"Vaibhav Global Limited Q2 & HI FY24 Earnings Conference Call"

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MANAGEMENT: MR. SUNIL AGRAWAL – MANAGING DIRECTOR, VAIBHAV GLOBAL LIMITED
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Moderator: Ladies and gentlemen, good day and welcome to the Vaibhav Global Limited Q2 & H1 FY24 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 '*' then '0' 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, Ms. Disha.

Disha Shah: Good evening, everyone and thank you for joining us on Vaibhav Global Limited Earning Conference Call for the Quarter and Half Year Ended 30th September 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 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 Q2 FY24 Earnings Conference Call. I hope you have reviewed our Results and the Presentation that details our business operations and current market trends.

Our Financial Performance in Q2 was in line with our guidance. At the Group level, sales for the quarter were Rs. 705 crores, showing an increase of 9.1% over the same quarter of the last financial year. Gross margins in Q2 FY24 came in at 61.4% of the revenue. Over the years, VGL has created a robust supply chain. We are the only company in our peer group that has its own manufacturing setup in addition to the global sourcing base. This vertically integrated supply chain has enabled us to consistently maintain gross margin above 60%. Better pricing and a focus on operational efficiency has enabled us to improve profitability margins during the quarter. EBITDA margin for the quarter was 9.5% of revenue versus 8.1% in Q2 FY23. In absolute terms, EBITDA was higher by 29% Y-o-Y suggesting operating leverage.

Let me now take you into each of our retail markets:

In Germany, our proprietary teleshopping channel, Shop LC will now be airing on HD channels in 13 million and 2 million households through Vodafone and Tele Columbus networks respectively. With these distribution arrangements, Shop LC Germany is now present in approximately 95% households, thus further strengthening our visibility and market share. We would like to reiterate that by H2 of FY25, we will be breakeven in Germany. Publicly available data suggests that broader macro challenges in the US have peaked out, with the gradual rebound in consumer demand and confidence. The UK economy, however, grapples with an ongoing cost of living crisis exacerbated by increased mortgages, rentals and inflationary pressure. Nevertheless, our endeavor is to engage with our existing customer better as well as expand our reach.

Today, our broadcast coverage is approximately 139 million homes, which is approximately 4% higher Q-o-Q. Furthermore, we have been streamlining our portfolio of branded products. In conjunction with our flagship umbrella brands, Shop LC and TJC, our in-house product brands, help us gain customer loyalty while maintaining overall margins. Presently, revenue generated from these branded products constitutes approximately 29% of overall B2C revenue with a target to increase this to 50% by FY27. This growth is expected to be achieved by integrating brands based on comprehensive metrics that consider factors such as price laddering, brand archetype, and unique offerings.

Further, the four R's that is "Widening Reach, New Customer Registrations, Customer Retention and Repeat Purchases" remain our key priorities for overall growth. The reach of our TV networks by the end of Q2 FY24 was approximately 139 million TV homes. We reach TV homes through cable, satellite, telco networks and over-the-air antenna, also called OTA platforms. Our products are also available on digital channels including proprietary websites, smartphone apps, OTT platforms and marketplaces.

New registrations in the trailing 12-month period came in at 3.1 lakhs. Our customer retention rate stood at 37% on TTM basis, vis-à-vis 40% of last year. Customers bought an average of 23 pieces on TTM basis. Our dedication to sustainability and community welfare continues to be our priority. I am pleased to share that this quarter we touched the milestone of donating 81 million meals to school children since the inception of our mid-day meal program called ***'Your Purchase Feeds…'***. We serve approximately 46,000 meals every school day. This initiative aligns with our commitment to making a positive impact on the communities.

During the second quarter, Shop TJC UK executed an asset purchase agreement to acquire the assets of Ideal World which includes its IP rights, broadcasting rights, studio equipment and other intangible assets. The purchase consideration of the deal was 1.125 million pounds. Ideal World, through its proprietary TV shopping channel, is in the teleshopping and digital retail of lifestyle products. Ideal World is one of the major teleshopping brands in the UK with a legacy of over 21 years. We expect that this transaction will create synergies and help us continue market leading growth.

Further, we also acquired 100% equity of Mindful Souls BV for a purchase consideration of EUR 12.5 million. Incorporated in Netherlands in 2018, Mindful Souls mainly serves United States, one of the largest e-commerce markets through its proprietary e-com website and marketplace. While more than 90% of revenue is derived from US, it also has presence in UK, EU, Canada and Australia. It primarily sells subscription boxes comprising fashion jewelry, gemstone, and lifestyle products. The company's performance over the period has been robust, having achieved an annual turnover of EUR 18 million, with a healthy PBT of approximately 10% in 2022. We expect Mindful Souls' native digital abilities to allow us to strengthen our digital businesses and create synergies for Mindful Souls through our deep sourcing and manufacturing abilities. Both acquisitions were funded through internal accruals, reflecting the strength of our balance sheet and strong cash generating business model.

We continue to reward our shareholders and despite major investments undertaken recently, the board has declared a second interim dividend for this financial year of Rs. 1.5 per equity share. We look forward to maintaining this fine balance between growth investments and quarterly payout to generate sustainable value for our stakeholders.

As I conclude, I would like to emphasize that over the period, we have executed resilience in our performance. Thanks to our recent acquisitions, we are now revising our guidance in FY24 that is the current financial year, we expect the topline to grow between 13% to 15% and in the high teens range in FY25 with decent operating leverage. We are confident in our business model, value proposition and execution abilities and hence in the mid to long term, we expect to maintain a revenue growth rate in the mid-teens range.

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 and welcome to Vaibhav Global's Q2 FY24 Earnings Call.

Our Q2 FY24 revenue reached Rs. 705 crores which shows year-over-year growth of 9.1%. US and UK sales in local currency terms were down by 3.3% and 2.2% respectively. However, in constant currency terms, revenue has grown by 4% year-over-year. Germany continues to fare well with increased household penetration and customer outreach. Germany maintained its growth momentum and revenue grew by 62% year-over-year. Having achieved 95% of household penetration in Germany within 2 years of operation is encouraging. We believe that with these building blocks in place, we will be breakeven in Germany by H2 of FY25.

In the current economic environment, we are still seeing that customers remain cautious about pricing and checking out deals with lower spending on discretionary items. Keeping this trend in mind, we continue with our value conscious product offering to match the customer's demand supported by our vertical integrated supply chain. During the quarter, our TV revenue has a growth of 2.3% year-over-year to Rs. 406 crores. Additionally, our digital revenue witnessed the robust growth of 13% year-over-year to Rs. 263 crores, underscoring our investment in digital platforms. TV revenue attributed 61% to our total return revenue with the remaining 39% is attributable to digital platforms. TV includes customers accessing our products through our proprietary TV shopping channels that are released via cable, satellite, and OTA. Digital refers to online purchases on our own proprietary website shopping apps, OTT platforms and social media.

Our core focus remains to encourage customers to transact on both TV and digital platforms, which gives them a unique shopping experience. Such Omni-channel customers generate significantly higher lifetime value than customers that either buy only on TV or only digital. In our overall product mix, the revenue contribution from lifestyle products was at 27% in Q2 FY24 which has significantly increased from single digit level a few years back. This clearly demonstrates our ability to expand wallet share by entering adjacent categories overtime. It is pertinent to note that lifestyle category has grown at a CAGR of 31% during the last 5 years. Lifestyle products categories include home decor, fashion accessories, apparels, beauty products, etc. This trend has also balanced our revenue streams.

Our budget pay feature provides customers with the convenience of buying on EMI's. During the quarter, the products sold via budget pay contributed 39% of total retail revenues. This feature has an added level of affordability for our customers. Gross margins in Q2 continue to remain strong at 61.4%. Profit before tax for the quarter is Rs. 41 crores, which is higher by 33% year-over-year. Our sustained efforts in operational efficiencies and better pricing have enabled us to consistently improve our profit margins during the last few quarters. We are committed to sustaining this positive momentum and delivering consistent value to our stakeholders. Owing to improvement in profitability ratios and prudent financial management, ROCE and ROE have also improved marginally and are 16% and 10% respectively.

Recently, we made two major acquisitions. The first acquisition pertains to execution of an asset purchase agreement to acquire assets of Ideal World Limited, a major teleshopping brand in UK with a brand legacy of over 21 years. I believe the combined synergy through an efficient and lean cost structure, we will be able to continue our market leading growth in the UK profitably. The second acquisition pertains to an e-commerce company, Mindful Souls, a Dutch based e-commerce company having sales presence in US, UK, EU, Canada and Australia. Its performance over the period has been robust, having achieved an annual turnover of EUR18 million with a healthy PBT margin of 10% in 2022 calendar year. We expect that this acquisition will allow cross learning with huge growth potential in the digital segment for us, wherein we could also leverage our supply chain and sourcing capabilities.

We remain cash accretive in each reporting period during the half year ended 30th September 2023. Operating and free cash flow stands at Rs. 85 crores and Rs. 55 crores respectively. At the end of Q2, VGL remain net cash positive with a balance of Rs. 26 crores after funding both of the acquisition internally. We strongly believe in creating value to our shareholders and are pleased to announce that the Board of Directors has approved a second interim dividend for the fiscal year of Rs. 1.5 per equity share.

To conclude, we have demonstrated resilience and strength in our performance. We are confident in the business prospects ahead of us and we will continue our growth trajectory with healthier margins in the long run. Having completed recent acquisitions, we would like to revise our revenue guidance. As Sunil just mentioned, in the current financial year, we expect our revenue to grow between 13% and 15% and in the high teen range in FY25 with decent operating leverage. Further, in mid to long-term range, we are confident of maintaining a mid-teen revenue growth. With this, I hand over the call to moderator. Thank you.

Moderator: Thank you so much. We will now begin the question-and-answer session. The first question is from the line of Shreyans Jain from Svan Investments. Please go ahead.

Shreyans J: Sir, congratulations on the two acquisitions, my first question is pertaining to slide number 44 where we are seeing that UK continues to face muted consumer sentiments and US receives gradual recovery, but when I look at your local currency Q-o-Q, UK infact has done better than US, so just wanted some sense on what are the markets looking like individually? UK has grown about 11% odd, whereas US we see recovery, we have mentioned in the presentation we will be seeing recovery, but the number looks to be weaker versus UK, so just wanted some sense on divergence?

Sunil Agrawal: So, slide 44 is of the economy as such, not our individual groups numbers. For UK, from 30.9% ratio has gone down to 25% that is the e-com contribution for overall retail and US slightly improving to 15.5 from earlier 14 percentage market share. So, the UK continues to face overall macro challenges, as well as e-com is facing more headwinds than overall retail. So, UK does have macro challenges and in this environment, we have bought Ideal World at a great value, and we believe that we can add substantial value to VGL group through this acquisition. Standalone TJC itself will grow as per our guidance for next financial year and within this financial year, we are giving guidance of 13% to 15% growth overall for the business with this acquisition. Now, without the acquisition, we will continue to grow, we will stay with our original guidance of 8% to 10%, after acquisition it will be 13% to 15% growth combined at both units. Now to your question, how does US' economy is better than while we are not, because in economy as such in US is still doing a little bit better, but TV shopping has not done well because people have moved out and they are spending more on experiences rather than products, even on product- they are buying only essentials, but discretionary spend is still a bit subdued. Even Amazon, they recently declared their results, they shared that their essentials they have done well, but discretionary has been a bit challenging for them as well.

Shreyans Jain: My second question is sir, on the acquisitions, so we understand Ideal World was already facing some issues, but what we understand is Mindful Souls was doing really well and they are growing at growth rate of approximately 100%, so just wanted to understand the rationale for this promoter selling the company to Vaibhav?

Sunil Agrawal: Many of the e-com companies' promoters, they go from venture to venture. So, they sold this venture to us along with their 42 people team, and they went on to the next venture. So, they have another venture of snacks or crochet, the knitting and the three other ventures story. So, they sold the biggest venture and more successful venture to us, got the cash and then they went on to grow other ventures. So, that is the environment in Western world, like these entrepreneurs or people come with the idea grow in themselves.

Shreyans J: Sir, my last and final question is on the balance sheet, so when I look at your cash flow statement, there has been some decrease in other assets, but when I am looking at the balance sheets for this September versus March, whereas September last year, I don't see any decrease in other assets, but there has actually been an increase, so that was one and second is we see an entry of gold loan, so just wanted to understand even that number?

Nitin Panwad: So, other asset is long-term deposits that we have. We have kept those deposits in the US. So that deposits were redeemed, so that is why it is a movement in other effects and the other question is gold metal loan, which is the facility we are getting. Before, we were importing the gold from outside India which peaks at a target time, but now we are getting this facility locally. It saves time and the cost also in terms of freight rate. So, the gold metal loan facility from banks that we are getting, and we repay within a month right now.

Shreyans J: Sir, coming back again to the deposit, where was it in the March quarter because it has not been a significant increase from your March number, so just trying to understand that?

Nitin Panwad: Yes, it was with us for a couple of years, we had a long-term deposit that we had it. We haven't redeemed those deposits because it was not required, and with the recent acquisition it was required. So, that is why we redeemed those deposits.

Shreyans J: And sir last is this Rs. 29 crores of CAPEX, what is this for?

Nitin Panwad: So, out of Rs. 29 crores, Rs. 12 crores is related to the asset purchase agreement from Ideal World and the remaining is related to our intangible assets which is the IT applications and upgradation of other softwares.

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

Ritik Tulsyan: Sir, so my first question is, so if we see in the IP, so our own brand contribution is 29% of B2C, right, so if you can give any view on how we are doing in terms of customer retention and growth in the customer base for our own brand, so that is my first question?

Sunil Agrawal: So, I don't believe we have separate numbers for a brand customer or non-brand customer yet, we haven't broken that down, but we are seeing that a slight margin benefit to us in brands and also, we understand bit from customers the brand affinity when they develop, they stay longer. I am not sure if you have data on that separately. So we have data?

Nitin Panwad: No, we don't have that data readily available.

Ritik Tulsyan: So, if you can give any qualitative figure like internally how is it doing better than your expectations, or you think it can still get better if you have any internal expectations regarding your own brands and how will that turn out?

Sunil Agrawal: They are definitely valuable to us because that is why we have given the guidance of 50% of brand revenue by FY27, reducing benefit in terms of better margin and also customer affinity, so better lifetime value.

Ritik Tulsyan: And my next question is, so like if we see TV growth has been quite muted this quarter as well, so like when do you expect it to get better like from the other, the coming two quarters or you think it can get better in FY25 if you have any view on that?

Sunil Agrawal: So, the coming two quarters will be better because we have given the guidance as higher guidance as we have given 8% to 10% growth as like for like guidance for this financial year. We expect Q3 and Q4 to be better for television as well as e-com, both of them and next year definitely noticeably better for a few reasons, one is that we have got some extra airtime that we have taken in the US and second thing, we expect the economy to stabilize as I mentioned in my comments that the US economy seems to be moving up and people are coming back to the normal life and people went away quite aggressively for experiences last year, year and a half and when they have had their fill of their experiences, they will come back to normal life and spend at home or watching our programming on television or through streaming.

Ritik Tulsyan: And do we have any other M&A lined up in the pipeline which we can expect to get closed in the coming two quarters if you have anything?

Sunil Agrawal: No, nothing in the foreseeable future.

Ritik Tulsyan: So, my last question is you have elaborated in your investor presentation that we got benefit of 1.1% from logistic cost negotiation, right, so if you can elaborate a bit more on that what was it if that is possible?

Nitin Panwad: So, we have around 1.1% benefit in the margin side from logistics side, partly related to the lower volume and partly related to our operational efficiencies in terms of clubbing the orders and negotiation with the carrier partners.

Moderator: Thank you. The next question is from the line of Nilesh Shah from Envision Capital. Please go ahead.

Nilesh Shah: Sunil, it would be helpful if you can just throw some light on the two acquisitions, what has been our rationale behind these acquisitions and both qualitative and quantitative perspective in terms of what is it that we hope to achieve through these two acquisitions in terms of synergies and how these acquisitions will accrue value to us, so if you can just kind of throw some light on that, please?

Sunil Agrawal: Ideal World has 21 year of brand recognition in the UK market much before we came on the scene, and we got phenomenal value at a great price of 1.125 million pounds whole brand and the customer list of 480,000 customers that they had, and we also got a channel position. So, we get visibility into the consumer mind for very low value and with our sourcing capabilities, we expect this to become profitable within a year. So, this will add the revenue as well as to the bottomline in coming years for us. The second brand, Mindful Souls has two benefits, one is the digital learning is in the digital native brand. We are TV/E-com company and digital native brand is coming from a bit different angle and we wanted that learning within the company. We were developing that learning as well but getting that learning from outside will definitely help us. Second benefit that we had was in the subscription business. So, on average that customer buys 6.5 months, so whenever they enter the business, they continue to subscribe for 6.5 months. These are assured annuity business in that model, and we wanted to learn that annuity because we don't have it yet. Third thing is there is a leverage of supply chain because the product that we were selling, we were already manufacturing or sourcing. So, we can use our skill and leverage to better cost manage that. There is already a 10% EBITDA business, and we expect that we can take that business to 14%-15% EBITDA very quickly.

Nilesh Shah: My second question is around the margins, so from a peak of 15%-16%, we went all the way down to maybe 6%-7% and from there, the margins have witnessed a steady recovery to about 9%, I am just kind of trying to understand that are there any kind of very visible low hanging fruits that we see for the margins to kind of go from 9% to whatever the earlier highs of 15%? Or is that just going to be purely a function of scale that as we grow at our guided rate, the margins could go back to the earlier levels or are there any specific levers that we can see which will help us to kind of see further improvement in the margins apart from, of course also the fact that you expect Germany to breakeven by H2 FY25, so apart from Germany and scale, are there any other levers that we currently see, which will help us to kind of recover or claw back some of those margins?

Sunil Agrawal: Good question, Nilesh as you rightly said, Germany will be one of the majors because it is still right now in the build-up phase and is negative to our margin base that will help, the scale will definitely help as you have seen in the last few quarters as we have scaled whatever the revenue growth, the margin growth has been more than that. This model is a beautiful model when it grows, and it fits adversely when it degrows. So, as we expect the growth to continue, our margin will continue to be leverage for us. Other than that, we continue to look for a product line or within product categories, any particular space that we find with better margin, we continue to look for that. We also stay away from products that doesn't give margin, for example, there was a proposal that came and there was a lot of discussion around selling gold bars like small one ounce gold bars or 10-gram gold bars. This is huge sales velocity by Costco or Walmart on the gold bar, but that would have been a lower margin business and we stayed away from that because we stayed with only 60% plus kind of product margin. So, we constantly look at product offering to us, category to us and look at the opportunities to expand the margin. So, even when we had inventory change last 2 years, because consumer taste change and we had to make the changes to inventory, we didn't need to go below 60% owing to our ability to source competitively and be agile and we will continue to explore that and leverage that as opportunity comes.

Moderator: Thank you. The next question is from the line of Pritesh Chheda from Lucky investment Managers. Please go ahead.

Pritesh Chheda: Sir, I have one question, when I was looking at your presentation, I couldn't find the customer count number, can you share what is the customer count number now, the active customer numbers which you gave?

Nitin Panwad: Active customers are 450,000 trailing 12 months, 30th September.

Pritesh Chheda: So, now my associated question here is, the customer count number is what we are not seeing improvement. From our P&L, we landed up spending about 5% to 6% of our EBITDA margin on cost buying more airtime and second spending on the digital side being omni present or omni-channel and we tried to pick up some customers, any reason why we don't see those spends still translating into customer and how are we looking at this matrix? How are we looking at improving the matrix on the customer count number, now this 450 also obviously includes Germany I think, so if I recall pre-COVID, we were at about 350-360, then we went to a certain higher number and then that number curtailed down to 450 number, but this 450 number include Germany now, so if you could spend some time on this part, some time on the margins that we had used to acquire some airtime, some digital spend, yet not translating into customer, it would be very helpful if you could give some comments there?

Sunil Agrawal: So, customer count is reflector in our business of the overall on television and e-com. So, during COVID, we had a good captive audience, and our customer count was quite substantially high on the back of high audience and after COVID, when economy opened up, people were hungry for experiences. People traveled quite aggressively, and during that experience we lost that audience and therefore the customer count was lower than the previous year. Having said that, even after including Germany, our customer count for US and UK put together is higher than pre-COVID period. I don't have the number with me, maybe Nitin can pull it out and give it to me but that number is noticeably higher than pre-COVID period and we expect the numbers to come back to normal numbers after the people settle back in their daily lives. We would also appreciate that our average price point went up on the back of us offering little higher price points owing to addressing the inflation addressing products and as we see in the long run, our average price point will come down, volume will go up and the customer count will go up.

Pritesh Chheda: What you mentioned is a forecast, what strategies have you changed to deliver that forecast? And my other question was why are we not seeing it still happening in the last 2 years despite spending 5%-6% to our sales margin and spending on digital?

Sunil Agrawal: So, we take up airtime distribution whenever we get the opportunity, we don't wait for that and we don't really hold back our investments because these are very long-term relationships people build and whenever the opportunity comes, we take it and the opportunity came to us and we took it in the US and UK in last 2 years when they presented themselves and digital spend is constant, we are doing constant spending, so we will continue to do that, but again I reiterate compared to the 2019-2020 which is pre-COVID period, our customer count is noticeably higher. After the call, our team will take out the number and share with you how much is the trailing 12-month basis. I see it here, the UK was 150 in Q4, what is Q3 number?

Pritesh Chheda: How much is your Germany count, if you can tell in this 450?

Sunil Agrawal: Germany is 53,000.

Pritesh Chheda: So, which means that your UK and US number has moved from 350-360 to 400 K about 40,000-50,000 addition, but Sunil, the amount that you have spent from the P&L is much higher, so all these customers have come really expensive, are we looking at that?

Sunil Agrawal: Yes, so we look at all the affiliates that we do, we look at very closely, 1 month, 3 months, 6 months, 9 months, 12, 15 and 18 months. So, we have criteria already in place. If those markets don't work for us, we are away from those markets and that churn constantly happens, a bit of a churn, not a whole lot, but that churn happens. So, we are very careful about how much we spend, where we spend and on digital, the customer lifetime is shorter and the cost per customer acquisition, different channels is in our visibility constantly and we spend based on what the customer lifetime is worth for us. So, we are quite careful about that, but we have to be cognizant of how the economic macro conditions are and what the average price point we are currently dealing is. As you would appreciate with 400,000 customers in UK and US, our ASP is noticeably higher compared to pre-COVID period, therefore the revenue growth compared to pre-COVID period.

Pritesh Chheda: Are you going to relook at some of these spends because one of the previous participants who asked out margin lever, you said growth is the only margin lever, which means you are not going to relook at these spends, these are interpretation that I have to do or what is the change in incremental strategy that you want to deploy or your forecast of customer count to go up?

Sunil Agrawal: Yes, we don't give forecast for customer count, or we don't give guidance to customer count because the business is so dynamic.

Pritesh Chheda: So, directionally, you mentioned right incrementally you see customer count going up, volumes going up, pricing coming down?

Sunil Agrawal: Business is so dynamic, so we look at overall balance between ASP and the customer count, new customer acquisition and total unique customers and average selling price and the total revenue growth and total margin growth. There are multiple variables we look at on very regular basis, on a daily, weekly basis and we fully expect to meet our guidance of 13% to 15% growth this financial year and high teens for next financial year.

Pritesh Chheda: So, on the margin side, we will not see any cutting down of any cost, right? It is just pure sales growth which brings in everything?

Sunil Agrawal: Because we look at the costs on a weekly basis, in fact time involved into weekly basis of this affiliate cost structure and we look at the numbers, we look at very minutely, what market is working, where we need to get out, where we need to double down. It is a constant process on weekly process wherever we can come out and get better costs, we get the better cost. There can't be guidance on that. We will cut so much percentage of the airtime cost. There cannot be any guidance on that.

Pritesh Chheda: And when you said 13% growth for FY24, this includes these acquisitions, right?

Sunil Agrawal: Yes, so without acquisition it will be 8% to 10%, with acquisition will be 13 to 15% growth.

Pritesh Chheda: So, you have moved up your number from 6 to 8 to 8 to 10 now, right? That is how it is?

Sunil Agrawal: That was moved last quarter only, last couple of quarters, 8 to 10% for this financial year without acquisition, with acquisition it is 13 to 15% this financial year.

Pritesh Chheda: And next year also it is high teens, right?

Sunil Agrawal: Next year, high teens with leverage.

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

Rohan Mehta: First, I wanted to ask your opinion on what is the impact of this geopolitical tension in and around Israel is likely to be on our operation since we are spread across various geographies, has there been any noticeable change in consumer sentiment or any other impact that you may foresee of this?

Sunil Agrawal: So far, we haven't seen any impact on the business at all. I can understand the impact on the people's psyche, and people's dissonance and instability, I understand that, and I feel for the people who have suffered, but from a business point of view, we haven't seen any impact so far.

Rohan Mehta: So, in terms of discretionary spending, it is not likely to impact our target demographics, is it?

Sunil Agrawal: So, far it hasn't, unless the conflict widens to Middle East or wider that area, so far, we haven't seen, and we have not taken that into account in our forecast because that is so unpredictable, and we can't really anticipate that. The current conflict is constrained within Palestine and Israel, then I don't see it impacting us, but if it gets a wider conflict, it may, but that is difficult.

Rohan Mehta: And sir, in terms of diamond prices having gone down, is that a potential risk for us?

Sunil Agrawal: No, not really, personally I think diamond prices going down is a temporary phenomenon happened with the confluence of a few factors and I believe the diamond prices would come back up in foreseeable future, but we are not diamond-centric business anyways. We are so much color gemstone or plain metal or non-jewelry. Diamonds are very small portion of our business, so that is not very important.

Rohan Mehta: So, it would not really affect our average ASP that much?

Sunil Agrawal: No, it will not.

Rohan Mehta: And sir, in Germany, regarding our tie-up with Tele Columbus, so what kind of investment did we incur to acquire these 2 million odd households that you have done?

Sunil Agrawal: We acquired 13 million HD homes on Vodafone and 2 million on Tele Columbus. So, we acquired 15 million homes this month. We just acquired early October, late September. So, these two arrangements, we can't disclose the amount because we have signed NDA, but that pushed our profitability from H2 of current financial year to H2 of next financial year because it takes about 1 year to 18 months for a household to mature.

Rohan Mehta: Sir, do we plan any further investments in Germany?

Sunil Agrawal: Germany, we are 95% covered, so there is no need for that. It will be very small incremental homes that we may acquire in Germany or in Austria. So, not much to spend. Guidance of next financial year breakeven, i.e., H2 of next financial year breakeven stands.

Rohan Mehta: Sir, also in terms of the targets that have been sort of given in the mid to high teens for FY25, what would be, if you were to say two or three. key triggers to spur the growth to justify this projection? What would those be triggers?

Sunil Agrawal: So, number one thing is higher revenue per home that we already addressed, number two, I am seeing US economy improving. So, with the customer coming back to their normal lives, we will see some growth coming back and also our merchandising learning that we are doing with the branding that we are improving, as I said improvement happening with our better per home per reach that we have had acquisition of customers for marketing and hopefully with better repeat purchase from the customer from the same household that we have acquired and from the same customer that we acquired. So, 4 R's that we focus on reach, registration, retention and repeat are our drivers of business.

Rohan Mehta: Sir, interest rate pressure is not right now impacting us in the US.

Sunil Agrawal: Not very much. Our price points are not very high, so I am not seeing so much. Earlier, I was skeptical of the US falling into recession and UK also falling into recession that kind of the recession worries are now on the back burner that gives me feel comfortable in giving this guidance.

Rohan Mehta: So, just one last question, do you look at the digital route to acquire customers separately and whether there is a dedicated strategy for that versus non-digital methods?

Sunil Agrawal: Yes, so we have four ways to acquire customer, number one is predominantly television, number 2 is digital that we do paid media, Google, Facebook, Affiliate and Influencers and number 3 is marketplace that we sell on Amazon, Walmart and eBay and number 4 is OTT. OTT is part of digital, but still with a separate strategy that is through Roku and ITV and Apple TV and all the other fast platforms, free ad supported RTV and also through app environment. So, all these fours have our people in charge of them in respective locations and have their own budgets and strategies.

Rohan Mehta: So, digital would not be any more focused upon compared to the other three?

Sunil Agrawal: So there are separate teams for digital and they have their own budgets and targets to grow number of customers, revenue from their customer, retention rate and lifetime value and the CAC, so they have their own targets.

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

Nihar Mehta: How are we planning to increase our digital, I am asking this with relation to **(Inaudible)** are we taking any steps to increase it further?

Sunil Agrawal: If I understood your question correctly, you are asking what are we doing to capitalize or penetrate digital further, is it correct?

Nihar Mehta: Right, correct.

Sunil Agrawal: As I answered Rohan's question, we have separate teams for digital, paid digital. So, digital also has separate teams within digital, one is the digital sales to the customer that they acquired from television and other division is for paid acquisitions. Within paid, we have Facebook teams, we have Google teams, we have Affiliate teams, and we have Influencer teams. So, we have attention to grow all paid channels as well as organic. So, we also have SEO team to improve our SEO footprint for all the non-business that we have in US, UK, Germany and capitalize on whatever we can get organically. Yes, so there is a lot of attention in growing up the paid profitably, profitably in the sense that we must acquire a customer at half or one third of lifetime value or one year lifetime value for customer. Earlier we used to do 2 year lifetime value, we have now brought it down to one year lifetime value, so we must acquire a customer at half to one-third of that lifetime value of that customer and different product categories have different lifetime values, jewelry has a higher lifetime value and lifestyle has a lower lifetime value, but the customization cost in the lifestyle product is lower and in jewellery the acquisition cost is higher. Yes, so we have the strategy in place to accelerate in that area but given the guardrail of certain percentage of lifetime value.

Moderator: Thank you. The next question is from the line of Supan Parikh. Please go ahead.

Supan Parikh: You mentioned that your target is 13% to 15% revenue growth in FY24, so can you elaborate that how are you going to achieve this growth, like any specific strategy for the markets that will drive that growth?

Sunil Agrawal: Supan, as I mentioned earlier in Nihar and Rohan’s questions, we have marketing teams in place for television, for e-com, for OTT, for marketplaces and there are a lot of drivers for growth. The product, the marketing, the message, the content and getting the new product and getting the existing product repeat purchase higher or scale up the existing products, so there are a lot of different marketing strategies for multiple channels that we have in place in the US, UK and Germany. So, we have multiple growth drivers available to us, but some broad category, we can say 4 R’s are there, one is the reach, then next is registration, third is retention of the customer, fourth is improving the repeat purchase of the customer and within the four Rs, there are multiple subsegments that is TV, digital, marketplace and OTT.

Supan Parekh: And sir, would like to ask how confident are you in achieving high teen growths for FY25?

Sunil Agrawal: We are really confident. Generally, I tend to be conservative, although post COVID we were kind of taken off guard when people went out and we could not meet our guidance, but other than that I take pride in that we met our guidance or exceeded our guidance.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions, I now hand the conference over to Mr. Sunil Agrawal for closing comments.

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, feel free to reach out to Prashant Saraswat at VGL or Amit Sharma at Adfactors PR India and we will be happy to answer your questions. Thank you once again.

Moderator: On behalf of Vaibhav Global Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.