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 Q1 FY23 Earnings Conference Call held on Wednesday, 03rd August, 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/1740705006014465.pdf

Kindly take the same on record.

Thanking you,

Yours Truly,

For Vaibhav Global Limited

SUSHIL SHARMA
Digitally signed by SUSHIL SHARMA
Date: 2022.08.09 23:01:58 +05'30'

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Vaibhav Global Limited

Q1 FY23 Earnings Conference Call Transcript: August 3, 2022

Management Attendees:

Mr. Sunil Agrawal- Managing Director

Mr. Vineet Ganeriwala- Group CFO

Moderator: Ladies and gentlemen, good day, and welcome to the 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 thank you for joining us on Vaibhav Global's Q1 FY23 earnings conference call. Today we have with us Mr. Sunil Agrawal, Managing Director; Mr. Vineet Ganeriwala, Group CFO; and Mr. Prashant Saraswat, Head of Investor Relations.

We will begin the call with a brief opening remark by Mr. Sunil Agrawal on the business operations, key initiatives and a broad outlook. Followed by a discussion on the financial performance by Mr. Vineet Ganeriwala, post which, the management will open the forum for a Q&A session.

Before we get started, 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 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 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 Q1 FY23 earnings call. I hope all of you would have reviewed the results. Our presentation provides further detail both on the business and on the environment, we are operating in.

The quarter gone by reflects effect of 2 macro environments. First, the opening up of economies after 2 years of travel restrictions which led people to go out for revenge outings, impacting all digital retailers like VGL. Secondly, the high inflation in western economies constrained consumer to spend on discretionary items. Recent quarterly performance was softer over an otherwise elevated base of 2 years with revenue reaching Rs. 628 crore, this was 8% down YoY. However, this performance is encouraging versus a pre-COVID period of Q1 FY20 with a growth of 47%.

Amidst all broader challenges, we see a visible improvement during last 3 months, with revenue trends improving month-over-month. We believe that this transitional phase will be behind us soon, and we will get back to our revenue and profitability growth path again. It is worthy to note that despite this transient phase, the gross margin improved sequentially and were 62%, owing to our vertically integrated supply chain and better product mix.

EBITDA margin for the quarter was 7%. Excluding Germany, it is 9.1%. YoY comparison shows decline in EBITDA margin mainly due to operating deleverage. Continuing with our strategy of enhancing our digital capabilities, we made investments on new OTA homes, digital marketing spend on OTT, social media and third-party marketplaces. Digital is the future with huge growth potential, hence, we will continue to concentrate on the segment and build our strength there.

This quarter, we have achieved the milestone of completing 25 years of public listing. We take this opportunity to thank our shareholders who shared this great journey with us. All these years, our deep discounts and value positioning worked well in various kinds of economic cycles and delivered consistent results to our shareholders.

During the quarter, VGL's German subsidiary, Shop LC GmbH expanded its presence by launching its proprietary TV channel on nation-wide OTA platform 'Freenet TV'. With this arrangement, Shop LC GmbH also marked its foray into OTA, that is Over-The-Air platforms and increased its coverage by approximately 2.5 million households, thus providing further scope of scalability.

At Shop TJC (UK), the Freeview channel upgradation has started yielding positive outcome in terms of new TV customer acquisition. In February '22, new TV customer acquisition rate was negative 17%, which today is positive 24%. We expect that the current trend will continue to benefit TJC with market-leading growth in the long run. Our vertically integrated supply chain network spanning 30 countries is the backbone of our business and a key differentiator. It is helping us with increased product availability, while many other retailers battle with supply chain constraints.

The low-cost manufacturing with value sourcing enables to serve value conscious customers in our addressable markets in US, UK, and Germany, thus achieving industry-leading gross margins. Further, our 4R's framework - Widening **R**each, New Customer **R**egistration, Customer **R**etention and **R**epeat Purchases remains to be our key levers for growth. The reach of our TV networks by the end of Q1 FY23 was approximately 127 million TV homes, which is 24% higher YoY. We reach TV homes through cable, satellite, telco networks and over-the-air antenna also called as OTA platforms.

Our products are also available on digital channels, including proprietary website, smartphone apps, OTT platforms and marketplaces. Our sustained investments on OTAs and digital channels is yielding desired results in terms of increase in customer acquisition and sustained retention rates. Our unique customer base is at 0.5 million, new registrations on TTM basis are at 3.2 lakh. Similarly, new customer acquisition on TTM basis stands at 2.6 lakh, which is higher by 12% YoY and significantly higher by 27% over Q1 FY21.

On sustainability aspect, we are pleased to announce the publication of our first Integrated Annual Report and Annual ESG Report for VGL Group for FY22. We hold value creation and sustainability as complementary goals. These reports reflect our continued efforts towards value creation along with greater transparency, strong governance, and ethical business practices.

Further, we are glad to announce that 2 of our office buildings in US has received LEED's Gold certification. This certification reaffirms our focus on efficient operations and recognizes our efforts towards sustainability. Another important aspect of sustainability effort is our mid-day meal program ***'Your Purchase Feeds…'***. Recently, we crossed a milestone of 67 million meals with a run rate of 59,000 meals donated every single school day.

Towards the conclusion, the broader economic environment is bit uncertain. Our outlook for the year and midterm remains intact. We expect to deliver mid-single-digit growth in this fiscal year and mid-teens revenue growth in subsequent periods. We closely monitor our liquidity position and deploy funds accordingly, while maintaining overall profitability. The

Board of Directors of your company have declared an interim dividend of Rs 1.5 per share for the quarter, implying a firm belief in our business model and a strong performance going forward.

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

Vineet Ganeriwala: Thank you, Sunil, and good evening, everyone. A warm welcome to Vaibhav Global's earning conference call. While Sunil gave you some details on overall performance and business status, I will now take you through our financial performance for the quarter ended 30 June 2022 in detail.

Last few months have seen some level of uncertainty around inflation and resulting subdued consumer behavior. Quarterly revenue of Rs. 628 crore is on the backdrop of the macroeconomic challenges. It is also pertinent to note that Q1 of last 2 fiscal years grew exceptionally higher owing to COVID tailwinds. While the current quarterly growth looks subdued because of higher base, our 3 years compounded annual growth rate stands at 13%, with a robust growth of 43% over Q1 of FY'20.

The E-com industry in US and UK, after a tailwind during COVID, have been witnessing some headwinds with economies fully opening up and lower demand due to inflation-related worries. The sales mix of E-com market in US and UK have fallen by 4.1% and 0.3%, respectively, versus December 2021 levels, as suggested by the macro data. Consequently, in local currency, Shop LC (US) and Shop TJC (UK) had a softer revenue performance, but we are rapidly adjusting our offerings to changing consumer demand and the same is reflected in improving revenue numbers month-on-month.

We are pleased to report that the Freeview channel upgradation in Shop TJC to slot number 22 from 50 has started yielding positive outcomes. Today, the rate of new TV customers stands at 24%, which is a delta of 41%

over February 2022. We perceive that this investment will further enhance the viewership of TJC, as we have mentioned earlier, and thus offering a huge future growth potential. Our TV revenue stands at Rs. 386 crore and digital revenue at Rs. 222 crore. The numbers are down by 9.6% and 9.2% year-on-year, respectively. However, on comparing against pre-COVID period of Q1 FY20, the growth is encouraging at 40.7% and 59.8%, respectively, in both the segments.

Our focused approach on expanding OTA households continued during the quarter. Sales mix between TV and digital is 64% and 36%, respectively. Additionally, our investments on expanding omni-channel distribution have resulted in 58% of new customer acquisition happening on digital platforms during the quarter. This omni-channel distribution model promotes and encourages customer to transact on both TV and digital platforms, which gives them a unique shopping experience and a cross-selling potential for us.

Omni-channel customers tend to be sticky and have a significantly higher lifetime value than customers who buy only on TV or only on digital. We also provide hassle free shopping experience with our budget pay service, allowing customers to make purchases on EMI basis. Since its launch in FY16, the service has been gaining good traction, and presently, it is contributing around 39% of the total retail sales.

Over the last many years, share of non-jewelry has increased multifold, indicating our ability to take higher wallet share out of the same household. Jewelry accounts for 72% of the total retail sales, while the rest 28% is comprised by lifestyle products, which includes apparels, home decor items, beauty and accessories. Our EBITDA margins dropped from 14.4% to 7% during the quarter Q1 FY23. A large part of this is attributable to our investment into new Germany unit and our conscious investments on digital and broadcasting network, all of which are strong future revenue growth pillars.

We believe current EBITDA margins, because of these investments, are not true reflection of our business model, and we are confident of reverting back to our earlier level of mid-teens range in the medium-term, led by continued customer growth, improved productivity and cost optimizations. Profit after tax for the quarter is Rs. 20 crore as against Rs. 66 crore of last year adjusted for exceptional items. Operating cash flows and free cash flows were at Rs. 32 crore and Rs. 18 crore, respectively, reflecting impact of lower profitability. However, the cash generation has improved sequentially due to efficient capital allocation and focus on costs.

On a TTM basis, ROE and ROCE were at 14% and 22%, respectively. These return ratios suggest effect of conscious investments on affiliates, digital marketing and German operations. The Board of Directors of your company have declared an interim dividend of Rs. 1.50 per share for the quarter. Towards the end, we would like to reiterate that we have an immense opportunity ahead, and we continue to invest to create long-term value while navigating through a volatile short-term market environment.

For fiscal 2023, we reiterate our previously provided guidance of mid-single-digit revenue growth, while maintaining mid-teens revenue growth in the long run and our guidance of operating leverage in the current year. Thank you.

Moderator: The first question is from the line of Abhilash Sharan, an Individual Investor. Please go ahead.

Abhilash Sharan: Sir, can you explain the investments that we are making in the OTA platform? You had alluded in the past that these OTA investments are much higher than the normal OTT platform. So, what is the reason for that? And how are we looking at those investments?

Sunil Agrawal: OTA is over-the-air antenna platforms. While cable, there is a cord-cutting mechanism, OTA is increasing year-over-year by 6% to 7%. So that is expanding in U.S. In U.K., it is already quite large in ratio terms. But in U.S., it is expanding. And that is where we are accelerating our investments for future growth potential, because that is growing year-over-year. And wherever we are getting opportunity, we are investing in that. Household revenue from those OTAs are higher than cable, because there are limited number of channels people see via antenna compared to cable. Cable have about 1,000 channels, whereas antenna has anywhere between 25 to 100 channels only. And it is broadcasted free of cost to consumers.

Abhilash Sharan: And sir, what will be the exact difference between the full power OTA and the low power OTA? You said that full power OTA are kind of much more expensive than the low power.

Sunil Agrawal: Yes, that is correct. Good observation. So low power OTA, we are already in about 16 million homes in US out of about 22 million. Full power, we are just about 4 million homes out of 22 million. So full power usually has a much higher signal with a broader area of the antenna tower. And whereas low power reaches to limited number of homes. And full power is usually also affiliated with national broadcasters like ABC, CBS, CNN with a large audience tied into those ABC, CBS and CNN. And when we go to the digital channel that's called sub-digital Dot-Two to Dot-Nine the audience which is on the main channel for ABC & CBS, those flow over to dot channels as well. So full power has more value, it's more expensive also, but higher revenue per household as well.

Abhilash Sharan: Okay. Is it correct to then say that the full power OTA average households income will be higher than the low power OTA households?

Sunil Agrawal: That is correct. Yes, quite substantially higher.

Abhilash Sharan: Could you give some broad numbers like what would be the average household incomes for full power OTA and the low power versus the normal cable, some just broad numbers?

Sunil Agrawal: Yes, I don't have it offhand with me. But the multiple between low power and high power is anywhere from 4x to 8x.

Abhilash Sharan: Okay. 4x to 8x on the household income front?

Sunil Agrawal: No. The revenue from full power OTA is about 4x to 8x of the low power OTA per home basis.

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

Sachin Kasera: My question was on the margin side, given the breakup of the impact on margins are very steady. I'm saying, this margin impact because of 2 or 3 various impacts you have given in the presentation. So if you could just tell us this gross margin 300 basis point impact, you can tell us a little bit more in detail. And when do you see this impact of gross margin going away?

Vineet Ganeriwala: So, we have always guided for 60% plus gross margins, and in this quarter, while year-on-year, the gross margins are lower from 65% to 62%, but it remains well above our guardrails of 60% and have also sequentially improved. So while it's a challenging macroeconomic environment, but we are happy that we are able to maintain our guardrail of 60% plus gross margins even in this challenging quarter. Coming to EBITDA margins, I don't know whether your question was specifically directed towards gross or EBITDA.

Sachin Kasera: So I had 2 questions- one was on the gross margin and second was on the investments in OTA and in Germany that you mentioned. So what do we guide for Germany to breakeven and drag on Germany to go away? And the second was on the increase in the OTA and digital marketing initiatives. Is it like going to be continuous affair, or is it also a one-time initiative? And over the next few quarters, the impact of the German margins will go away?

Vineet Ganeriwala: Sure. So Germany, we have already guided breakeven in H2 of FY24, which is next year H2. So we reiterate that guidance of breaking even in H2 of next year. So till that time, the losses will be there in Germany unit, as of now, it is impacting 2.2% on the EBITDA margin. Sequentially, it is lower from the March quarter. But yes, it will be breakeven in H2 and we are absolutely in line with our guidance.

On your point of accelerated investment in digital and broadcasting. So, we're not shying away from investing in further OTA opportunities if we get that for future. So, what one needs to understand is that it takes time to build up revenue from a new household, while the cost may hit from day one, the customer and their revenue buildup happens after a lag, but then it gives subsequently a very high revenue as well as leverage opportunity for future. So, getting such opportunities in OTA households is not very easy and it comes with a time. As of now, the visibility which we have, in overall rupee terms, it may not increase by more than, say, it will be very close to lower double-digit increase in the broadcasting expenditure for the year versus last year. But if we get more opportunities in OTA, we'll not shy away, as it is a very strong growth pillar for our future business.

Sachin Kasera: So instead of all these initiatives, sir, how confident are we to go back to the mid-teens EBITDA margin over the medium-term that we had before these various sectors of investments and some impact of inflation impacted our margins?

Vineet Ganeriwala: So we reiterated our guidance of reverting back to mid-teens level in the medium-term. So this year, there are a lot of macro challenges and our investments into Germany unit as well as broadcasting coming up. But next year, when it starts unlocking in H2 and all these investments into broadcasting giving commensurate revenue in the next year, we guess, we will recoup a large part of this lost EBITDA margin within next year itself. So we have reiterated our confidence on reaching to mid-teens level in the medium-term going forward.

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

Nilesh Shah: Vineet, just a clarification in terms of the margin for this year. So we're guiding for a single-digit revenue growth and the EBITDA margin to be a function of the operating leverage. So does that mean that if our revenues grow at, say, 5% this year, we expect our EBITDA absolute number to also grow at 5%. Is that what we should really understand?

Vineet Ganeriwala: So, we have not given a number to our EBITDA margin guidance for the year. But what we've mentioned is, with our mid-single-digit revenue growth, we will have operating leverage coming in. So profit will grow at 5% or greater than 5%. This is for the current year. And for the next year, what we have mentioned is reverting back to our mid-teens kind of a revenue growth in the medium and the long-term. And similarly, for mid-teens EBITDA margins in the medium and long-term.

Nilesh Shah: Yes, surely. So if I just do the math, Vineet, it means that for the rest of the 3 quarters of this year, our EBITDA margin will have to be 11.2%, which is higher than what we have achieved even in FY22. So I just thought, is that what we should understand? Because that's what the math suggests.

Vineet Ganeriwala: Yes. So I don't have the exact number of the last 3 quarters of FY22, Nilesh. But yes, what we have also mentioned is, sequentially, we will see improvement in EBITDA margins going forward. So the first quarter has a revenue degrowth over the last year for all the reasons explained about. Cost optimization initiatives, which we have started since last 3 months have started kicking in and giving benefits, as I explained in my commentary as well. So these 2 things- coming back to positive growth in the coming quarters and the cost initiatives giving full benefits, the EBITDA margins in the next 3 quarters will match the revenue growth for the full year.

And Nilesh, not to mention, Q3 is our peak season time, wherein we see a good amount of operating leverage flowing in. So, it will not be like a flat 11% in all the 3 quarters going forward, but it will see sequential improvement from here.

Nilesh Shah: Okay. Just a follow-on question, our realizations on the digital side have increased quite significantly. I'm not too sure, one of our realizations have increased quite significantly. What explains that spike in the realizations?

Vineet Ganeriwala: You are talking about the average selling price, Nilesh. Is that the question?

Nilesh Shah: Yes. That's right.

Vineet Ganeriwala: Okay. So average selling price, Nilesh, is a function of what the customers are pulling at that point of time. So like in the last year, there were a lot of essentials which were being sold and hence, the prices were low, volumes were significantly up. So this year, what we're seeing is the impact of all these economic uncertainties, people are resorting to gold as a like medium of investment as well. So we are seeing a huge spike in gold chains like unprecedented, like, what we would have sold earlier. So which is why the volumes may be low, but the prices are higher.

So what I mean to say is the price and the volume are the function of what the customers are pulling at a particular point of time, we being vertically integrated supply chain are rightly poised to take advantage of any rapidly changing consumer scenario which comes our way. So I would urge not to look at price and volume quarter-by-quarter rather look at it in the long-term, because in the short-term, it may vary with respect to changing consumer needs.

Moderator: The next question is from the line of Latika Jetha from Concept Investwell. Please go ahead.

Latika Jetha: So I have a question. You have mentioned that we are gaining market share. So I just wanted to check how do we calculate this, whether we are gaining market share or losing market share? Any particular source or mechanism to notice?

Vineet Ganeriwala: Yes, I can take that Sunil. So the way we calculate market share for us is that we look at similar players. So for example, say, there is QVC and Evine in US and similarly , there are multiple such operators in UK. So we look at similar home shopping networks who sell-through TV and online as a medium of sales just like us. And we take only those companies in comparison, those numbers are publicly available for everyone to see. So when we compare ourselves from QVC say, for example, QVC, and Evine in US, we find that while our revenue growth might be a little muted in the last few quarters, but that is significantly above the competitors like we mentioned, and we continue to grow market share quarter-by-quarter, year-after-year since last many years now. Just to give a broad number, while we would have grown by low single-digit in Q4, their Q1 numbers are yet to come. Qurate have degrown by double-digit in the last quarter, i.e., Q4.

Latika Jetha: Okay. So the market share gain, which you have mentioned is not related to the Q1 quarter, it is for the past 6 months, right?

Vineet Ganeriwala: So we continue to gain market share quarter-by-quarter and year-by-year. Their Q1 numbers are yet to come out. They will be coming out later this week or early next week. But looking at the trends of last many quarters now, what we mean to say that we have been continuously gaining market share, consistently.

Moderator: The next question is from the line of Sameer Dalal from Natverlal & Sons Stockbrokers. Please go ahead.

Sameer Dalal: I just want to refer to say, your presentation's Page 20, where you all are showing the recent trend improving month-over-month. So, this 9.9% decline, 8.5% and 5.2%, that is sequentially slowing down growth or this is over the last year same month? I did not understand that chart. So, if you could just explain that.

Sunil Agrawal: Yes, it is over the same month of last year.

Sameer Dalal: So we're seeing a slowdown. So if I were to look at it actually month-on-month, can you kind of quantify what has taken the movement of sales over this period?

Sunil Agrawal: So this is a sales movement, month-over-month, same year, for example, April is 9.9% lower than April of last year.

Sameer Dalal: So April to May to June how has the sales been? It's not month-on-month, I mean, not over the previous year over the current year?

Sunil Agrawal: So it is a month of previous year. So April '22 over April '21, May '22 over May '21 and June '22 over June '21.

Sameer Dalal: Understood that. What I'm saying is, can you give us some indication on how the sales have been moving sequentially?

Sunil Agrawal: I see. Yes. Let me see the data. There's a lot of seasonality month-over-month or the clearance mechanism that we run. So that may not give you best picture. So we can give you the data, but I encourage you to look at year-over-year for the same period rather than month-over-month sequentially.

Sameer Dalal: So what we have seen is a big jump in the TV sales average selling price. And what you rightfully said is last year, there were a lot of your essential goods because of which the average selling price was lower. But what we are also seeing over last year, the gross margins have come down. So would it be fair to assume that the gross margins for the essentials was higher than that of what we are selling normally?

Sunil Agrawal: Yes. So last year, essential also gave higher margin and the customer pull was there, so we could get our overall higher margin on our products. Customers were at home during last 2 years, and we could gain that leverage to get margin. This year, the costs are slightly elevated due to shipping costs and all that. And the customer's eyeballs are lesser on TV. So, the leverage that you must gain extra margin is also less. So, there are 2 reasons for that..

Sameer Dalal: No, my question is, that if we remove the essentials, now that essentials may not sell to the same quantum what they did in the past, can we assume that the gross margins would be more around the range of 62% levels for the entire year going forward? Or do you think you can scale back up towards the 65%? That's the question I'm trying to address.

Sunil Agrawal: Yes. So we don't give those specific margin guidance, Sameer. We give the guidance, but we'll keep it at minimum 60%. Above that, we look at the opportunities and then take benefit of that. So from quarter-to-quarter, we don't give or even year-to-year we don't give gross margin specific guidance. But what I can say is, that we'll be above 60%, and we'll have leverage of profitability over last year, this financial year we'll have leverage over last year.

Sameer Dalal: Okay. And now one last question. If you look at your depreciation, that has seen quite a big jump. This has to do with some amount of the amortization also of the TV channels, I mean the upgrade of the TV channels or that has still not come?

Sunil Agrawal: Yes. It's already part of that.

Sameer Dalal: It's already. So this would be the probably stable rate going forward right, now?

Sunil Agrawal: That is correct. So we moderated our CapEx for the time being. Only CapEx that will come is our new headquarter construction that will start in Q4 this year. So that will come in, but that will last for about 2 years. The amortization will start to kick in after it becomes operational in FY25.

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

Sachin Kasera: Sir, in the presentation, you have mentioned 3 initiatives on the cost cutting and cost savings, which should yield between $5 million to $7 million yearly sales. So one, any benefit we have seen in the current quarter? And secondly, will we see the full benefit in FY23 or part benefit of this in FY23 and partly in FY24?

Vineet Ganeriwala: So some benefits have started coming in Q1, definitely. And the amount which we have given out there is for this financial year. So FY'23, the full benefit is in the range of that $6 million to $7 million, which we have guided out there. So all the 3 initiatives- the call center, shipping & warehousing and the contract renewables have started kicking in from Q1 itself, but they will keep picking speed in the coming quarters and the full year benefit of about $6 million to $7 million as stated earlier, is achievable.

Sachin Kasera: So that itself should add another around 150 basis points reported EBITDA margin, just to the math, isn't it?

Vineet Ganeriwala: Yes. Like we mentioned, the mid-single-digit revenue growth, along with this cost initiatives will more than offset the investments which we need to continue to do in Germany and in the broadcasting network. And we would see positive leverage this year as well. So, this mid-single-digit revenue growth and the cost exercise is what the guidance is based of.

Sachin Kasera: Sir, just one more question more from a medium to long-term, say, 3 to 5 years perspective. So, you had periods of very strong growth and then you need to hedge some investments for digital as well as getting into new geography. So how should we model from a 5-year perspective? Is it that a mid-teen growth and mid-teen margin sustainable? Or is it that to sustain mid-teens growth, while we've periodically seen mid-teen margin, but the average for say, 3 to 5 year period may be a little lower, maybe like low double-digit, something like that. If you could comment on that. And are we looking at any more geographies to enter once the Germany stabilizes after say another 6 to 8 quarters from now?

Sunil Agrawal: Yes. So, for our 5-year plan, I think as we have demonstrated over our 25 years of listing, over the period we have shown about 18% growth. So going forward, we are giving a guidance of mid-teens growth with leverage. Leverage may decline as a percentage, but we are hoping to see the leverage in future. So if we go into new country, that will have a larger base of 3 countries becoming profitable, and absorbing some of the initial losses of say 3 years of that new geography. And then our digital investment that we are making, OTA investments, OTT, so they'll also start to kick in. So we feel fairly confident of mid-teens revenue growth with leverage coming in for foreseeable future.

Sachin Kasera: If I see your numbers for the last at least 10 to 12 years, which I have right now access to. From the period 2010 to 2018-19, our EBITDA margin range used to be between 5% to 6% on the lower side to 10% to 11%. And this time despite the investment that we are doing, at least in the last 3-4 years, the range looks more to be like between 10% to 11% on the low side and 14% to 15% on the higher side. Is that structurally the way company has now evolved? We have every 5 years keep moving to a little higher band, so within a 5-year period, we'll see volatility in terms of margins, but that band will keep moving higher every 5 years because of the way the business is evolving.

Sunil Agrawal: Yes. So I can't commit to those 5% for every 5 years. But we expect this because of our business model. As we leverage our sales up on the same asset base or get more wallet share of the customer, we will get the leverage. Now if some volatility comes like we are seeing now, we saw in 2008 to 2009, so that is kind of unforeseen, but we believe in the long-term growth of the business, we designed the model in such a way that it will continue to see leverage. At what point of time it will plateau out at the top growth level, I cannot foresee at this time. But for the foreseeable future, we expect the leverage to continue to kick in.

Sachin Kasera: And sir, are you looking at any major geographies once German stabilizes to enter in the next 3 to 5 years?

Sunil Agrawal: Yes. So we have researched and our plan is to go into Japan, but not till the time, Germany is fully stable and very profitable. We won't go in while this business is still developing.

Moderator: The next question is from the line of Abhilash Sharan, an Individual Investor. Please go ahead.

Abhilash Sharan: Yes. Sir, can you provide the cost for acquiring household for low OTA, high power OTA or a normal cable?

Sunil Agrawal: Yes. So we don't publish those numbers, because we have a confidentiality agreement with those providers. As I mentioned earlier, the low power versus full power has 5x to 8x multiple on the revenue side. And from cost side, it is somewhere between 5x to 10x of those low power as well. We can't give specific numbers, because of the NDAs that we have signed.

Abhilash Sharan: Okay. So sir, can you explain the tenures of these agreements that you signed, like how long are these agreements? And what are the cost escalations broadly for the OTA and OTT agreements?

Sunil Agrawal: So OTT is different. So that's a good question. For OTA, since the households are increasing in that space, the last 5-year growth rate has been almost 7%. So the cost escalation some of the agreements that we have done for 3 years have about 4% cost escalation built in. And some agreements are just for 1-year, and there is no cost escalation, because they are not longer-term. And some agreements are 1-year, but aggregates clause with 3 months' notice period. So there is no such cost escalation with them. But there is a leverage for us, if their households continue to increase by 6%, 7% and the cost increase is 4%, then there is continued leverage for us in OTA.

Abhilash Sharan: Okay. And sir, is there any clause which represents that if we achieve certain revenues from these existing households, then we have to also share some kind of a revenue share or a royalty with these OTA providers? Or is it only specific to just a fixed cost kind of for household costs?

Sunil Agrawal: Yes. It's a fixed cost in OTA. And I forgot to add to your earlier question of OTT. So OTT, there are multiple kinds of OTT, one is the smart televisions that is linear like AT&T which is now DirectTV Stream, Roku TV or YouTube TV. So those are linear TV where you broadcast through the online. And the other one is the apps. For example, we have apps on Fire TV, Apple TV, Roku and Samsung or Hisense TV. So those apps you advertise, and people download the app. So, there's no fixed cost with those apps. There is no fixed cost on the smart TV, but there is a fixed cost on linear streaming on OTT. And there is no escalation built in with those folks yet.

Abhilash Sharan: Okay, sir. And sir, can you share the percentage of multichannel customers in our FY22 and Q1 FY23?

Sunil Agrawal: Yes. So it's about 10% to 12% of our total customer base is omnichannel.

Abhilash Sharan: Right. So sir, like they have kind of bought from us during this quarter as well, right? Like these 10% to 12% customers have contributed to the revenue, right?

Sunil Agrawal: Yes. So we calculate all on trailing 12 months basis. The customers who bought in trailing 12 months also bought in previous trailing 12 months.

Abhilash Sharan: Sir, you had mentioned that the CLTV of a multichannel customer is higher than the normal customer. So then what are the reasons for the CLTV to be higher for a multichannel, is it related to the disposable incomes being higher?

Sunil Agrawal: No. The reason is that the TV is push medium. The customer sits back and we suggest the product that they should own or they will look good and they will enjoy it for a long time to come. And the digital is pull medium. So what we discovered, if the customer buys from both medium, pull and push, their engagement is substantially higher than just the push or the pull. Just to give you an example, a TV customer who just buys from TV in US, their lifetime value is about $340. The customer who only buys from one sliver of the property called FPC, that is just a catalogue, CLTV is only $57.

But the customer who buys from FPC as well as TV, their lifetime value is about $2,700. This is trailing 12-month for US alone. Now customer who buys on web TV, within web, as well as FPC (so, there's a live TV on web and the catalogue), their lifetime value is about $1,000. So, a customer who buys from only web TV is $70 and only FPC the value is $57. And if you can get that customer to buy from both it jumps to $1,000, because it is push and pull. So, we do not fully know why this behavior jump so much, but we think the customer becomes more sticky and more engaged with us as they engage with us in push and pull.

Abhilash Sharan: And sir, what measures do we take to ensure that we convert this either a TV standalone or a web standalone customer to a multichannel customer? What are the measures that Vaibhav Global puts in place so that the customer becomes a multichannel?

Sunil Agrawal: So, we incentivize them. We promote on television. We promote our web properties and on web, we promote television. Also, we just recently started to promote incentivizing customers from buying on both. There is a plan in place that will kick in, in a few weeks, 2 or 3 weeks, and that plan would encourage customers to buy on both properties on the same day, and then we'll incentivize them with certain discounts. But that has not fully kicked in. We are doing a lot of different initiatives to migrate them in different ways.

Abhilash Sharan: And sir, one last question. Sir, how much time does it take for a new customer to become the first customer who buys on the platform to reach the repeat purchases of whatever 25-27 levels that we have, what is the time period through which he travels to become a repeat customer at that level?

Sunil Agrawal: Some customer buys the first day in multiple pieces, some customer takes 6 months. So there is no formula for that.

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

Sunil Agrawal: So I want to thank all the participants for your time and great questions. And I also thank you for your support to VGL past years. If you have any further questions, please 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 call. Thank you for joining us, and you may now disconnect your lines.

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