some few questions, I'll come back to the queue.

Moderator: Thank you. The next question is from the line of Ritik Tulsyan from Concept Investwell. Please go ahead.

Ritik Tulsyan: I have few questions. So, in FY '23, we got a benefit of currency depreciation, right? And assuming this year, that is in FY '24, we don't get the same benefit. So, given that, how confident are you of achieving the guidance for the full year? Because if we see UK and US, the demand is not materially improving. So how confident are you?

Sunil Agrawal: So, our guidance does not take into account the exchange devaluation or exchange fluctuation. It is for like to like. So, we expect 8% to 10% in constant currency basis. And there may be some element of foreign exchange fluctuations that come in, but we have not factored that in at this time.

Ritik Tulsyan: Okay. And so, you have said that you are gaining market share. So, in which geographies you have gained market share? Is it all three of them or the specific UK and US only?

Sunil Agrawal: We look at our competitors who are in these geographies US, UK, Germany and who are addressable and publicly listed entities. And against those entities, we have gained market share consistently over last many years. So, the data I have in front of me, for the past four years, we have consistently gained market share.

Ritik Tulsyan: So, in both the geographies, UK and US, right?

Sunil Agrawal: Yes, UK, US and now as we are going into Germany, we are starting to include Germany as well in our operations.

Ritik Tulsyan: Okay. And sir, how was the growth in the month of April 2023? Like if you cannot quantify, but just give us some highlights on how was the growth?

Sunil Agrawal: We do not give a guidance on specific period, but we are confident of achieving 10% for the whole year in current financial year.

Ritik Tulsyan: Okay. And one more question I just had, that is, if I see the geography-wise margin differentiation, so in America, we have significantly low margins when we compare it with UK and India. So why is there such a gap between margins when we see when we compare it between geographies, specifically America and UK? So, what is the difference? What accounts for this difference?

Nitin Panwad: So, we have a similar kind of margins. You were mentioning about gross margins, right?

Ritik Tulsyan: The one we have uploaded in the results, the earnings before interest tax and exceptional items.

Nitin Panwad: So actually so for comparing to previous years, in Shop LC, we have the margins our higher labour costs and shipping costs that we are seeing as in US, the territory is quite big. Normally, our shipping cost is higher in Shop LC in US market. And in UK, it is much lower shipping cost that is coming in bottom line profitability better in UK in previous years. Also, the affiliate cost also in US is much wider and bigger market in affiliate side. So, affiliate as a post percent till compared to UK. In US, it is higher. So that is why in financial year '21, if you are referring or '22, the PAT margin in UK is better than US.

Ritik Tulsyan: Okay. That's it from my side. Thank you. Have a good year.

Management: Thank you, Ritik.

Moderator: Thank you. The next question is from the line of Rupesh Tatiya from IntelSense Capital. Please go ahead.

Rupesh Tatiya: Thank you for the opportunity. I haven't had the opportunity to go through the presentation yet. So sorry if my -- the data is there. My first question, sir, is what was our content and broadcasting costs for FY '23?

Nitin Panwad: The content and broadcasting for the full year, it is INR273 crores compared to INR233 crores of last year. That is the full year cost.

Rupesh Tatiya: And do you have kind of like what is the budget for FY '24?

Nitin Panwad: The budget actually it is related to Germany investment that we have done it. It was not as high airtime costs at that time. So, the new Vodafone venture we have taken it. So that will be additional over the top of it. But normally, we see based on the opportunity comes up, if any airtime is giving a profitability based on the cadence that we have decided, we're always ready to take the opportunity.

Rupesh Tatiya: But do you have kind of some range, sir, you can give?

Nitin Panwad: It's almost around $35 million.

Rupesh Tatiya: Okay. And sir, in annual report '22, you had this broadcasting rights of INR75 crores. So, what is the depreciation policy on that amortization or depreciation?

Nitin Panwad: So, it is a perpetual broadcasting right that we have for the perpetual period that we have taken it. So, we are amortizing it in 10 years.

Rupesh Tatiya: And what is the value at the end of FY '23?

Sunil Agrawal: So usually, it's a perpetual right. So, we don't really need to amortize. But as a prudent business principles, we are amortizing it over 10 years.

Rupesh Tatiya: Okay. Then sir, my second question is, can you give me the number of unique customers for FY '23?

Sunil Agrawal: So, what is your question?

Rupesh Tatiya: What is the number of unique customers for FY '23?

Nitin Panwad: It's 461,000 unique customers for FY '23.

Rupesh Tatiya: So that number have gone down, right? If my memory serves right, it was INR5 lakh for FY '22?

Sunil Agrawal: Good memory. They have gone down slightly and that is owing to higher price point. Our ASP was higher, and the economic environment was tough.

Rupesh Tatiya: So how do you see this number moving in FY '24 and then also FY '25?

Sunil Agrawal: We expect it to go up in FY '24 in coming years with additional Vodafone distribution that we have as well as the digital investments that we are making. We expect it to go up. We are not giving specific guidance, but we expect it to go up meaningfully in current financial year.

Rupesh Tatiya: Okay. Thank you.

Sunil Agrawal: Thanks, Rupesh.

Moderator: Thank you. The next question is from the line of Rohan Mehta, as an Individual Investor. Please go ahead.

Rohan Mehta: Hi, good evening. I'm sorry, I had got disconnected in between. So, pardon me if some of my questions have already been covered. Sir, with regards to our lifestyle products, how are we seeing Germany panning out compared to our past -- as against our past experience of UK?

Nitin Panwad: So, our lifestyle in Germany, as we are new in the Germany and we have a brand authority in jewellery, historically, we are doing past 40 years business in jewellery, we know, and we manufacture the products. So, we are more comfortable in initial period in jewellery side. However, the percentage to sales of lifestyle product is not as in UK similar in Germany. But as soon as we will see the customer behaviour on the lifestyle products then we'll start increasing the lifestyle share in Germany. But majorly, it is around roughly 18% to 20% of the Germany sales is through lifestyle products.

Rohan Mehta: Okay. And on the same lines, speaking of opportunities in Germany, is it too early to say if we are targeting any particular new segments to penetrate the German market apart from the ones you mentioned?

Sunil Agrawal: So LSP is a very wide segment. We continue to explore new product categories and bring those space to our customers. Your question is about the product or is it -- what is the question?

Rohan Mehta: So, about the end segments that we might be targeting to get into with the German market? Like you said, jewellery is right now at a particular state. So, if you have any other segments, end segments in mind with the German market?

Sunil Agrawal: Yes, we already distribute apparel, accessories, some beauty, and some home. And within these segments, they are pretty wide segments, and our buyers and merchants travel to all over the world. And when they find right opportunities, they bring those. And they also do the trend spotting and wherever they see something trending, they would bring those products in. There's a big space for us to explore and take the opportunity, capitalize on that.

Rohan Mehta: Right. Understood, sir. And sir, prior to this Vodafone acquisition, we had about upwards of 60%-odd of coverage in Germany in terms of households. And after the Vodafone acquisition, it has grown to around 90%-odd number of households. So, the differential that has been added was Vodafone exclusive to these households in Germany or was there also an overlap of this market share that we have gained? So basically, whether only new households were added, or can there be additional inflow of revenue from this new synergy from Vodafone?

Sunil Agrawal: Yes, it's largely exclusive because people have to pay upfront. They usually do not pay to two carriers on a monthly basis.

Rohan Mehta: Right. And sir, if you can just shed some light on the gross addition of households that we have had in the US, in the UK and now in Germany, except Vodafone, barring Vodafone?

Sunil Agrawal: US, we added 4 million new homes in the period in the quarter and UK was flat. Did I answer your question? US was 4 million and U.K. was flat and Germany 13 million.

Rohan Mehta: Germany was, sir? I'm sorry, I missed your number.

Sunil Agrawal: 13 million Vodafone homes.

Rohan Mehta: These are net of any households that we've lost, or these are totally new additions?

Sunil Agrawal: Yes, they are net.

Rohan Mehta: Okay. And just one last question. Our platform, is it only the platform that is the key differentiator vis-a-vis our competition or do we have any product? Is there a certain niche within our product differentiation also when compared to other similar companies?

Sunil Agrawal: The biggest thing is the value perception. We position ourselves as the best value player because of our vertical model and we keep competitively average price point lower than competitor. And within this, we excel in jewellery because of our long history and other products also bring in lower price points than competitors. Therefore, the value perception comes more.

Rohan Mehta: All right. Understood. That was all from my end. All the best. Thank you.

Moderator: Thank you. The next question is from the line of Ashish Shah from Business Match. Please go ahead.

Ashish Shah: Sir, I have a few questions on your Slide 19, which talks about your own brand portfolio. There's one data point where the current revenue mix is about 30%. Sir, could you give us a rough idea of what would this number be a couple of years back?

Sunil Agrawal: Just a moment. We don't have the data right now, Ashish. It has grown steady because we do focus on bringing products under certain brands so as to create affinity with that customer who likes a certain brand and the repurchase usually goes up if somebody really associates with the brand.

Ashish Shah: Correct. And sir, this revenue target mix of 50% by FY '27, does this dramatically alter your margins and working capital profile positively like over the next few years?

Sunil Agrawal: It improves repeat purchase of those customers. Margins, we are not seeing any meaningfully more margin in brand but the objective of brand is to create better affinity and better retention.

Ashish Shah: Okay. And sir, lastly, on that same slide, do you have any thoughts on acquiring any licensing or licensing brands to achieve the same objective or you would want to seed your brands, or do you want to pursue the more inorganic opportunities?

Sunil Agrawal: Usually, when you take up known brands, if you say, Disney or other brand, the margin that we need 60% is usually difficult in those brands. So, we would avoid brands that will not allow us our 60% margins.

Ashish Shah: Okay. And sir, one other question not related to this, you mentioned to the previous participant that our differentiation has been this lower ASP. However, ASP has gone up quite sharply. So, sir, any thoughts over there?

Sunil Agrawal: So recently, because of inflationary environment, lot of effect on the interest in gold products, like gold chains or gold rings or gold pendants. And you take benefit of those opportunity and offer to those customers. However, we believe that this is not a long-term phenomenon. As the business goes back to normal, ASP would settle back down a bit.

Ashish Shah: Okay, sir. Thank you very much.

Sunil Agrawal: Thank you, Ashish.

Moderator: Thank you. The next question is from the line of Aditya Mehta from GK Capital. Please go ahead.

Aditya Mehta: Hi, sir. Thanks for the opportunity. One of the previous participants asked about broadcasting and content costs. You mentioned INR200-odd something crores. So, could you please repeat that figure?

Nitin Panwad: So that was INR415 crores for...

Aditya Mehta: INR415 crores. Okay. So where do you see this cost going forward in FY '24 since most of the investments have been done right now?

Nitin Panwad: This cost will increase, but lower than the revenue growth that we are projecting.

Aditya Mehta: And about the employee cost?

Nitin Panwad: Again, lower than the revenue projections that we are projecting.

Aditya Mehta: Okay. And secondly, my question is with regards to do we have any data point from which we can compare the performance between OTT versus OTA means, because since the world is moving towards OTA on an experience over OTT is totally depend from an OTA? So, any data point like per household revenue in OTA versus OTT?

Sunil Agrawal: OTA is a similar number as cable home or satellite home. But OTT lifetime value is more than double of TV home because the app download, once they download the app and start interacting, there's a stickiness around app behaviour.

Aditya Mehta: So, any revenue per household number?

Sunil Agrawal: So, we look at lifetime value. So, it's about $1,500 on OTT versus about $800 on television.

Aditya Mehta: So approximately double of OTA?

Sunil Agrawal: Yes.

Moderator: Thank you. The next question is from the line of Parth Dalal as an Individual Investor. Please go ahead.

Parth Dalal: So, the question is, I'll take you back to the history, let's say, four years, five years back when management's opinion was that the business model of Vaibhav Global is such that we will grow faster during such unfavourable economic environment because people tend to move from the brand to the value provider like us. So, the question is, is there any change in the business model since now we are waiting for or anticipating the unfavourable economic environment to change to deliver for us. So, any change that has happened?

Sunil Agrawal: Yes, thanks Parth for the question. I remember saying that and I still stand by of gaining market share in any environment, whether it is a recessionary environment or economically robust environment that we'll continue to gain the market share owing to our value proposition. Now the current environment is a combination of multiple factors. The war nervousness, the inflationary environment as well as the recessionary fear and interest costs being up. So, people's disposable income has been severely impacted. Our product is still not necessity. It is discretionary. And in such environment, discretionary product will take a hit for all retailers of discretionary product. Compared to other retailers, we continued to gain market share.

Parth Dalal: And that is the reason I assume we are moving the focus towards the $10, $20 products, basically the low ASP products. Is it that reason?

Sunil Agrawal: Yes, especially in UK and Germany, we are seeing more impact of gas prices and the food cost and the interest cost. So, there we are giving more airtime for lower price point, and we are seeing customer interaction better in those price points.

Parth Dalal: Actually, I believe we could have done that, I mean, a couple of quarters back. But anyways, since we are doing it now. And another question, sir, is around the B2B. Again, I mean, years back, we were saying that it will reduce. But I think last two years, it has been increased. And if we compare this quarter year-on-year, had it not been B2B, we would have been in red in terms of top-line for the quarter. So how do you see that trending now?

Sunil Agrawal: So, we take opportunity because our manufacturing capacity was idle and our retail units were not fully lifting the product, our ASP went up. So, we did approach other retailers and they were happy to give orders to us and we took opportunity of the capacity that we have. Now for going forward, we'll continue to have the relationship with those retailers as long as we continue to get ROCE for those businesses. If that continues to give us ROCE, we'll continue to expand and capitalize on that because our capex for expanding on the capacity whenever we will need is relatively very low.

Parth Dalal: Okay, sir. Thank you. I'll come back in the queue.

Sunil Agrawal: Thank you.

Moderator: Thank you. The next question is a follow-up question from the line of Ritik Tulsyan from Concept Investwell. Please go ahead.

Ritik Tulsyan: Yes, thank you for the follow-up. Sir, I just have one question, that is, currently our run rate in Germany is close to 2 million-odd right?. And in the last con call you said that to achieve breakeven, we have to have EUR3 million run rate. So, with the Vodafone tie-up and investments we have made, are you confident of achieving that run rate or do you have to make more investments? So basically, I want to know the investment trajectory in Germany.

Sunil Agrawal: So, the current run rate is about 1.5 million. And as of this time, after Vodafone cost, it is about 2.5 million. So, we just need to achieve additional 1 million per month to reach breakeven. And that is what we believe in overall for the H2 we should be able to get there because we are seeing repeat rate, repeat purchase rate by the customers, existing customers as well as Vodafone customers. That gives us confidence to reach there.

Ritik Tulsyan: Okay. So basically, we will not have to make additional investments, a lot of investments?

Sunil Agrawal: No, there's no other capex or additional opex needed to reach there because we are seeing the repeat purchase behaviour of customers that we have acquired previously. And when we extrapolate that behaviour on Vodafone or other customers, we reach to the same conclusion that we will reach breakeven in H2.

Ritik Tulsyan: Okay, sir. Thank you. That answers my question.

Nitin Panwad: Thank you, Ritik. Appreciated.

Moderator: Thank you. Ladies and gentlemen, that would be our last question for today. I now hand the conference back to Mr. Agrawal for closing comments. Thank you and over to you, sir.

Sunil Agrawal: Thank you, operator. So, I want to thank all the participants for your time and great questions. If you have any further questions, please feel free to reach Prashant Saraswat at VGL or Amit Sharma at Adfactors PR India, and we all will be happy to answer your questions. Thank you once again. Thanks all.

Moderator: Thank you very much. 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.