



“Vaibhav Global Limited
Q4 FY '24 Earnings Conference Call”

May 24, 2024



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VAIBHAV GLOBAL LIMITED**
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OFFICER – VAIBHAV GLOBAL LIMITED**
**MR. PRASHANT SARASWAT – HEAD OF INVESTOR
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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 '24 Earnings Conference Call. As a reminder, all participants' line 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 and full year ended 31st March, 2024.

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, 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. Good evening, everyone. Thank you for joining us today for the Q4 FY '24 Earnings Conference Call. I believe you have reviewed the results and investor presentation, which provides insights into the quarterly and annual business performance.

I'm delighted to share that we have achieved our guidance revenue numbers. Consolidated revenue in Q4 was INR789 crores, which is 14% higher than the same period of last year. During the quarter, we put a lot of emphasis on reducing the inventory and improving our working capital. This is visible in the form of reduced inventory and much improved operating and free cash flows.

On the full year basis, the group's top-line crossed INR3,000 crores mark for the first time at INR3,041 crores as against INR2,691 crores, showing a growth of 13% year-over-year. Our gross margin for the quarter remains robust at 62.7% with a cumulative margin of 62% for the full year. We continue to see gross margins in our targeted range of 60% plus backed by an in-house global supply chain. Our sourcing network, coupled with in-house manufacturing, enables us to offer products at competitive prices with a shorter turnaround time.

Let me now take you through each of our addressable retail markets. In the U.S., macro indicators like employment data, consumer confidence, inflation rates are trending positive and driving consumer demand. Also during last year, the mix of e-comm sales to total retail sales in U.S. has improved by 90 basis points.



In the U.K., inflation continues to moderate every month, but consumer spending power remains subdued due to high interest rates. We remain vigilant to the broader macroeconomic landscape there.

Quarterly growth for our existing businesses in U.S. dollar terms in U.S., U.K. and Germany was 4%, 1% and 38%, respectively. In Germany, our strategic investments across TV networks and digital platforms have yielded desirable results, boosting our revenue to EUR 21.4 million for the full year, having achieved revenue growth of 48% on an annual basis. Such growth underscores our commitment to increasing our market share there.

Our focus remains on the four pillars of our growth: widening reach; new customer acquisition; customer retention; and repeat purchases. In this quarter, the reach of our TV networks was 130 million households. As of March 31, 2024, our unique customer base stood at 580,000, which is 26% higher Y-o-Y. Excluding acquisitions as well, the unique customer base has been improving quarter-on-quarter.

In existing businesses, new customer acquisition during Q4 was higher by 8% compared to last year. Further, customer retention stood at 39%. On a trailing 12-month basis, customers purchased on an average of 24 pieces versus 23 last year.

Let me now take you to the unique concept called unreasonable hospitality. The company is integrating the principles of unreasonable hospitality into its operation, drawing inspiration from Will Guidara's acclaimed book. The concept focuses on exceeding customer expectations by providing an extraordinary and memorable shopping experience. By prioritizing exceptional service and memorable experience, the company aims to create a strong connection with our customers. This strategy is designed not only to attract new customers, but also to significantly enhance customer loyalty in the long run. This is evident with increased Net Promoter Scores in recent quarters.

Now let us talk about Ideal World and Mindful Souls and how they are shaping up. Notably, Ideal World achieved profitability on direct cost basis for the second half of FY '24. We are confident of achieving profitability in the next 6 months on a full cost allocation basis.

Meanwhile, Mindful Souls is contributing positive leverage to overall business already. We are actively leveraging the digital prowess of Mindful Souls to foster synergies within our existing digital businesses. Further, we have started utilizing the supply chain strengths of VGL Group for Mindful Souls, which is expected to further improve its profitability going forward.

At VGL, community give-back is integral in our business model, where every unit sold results in a meal for school going child. Under our flagship mid-day meals program, '**Your Purchase Feeds...**'; which was launched about 10 years ago, has resulted in 87 million meals donated to school children till date. Currently, we serve 56,000 meals every school day.

On clean energy front, I'm delighted to share that this quarter, we generated 1.1 million kilowatt hours of solar energy, which is catering to 100% power requirements of 2 manufacturing units in India. Additionally, 2 premises in U.S. and 1 premise each in U.K. and Germany are also



operating on 100% renewable energy. All these measures are aimed at achieving our goal of carbon neutrality in Scope 1 and 2 of greenhouse gas emissions by 2031.

Furthermore, we are constructing another rain water harvesting tank of 600 kilolitres capacity to ensure prudent water management at VGL Group. On governance part, I'm pleased to announce that the group's subsidiary in India, the U.S. and U.K. and China have once again been awarded the Great Place to Work certification. I extend my gratitude to all our colleagues across VGL Group for their feedback in getting our workplaces certified as 'great place to work'.

As we celebrate this, we reaffirm our commitment to encourage inclusive and supportive culture across VGL Group. We believe in creating long-term value for our shareholders. The Board has recommended a final dividend of INR1.5 per equity share, which is subject to shareholders' approval at AGM. Including 3 dividends, total dividend payout against earnings of FY '24 would be 78%. We'll continue to keep our focus on growth and profitability, with prudent capital management and, hence, want to reiterate our earlier stated guidance. We expect a robust performance in FY '25 and achieve 14% to 17% revenue growth with strong operating leverage.

For subsequent periods, we expect the revenue to grow in the mid-teens range with decent operating leverage. Towards the end, I would say that over the past year, we have seen tangible improvements across various facets of our business. We are optimistic about our outlook, buoyed by positive trending macro indicators and multiple growth drivers in place within our business.

While unforeseen challenges may arise, we are confident in our ability to navigate them effectively due to our low-cost vertical model as well as high agility attitude.

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

Nitin Panwad:

Thank you, Sunil. Good evening, everyone. I am delighted to welcome to you at VGL's Q4 FY '24 Earnings Call. While Sunil has given an update on operational performance and key initiatives undertaken during the year, I will now take you through our financial performance for the quarter and fiscal year ending 31st March, 2024.

Revenue growth in Q4 was healthier at 14% year-over-year and was INR789 crores versus INR693 crores in Q4 FY '23. During the last 2 quarters, we have seen visible improvement in our volume growth, driven by positive consumer sentiments.

During Q4 FY '24, the volume growth was 26% year-over-year. Even after excluding impact of acquisitions, the volume growth is much stronger at 13%. As Sunil also mentioned earlier, we optimized our inventory and working capital during the quarter. Consequently, the operating and free cash flow during FY '24 was INR270 crores and INR230 crores, respectively. On a full year basis, the group's top line was INR3,041 crores against INR2,691 crores in FY '23, registering an annual growth of 13%.

Now let me brief you on geography-wise revenue breakdown. In U.S. dollar terms, Shop LC U.S. grew by 4%. TJC U.K. grew by 1%, and Germany grew strongly by 38%. On a combined basis, our existing business grew by 5% in U.S. dollars terms.



If we include acquisitions, the overall year-over-year growth was 14.5% in U.S. dollars and 13% on a constant currency basis in last quarter. Further, we maintain our stance of achieving breakeven point in Germany in H2 of FY '25 at operating level. During the fourth quarter, TV revenue amounted to INR453 crores and digital revenue reached INR305 crores. While TV revenue experienced a growth of 10.8% year-over-year, digital revenue saw a relatively stronger growth of 19%. Digital continues to complement the TV segment driven by its extensive reach and discovery capabilities.

The digital business accounts for 39% of total revenue. Mindful Souls is anticipated to drive long-term growth, and we believe that this strategic move will lead us to 50% digital revenue share by FY '27. The sales mix of lifestyle products has been growing over the years, now standing at 30% versus 12% of FY '18. Looking ahead, our goal is to elevate the contribution of lifestyle products to 50% of our total sales by FY '28.

A unique offering in the form of budget pay gives customers the option of buying product on an EMI basis and is valuable feature for the buyers. In FY '24, budget pay contribution to overall retail revenue stood at 39%. The gross margin remains strong at 62.7%, demonstrating the efficiency of our vertically integrated business model. The EBITDA margin for the quarter was 8.1%. Adjusting for Germany, EBITDA margin during the quarter was 11.6%. Operating margins were slightly affected by higher shipping costs, driven by an increase in volume of 26% and increased content and broadcast expenses, which was primarily on account of acquired businesses and new airtime cost of Vodafone in Germany. On an annual basis, EBITDA margin improved to 9.7% from 8.4% in FY '23, reflecting 130 basis points improvement. Excluding Germany, EBITDA margin for full financial year was 12.3% versus 10% in FY '23. We remain confident that EBITDA margin will continue to improve going forward.

The profit before tax for the quarter stand at INR36 crores, which is 18% higher year-over-year. For full year, the profit before tax amounts to INR190 crores, which is 35% higher year-over-year. Further, both acquisitions are robust and growing. The Ideal World business is profitable on a direct cost basis, and we are confident of achieving profitability on a fully allocated cost basis within the next 6 months, as the performance is better than what we were expecting.

Mindful Souls is already a profitable and margin-accretive business, and it continues to progress well. We are leveraging the supply chain of VGL, which is expected to further enhance the group's profitability and strengthen our digital segment. We are delighted to share that this year, we generated stronger free cash flow, which is INR230 crores, underscoring the cash generation capacity of our asset-light business model. Further, our net cash balance remains positive at INR168 crores even after consistent quarterly dividend payouts and funding the 2 acquisitions.

At present, ROCE and ROE stands at 19% and 10%, respectively, showing an improvement of 500 and 100 basis points, respectively, versus last year. This highlights our ability to manage capital prudently and generate healthier returns. We are committed to generating value for our stakeholders. The company paid interim dividend of INR4.5 per equity share during the first 9 months of FY '24 and has recommended a final dividend of INR1.5 per share for the year, resulting in a total dividend payout of 78% against total earning of FY '24.



Looking ahead, we are optimistic about the performance in FY '25, expecting revenue growth in the range of 14% to 17%, along with strong operating leverage. For subsequent periods, we project revenue growth in mid-teens range with operating leverage. Thank you and over to you, Moderator. We may now open the line for Q&A.

- Moderator:** The first question is from the line of Rishabh Gang, who is an individual investor.
- Rishabh Gang:** So sir, the EBITDA margin is currently on a blended basis are around 8-9%, excluding Germany, 11.6%. But historically, we have gone as high as 17%. So what EBITDA margin do you think you will be able to achieve in FY '25, '26? And what line items in P&L should propel that changes? That's my first question.
- Sunil Agrawal:** Yes. So we give guidance for strong operating leverage. And so this will come, #1, with the volume going up. So revenue going up and the expense not expanding in the same proportion. So the expense leverage line item will be HR costs for this year, the shipping costs and SG&A. The content and broadcasting costs may not offer leverage this year because we took some extra air time for ideal world for Germany.
- And even for U.S., we've taken some better channel position, it does not increase the number of households, but we have taken a better channel position and the digital marketing. So to reiterate HR cost, SG&A and shipping will give us leverage this year and plus some expanded gross margin. We're expecting the margins to expand a little bit this year.
- Rishabh Gang:** Okay. On the shipping cost, sir, like the volumes are expanding a lot. So do you still expect the operating leverage to play there?
- Sunil Agrawal:** Yes. So we have renegotiated some shipping costs this year. So that will give us some leverage.
- Rishabh Gang:** Got it. And sir, I wanted to ask on the ROCE and ROE front, right? So we used to have a 25% kind of ROE, 35% kind of ROCE 3 to 4 years back. So how do you see the return ratios panning out over the years as and when your acquisition starts paying off? Like what is your view on the return ratio, sir?
- Sunil Agrawal:** Yes. So we don't give specific guidance on return ratios. But given a guidance of strong leverage this year and decent leverage for next year and onwards. So they'll continue to expand and the investment cycle that we had of last 2 or 3 years so that we do not need to make investments in the foreseeable future.
- Rishabh Gang:** Okay. Just one last question. On the target ROI and the payback period, what are your criteria when you actually search for this acquisition? And what was in your mind when you acquired Ideal World and Mindful Souls? Like what was your target ROI and payback period for them?
- Nitin Panwad:** So our criteria for the acquisition is different for whatever we have done in last year is that for the Mindful Soul is to get a synergy and learning from digital business, while existing business is profitable and Ideal World to expand our market share in the U.K. We are targeting that company we acquire, which has a healthy profit and healthy return ratios in ROC and ROE



terms, at least at a current level or higher than our current level of VGL's ROCE and ROE numbers.

And as our expansion strategy to hit 50% digital sales share by FY '27 and increase further onwards, we are constantly looking to find an opportunity or a learning from digital side, wherever we can, either through acquisitions or improvement in our existing channels.

Rishabh Gang: So, no criteria of minimum payback period that you see when buying these things? Just a curious question, sir.

Sunil Agrawal: The criteria is to make sure that any acquisition we do gives us a leverage from the current business, in terms of ROE, ROCE, so they should give us leverage and never a de-leverage.

Moderator: The next question is from the line of Pradeep Maiti from RGI Private Limited

Pradeep Mehti: I want to know about the broadcast and advertisement cost. Sir, will this expand in FY '25? Or will it remain same?

Moderator: Sir, the current participant got disconnected. I'm reconnecting the participant. The next question is from the line of Deepak Kumar, Individual Investor.

Deepak Kumar: Sir, my question will be more on the demand side. Like how do you see demand panning out in the U.S. and U.K. in the next 2 to 3 fiscal years? And especially keeping that in mind, like what kind of revenue growth do you estimate on like-to-like basis, like excluding the acquisition?

Sunil Agrawal: Thank you for the question, Deepak. Our guidance is including the acquisition. So we've not broken down existing business guidance as a separate guidance. Even accounting for acquisition, we've given a guidance of 14% to 17% for this financial year and mid-teens for next financial year onwards. There will be growth in existing businesses, but we are not quantifying that separately.

Deepak Kumar: Okay. And another question is more on the target customers, like your target customers are mostly like what you have mentioned in the PPT, it's like 65-plus years and 45-plus years. So like are we targeting certain percentage of our sales to younger population? Is there any strategy on that front?

Sunil Agrawal: We believe that 45-plus women have more money, more disposable income, more time on their hand to watch our programming and our product is designed towards them. And that demographic is increasing in U.S., U.K. and Germany faster than the younger demographics. So we love that demography and want to stay focused there.

Moderator: The next question is from the line of Pritesh Chheda from Lucky Investments.

Pritesh Chheda: Sir, for FY '24, sir, how many months was Mindful and Ideal World consolidated for?

Nitin Panwad: 6 months was roughly for Mindful Souls and Ideal World in FY24.



- Pritesh Chheda:** Okay. And can you quantify the \$ 1 million or EUR 1 million revenue, whatever you would have got from Mindful and Ideal World?
- Nitin Panwad:** Mindful and Ideal World was roughly around \$17 million, both of the new acquisitions.
- Pritesh Chheda:** Okay. My second question is -- so basically, you will have half year. My second question is, in your guidance of 14% to 17% growth, what is the inherent assumption for Shop LC, U.S. and TJC, U.K.?
- Sunil Agrawal:** Yes. So for both of them, we are assuming growth to be there, but we are not giving specific guidance for individual entities mainly because of uncertainty during the elections in the U.K. and U.S.
- Pritesh Chheda:** Usually, what's your experience for election periods in your business in your past years what has happened?
- Sunil Agrawal:** So that's why we have taken the wider number 14 to 17% because of that uncertainty. So the experience has been different for different election cycles, some election cycles, we did not see any impact. Some election cycles, we did see some impact. So it's difficult to predict.
- Pritesh Chheda:** Okay. And on your segmental, where you've given Europe, excluding United Kingdom, I'm presuming this is Germany operations?
- Nitin Panwad:** Germany and Mindful Souls, both acquisitions. Yes.
- Pritesh Chheda:** Germany and Mindful Souls, okay? So there is swing in profitability for a minor swing in revenue? What is it on a Q-o-Q basis? So INR90 crores revenue was down to 84 crores, but your loss widened. So is there anything which you want to call out?
- Nitin Panwad:** Yes. So it is forex losses, which is not actually a forex losses on account of loan. Loan forex losses goes to OCI, other comprehensive income, which our Germany business has taken U.S. dollar loan from our U.S. business. So euro movement in last quarter has resulted in this kind of higher losses that you see in Europe business. But in group's overall account, it doesn't show in the P&L, it goes in other comprehensive income.
- Pritesh Chheda:** Okay. It goes in other comprehensive income. So, other comprehensive income, remuneration of defined benefit plan and exchange difference of minus 8.8 crores.
- Nitin Panwad:** Because it is not realized, it is unrealized. Once it is realized, then it goes to P&L.
- Pritesh Chheda:** So is this INR9 crores swing, which I can see from the P&L, which I have to match up with the INR9 crores here in the segmental. That's how I have to understand, so your PBT is 31 points. No, sir, I don't understand because the segmental is at PBT level. PBT is matching, so that explanation, which you're trying to give doesn't go with the number...
- Nitin Panwad:** Yes. So there's one last line item in the segmental, if you see 'intersegment elimination' is the line item within the consolidated accounts which goes to intersegment elimination -- if you see that segment wise?



- Pritesh Chheda:** Okay. I'll take this off-line, but in your opinion, it's to do with the FX movement for the swing in numbers that we see on the segmental?
- Nitin Panwad:** Right. Yes.
- Pritesh Chheda:** Now, my last question is. We are running at about, let's say, from the segmental annual P&L at about INR52 crores segmental loss in the Germany operation, including Mindful. At what scale does this becomes neutral?
- Nitin Panwad:** Yes. So it is -- if I talk specifically about Germany at 50% higher than current scale, it will be neutral.
- Pritesh Chheda:** So you have grown 50% this year, FY '24.
- Nitin Panwad:** Yes. So in current level from the current level, what we see in the run rate.
- Pritesh Chheda:** EUR 22 million, if it grows by 50%, we see this loss going away, right?
- Nitin Panwad:** Yes, right. Yes.
- Pritesh Chheda:** So in your 14% to 17% top line growth inherent assumption, is there a fair bit of possibility that Germany losses would not be visible in a couple of quarters from now?
- Nitin Panwad:** We're anticipating, but by the guidance that we have given for the second half, we will be breakeven at operating level, and we are anticipating that we will achieve that level. But full year, it will not be profitable.
- Moderator:** The next question is from the line of Pradeep Maiti from RGI Private Limited.
- Pradeep Maiti:** I want to know about the other cost, especially broadcasting and advertisement costs. Sir, will it expand more in the FY '25 or will it remain same just like FY '24?
- Sunil Agrawal:** Yes. So for %, it will remain same as a percentage of revenue. So in absolute dollar-rupee terms, it will go up. But as a percentage of revenue, we won't see leverage on that in the current financial year.
- Moderator:** The next question is from the line of Tanvi, who is an Individual Investor.
- Tanvi:** Sir, this could be more repetition. Can you just again repeat the revenue that you've derived from Mindful Soul and Ideal World for FY '24?
- Nitin Panwad:** Yes. Around 17 million in FY '24, we generated from new acquisitions.
- Tanvi:** Okay. And sir, at optimum utilization when we account them for the full year, so FY '25, what is the revenue that can we anticipate from these new acquisitions?
- Sunil Agrawal:** So we don't give additional guidance for individual units, but I can give you a rough number. It will be between \$40 million to \$45 million.



- Tanvi:** So GBP40 million to GBP45 million?
- Sunil Agrawal:** Dollar.
- Tanvi:** Dollar.
- Sunil Agrawal:** For this current financial year, this is what we are looking at approximately. But we don't give guidance specifically for unit. But since it is a new acquisition and you asked the question, I'm giving you a ballpark number.
- Tanvi:** Okay. Any guidance in terms of your overall EBITDA margins considering the losses that we have in Germany so far? Any guidance for overall margins for FY '25?
- Sunil Agrawal:** Yes. We don't give the guidance on margin numbers, Tanvi, but we gave a guidance of strong operating leverage on EBITDA or PBT level for current financial year compared to last year. We're unable to give specific guidance, but we will see continued leverage on improved revenue numbers for foreseeable future.
- Tanvi:** No, sir. I'm getting -- in terms of revenue, I know the growth guidance that you've given. But sir, in terms of EBITDA, because, as you've earlier spoken that Germany by second half would be basically it would be neutral. So there will be some synergy -- some benefit coming from that part also in the second half of the year. So overall, definitely, we would be getting -- if it goes in line, we would be getting some margins better than FY '24. Is that the correct understanding?
- Sunil Agrawal:** That is correct. And EBITDA will flow in from not only Germany, it will flow from the U.K. and U.S. businesses as well. So, Germany is not the only EBITDA leverage play, it will be from all 3 geographies.
- Moderator:** The next question is from the line of Gaurav Nigam from Tunga Investments.
- Gaurav Nigam:** Yes. First question was on, can you maybe specify the unique customers on TTM basis for the base business, which is U.S.A. and U.K.?
- Nitin:** It's -- Gaurav, it's roughly around 465,000.
- Gaurav Nigam:** 465,000. So it has materially gone up, sir? I think last quarter, it was around 410,000 if I remember correctly.
- Nitin:** Yes. I think that was number 400,000 we told last time it was excluding Germany. I'm just telling including Germany that number. So as quarter-on-quarter, we see -- saw on TTM basis 2% improvement.
- Gaurav Nigam:** Okay. The 465,000 is including Germany. How many would be Germany, sir, in this 465,000?
- Nitin:** It's roughly around 57,000.
- Gaurav Nigam:** 57,000. Okay. Understood. Sir, there is a reduction in number of households. Is there something in U.S.A very specifically? Is there something because of which this has happened?



- Sunil Agrawal:** Yes. We exited some houses that were not productive for us. So we've certain criteria for our revaluation of the households. So some houses don't produce, we exit them. And we enter into new houses that we think will produce for us. So this change is only in the U.S.
- Gaurav Nigam:** There's a material decline, sir, I think from 80 million to 61 million, if I'm not wrong in one year. Is that correct?
- Sunil Agrawal:** Let me just check. That doesn't sound right
- Gaurav Nigam:** Okay. I'll just. Okay. understood.
- Sunil Agrawal:** Even if you're seeing, it doesn't sound, right. Let me just check, I remember, I think about 5 million to 6 million homes this 19 million doesn't sound light.
- Gaurav Nigam:** Understood. Maybe I'll check with Nitin and Prashant -- So just to continue on previous discussion, where you gave like \$40 million to \$45 million kind of for the new acquisition. I think in the last con call, you indicated that the base businesses can grow at high-single-digit, low-double-digit, that kind of a number.
- I'll just do a backward calculation. We're probably indicating now that these businesses will grow 3%, 4%. Is there something I'm missing? Has something changed quarter-on-quarter because of which there's a change in guidance?
- Nitin Panwad:** No. Actually, Gaurav, as Sunil mentioned about that we have taken the impact of elections in our assumptions this year. That's why we want to be conservative on it. The last quarter, we mentioned high single digit which we expect that we will generate from our existing business. And new acquisitions will shape up accordingly in this year. But we have accounted for as a conservative approach, as both the countries have elections in U.K. and U.S. So we have considered that in the assumption.
- Gaurav Nigam:** So there is a change in guidance for the base business? Is that because of election? Understood sir. Just one more question, sir, on the ASP side, I saw a significant decline in ASP, although I think earlier, we were thinking that we can keep it constant. Is this because of the market changes or we have done something to reduce the ASP?
- Sunil Agrawal:** After 2 years, when the customers have come back from traveling and going out a lot, so they've resumed -- they're resuming more of their natural habits of buying. So until last year, we were having to sell high-end investment kind of product that pushed on the ASP.
- Second thing is during this quarter, especially, we exited a lot of our inventory, which we had purchased earlier and some of that was delayed given the shipping disturbances. And we exited a large part of that, and that was a lower price point inventory.
- So that has lowered the price point, but we are not giving a guidance that we'll go back up in a higher price point because the investment-driven demand was there during last 2 years and now



inflation may not be at the similar levels. So we are keeping our guidance to the similar price point for going forward.

- Moderator:** The next question is from the line of Deepak Kumar, who is an individual investor.
- Deepak Kumar:** By any chance, do you have the gross margins at the segment level, jewellery and lifestyle? And how do these margins vary when we sell our products through TV sales, online website and other channels?
- Nitin Panwad:** So gross margin is roughly pretty much similar in both of the categories. Even I would say that it's slightly higher in lifestyle product. But broadly, both of the categories have similar margins.
- Deepak Kumar:** Okay. And even when we sell them to different channels, the margins would be similar?
- Nitin Panwad:** Yes, different. On the website, it is slightly higher margin. But website, we have options of exiting that old inventory via clearance and rising auctions. So overall combined, margin is slightly lower, but selling through the normal sales through website and live TV streaming platforms, the margin is slightly higher on that.
- Deepak Kumar:** Okay. And do we have any rough estimate as to how much delta is there in the gross margin in terms of profitability?
- Nitin Panwad:** It's not a material difference, yes.
- Deepak Kumar:** Okay, okay. And one more question, how does the -- how much is the incremental gross margin for own brand products?
- Sunil Agrawal:** Yes. So our own branded product margin is slightly higher than the third-party branded products. I don't have specific delta between the 2, but they are a bit higher. But nevertheless, our criteria to get any third-party brand, even from outside is 60%. So it's -- sometimes, if there was any clearance we may have reduced that margin, but we try not to go for outside brand below 60%. And that is the reason we would never sell Apple or Bose or Samsung products.
- Moderator:** The next question is from the line of Rishab Gang, who is an Individual Investor.
- Rishab Gang:** Wanted to ask about jewellery we sell. So if- you can give a mix on what is the percentage of fine metal jewellery and what is the percentage of silver and base metal products that we sell, so that I can get to know what is the proportion, yes.
- Sunil Agrawal:** Yes. So gold and the platinum jewellery is very small ratio. Of the total jewellery by volume, it may be less than 1%. By value, it may be less than 10% of all the jewellery. I don't have those numbers there, but I'm giving you that estimate.
- Rishab Gang:** Yes. No issue, sir. Also, the high-value diamond or stones are also lesser value, right?
- Sunil Agrawal:** So total sales amount of the gold and platinum would be 10% or lower. I'll have to figure it out. But as per my estimates, I'm giving you this number. Specifically, our team will research and give it to you later...



- Rishab Gang:** Sure, sir. Second question, sir, was regarding Mindful Souls, right? So I think it is very good -- congratulation for that. And which geography does Mindful Soul actually serve? Have we considered expanding it in other geographies as well since margins are very good?
- Sunil Agrawal:** Yes. So about 90% is in U.S., and the rest of the 10% is from U.K., Canada, Australia and Germany. Before we acquired within the last 1 year, it has been launched into other countries.
- Rishab Gang:** Okay. Okay, sir. Also, what is the revenue model for the sales that we actually make through social retail and OTT platform? I just could not think about how you sell through that? And that is my first question on that. And second question is, what are the gross margins and debtor days? I think we sell it to Walmart as well. So any idea on the working capital days for that end?
- Sunil Agrawal:** We don't sell to Walmart. We sell on Walmart platform as a third-party vendor on Walmart. And they are ahead of it, we get the payment on time from Walmart and Amazon. So there is no debtor days. And your other question was?
- Rishab Gang:** What is the model for social retail and OTT platform? Like how do you sell on revenue model?
- Sunil Agrawal:** For social, we sell through advertisement on Facebook Meta and a little bit of TikTok. So we advertise there and the customers will land either on our website or land on Meta shop, where we list our products. But the customer retailing on social retail is ours. So the customer belongs to us. And like on my platform like Amazon or Walmart, the customer doesn't belong to us. Customer knows only Amazon or Walmart. On social, customer belongs to us.
- OTT is very similar to our television. Instead of seeing the streaming on television, they see streaming on connected TV, through the linear channel on OTT or through the app on OTT platform. For example, Roku or Fire TV or Samsung TV. Our apps are on the platform. We advertise that app, so people will get the advertisement for the app, and they see the message that we are getting on the advertisement.
- You can download our app on the smart TV and watch us live. And when they watch us, they can order from smart TV or through the websites or call our customer service on a dedicated IVR number.
- Rishab Gang:** Okay. Very interesting. Just one last question, if time allows. How does the mechanism work for the budget pay, right? Who bears the delinquency risk? And what kind of additional cost does VGL incur in budget pay option?
- Nitin Panwad:** Right. So, roughly for the group, around 39% sales come through budget pay, and we give the budget pay based on customer payment history. And every customer has a different financing options. It varies between 2 to 5 installments, not more than that. First installment, we collect the first down payment, and rest is equally each month. Customers don't need to pay any interest or other cost, it's just as we do finance that cost ourselves from our own working capital. And delinquencies roughly around 1.5%, 2% from total budget pay sales.
- Moderator:** The next question is from the line of Shreyans Jain from Svan Investments.



- Shreyans Jain:** Sir, my first question is with regards to what you were talking about Germany. So there is an OCI in Germany because of a loan that you've given from U.S.A. So is my understanding correct that INR9 crores loss in Germany should be a INR9 crores gain in the U.S. business in the segmental bid that we report? So am I understanding this correctly?
- Nitin Panwad:** Yes. So that segmental profit, because we have unrealized gain in their books as of now. But in last quarter, it was a flip side or reverse on debt calculation. So overall, in the books in consolidation, PBT, PAT and EBITDA doesn't account it.
- Shreyans Jain:** So INR37 crores EBIT in U.S.A. should have been lower by INR9 crores, if you had not booked again. Is my understanding correct?
- Nitin Panwad:** I have to check that number because I don't have that ready with me. But I have to check and then I'll come back to you.
- Shreyans Jain:** Okay. And sir, my second question is what is the absolute spend on content and broadcasting in this quarter versus last year?
- Nitin Panwad:** Absolute number I'm not sure, but roughly it is around 16% of the sales.
- Shreyans Jain:** Okay. And sir, just last question on Germany again. So even if I adjust this OCI of INR9 crores, but after that also, we would have done about INR12 crores of loss. So Q-o-Q from INR5 crores to INR12 crores, that's again a swing of INR7 crores. So have we done something? Because I think Vodafone -- addition of Vodafone customer, I think, was there in the last 2, 3 quarters. So is that the only reason? Or is there something more in Germany?
- Nitin Panwad:** Yes. In Germany also, we have cleared up some of the existing inventory as we have done excess buying in the previous quarters and that we have done a one-off exercise to clear that inventory. That accounts for additional losses that you see in Germany.
- Shreyans Jain:** What was the amount, sir, exact contribution?
- Nitin Panwad:** Roughly \$300,000 to \$400,000 roughly.
- Moderator:** The next question is from the line of Rishab Gang, who is an individual investor.
- Rishab Gang:** Sir, you have mentioned about crowd sourcing of idea looks very innovative. So I wanted to understand what is the reward recognition of crowd sourcing of ideas? And also you mentioned about revenue contribution of new items introduced is 70%. So, how do you clear your old SKUs? And at what margins do you clear those old SKUs?
- Sunil Agrawal:** Yes. Thank you, Rishab. So crowd sourcing means we have multiple channels of getting the idea -- so number one the customers we encourage through our television or website to share the product ideas with us. With employees, we have a very robust program of sourcing ideas from all blocks of employees and their family members. So, and then we get the ideas from outside innovators. It's our Catapult program, where we get the product pitched to us. And then those products, then our committee will decide they're going to take on air or not.



And we also have 'Draw a Design' program, where we encourage schools or design institutes to draw the designs and participate. Now there is a different reward mechanism for different people. For internal team, we have \$100 for Idea accepted and then 1% of revenue in future years. For external customers, we don't reward because when they gave design that design may already be in market, and then they might feel that we don't reward them as much.

For Catapult, outside the new vendors, if they manufacture for us, they would sell the product to us. If we manufacture for them, we give them commission from 4% to 8% of revenue. So there are different mechanisms, and this concept is working out well for us.

Rishab Gang: Very interesting. Yes, sir. On the inventory of old SKUs, how do you go ahead with that?

Sunil Agrawal: Thank you. I apologize for the disconnection here, some issue. So, Rishab did I answer your question?

Rishab Gang: Sir, my question was, how do you clear the old inventories? Because revenue contribution of new items is 70%. So, you would be having some -- a lot of inventories of previous year item. So how is your mechanism for clearing those SKUs? And how does the margins look for those kinds of SKUs?

Sunil Agrawal: Yes. So for clearing the existing inventory or the earlier inventory, we have multiple mechanisms. #1 is we run clearance sales 4, 5 times a year on television. And we have clearance within our website. And then the rising auction. For the auction of small, fragmented item, whatever has left to put up on the rising auction at \$1, and people bid against each other and they buy the product. So for the rising auction has a margin of about 8% to 10% only. Then the clearance of website has about 35% margin and clearance of television has about 45% margin. So the margin that you see of 62.7% is a blended of clearance and the new margin.

Rishab Gang: Excellent. Good margins.

Sunil Agrawal: 70% is a new product that is launched within the last 12 months, but 30%, not all goes into clearance. Many of those products are sold at full margin, majority of that. And only a small amount would go through this clearance mechanism at lower margin.

Rishab Gang: Sir, in the last con call, you had mentioned that -- so Ideal World used to be in the 30% gross margin kind of product space and you have actually entered even through Ideal World in the product categories in which we are already 60%. So what are we actually leveraging of Ideal World? Are we leveraging their reach? Because we are not selling in the product categories they are in. So what do you think about that?

Sunil Agrawal: Yes. So Ideal World, we have not sold jewellery there. We are selling home décor, beauty, accessories, what they were selling earlier. And the customer base that they had was quite substantial.

We got the customer list of about 480,000 customers who are active within the last 12 months from them. So we are able to reach out to those customers and get them back. And plus, we have a list of about 5 million customers that they have over lifetime, they developed. We can't email



to all of them because of the GDPR constraints, but we can retarget them on Google and Facebook over the time.

Rishab Gang: Okay. And just one last question, if time allows. What are your return rates across jewellery and lifestyle, right? And how does it actually correlates, the value of the item and the return rate? And how is the cost of return calculated, if possible?

Nitin Panwad: All the categories you mentioned has a different rate, even with the price point categories and the the products and the geography also. So U.S. geography, U.S. has a lower return rate. And in Germany, there are higher return rates. But for the group, overall return rate is around 23% to 24%. Jewellery being the higher and lifestyle being the lower return rate.

Rishab Gang: Sir, how higher in Germany? How lower in U.S. A bit idea on that, if possible?

Nitin Panwad: U.S. is roughly around 17% to 18%. And Germany is around 35% to 36%.

Rishab Gang: So whenever these returns happen, what are the additional costs, like logistic cost? What is the percentage which you get to -- which you have to incur because of that?

Nitin Panwad: Yes. That number, I don't have readily available. But roughly, fulfilment costs, excluding shipping accounts for around 7%.

Moderator: Ladies and gentlemen, we will take that as a last question. I would now like to hand the conference over to Mr. Sunil Agrawal for closing comments.

Sunil Agrawal: Thank you. 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'll 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.

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