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

<u>Subject: Submission of transcript of conference call</u>

Dear Sir / Madam,

With reference to captioned subject, we are enclosing herewith the transcript of Q4 & FY21 Earnings Conference Call held on Thursday, 13th May, 2021.

Kindly take the same on record.

Thanking you,

Yours Truly,

For Vaibhav Global Limited
SUSHIL SHARMA
Digitally signed by SUSHIL SHARMA Date: 2021.05.18 23:34:07 +05'30'
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Q4 & FY21 Earnings Conference Call
May 13, 2021

Karl Kolah: Good evening everyone. Welcome to Vaibhav Global Ltd.'s earnings conference call for the quarter and year ended March 31st, 2021. Today we have Mr. Sunil Agrawal – Managing Director, Mr. Vineet Ganeriwala – Group CFO and Ms. Dipti Rajput – Head Investor Relations.

We will begin the call with open remarks by Mr. Sunil Agrawal on the business operations, key initiatives and broad outlook followed by a discussion on the financial performance by Mr. Vineet Ganeriwala. Following the management's opening comments we will open the forum for a Q&A session.

Before we get started, I would like to point out that some statements made or discussed on today's call maybe forward looking in nature and must be viewed in conjunction with the risks and uncertainties to be faced by the company. 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 Sunil.

Sunil Agrawal: Thank you Karl. Good evening everyone. Thank you for joining us today for Vaibhav Global's Q4 and FY21 Earning Call. Before we begin, I hope all of you are keeping safe and healthy given the current rise of infections in India from ongoing pandemic. We at VGL have ensured that all our worldwide employees remain safe from infection. Stringent precautionary protocols are being followed across all our facilities and offices. In addition to our effort to keep everyone safe, we are helping and encouraging all our employees to get vaccinated. Times like these are opportunities to innovate our business model and offering to our consumers.

The pandemic has accelerated digital adoption significantly over last year. Customer requirements of product mix also changed. With our agile sourcing and omni-channel retailing capability we are well placed to leverage such shifts in demand pattern and scale out rapidly. With another strong quarter in Q4 we closed last financial year on a successful note and positive momentum. Retail revenues, EBITDA and PAT grew at robust 33%, 41% and 41% respectively on YOY basis. Similarly, FY21 retail revenues, EBITDA and PAT grew at a robust 31%, 40% and 43% given by consistent performance in each of the four quarters during the year. Gross margins have remained stable even though the product mix continue to diversify with higher contribution from non-jewellery segments. Operating leverage have expanded EBITDA margins once again now standing at 15% in FY21 from just about 7%, 5 years ago. Cash flows and return ratios continue to expand as our operations remained steadily accretive. ROE and ROCE came in at 32% at 61% respectively on trailing twelve-month basis once again delivering consistent expansion on FY21 similar to last 5 years. Operating cash flows have improved to Rs. 324 crore and free cash flows came in at Rs. 268 crore for FY21.

We have recommended a final divined of Rs. 1.5 per share of face value of Rs. 2 each. Besides interim dividend of Rs. 17.5 per share of face value of Rs. 10 each were declared and paid to shareholder in FY21 so far. Despite these pay-outs cash balance on the balance sheet has now increased to Rs. 468 crore.

By remaining closely aligned to the needs of our customers and adapting to their change in demand pattern during current COVID pandemic we deeply connected with our target markets and onboarded a large number of new customers.

Our retail customers grew 38% last year to cross half a million mark, a significant milestone for VGL. As you know our business model is well-integrated vertically and we have a robust sourcing infrastructure spread across 20 countries. The efficient mechanism allows us flexibility in supply chain, cutting down time to market and helping us diversify and expand our product offerings to our customer base in US and UK. In recent months we successfully sourced products needed by our retail customers from different countries well maneuvering around lockdowns and bottlenecks. In this period, we introduced essential product ranges and several adjacent product categories that have allowed deeper connect with our target segments in this difficult period. We deliver products at price competitive ASPs while earning gross margins were higher than larger sized peers. This sharp sourcing capability is a key differentiator for VGL, allowing market and wallet share gains, longer customer retention and expanding lifetime values from growing number of customers in two of the world's largest consumption markets of USA and UK. Our business is highly technology driven; we therefore lay a lot of emphasis on bringing best technologies for our business. Toward this end we have invested in various initiatives like wallet integration, new world-class ERP, product personalization, AI application for various processes, market automation and warehouse robotics.

I will now take you through some of the key developments during Q4 FY21:

Shoppers in USA added international marketplaces like Amazon and Walmart Canada to its cluster. Walmart fulfilment services have been rolled out and advertising has been ramped up on Amazon and eBay. We made a major upgrade to our ShopLC, local OTT app and converted direct TV broadcast to full SD to across approximately 15 million homes. At shop TJC we launched a new channel TJC Beauty which focuses on offering beauty products while providing expert viewers expert reviews and trends in beauty market. The channel is based on a simple philosophy that ‘Beauty is for everyone’.

We recently announced setting up of a 100% subsidiary in Germany that is ShopLC GmbH. Germany would be third country after US and UK where we will be expanding our omni-channel network of TV and web. Germany is Europe’s largest home-shopping market with 38 million TV homes. We are excited about the opportunity this market offers. We are preparing for the rollout and expect to go live there in this H1. Supported by our value positioning, vertically integrated supply chain, agility and lean cost structure we are confident of breaking even in Germany within 3 years of launch. During the FY22 in our Germany operations we expect to incur a CAPEX of about $2 million and being the first year of operation will incur operating loss between $3 to $5 million.

Moving on to engagement framework that drives our business model, the four Rs which are Reach, Registrations, Retention and Repeat purchases. Keeping track of these business drivers help us continue our rapid growth. The reach of TV network was about 104 million TV homes as at the end of Q4 FY21 as compared to 99 million homes as of Q4 FY20. Our digital marketplace reaches also continued to expand. New registrations on TTM basis came in at 3.4 lakh compared to 1.8 lakh in same period last year. Customer registrations expanded very fast pace over last year due to pandemic. As of the end of FY21 we registered an average purchase of 27 pieces on TTM basis by our customers as compared 30 pieces in March 2020. The decline was mainly due to large denominator of new customer. Our customer retention rates stood at 51.5% on TTM basis which was higher than 50% of last year.

I'm happy to share that Vaibhav Global Limited has moved up to 65th rank in the Fortune India's Next 500 list from 122nd place last year and 219th place in 2017. This demonstrates our consistent progress and improvements achieved as an organization. We are confident of making continued progress in the coming years as well. At VGL we bring inordinate attention to training and development of our team members. Towards this end our employees attended total of 73,000 hours of formal training and learning, an average of about 50 hours per employee in FY21. Such training prepares our team to excel in their current roles and become ready for next steps of their career at VGL. This allows us to minimize outside hires from middle and senior roles and highly boost the chances of their success in the current and future roles. VGL's India, US, UK and China are now Great Places to Work certified companies.

Giving back to the society is a philosophy we strongly believe in. Our flagship meal program, the one for one now have been renamed 'your purchase feeds'. Under this program we have now reached a significant milestone of serving 50 million meals to underprivileged children in India, US and UK over the last six years.

To conclude, I would like to express my heartfelt appreciation to the entire VGL team who worked hard to make the business as robust and high growth as it is today to our vendors for their constant support, particularly in these unpredictable times and to our community partners who give purpose to what we do every day. We exceeded our guidance of 21% to 23% constant currency revenue growth for FY21. For the current financial year, we see 16% to 18% retail revenue growth in constant currency in our old geographies of US and UK on elevated base of FY21. For medium term of next 2 to 4 years we are confident 15% to 17% growth in these two geographies. We also expect to continue to generate operating leverage in the old geographies of US and UK with continued cash accretion.

With that I now handover the forum to Vineet to discuss financial performance for the period under review.

Vineet Ganeriwala: Thank you Sunil. Good evening everyone and welcome to Vaibhav Global's quarterly earnings call. I hope that you and your loved ones are all safe and keeping well.

I will now take you all through our financial performance for the quarter ended and year ended 31st March 2021 in greater detail. Q4 has been another quarter of financial strength for the company. Revenues stood at Rs. 666 crore, growing by 34% year-on-year. Retail revenues witnessed robust growth of 33% year-on-year and came in at Rs. 659 crore. Both our geographies of US and UK grew at healthy levels contributing to the growth. While ShopLC registered a growth of 28.7% year-on-year Shop TJC grew at 34.7% year-on-year.

In FY21 our overall revenue grew by 27.9% to Rs. 2540 crore while retail revenue increased by 31.1% to Rs. 2515 crore. In local currency terms ShopLC US recorded a growth of 22.2% for the full year and Shop TJC UK grew by 31.6% year-on-year.

TV revenues have grown by 27.9% year-on-year to Rs. 417 crore and net revenues have grown 43.2% year-on-year to Rs. 242 crore during Q4. For FY21 while TV revenues grew by 24.9% year-on-year to Rs. 1,606 crore, web revenues continues to accelerate by 43.6% year-on-year to Rs. 909 crore. During FY21 there has been a sharp uptake in TV based revenues as well as web revenues which grew by 43.2% in Q4 and 43.6% in FY21. TV contributes to about 64% of overall retail revenue with the rest coming from the web segment. TV includes conventional TV and free to air channels on OTA platforms while web includes online purchase on our proprietary website and shopping apps apart from popular marketplaces and social commerce.

We continue to cross promote our channels to further strengthen our omni-channel sales model. It is clear that non-conventional shopping platforms are gaining ground rapidly more so since the pandemic started spreading last year. Within the given framework we continue to gain market share on the back of our differentiated strengths.

In FYI 21 the contribution to revenue from non-jewellery products came in at 31%, significantly higher than 22% last year. The non-jewellery product segment includes fashion accessories, lifestyle and essential products. Budget pay is a unique offering that we provide to our customers. It allows them to buy products on EMI basis and is a value feature for buyers. For FY21 contribution from budget pay revenue came in at 36%.

Gross margin came in at 61.2% in Q4 and 62.3% in FY21. Through various stages of the business cycle and across a growing range of products, we have constantly clocked gross margins above 60%.

As Sunil indicated earlier, our diversified and value centric supply chain enables us to source products and materials at lower prices from micro markets in each geography. It also allows for a shortened turnaround time to get new products to our customer's doorsteps. All these factors contribute to our robust gross margins. EBITDA margin came in at 12.8% in Q4 growing by 70 basis points year-on-year. For FY21 EBITDA margin stood at 15.3% having grown by 140 basis points year-on-year. This expansion is driven by operating leverage of existing organizational capabilities. PAT for the quarter stood at Rs. 56 core, up by 41.4% year-on-year and Rs. 272 crore for FY21 registering a growth of 43% year-on-year.

Our business is CAPEX light and supports strong cash accretion and conversion from operating profits. Operating cashflow came in at Rs. 324 crore and free cashflow came in at Rs. 268 crore as at end of FY21. Cash in hand, net off debts was 377 crore as of close of Q4. On a TTM basis ROCE and ROE were at 61% and 32% respectively and have grown significantly and consistently over the last 5 years. During FY21 CAPEX of Rs. 56 crore was incurred, mainly for investments in newly commissioned solar power projects, studio improvements warehouse improvements, ERP, mobile upgrades and website upgrades.

We remain focused on maintaining balance sheet strength with the framework to invest for future growth in a prudent manner. Our recently launched initiatives Vaibhav Vistar and Vaibhav Lifestyle Limited are in synch with this ideology and will prove to be value accretive. The board has recommended a dividend of Rs. 1.50 per share, face-value of Rs. 2 each. Besides interim dividend of Rs. 17.50 per share face value of Rs. 10 each were declared and paid to shareholders in FY21. This remains in line with our policy of distributing 20% to 30% of consolidated free cash flow as dividends.

To conclude, I would like to reiterate that we have proven our resilience and efficacy of our business model by sustaining our growth momentum in a tough operating period. We are now focused on delivering healthy results on the back of our organizational strength. With this we aim to deliver joy to all of our stakeholders on an ongoing basis. With that I conclude my opening remarks and request the operator to open the forum for questions.

Moderator: Thank you very much. We will now begin the question answer session. The first question is from the line of Pritesh Chheda from Lucky Investments.

Pritesh Chheda: I have a few observations. One, our model was supposed to generate the operating leverage from a certain expense line. I'm fairly happy with the extent of revenue growth but when we look at the operating leverage part some of the expenses that we see have also grown largely in tandem with the sales growth, so do you have any comments there in terms of some of the expense lines what is happening?

Vineet Ganeriwala: So, we continue to deliver operating leverage. Our EBITDA margin in Q4 have expanded by 70 basis points YoY, 12.8% from 12.1% as of Q4 last year. So, expenses have increased but their rate of increase is lower than revenue and we continue to see operating leverage quarter after quarter, year after year. In this particular quarter, a thing to point out for these Q4 numbers, these EBITDA margins are also after two exception payments, one of COVID bonus pay-out which we did in that quarter to reward our employees as a gratitude for their efforts throughout the pandemic. And also, some initial OPEX on the Germany company set up, etc. So, if we exclude these exception items, EBITDA margin for the quarter stands at 13.1%, up by 100 basis points from Q4 of last year hence we continue to see operating leverage.

Pritesh Chheda: Are you seeing even a double-digit inflation in your TV carriage cost?

Vineet Ganeriwala: So, what you see as a content and broadcasting expenditure in the P&L like in the financials includes our carriage cost, web marketing and web IT. It is including these three expenditures which is increasing by about 14% year-on-year. If we look at pure carriage cost out of that it is increasing by about 3% year-on-year. So, it's sort of flattish and still delivers a lot of operating leverage. The other area of web IT and web marketing is a continued area of investment for us, and we continue to do that.

Pritesh Chheda: My second question is, you had said the press release about launching in separate channels for beauty, beauty products? Any reason for launching it separately and maybe not within our current platform and when these both channels go operational let's say the beauty in US and the separate channel in Germany, what kind of operational EBITDA, OPEX or loss that we would see over the next couple of years?

Sunil Agrawal: The separate beauty channel is only for 4 hours a day compared to 24 hours of the new channel and as we have seen more the hours we can expand, more the revenue we can get as long as we can merchandize that effectively. So, that is towards that end and as beauty channel starts to become a more scalable with more customers coming in, we will expand the time from 4 hours to 8 hours and then 12 hours. From Germany point of view, I already gave a guidance.

Pritesh Chheda: Sunil I could not catch your first answer as to why a separate channel?

Sunil Agrawal: Because we have only 24 hours available to us on a particular channel, having additional channel gives us additional window to reach our customers. The beauty channel is live for only 4 hours right now. We will expand that to 8 or 12 hours as it becomes profitable and scales up. As for Germany is concerned as I mentioned in my opening remarks, the first-year operating losses, we expect from there between $3 to $5 million and we expect it to become profitable within 3 years of launch.

Pritesh Chheda: Will you incur any operating loss on the beauty channel?

Sunil Agrawal: No, beauty channel, we are already profitable.

Moderator: The next question is from the line of Chintan Sheth from Sameeksha Capital.

Chintan Sheth: Couple of observations on the realization. If I look at our web realization versus TV realizations for past few quarters, we have seen a steady upward growth for web versus TV. Any thoughts on why that is happening? Is it because of the mix or something? If you can provide more color? And second is on the inventory side. We did a very decent job in containing inventory below 70 days in FY21. Any particular reason and how should we look at the inventory that is going forward?

Sunil Agrawal: From our ASP is concerned, we go with what customer pulls. Given a choice, we want to be substantially lower than our competitor, but we look at what the customer is pulling. Within our web segment the clearance and rising auctions, those segments pulled a little bit higher ASPs for us and also for TV we will move within a range and if the customer is pulling higher price points, we will give that particular product to them within range. We want to be completely differented in the market, being lower than our competitor. Next question was about inventory. We want to be very prudent in our inventory management. We continue to optimize the forward cover days of inventory. And even for current financial year; we don't expect it to grow in line with the revenue growth targets that we have given. It will be lower growth than that. We are not giving specific targets for that but there will be a leverage from that point of view in current financial year as well.

Moderator: The next question is from the line of Vikrant Kashyap from Kedia Securities.

Vikrant Kashyap: I would request you to please provide more color on our investments in Germany, how much investment we have made? What's our target investment in the current year? When are we going to launch our TV channel in Germany? How are you going to progress over there and also you can speak about your strategy in Canada?

Sunil Agrawal: Sure Vikrant. From Germany point of view, we expect to invest just about $2 million in CAPEX, and we have already launched digitally so we can buy today if you want on the digital platform. On the TV side, we will launch within this H1 as I guided and from the operating, from the sales revenue point from the 16% to 18% retail revenue growth, guidance that we have given for constant currency terms was only for US and UK. Germany, the revenue will be in addition to that growth. This is first year, we are not giving a revenue guidance on that yet because we don't know exactly when we will launch this, we will launch within this H1, but we don't know exact date. Giving you guidance of revenue at this time is too early. From losses point of view, operating losses for first year, anywhere between $3 to $5 million for this financial year.

Vikrant Kashyap: When you talk about a launch on digital so are we launching our own website or currently we have launched through other platforms?

Sunil Agrawal: Our own website. Its already launched.

Vikrant Kashyap: We have launched our website?

Sunil Agrawal: You can visit shoplc.de

Vikrant Kashyap: And your comments on Canada. How are we going to proceed over there?

Sunil Agrawal: Canada we don't have a separate channel. We just have a shipping facility from our US channel for our Canadian customers buying online; we do not yet have a live TV broadcast into Canada. We are exploring various options for taking Live TV feed but right now it is online buying that our viewers in Canada can do.

Vikrant Kashyap: Are we are planning to launch TV channel within this year, or it may be later?

Sunil Agrawal: We don't have any plan for launching a separate TV broadcast in Canada at this time. This is only TV from US broadcasting into Canada.

Vikrant Kashyap: Coming back to Germany, what will be our sourcing plan? It will be similar to what we have, or do we have different strategy? And are we going to put on our warehouses and is this cost included in the 2 million CAPEX?

Sunil Agrawal: Yes so we have already contracted with various TV providers, cable companies, satellite companies and we will launch within this half and it will be a separate feed, separate team, complete separate operation in Germany.

Vikrant Kashyap: And on sourcing strategy?

Sunil Agrawal: So, if you see sourcing will be from our own vertical supply chain from India, Thailand, China, Bali and other 16 countries that we have our supply chain footprint.

Vikrant Kashyap: Focus will be similar, like most on the jewellery and then later on non-jewellery?

Sunil Agrawal: Correct.

Moderator: The next question is from the line of Anil Sarin from Centrum Wealth Management.

Anil Sarin: First there was an observation that television growth has speeded up in US. This is contrary to the expectation where people say people are not watching TV and web is growing faster but somehow last year, your TV penetration has gone up quite sharply versus the trend of the previous few years in television in America. Any comments you have on that?

Sunil Agrawal: TV, when we look at our TV penetration is just about $3 per home compared to say QVC where they are at $60 per home. So, $60 is of TV and web all together. Our TV and web together is just about $3 per home. So, TV itself has tremendous potential for us. Now there's a noise about cord cutting and that is correct, but while cable and satellite are losing homes but when you look at OTA as I mentioned earlier in my comment; OTA homes are growing about 3% to 4% every year. OTA is a local broadcast where people consume feed through single roof antenna and that is digital and much different today than it was 10-20 years ago. You can get digital programs free and with a better broadcast on many cable or satellite. So, that segment for us is growing very rapidly. Even on cable and satellite, per home revenue further is growing because of our better programming, product mix, better selling, co-hosting and lot of learning that we have done over the years will be applying. So, we have a lot of runway in front of us, even within TV segment.

Anil Sarin: It's really good that you have opened up another front in Germany. Hopefully in a few years Japan should follow as you had mentioned in your earlier call some time ago. That's again very complimentary. However, when I see your, on your digital front though you have been proactive in chasing all the social marketing, social commerce etc. but when I see your followers on Instagram etc. that's not something very large. There are singers, there are other people who have like many times the kind of followers which you have. Is there some scope for improvement over there or is this by design?

Sunil Agrawal: We have a certain investment philosophy from digital point of view and that philosophy is what drives us. Our philosophy is that we make the investment in a method that is not dilutive to our overall business and we have operating leverage to the business. We have made certain investments last quarter, and we will continue to grow the investments in coming period as well and with that, will continue to grow our following in Facebook as well as Instagram and besides these social platforms, we are also doing through marketplaces as well and we have seen significant growth in marketplaces in the last financial year. All in all, our growth in digital will continue to out pace our TV growth in financial year '22 and even beyond.

Anil Sarin: In terms of delivery and you had a plan to shorten the delivery time both in US as well as UK. So, if you can give us a status update on that?

Sunil Agrawal: UK we have significantly reduced our delivery time, especially with TJC Plus which is similar to Amazon Prime. Our delivery time is approximately 24 hours from the period of dispatch. Whereas in US, during the pandemic there was a lot of bottleneck from shipping companies and there was a delay. With that we have not been able to shorten delivery time in the US. In some portions like in Texas and Oklahoma our delivery times have shorten to just about 1.5 days compared to 5 days earlier because we have made some agreement with different carriers. In different parts of US, we are negotiating or talking to different carriers to reduce our delivery time from current 4.8 days down to 3.4 days. In financial year '22, we hope to see our delivery time in the US to reach by about 1.5 days as well.

Moderator: The next question is from the line of Dhaval Dama from Motilal Oswal AMC.

Dhaval Dama: Just wanted to understand now like you mentioned that Germany next year, there could be some OPEX losses that we could incur, and you are talking about breakeven also happening in a couple of years' time? Would it be fair to assume that even with a higher revenue growth at a company level, we might not see the expected operating leverage or are we missing anything on that account?

Sunil Agrawal: We will see operating leverage in US and UK as I mentioned in my opening remarks. Whereas in Germany, its initial losses will be diluting in the coming to 2 or 3 years. We are hoping that overall, in the company, we will see be at the revenue growth, but we will be at least, that will be our endevor but Germany is still very new. We are not giving overall operating leverage guidance as of now. But definitely within US and UK we will have operating leverage.

Dhaval Dama: Now, if you look at it during the current year, obviously online channel has done well for most of the players globally also because of the current situation. Now with US and UK vaccinations and everything is picking up faster as compared to the rest of the world; do you see that there could be some slowdown in terms of growth over there? Or how do you see that channel panning out over the next couple of years?

Sunil Agrawal: Dhaval for the current quarter, we are just about 6 weeks into the quarter. We are continuing to see a elevated growth of similar to last year but given that the economy will open up in US or UK, we are giving our guidance for 16% to 18% which is even higher than earlier guidance given in last quarter which was at 15% to 17%. We have upped it a little bit, but we are confident on achieving 16% to 18% guidance on growth from US and UK on constant currency basis in current financial year, even accounting for opening up of these countries.

Moderator: The next question is from the line of Runjhun Jain from Nirmal Bang.

Runjhun Jain: Just one-two clarifications. The debt we have seen that has increased from September as well as from the March last year despite your holding cash. Any reason why we are carrying, the debt has increased during this last 6 months?

Vineet Ganeriwala: Runjhun, debt from last year has increased on account of a PPP loan. We were eligible for a Paycheck Protection Program loan in US, and we have taken that loan. That's about $4.8 million which is right now standing as a loan in the books of accounts. We have already filed our application for forgiveness as per the rules of the scheme, but we have not yet got audited for that and hence we are right now showing it as a loan. That's the primary reason, you see an increase of borrowings from last year versus this year. As for quarter-on-quarter, the working capital limit it's largely of India unit, which is a sourcing and supplying unit to the US and UK channels. The working capital requirement varies from quarter-to-quarter, depending on the orders and the production plan for the quarter.

Runjhun Jain: I didn't get that point your there saying that the loan you have taken in US. So, you applied for what? Sorry I missed that.

Vineet Ganeriwala: US had program rolled out called PPP, Paycheck Protection Program. This was one of the schemes during the pandemic in which many micro-enterprises and medium enterprises, the government has offered loans, which were later to be forgiven. We were eligible to take that. We had taken that loan of $4 million, that is standing as well borrowing in our balance sheet right now. We have already submitted the application for forgiveness but there is a process to it. The SBA-US, they will have it audited and see our compliance to all the conditions and accordingly they will grant the forgiveness. The amount was $4.8 million and not 4 million to be precise. We are not yet audited. We have filed the application for forgiveness. Once it is approved, it will be taken as a grant in our books till then it is standing as a borrowing.

Runjhun Jain: You were talking about that there is a one-time bonus you have given to the employees during the quarter for the COVID. Is it possible for you to quantify that amount?

Vineet Ganeriwala: That's about Rs. 1.3 crore.

Runjhun Jain: Is there any one-off in the other income because that it looks little higher on this quarter?

Vineet Ganeriwala: There is no one-off but yes FOREX gain is sitting in that other income so that has increased.

Runjhun Jain: About the Germany what you are saying is that right now you have launched that digital platform under website of your own and you have probably invested around $3 million for the same and you would be launching in the first half your TV launch, you are planning to do that in first half. What kind of investment you are looking for that platform?

Sunil Agrawal: Total investment in this financial year in Germany will be about $2 million. The CAPEX investment, including the website, including the TV, the new offices and new studio we are building. All put together will be about $2 million in this financial year. But operating losses we'll take in first year due to scaling up that is required for this kind of business will be between $3 to $5 million. So, that will be diluted to the overall earning but as I mentioned we will have 16% to 18% revenue growth on the top of our highlighted growth of FY21 with operating leverage from the US and UK. We are hoping that that operating leverage will be sufficient to offset the diluted effect on Germany and overall revenue basis we will not be diluting but will have leverage or at least at similar growth as the top line revenue. Now top line revenue 16% to 18% is only US-UK, Germany will be added to that in the top line moving in overall. When we say 16% to 18% for US-UK plus Germany revenue would be top line revenue growth and the bottom line, we are hopeful, will at least stay in line with the total revenue growth.

Moderator: The next question is from the line of Yash Joglekar from Ambit Capital.

Yash Joglekar: During the fiscal year we have acquired an intangible asset of worth Rs. 26 crore. What exactly is this intangible asset acquired for if you could just shed some light on that?

Vineet Ganeriwala: Intangible assets include basically all software, so we rolled out our ERP across all the geographies. That is sitting into it because besides our US website, we are moving from SAP-Hybris to Salesforce, a part of that expenditure and also all the mobile app developments etc. which Sunil also mentioned in his opening remarks. All these are forming part of that intangible assets under development.

Yash Joglekar: And that has been reflected in the intangible WIP line item?

Vineet Ganeriwala: That's right.

Yash Joglekar: Also, if we see the other expense as a line item for the fiscal year, there has been roughly around 37% year-on-year increase. Where exactly is Vaibhav Global incurring these expenses?

Vineet Ganeriwala: Other expenditure would largely include all these SG&A expenditure. Again 40% to 45% of total opex costs are variable in nature or semi variable, if I may call it that way and there is 50% to 55% expenditures are fixed in nature. Variable would include, shipping expenditures, vary with respect to revenue. In fact, right now we are investing in faster shipping delivery hence they are increasing at a slightly faster rate. The fixed expenditures would include kind of airtime broadcasting and those kinds of expenditures.

Yash Joglekar: Are we spending a bit more on the advertisement part or something like that, is it right to infer that way?

Vineet Ganeriwala: We are spending more on shipping so shipping right now is increasing at a rate of about 60% year-on-year. So, that's a higher spend. We are investing in faster shipping and we want to continue going that route as Sunil also mentioned. Our levels of rest of the variable expenditure in terms of credit card etc. are pretty much in line with the revenue growth. We are able to save a bit in call centre. Web marketing growth and web IT expenditure are also increasing in line with our company's strategy. Overall put together so web marketing, web IT and shipping are increasing in line with our growth strategies and airtime which is the carriage cost, broadcasting costs is more or less a stable kind of an expenditure right now. Other G&A costs are actually flattish year-on-year.

Yash Joglekar: It seemed that you mentioned that you guys are shifting your software from Hybris to some Salesforce, is that right?

Vineet Ganeriwala: That's right.

Yash Joglekar: So, will we again experience some problems in the customer experience part like we experienced in FY16-17?

Sunil Agrawal: Within stream and in fact FY15-16, we had experienced some difficulty, but our IT team is of much higher calibre with lot of experience. We also made substantial investment to make sure that our customers and our company do not face any such issues. In all our expectation that we have overplay, we don't expect any disruption in the customer experience and our revenue growth.

Yash Joglekar: The second question was regarding the Germany expansion. What sort of competition space is currently prevalent over there like, is it somewhat similar to US-UK?

Sunil Agrawal: Yes, very similar to US and UK. Similar players are present there. Two major players of about $1 billion each, QVC and HSE and a few smaller players. Very similar to US, I would say.

Moderator: The next question is from the line of Ram Modi from Prabhudas Lilladher.

Ram Modi: I just wanted to ask… it's more of a strategic question. Sunil if we continue to grow at almost 13% to 15% CAGR. What kind of operating leverage can we can expect over next 4 to 5 years? Germany may come in 2 years-3 years, but what would be, if we are looking at currently at around 15% margins. What would be our aspirational margin in this?

Sunil Agrawal: We don't give guidance on operating leverage but we constantly because the reason is we are still treating ourselves as a start-up in those markets and we constantly look at the investment opportunities available to us. So, we make investments in a way that they will continue to grow double digits. At least guidance that we have given and higher than that. We make the investments but while keeping the operating leverage continued for foreseeable future. So, we are not giving big guidance from that. You will continue to see those leverages coming in.

Ram Modi: Should we, kind of build in at least some leverage over next 2-3 years so that as we grow in scale that will definitely get reflected in margins?

Sunil Agrawal: Correct. That is what our expectation is.

Ram Modi: Sunil, another question was, we used to mention Japan, we have started on Germany and just wanted to check on, where are we? We had thought Japan is a next new market. Where are we on Japan? And third is another question was on even in US how do we move on the upper ladder of the channel where we can get a higher strike rate? That was also one of the strategies. Where are we on that?

Sunil Agrawal: Ram, for Japan, we are already showing on their marketplace like Rakuten in local markets. So, we are still understanding that market and we will continue that understanding for some time till we get the confidence whether this is the right time for us to go. Also, we don't want to go till Germany fully stabilizes. While Germany stabilizes and we are confident we are sitting on the right growth path then we will open new front. Coming to your question about which is lower position in UK. So, Anil for the question I have the answer that we have a lot of potential within those TV platforms that we are in and we also have tremendous potential in OTA that is Over the Air through antenna. So, there is about 20.3 million homes right now. We are in just about 1.5 million homes there out of 20 million homes and those channel positions typically give about 5 to 10 times per home revenue than the regular channel would be having. We are constantly exploring, expanding in that space and given the right opportunity available to us, will continue to expand. There's a tremendous potential for us to expand in that space.

Ram Modi: Any regional investments is required on this OTA or what kind of, will it be part of our normal CAPEX.

Sunil Agrawal: It is part of our normal OPEX, there is no CAPEX there.

Moderator: The next question is from the line of Jai Tejwani from AQF Advisors.

Jai Tejwani: Can you give us some update on our demographics specifically since you have been investing in social media and influence our marketing. Are we trending younger?

Sunil Agrawal: Yes, Jay for the web customers we are slightly younger than our TV customers, there is no doubt. However, when we target our web customers, we try to target 40+ demographic female, 40+ demographic mainly because our product merchandizing across our entire supply chain is geared toward that demographic and why we are focusing on that also, besides being a manufacturing side? Because we believe that the 40+ demographic in both US and UK and Germany as well has much more disposable income than the younger demographics. As per the data 62% of disposable income of US is with 50+ demographics and they have time in their hand and they have disposable income and that is a demographic we try to address as much as possible. But because of the nature of the platform, that platform has younger audience than our TV audience. Not by much but about 8 to 10 years younger than our TV.

Jai Tejwani: My next question is on our repeat purchases. As I see sequentially it's pretty much flat. Can you update us on what's your strategy to increase this?

Sunil Agrawal: Repeat has gone down, as I mentioned in my opening remarks. So, for Q4 FY21 we were at 27 compared to 30 of Q4 FY20. It has gone down mainly because we had really high growth of unique customers. Now unique customers because some were pandemic, and some were digital marketing driven and some were OTA and OTT platform driven. Because of that this trend is fallen. Now as we continue to increase our digital customers so this repeat may go slightly even lower in the coming years. But the new customer acquisition will be very high to continue our overall revenue growth rate of 16% to 18% for this financial year and 15% to 17% in constant currency basis for US and UK for coming mid-term 2 to 4 years.

Moderator: The next question is from the line of Bharat Shah from ASK Investments.

Bharat Shah: Just one clarification on the Germany foray. In the first year we expect operating loss of 3 to 5 million and what is the picture ahead thereafter? I mean how are we looking at that?

Sunil Agrawal: We expect to become profitable within 3 years. First year we expect because this will be first financial year for us and by the third financial year, we will be profitable in that market. This is our projection right now.

Bharat Shah: Which means even the second year would have operating losses as well.

Sunil Agrawal: Yes, we expect second year to continue to see operating losses but of the lower degree than the first year.

Bharat Shah: Third year in itself hopefully may breakeven or recover something from the previous 2-year losses.

Sunil Agrawal: That is correct.

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

Nilesh Shah: My questions are in continuation to Germany. I just want to try and understand that, given that it's already a $2 billion market and a very large universe of home shoppers, any thoughts in terms of by when would Germany catch up with what UK is today? I know of course you've just forayed into Germany, but UK be doing currently about a $100 million of revenues roughly Rs. 700 odd crore. Any thoughts in terms of when do you think we should be able to kind of get to a number like that and second is by when do you think Germany's margins would kind of in a way catch up with the blended margins of the company or the firm as a whole?

Sunil Agrawal: So, Germany is very new for us to give this future guidance for now. Once we have more traction and we have drawn up the numbers internally, but it is still too early to give a guidance on that. But German market as such is better than UK, so down the road we expect Germany to catch up with UK. UK will continue to grow as I have given the guidance and how far Germany can paddle to reach up to that or even exceed that it is still early to give the guidance. The market potential is quite high.

Moderator: The next question is from the line of Manish Dhariwal from Fiducia Capital.

Manish Dhariwal: I wanted some understanding about the way you go about managing your inventory, see what is the right metric to basically understand because you will have lot of SKU's and then there will be a slow-moving element to it, there will be an obsolete element to it and it's a big investment. If you look at your balance sheet has significant amount of money is invested in the inventory. So, how does one understand this piece of the business?

Sunil Agrawal: So, we have very robust process internally for managing the inventory. We look at inventory from forward cover basis and aging basis and we have very aggressive aging cadence. So, anything over 90 days we considered aging, and we have KPIs of how much aging we can have at each unit. Compared to other retailers some retailers consider 180 days as aging, some considered as one year as aging. But internally we have 90 days to 180 days aging provision we take, 180 days to one year we take certain provision and one year old we take a very high provision. So, that incentivizes our teams to get the inventory out of the door as soon as possible. From overall inventory perspective, we have the forward cover as a basis for our inventory and we track every week. How much forward cover do we have at each unit and we try to stay given those forward cover basis with respective units. Even supply chain also we have forward cover basis and even on front end units we have forward cover basis. So, there is a lot of attention on managing our inventory at each unit because we believe the inventory while it is useful for growth of the business, has a high cost of management and can have value to impact on the business. We also have clearance of mechanism built into our business model through our rising auction as well as clearance cadence in the group. So, we have over a year we have five clearances that are built in during the year and every day we have a rising auction, and we sell in about 3000 to 5000 pieces every day we sell in US and about 1000 pieces or so in UK, there all the tails left or any slow moving we put it on $1 or £1 and no reserve. So, people bid against each other and wherever its highest bidder at close we give it to the customer. So, that constantly clears some inventory at a rapid rate, and this is important given that we have about 150 new products coming in everyday at our retail units. So, this clearance mechanism is a unique feature to us that keeps our inventory clean and in a good shape constantly.

Manish Dhariwal: Could you just explain as to what did you mean by this forward cover piece and what exactly is it?

Sunil Agrawal: So, forward cover means what is our projection of sale of next three months and what will be the cost of goods required for the three months, so each unit if you look at the forward cover whether it is 60 days or 75 days or 90 days or 120 days of that inventory for forward cover. So, for example, at the Christmas time we increase our inventory before Christmas time because the forward cover is higher. The sales during Christmas time is higher, so we increase inventory going into Christmas period. But coming into lean season of summer the forward cover is low, so we reduce our inventory coming into summer season.

Manish Dhariwal: I wanted to understand the investment in the German initiative, how much has been done and what is the total plan, was it 10 million or 5 million I couldn't hear the number clearly?

Sunil Agrawal: So, the total investment expected in this financial year in Germany CAPEX is just about to $2 million. Our business is not CAPEX heavy; it is very CAPEX light but first 2 to 3 years is OPEX heavy. So, we have higher operating costs in any new geography, but the CAPEX is very limited.

Manish B: So, the amount that is going to be spent in the Germany initiative will be 4 million?

Sunil Agrawal: $2 million first year and second year will have the CAPEX not 2 million, it will be lower than 2 million. But the OPEX loss for the first year is $3 to $5 million is what we look at. In our business the CAPEX is not very high and there is a huge operating leverage coming in during future year and as you see last 5 years we had a continuous operating leverage in US and UK, in Germany also we expect to have operating leverage coming in within third year.

Moderator: The next question is from the line of Ashish Kacholia from Lucky Investment.

Ashish Kacholia: My question basically is, what is our progress on the Instagram marketing front, any metrics and numbers that you can share with us?

Sunil Agrawal: I don't have metrics in front Ashish that we have invested as Vineet already mentioned that we invested more on web marketing last quarter and we are continuing to see traction from Instagram, from Facebook, from YouTube all the social platforms are giving us high revenue. I don't have exact numbers in front of me, but that is our area of focus and we will continue to invest in this financial year as well.

Moderator: The next question is from the line of Latika Jetha from Concept Invest Wealth.

Latika Jetha: My question is in the IP; you have mentioned that your mission is to provide 1 million meals per day by the end of FY2031. So, if you see currently the run rate is around 13 million pieces for this financial year and we are targeting around about 365 million meals by FY31, which means 40% volume growth for every year for the next 10 years, so can you help me like what is your strategy and how can you achieve this kind of high-volume growth?

Sunil Agrawal: First of all, right now our run rate between US and UK about 54000 meals per day, because weekends are not distributed. So, 54000 to a million is quite a jump and this is our Bhag, and this is new we had just in our group we bought it together. And this would mean that we have to grow approximately 32% year over year for coming time. For us the growth might come from Germany that we recently launched and in future we may launch Japan as well and some digital native brands, B2C brands that we are hoping to launch. So, that is Bhag for us. We hope to succeed, we aim to succeed, but this still a goal that we take with a lot of courage and a lot of ambition and lot of I would say future centric mindset.

Latika Jetha: If I see your packaging and distribution expense has risen up sharply, so I wanted a clarification that is it because of the TJC Plus membership program because of which these costs have increased substantially?

Sunil Agrawal: So, partly TJC Plus and partly I think lifestyle products. So, lifestyle has increased, but TJC plus has larger pieces, so they have higher shipping costs and faster shipping is also expensive in UK.

Moderator: The next question is from the line of Astha Jain from HEM Securities.

Astha Jain: So, my first question is regarding this line of item of your packaging and distribution cost which has shown a strong rise, so how this item is going to behave in the future and second cost is about the commodity prices, which has shown significant jump so does this increase in the commodity prices will really affect our cost of raw material as well as purchase finished goods in the coming future?

Sunil Agrawal: So, the shipping point of view our growth per piece shipping, because the volume also increases substantially. So, per piece shipping our actual growth has been about 17.5%. So, that is largely because of faster shipping and larger LSP volume. So, from the current year to next year per piece cost shipping may not go up substantially because UK is already in place where it is, but we will have some growth of per piece costs as well, may not be at the level of 17.5%, but will still be elevated. We're trying to offset this cost by increasing our margins slightly. We've been able to it successful to do that in both in US and UK to some degree. But because of that we are able to give the guidance of continued leverage both in US and UK. So, again our aim is to be competitive in current market expectations where Amazon is able to deliver in 2 days and free, so we are going in that direction and we are making good investment and UK we have done successfully, US also we are going towards that. Second question was about commodities. It is true that the silver prices and some of the commodity prices are growing up, but we create our margin on the basis of cost. We don't have anything pre-sold. So, if cost is today something like \$3, tomorrow it may be \$3.50 so will add up our margin that we require and on the top of that offers to our customers. So, we always look at that calculation that any products should be 60% margin for us or more and then we back calculate it and try it accordingly or merchandize it accordingly. So, commodity prices are not concerning to us. Shipping is an area which constantly watch.

Astha Jain: We have talked about fashion apparel business in our last con-call. Can you just throw light on that part also? How is it proceeding and if you can comment on that also?

Sunil Agrawal: Can you repeat Astha, you were not clear.

Astha Jain: I am saying that on the fashion apparels business that we have talked in our last con-call. I just want some updates on that part also. If you can give me some updates regarding that business because we have talked something on that in the last con-call, fashion apparel business?

Sunil Agrawal: Fashion apparel is growing very rapidly. We are not breaking down individual categories for the projections but as we expect overall as I speak, segment to grow and within next 2 years we expect lifestyle now making to be almost 50% of our mix. So, giving third years from this financial year we expect it will be 50% and fashion apparel will be constituting a good portion of that. Fashion is doing very well.

Moderator: The next question is from the line of Pritam Deuskar from Wealthyvia.com.

Pritam Deuskar: My question is regarding Maverick Influencer. So, we had signed up for them last time. So, how that is progressing and how the social media marketing, any numbers or leads that we are growing? And second is about the Etsy and Wayfair the new marketplaces that we signed up upon? How is the progress in them?

Sunil Agrawal: The Influencer program is doing well. It is not going as fast as I would have liked but the last time value and overall revenue from that is decent. We are trying to scale it up, we feel that there is a lot of potential. We are making investment in our team, and we hope to see this program accelerate our social penetration. Etsy and Wayfair both are ramping up as well. Etsy in UK especially ramping up well. Wayfair is still slow not as much because Wayfair is a more like a B2B from a gender perspective. They take the product while we have to keep the product at our end. On his margin Wayfair are not as good as you would like. So, ramp on Wayfair is not very well, slightly but not anywhere close to what we are seeing in Amazon, e-Bay or More Mart.

Pritam Deuskar: About this influencer program, it is for only America or all the rest of the territories?

Sunil Agrawal: US and UK, only two territories.

Pritam: About this TJC beauty separate channel. Since it is profitable from the start, do you feel that we would be launching that in other territories also going forward once this becomes stable?

Sunil Agrawal: We would like to see it have some time before the launch into other territories. In UK especially has an advantage further, the airtime cost is not tremendously high, and the penetration is just about 25 million homes in UK. US is about 100 million homes and airtime costs are substantially higher than UK. So, we want to go into US after due consideration and seeing the traction, but we may. There is a potential for our products in future.

Moderator: The next question is from the line of Bharat Shah from ASK Investment.

Bharat Shah: I appreciate there is no operating leverage guidance, but I was just doing a little bit of calculations. So, broadly it looked like to me that if we grow at about 18% to 20% in our top line and given the fact that our gross margins are in excess of 60% and of the total cost roughly 55% to 60% is fixed in nature or materially fixed in nature. So, that what it looks like to me is about 18% to 20% growth should imply 60 to 80 basis point improvement in margin broadly. That is the way it looked the picture to me, am I fair in assuming this?

Vineet Ganeriwala: Thank you very much for the question. So, in terms of calculation, you are right in calculating this way but like we don't want to give any operating margin guidance number as such. But we strongly believe that our nature of business model is that that operating leverage would continue and given the nature of the fixed or stable kind of expenditure, we should definitely keep on seeing margin expansion. So, our variable costs might increase even slightly higher like we mentioned, shipping costs as well as web marketing costs, so they might increase even more than the revenue increase because we take these areas as our investment areas for future growth strategy. But our overall cost nature would more than offset that hence operating leverage would continue. We would not want to put a number to that at this point of time.

Bharat Shah: And Germany part of the launch, UK and US both English speaking and somewhat similar kind of cultural sensitivity and ethos. Germany is lot different from that point of view. So, programs and kind of things that appeal to that audience, I'm sure all that would have been definitely built into our plans. But just wanted to understand on that because the sensitivity of the kind of programs that are done which will appeal them and create a loyalty, so that they visit and be with the programs and buy, I suppose is really critical to overall longevity of operation.

Sunil Agrawal: So, we have experience in Germany, so we have launched in 2007. Unfortunately, we faced in 2008-2009, there was a deep recession. At that time, we decided to exit Germany. But we have the experience and we also had experience of selling to German market. We still have QVC Germany as our client from India directly. So, for last 15-20 years we have been selling to Germany. So, we have some experience and we have transferred one of our UK Senior Manager to Germany who has lived in Germany for 20 years and has even worked in our internal team from Europe, from UK has lot of people moving to Germany. Our success potential is way higher, we stood around when compared to 2007. We are fairly confident of making a good success out of Germany.

Moderator: The next question is from the line of Chintan Sheth from Sameeksha Capital.

Chintan Sheth: On the TJC Plus, if you can put some numbers how the traction we are seeing there, and you did already mention that you are targeting US delivery can get reduced to 1.5 days over time. What are your plans of similar TJC Plus kind of offers in US? That is one. Secondly on the marketplace revenue for FY21, we had a target provided last year, just if you can share what kind of revenue was generated in that marketplace and what are our charges in this?

Sunil Agrawal: So, on TJC Plus in UK in recent weeks, we are seeing about half of our shipments going on the TJC Plus. Actually, last few weeks we are seeing that, and which is great for us and that is helping our repeat purchase and per customer overall lifetime value. We have seen lifetime value of that customer in TJC Plus increased double digits because of TJC Plus. So, overall, we have seen this program to be accretive to us. Bringing to US we want to bring to US only after we have our shipping in control. We are able to ship faster and at the reasonable cost. We are not there in US at this time to take this program. Will it happen in next six months or within a year, I don't know? We don't have full visibility but once we have that control of shipping cost and shipping delivery time, we will take it there. The next question about marketplace, so last financial year we had about $12.5 million sales coming from marketplaces in FY21. So, there was rapid growth compared to just about $3.5-$4 million a year before, so we had a huge rapid growth in marketplace. That is very highly competitive space even when we had a rapid growth, but lot of that growth came from essential products that we were able to offer at the time. But this year we expect to grow even ahead of that of marketplaces. We are not giving specific guidance on that, but we expect that to be even higher than $12.5 million dollars that we did last year.

Moderator: We take the next question from the line of Yash Joglekar from Ambit Capital.

Yash Joglekar: I just wanted to ask what would be the current NPS score for us and for our peers like QVC or JTV?

Sunil Agrawal: Our current score in our US business is 70 and UK business 65. These scores at other competitors are in the range of 50s and 60s. So, we believe that our NPS is higher than our immediate competition. Now you have to keep in mind this is done mostly internally, so the methodology can differ from the company to company because this is not done by third party and we have no standard perfect definition or the question or methodology. What we look at is, are we going year over year and are we including our customer experience in terms of repeat purchase and retention rate. So, those are all combined, will look at overall customer engagement. Does that answer your question Yash?

Moderator: We've lost the line for the current speaker as well. We take the next question from the line of Anil Sarin from Centrum Wealth.

Anil Sarin: Just wanted to know the number of customers, I have noticed that over the last one year there has been a good increase in the total number of customers, if you can enlighten me about how they stand now country wise?

Sunil Agrawal: So, unique customers for the year for the group is at 501,000 as of last year between US and UK. US was 321,000 and UK was 179,000.

Anil Sarin: If you can also mention what was the last year figure?

Sunil Agrawal: So, last year was 362,000 for the group. US was a 225,000 and UK was 136,000.

Anil Sarin: How much of OPEX or how much of investment has already gone into Germany in the fourth quarter because I just noticed that there is an increase in the OPEX, was Germany also factored in that?

Vineet Ganeriwala: Not substantial. It's about Rs. 65 lakhs only for Q4, OPEX which has gone for Germany.

Moderator: Thank you. Ladies and gentlemen that was the last question for today. I would now like to hand the conference back to the management for closing comments.

Sunil Agrawal: I would like to thank all the investors for your continued support and for some great questions. So, thank you and if you have any questions, you can ask Dipti Rajput, or CDR India and we'll be happy to answer. I hope you stay safe and well during these difficult times. Looking forward to continue in the coming quarters. Thank you.
