VAIBHAV GLOBAL LIMITED

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National Stock Exchange of India Limited (NSE)
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra, Mumbai – 400 051
Symbol: VAIBHAVGBL

BSE Limited
Phiroze JeejeeBhoy Towers,
Dalal Street,
Mumbai – 400 001
Scrip Code: 532156

Subject: Submission of transcript of conference call

Dear Sir / Madam,

With reference to captioned subject, we are enclosing herewith the transcript of Q2 FY23 Earnings Conference Call held on Friday, 28th October, 2022.

The Transcript of the earnings conference call is uploaded on the website of the Company and can be accessed on the link:

https://www.vaibhavglobal.com/admin_assets/Investor/Investor_Presentation/1748377546907139.pdf

Kindly take the same on record.

Thanking you,

Yours Truly,

For Vaibhav Global Limited

SUSHIL SHARMA
Digitally signed by SUSHIL SHARMA
Date: 2022.11.02 16:24:42 +05'30'

Sushil Sharma
Company Secretary

Vaibhav Global Limited

Q2 FY23 Earnings Conference Call Transcript: October 28, 2022

<u>Management Attendees:</u>

Mr. Sunil Agrawal- Managing Director

Mr. Vineet Ganeriwala – President, Shop LC (US)

Mr. Nitin Panwad – Group CFO

Moderator: Ladies and gentlemen, good day, and welcome to Vaibhav Global Limited's 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 Mr. Mit Shah of CDR India. Thank you. And over to you, Mr. Shah.

Mit Shah: Thank you. Good evening, everyone, and thanks for joining us on Vaibhav Global's Q2 FY'23 earnings conference call.

Today, we have with us Mr. Sunil Agrawal, Managing Director; Mr. Vineet Ganeriwala, President, Shop LC - USA; Mr. Nitin Panwad, Group CFO; and Mr. Prashant Saraswat, Head, Investor Relations.

We will begin the call with brief opening remarks by Mr. Sunil Agrawal, on the business operations, key initiatives and a broader outlook. Followed by a discussion on the financial performance by Mr. Vineet Ganeriwala, the Management will open the forum for an interactive Q&A session.

Before we begin, I'd like to point out that certain 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 we face. A detailed statement and explanation of these risks is included in the earnings presentation, which has been shared with you earlier. The company does not undertake to update these forward-looking statements publicly.

I'd like to invite Mr. Sunil Agrawal to make his opening remarks. Thank you. And over to you, sir.

Sunil Agrawal: Thank you, Mit. I welcome you all to Vaibhav Global's Q2 FY'23 earnings call. I hope you have reviewed the results, as well as the presentation that provides details on the business and the environment, we are operating in.

Before we start results discussions, I take this opportunity to announce that upon the recommendation of Nomination and Remuneration Committee, the Board has elevated Vineet Ganeriwala as President of Shop LC, U.S. Vineet has demonstrated keen business acumen, strategic approach and leadership skills since he joined VGL early 2020 as our Group CFO. Vineet has over two decades of rich experience across diverse industries and multiple geographies.

Further, the Board has now elevated Nitin Panwad as Group CFO in place of Vineet. Nitin is chartered accountant by training and a finance leader at VGL Group for last 11 years. He has worked across diverse profiles and multiple geographies. He is an excellent business partner, providing valuable strategic input to support growth of our business. He has successfully led various transformation initiatives in process improvements, cost efficiencies, margin improvements, et cetera. He played a pivotal role in setting up our German subsidiary and was serving as Deputy Group CFO for the company before this promotion. I'm confident that these changes will further strengthen the management bandwidth of VGL.

Let me now take you through the operational performance of the quarter. Sales for the quarter were Rs. 646 crore, up 1.8% from Rs. 635 crore in the second quarter of last year. This performance is encouraging versus pre-COVID level of Q2 FY'20 with a growth of 33%. This performance in backdrop of current high inflationary environment in Western economies. Consumer is also spending larger share of their disposable income on experiences rather than products having stayed indoors during COVID years. In Q2, our gross margin continues to remain healthy at 60.9%. We continue to successfully balance our product cost pressures while maintaining our differentiated value proposition. EBITDA for the quarter has been at 8.1% compared to 7% of last quarter and 11.4% of Q2 FY'22. Our judicious investments in Germany, new OTA homes and digital marketing have a short-term EBITDA impact. But these investments are building blocks, which will result in significant operating leverage in the medium and long-term.

In spite of these investments, our margins had bottomed out in Q1 and have started seeing a sequential improvement and are expected to continue to improve in H2.

During the quarter, our Germany business has grown exponentially, clocking monthly revenue of more than EUR1 million in recent months. In Germany, we recently started Live and Interactive shopping on our website and are seeing good customer traction. We intend to increase its coverage going forward if the trends remain positive.

At Shop TJC U.K., the freeview channel upgradation continues to give positive results in terms of new customer acquisition. New TV customer acquisition rate was negative 17% in February 2022 and is now positive 49%. We expect that the current trend will continue to benefit TJC with market-leading growth in the long run. Overall performance in U.K. is positive except momentary impact of Queen's demise and political changes.

In U.S. also, the macroeconomic environment continues to impact the customer sentiments. Current revenue growth is not a true reflection of potential of U.S. and U.K. markets for us. However, we continue to gain market share owing to our low-cost vertical business model.

A fully integrated supply chain spanning across 30 countries is our MOAT. We manufacture majority of our jewelry products allowing bulk sourcing and therefore, strong margins. Our vertically integrated supply chain has worked favorably for us. Besides cost, our vertical model also helps reduce delivery time and offers great storytelling opportunities to our retail units. We manufacture majority of our jewelry products allowing bulk sourcing and therefore, strong margins.

Further, our four R's framework, that is widening reach, new customer registration, customer retention and repeat purchases, remains to be our key levers for growth. The reach of our TV networks by end of Q2 FY'23 was approximately 135 million TV homes, which is 23% higher Y-o-Y. 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.

Our sustained investments on OTAs and digital channels is leading to increased new customer acquisition. Our unique customer base is at 0.5 million. New customer acquisition on TTM basis stands at Rs. 2.5 lakhs, which is higher by 9.8% Y-o-Y and significantly higher by 16.3% over Q2 FY'21.

On the sustainability aspect, we are glad to announce that 2 of our office buildings in U.S. have received LEED's GOLD Certificate. This certification reaffirms our focus on efficient operations and recognizes our efforts towards sustainability. Another important aspect of sustainability efforts is our midday meal program, Your Purchase Feeds. Recently, we crossed a milestone of 69 million meals with a run rate of approximately 51,000 meals donated every single school day.

We continue to closely monitor the macro environment and business trends. I believe that we have capabilities, team, and experience to effectively manage growth in this environment. Despite near-term uncertainties, we believe that the long-term demand remains strong, and we are well prepared to leverage our competitive advantage.

Our outlook for the mid-term remains intact, and we expect to deliver 2% to 4% growth in this fiscal year and mid-teens revenue growth in subsequent years.

Further, the Board of Directors of your Company has declared an interim dividend of Rs. 1.50 per share for the quarter. We look forward to maintaining a balance between growth, investment and quarterly payouts to generate sustainable value for our stakeholders. Over to you, Vineet.

Vineet Ganeriwala: Hi. So, first of all, let me thank VGL Group for this opportunity being offered to me. My journey as Group CFO has been great and enterprising. And I would like to thank all my colleagues who share this journey with me and supported me. I now look forward to the new challenges and opportunities that this position of President, Shop LC will offer. I would also like to congratulate Nitin for being promoted as Group CFO of VGL. Nitin has been a core asset of our company since last 11 years and has great business acumen. I'm sure that he will continue to deliver in this role of Group CFO as well. Over to you, Nitin to say a few words.

Nitin Panwad: Thank you, Vineet and Sunil for your kind words. First of all, I would like to congratulate Vineet for well-deserved elevation as President of Shop LC, U.S. I have worked with Vineet since 2020 and would like to say that he carries good business acumen and good team leader. I'm sure that he will once again demonstrate performance and lead Shop LC, U.S. to market leading growth. Further, I would like to thank VGL Group and the Board for showing this faith upon me and promoting to this position of Group CFO. This position carries challenges, as well as opportunities, and I'll give my best to meet the expectation of the new role. Back to you, Vineet. Thanks.

Vineet Ganeriwala: Thanks, Nitin. So, let me now start with the discussion on quarterly financial performance. As Sunil mentioned earlier, demand outlook is muted, with refreshing sales impacting consumer sentiments. Overall, revenues stood at
Rs. 646 crore, a growth of 1.8% year-on-year. As against the pre-COVID period of Q2 FY'20, growth is stronger at 33%, suggesting a healthy CAGR of 10%.

In local currency terms, Shop LC, U.S. revenue declined by 6.4% year-on-year impacted by the subdued demand and a very high base of last year. In U.K., our investment on upgrading freeview channel position has really contributed favorably. However, due to the sad demise of Queen in U.K., there was an impact on this quarter's revenue, which resulted in flattish growth for U.K., Germany continues to perform better and is evolving much stronger. Though these are unprecedented and difficult times, but we are rapidly adjusting our offerings to changing consumer demand and the same is reflected in improved revenue numbers month-on-month, which you can see in our results presentation. Our TV revenue stands at Rs. 397 crore and digital revenue at Rs. 233 crores. The numbers are up by 2.1% and 3.1% year-on-year respectively.

However, I'm comparing against pre-COVID period of Q2 FY'20, the growth is encouraging at 27% and 57% respectively.

Our OTA reach continues to grow. We have added a few key cable markets to our distribution portfolio during the quarter. All these sustained efforts have resulted in an additional 10 million households in the U.S. across OTA and the cable TV platforms. Additionally, our investments on expanding omnichannel distribution have resulted in 59% of the new customer acquisition happening on digital platforms during the quarter. This omnichannel distribution model promotes and encourages customer to transact on both TV, as well as digital platforms, which gives them a unique shopping experience and a cross-selling potential to us.

Omnichannel customer tends to be more sticky and have a significantly higher lifetime value than customers who buy only on TV or only on digital. I would like to highlight that our Budget Pay sales, which allows customers to purchase on EMI basis, continues to grow and presently it is contributing 39% of the total retail sales. This feature enables purchase easier and makes it convenient, thus driving deeper customer engagement. The non-jewelry segment comprising of fashion accessories, lifestyle products, beauty products, apparel and home products constitutes 27% of our total retail revenues. This non-jewelry segment has enabled us to take higher wallet share out of the same household.

EBITDA margin for the quarter was 8.1%. As communicated earlier, we intend to achieve double-digit EBITDA margins in the medium-term, led by continued focus on cost optimization across the board and improved productivity and operating leverage. Current EBITDA margin have seen sequential improvement, owing to better revenue delivery and cost rebase initiative started few months back. Profit after-tax for the quarter is Rs. 23 crore as against Rs. 42 crore of last year. Operating cash flows and free cash flows were at Rs. 77 crore and Rs. 62 crore respectively. The continuing year-on-year improved cash generation due to CapEx coming to normal levels, alongside efficient capital allocation and focus on costs.

On a TTM basis, ROE and ROCE were at 13% and 18% respectively. These return ratios suggest effect of conscious investments on affiliates, digital marketing, German operations and broader economic environment. Through our strengthened execution, we remain committed and are confident to deliver strong returns for our stakeholders in the medium to long-term. We continue to create value and are pleased to announce that the Board of Directors has approved second interim dividend of the fiscal year of Rs. 1.50 per equity share.

In the current macro environment, we are intensifying our efforts on driving growth through disciplined execution of our value offering, digital-led and customer-centric content. This is enabling in balancing our near-term responses to broader economic environment. We believe we have huge opportunities ahead of us and having required technological management and financial bandwidth, we are confident to successfully navigate the current environment.

As Sunil mentioned that we have seen a visible sequential improvement during the last few months, with revenue trends improving month-over-month, we firmly believe that this transient phase will be behind us soon. Considering the current macro environment, we expect to deliver a 2% to 4% top-line growth for this year with 8% to 9% EBITDA margin for this financial year. Our medium-term outlook remains intact, and we expect to deliver mid-teens revenue growth in subsequent years with operating leverage.

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

Moderator: The first question is from the line of Pritesh Chheda from Lucky Investments. Please go ahead.

Pritesh Chheda: Yes. Sir, I have 2 questions. One, it's quite surprising that your realizations are now about $35 a piece, which is a 20% higher number, yet the gross margins are lower. So, if you could just explain that phenomena? And we used to be at 65% type range. So, any comment there on the gross margin? You have given your comments on margin, EBITDA. That is the first question.

And my second question is, sir, at EUR1 million Germany operations per month, what is the EBITDA burn in Germany, so that we can understand ex of Germany, what kind of margins are now happening on your more stabilized U.S. and U.K. operations?

Sunil Agrawal: Sure, Pritesh. So, the increased average selling price of $35 is the result of current business environment. We have lower eyeballs currently because people have gone out for experiences, and there is more attraction of gold product, like not heavy gold product, but gold product like 2 grams to 5 grams kind of chains that people are picking up and that has increased our ASP currently. And we believe that this is transient because of the current inflationary environment.

So, second question was about the lower gross margin. So we give guidance of 60%-plus gross margin, and we stay true to that guidance. Given that trend between 60%to 65%, it keeps on fluctuating depending on the product mix and the business environment. So, the current business environment is a little bit of subdued because of inflationary fears and some changes in the U.K., the political change of the Queen's demise. And that led to some dilution of margins.

The third point was about Germany. Though EUR1 million run rate is achieved in recent months, the gross margin wise, Germany is ahead of U.S. and U.K., but EBITDA is negative. Now sequentially compared to last year Q2 and this year Q2, it is slightly better in absolute euro terms. And as we proceed to next quarter, the business will continue to improve, the losses will continue to be lower than last year same period. So, there'll be some gain in terms of losses from Germany. We expect H2 of next financial year to be profitable for Germany.

Pritesh Chheda: Can you quantify at EUR1 million revenue, what is the EBITDA burn?

Sunil Agrawal: We don't have EBITDA burn numbers. So, we don't have EBITDA burn, but approximately EUR400,000 a month currently is the burn rate, EUR400,000 a month. And sequentially it keeps on going down as we assemble more unique customer base. And also, the longevity of customer improves the repeat purchase. We already achieved 15 repeat purchase per average customer in trailing 12 months, which is quite better than our earlier estimates.

Pritesh Chheda: Okay. So, lastly, I haven't calculated it, but the margins in U.S. and U.K., at what run rate those margins are running at, combined?

Sunil Agrawal: Sorry, you mean gross margins?

Pritesh Chheda: No, no, no, EBITDA, EBITDA.

Sunil Agrawal: Now I don't have the specific number, but in our investor presentation, we've broken down U.K. as well as U.S. So, you would have that information.

Pritesh Chheda: So, let's say at EUR400,000, so that's about likelihood, if we've about Rs. 10 crore burn, so Rs. 96 crore, so that is Rs. 106 crore. Okay. So basically, we would be at INR13 crore, we have a stable margin in U.S. and U.K., is that assumption correct?

Sunil Agrawal: No, no. No, no. So U.S. and U.K. both have suppressed margin because of the environment too. If it was just a stable margin as last year, then the German burn would not have been as impactful. So, we expect U.K. and U.S., both to come back to improve margin in next year. So, we'll have leverage coming in from next financial year. This year, we are giving guidance of 8% to 9% EBITDA including Germany burn.

Pritesh Chheda: H1 FY'22 had Germany operations, or it did not have Germany operations?

Sunil Agrawal: FY'22, we had very miniscule Germany operations. We started in May of 2021. So, there was a burn last year. So there was a quite substantial burn last year. So this year burn will be lower than last year. And next year will be yet lower, in H1, there'll be a burn, in H2, we'll be profitable, but for the whole year, there will be burn.

Pritesh Chheda: Okay. So FY'22 was a higher burn versus FY'23, that's how it is, right?

Sunil Agrawal: Correct. Yes. Correct.

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

Nilesh Shah: Yes. Thank you for the opportunity. Congratulations, Sunil, on a steady performance in an otherwise difficult environment, especially in terms of sequential improvement in margins and strong cash flow generation. And congratulations, both, Vineet and Nitin, for the new opportunities at Vaibhav Global.

Sunil, my first question is around the volume degrowth that we are seeing in our TV business through the TV channel. And this year, this first half, we're seeing a 25% decline in volumes over the same period last year. Now last year's base was not a high base, I mean this is not in comparison to FY'21, which, of course, was a high base. But on a base of last year, it looks to be kind of slightly significantly higher volume degrowth. I mean apart from, of course, the general environment, consumer sentiment and those factors, but anything specific which is leading to such a sharp decline in volumes on the TV side?

Sunil Agrawal: Nilesh, so volume degrowth is the factor of the audience that we have at any given time. So, there are 2 factors. One is that people went out quite a bit during the year, especially for experiences, because they were bound for a couple of years and the holidays or vacation, outing has been hit quite a bit.

Second thing was the inflation and recession fears. In this current environment, we found that people are buying more investment kind of product. Although, people have, as I said, not really a major investment, but people perceive them to be investment. So, gold product has been selling well. So, the gold chains or gold rings or gold bracelets have been selling well. And that led to a higher ASP and therefore, lower volume. So, if we were to stay at a lower price point, as Pritesh mentioned, our revenue growth would have been bit more impacted in order to meet the revenue numbers and what the customer pool was, we went with higher ASP and that led to lower volume. But the $35 ASP that you saw last quarter is not a long-term steady state business plan. We'll come back to around $20 ASP in longer-term once we are behind the inflationary environment and recessionary fear environment, and the steady-state of consumer behavior is back to the normal.

Nilesh Shah: Just a sequel to that, I mean you don't think that the volume decline that we have seen, a significant volume decline is like the start of a structural downtrend in terms of TV as a medium essentially kind of going out of vogue? You don't think this is anything like that? This is more like kind of just a temporary blip for the reasons which you outlined?

Sunil Agrawal: Absolutely. It is transient and we are seeing this across U.S., U.K. It's not just U.K. has a little bit less impact because we acquired quite a lot of new customers because of new channel position. But otherwise, from the older channel distribution is similar behavior. So, it is the transient current environment.

Nilesh Shah: My second question is around our private label strategy. So, we have a very interesting slide in our presentation on the private label strategy. I mean if you can just kind of elaborate a bit in terms of what your thought process is. But what I was more keen to know is that, that slide showcases several brands and what is the thought process? Do we intend to have such a large number of brands of our own? And obviously each brand will require some kind of investment, which might accelerate going forward and therefore impact margins? I know it's still early days for that, but what are your thoughts on that? Does it make sense to have like one umbrella brand, like say the way you have say of Zara which sells everything under Zara or you think that having multiple brands in our private label kind of strategy, is that a better way forward?

Sunil Agrawal: Yes, very good question, Nilesh. So, we have a process in the company that a collection with certain attributes and the price point of discipline and the brand personality is designed by our branding team and then we take that to the consumer. The minimum requirement for that is each brand should achieve at least a $1 million sales within a year. Otherwise, it will be discontinued. The benefit of this is the customer engagement with the brand and customer repeat purchase with the brand. And we have seen the brand performance in margins slightly better than the normal non-branded product.

And to your point, we do have umbrella brands like Shop LC and TJC. The customers do associate with the umbrella brand and there is high repeat purchase is mainly with umbrella brands. But the product brand does improve further customer engagement and repeat purchase. So that has been our experience, but we are always closely looking at the data and refining the strategy where it is necessary. But we do believe that we want to improve the in-house brands further and the third-party brands to keep at minimum.

Moderator: The next question is from the line of Sachin Kasera from Svan Investments. Please go ahead.

Sachin Kasera: Yes. My question was on the gross margins. So, in slide number 31, you have highlighted that the major reason for this 3% decline in gross margin was product mix and default price transition. So, can you comment a bit in how are we looking at in the next 1 to 2 quarters, just both the aspects of product mix and default price transition? And hence, could we see some improvement in gross margins going ahead?

Sunil Agrawal: Yes. Thanks for the question, Sachin. So, we constantly guide for 60%-plus margin, because consumer pull for particular product at any given time is not 100% definite. For example, last couple of quarter, consumer has been pulling a lot of gold product. And that is slightly lower margin, not meaningful, but slightly lower margin. And if you are able to sell more $10, $20 products, that gets us higher margin. So that depends on the pull. And our guidance will stay at 60%-plus margin for coming period. Other than that, we are unable to give specific guidance.

Sachin Kasera: No, I'm not talking about specific guidance, I'm just trying to understand this impact of product mix and deferred price transition that we have seen in this quarter. Will its impact reduce and hence you see some price transition happening and product mix improving as we go just as a direction or you think that the way you are seeing the environment, this will remain there for some time?

Sunil Agrawal: Yes. So, a part of the reason for very high gross margin last year was essentials. We sold quite a bit of masks and other essential products which were high gross margin. And also, this year, there were some cost increases like shipping cost increase, which we could not pass on to the customer. So, we can't predict whether we would be able to increase margin from this level depending on where the macro environment will be. So, our guidance will stay at 60%-plus.

Sachin Kasera: Sure. The second one was on this other thing that you have mentioned about accelerating investment in digital and broadcasting. So, have you seen the number that we're seeing this quarter, is it the peak number and hence as the revenue grows, will we see some leverage coming on this investments or as the revenue will keep increasing, we'll continue to see accelerating investment in digital and broadcasting, hence, it will continue to impact the overall EBITDA margin?

Sunil Agrawal: Yes. So last 2 quarters, we were kind of fortunate to get opportunities to get into some additional markets. Now typically these markets take anywhere from 1 year to 2 years to really mature. Mature means, where our affiliate costs are at our steady-state level. So, these 2 quarters were pretty good for us in terms of getting new distribution. Now getting new distribution, we always make an effort to have more distribution. We still have a lot of runways in front of us to get additional distribution in U.S. For example, full power OTA, we are only in 4 million homes compared to total almost 21 million available. So there's still lot of runway in front of us. Cable homes, we still have about 15 million more cable homes to get into.

We will get the opportunity; we'll get into them. But we don't really have a visibility on when exactly we'll be able to get into them because they have more opportunity now and whenever we can get the opportunity through, as a channel is vacated by another player and we get an offer to it and we are able to bid at a fair price that we are happy with, we'll take that on.

So for your model, you should take the current investment we are making into our affiliate as constant in dollar terms, not in revenue percentage terms, but in dollar terms. If we are able to get more distribution, we may be able to get, but we don't give specific guidance for that. Our guidance this quarter that we have given for H2 is 8% to 9% of EBITDA number for the whole year.

Sachin Kasera: Sure. And my last question was in this cost saving of 2.6% that we have seen, and there's a slide number 32, which mentions around 3 areas. So, this $5 million to $7 million savings is basically part of this 2.6% or these are the additional programs that we are going to run over and above this 2.6% benefit that we have seen in actually in terms of EBITDA margin benefits?

Vineet Ganeriwala: So, yes, this 2.6% which you see in the bridge, so some part of the cost savings have already started kicking in and that's part of this.

Sachin Kasera: But fair to assume that when you were mentioning $5 million to $7 millionsum like almost half-half in H1 or H2 or would you say that a larger benefit of this $5 million to $7 million would come in H2?

Vineet Ganeriwala: So, a larger benefit would come in H2. So the savings started flowing in partly from Q1 and is now maturing month-on-month, but like in terms of weightage, higher weightage will be in H2. Having said that, when we are giving the EBITDA margin guidance for the full year, so this is already factored in from keeping that in mind.

Sachin Kasera: Sure. And lastly, in case of Germany, you mentioned that the gross margins are better than U.S. and U.K., any reasons? And is this like the nature of that market and this should sustain as we grow there and become a much larger entity or is it that initially because the base is lower and because of certain product mix changes and all, the gross margins in Germany are better than U.S. and U.K.?

Sunil Agrawal: So, in Germany, the reason for higher gross margin is that the shipping revenue is lower and also the return shipping, customers don't have to pay if they want to return, whereas in U.S., you get customer pays for return shipping. So, because of the structure of the market, we tend to get higher gross margin. When we launched, we didn't expect the consumer to be able to comfortably pay their higher margins, but they are doing. And that will become profitable 1 year sooner than we originally expected.

Sachin Kasera: Sure. So just trying to understand better, you're saying, in case of Germany, the gross margins are higher, but we may end up incurring higher on the logistic cost, whereas in case of U.S. and U.K., the gross margin has been lower, but then the logistic costs would also be lower and hence at EBITDA it may not be that much of a difference. Is that correct assumption?

Sunil Agrawal: Yes. So, there is some dilution because of the higher logistics costs. But net-net, the overall margin is better than we originally expected, therefore, the accelerated time for breakeven by 1 year.

Sachin Kasera: And if I got you right, you said the current burn in Germany is approximately EUR400,000 at a revenue run rate of EUR1 million?

Sunil Agrawal: Correct. So that was the last 2 months run rate, but going forward, yes. So, for this current quarter, so it was about Rs. 12 crore for last quarter, which was a little over the EUR400,000, and the next coming quarters will be lower than that.

Sachin Kasera: Sure. And on slide number 22 in which you have given a month-on-month trend. Will you be able to give us some comments on how the October month has gone by? Because you've shown that as August and September, we have started to see a recovery with some pause in September because of the trends there. Will you be able to comment anything on how this October has sustained this trend at least or again, because of the macros, and we're seeing October has started to see softness?

Sunil Agrawal: Yes, to the extent, not completed and we don't really have data. But we are fairly confident of our guidance to get to 2% to 4% guidance, there have to be a positive trend and we are seeing that.

Moderator: As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Sunil Agrawal: I want to thank all the participants for your time and great questions. And I also want to thank you for your support to VGL in past years. If you have any further questions, please feel free to reach Prashant Saraswat at VGL or Mit Shah at CDR India, and we'll be happy to answer your questions. Thank you once again.

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