VAIBHAV GLOBAL LIMITED

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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 Q2 FY22 Earnings Conference Call held on Thursday, 28th October, 2021.

Kindly take the same on record.

Thanking you,

Yours Truly,

For Vaibhav Global Limited

SUSHIL SHARMA Digitally signed by SUSHIL SHARMA Date: 2021.11.04 00:37:36 +05'30'

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Vaibhav Global Limited

Q2 FY22 Earnings Conference Call
October 28, 2021

Moderator: Ladies and gentlemen, good day and welcome to the Q2 and H1 FY22 Earnings Conference Call of Vaibhav Global Limited. As a reminder, all participant lines will be in 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. Karl Kolah of CDR India. Thank you and over to you sir.

Karl Kolah: Thank you, Steve. Good evening, everyone and thank you for joining us on Vaibhav Global Q2 and H1 FY22 Earnings Conference Call for the quarter and six months ended September 30th, 2021. Today we have with us Mr. Sunil Agrawal – Managing Director, Mr. Vineet Ganeriwala – Group CFO and Mr. Prashant Saraswat – Head, Investor Relations.

We will begin the call with opening 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. After which the management 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 may be forward looking in nature and must be viewed in conjunction with the risks and uncertainties we face. A detailed statement and explanation of this risk 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 and thank you for joining us today for Vaibhav Global earning call to discuss Q2 and H1 FY22 Financial and operating performance. Before we begin, I hope all of you and your families are keeping safe and healthy. With the vaccine drive gearing pace in most countries, we hope that this will enable us to lead unrestricted and normal lives. COVID-19 has started down the path and will gradually become an endemic. Each of us has had unique learnings from this unprecedented event in our lifetimes. We at Vaibhav Global have used this challenge as an opportunity to learn and to excel.

I hope you had a chance to look at our quarterly results and presentation. In Q2, you've seen our revenues at Rs.635 crores an increase of 6% Y-o-Y and 30.9% increase over Q2 FY20. With the vaccination of both US and UK reaching pivotal levels, severity of threat from COVID has largely reduced. As US and UK economics are more or less fully opened. They have seen consumer behavior moving up, moving to something we call revenge outings. This means substantially increased brick and mortar shopping, and people going out for dinners, family gatherings and holidays. After a massive jump last year overall e-commerce as a percentage of US and UK's overall retail sales has dipped in recent months. This phenomenon has led to relatively lower shopping for home shopping e-tailers like us. Retail revenue for us grew by 3.3% Y-o-Y. Our H1 revenue grew 14.6% over H1-FY21 and 42.3% compared to H1 FY20. We believe that these headwinds are transient and we are well placed to continue our growth trajectory in coming years. We are committed to our original guidance of 16% to 18% constant currency revenue growth for current financial year.

Let me now move to our operating performance. In Q2 our gross margins continue to remain healthy at 63.9%, expanding by 100 basis points. EBITDA for the quarter has been at 11.4% compared to 16.5% last year, excluding new venture in Germany, it has been at 13.5%. Margins during the quarter were adversely impacted by one off external factors of high shipping expenses linked to globally supply chain issues. We continue to judiciously invest in Germany. In addition, we stepped up our digital marketing investments, increase our investments on new TV or OTA channels and OTT platforms. These investments have already given us 5.3% increased new customers in Q2 compared to pandemic induced high new customer count in Q2 FY21. When we adjust for our customers who bought essentials last year the increase will be 33.9% and compared to Q2 of FY20 new customer acquisition increase would be substantially higher at 51%. In our business model, new customers takes 6 to 18 months to fully mature through our remarketing funnel which works well for coming period performance.

All these initiatives will give us long term benefits and boost to our revenues in the coming period. We believe that the margin pressure is transient, being linked to either strategic growth initiatives or near-term challenges in operating environment. I would like to reiterate that our business is driven by deep value proposition at an expanding range of products and deep penetration. We continue to gain market share across geographies. We also remain cash accretive in each evaluation period, financing all initiatives out of internal accruals. During the half year ended 30th September 2021, operating and free cash flows stands at Rs.53 crores and (-27) crores respectively. During the period we made investments in building our digital competencies, automation and business expansion. Cash was also impacted to some extent by global phenomenon of inflated sea freight and increased transit times. ROCE has been solid at over 50% on a trailing 12-month basis, while we continue to invest for our future growth.

Our recent launch of operations in Germany has got off to an encouraging start with positive customer reviews for range of products. We are available live to 21 million households out of total 38 million and on YouTube & digital platforms. We are confident that this market has a similar value proposition and customer profile to the US and UK. With an encouraging customer response, our front ended investments should create good return on capital over time. We are on track to meet our target of profitability within three years of launch and are extremely excited with the progress of this initiative.

Some other key developments over the quarter were launch of our new apparel brand TAMSY, an affordable, inclusive, women centric brand targeting customers of over 40 years of age, the tagline of the brand **'designed for fit, loved for value'**, gels very well with our purpose of delivering joy and for our existing demographic of +40 women. The brand is having a dedicated website with products also available on ShopLC and TJC websites.

We also acquired worldwide online brand rights of Rachel Galley, a multiple award-winning UK based contemporary design-jewelry designer. These online, D2C brands will further accelerate our digital revenues in the coming years. We continue to take measures to improve efficiency. In this regard, we installed GEEK+ robots in our US and UK warehouses, at an investment of about $5.2 million. These robots are extremely efficient and improve productivity by three times leading to reduction in delivery time and cost savings. We expect a quick payback period of approximately two years on this investment. Our vertically integrated model and our supply chain network spanning 30 countries is the backbone of our business and a key differentiator vis-à-vis our peers. Most importantly, our highly motivated team worldwide, make it all come together, to truly deliver joy to our customers and all our stakeholders.

Now reiterating our 4Rs framework comprising of Reach, Registrations, Retention and Repeat purchases, which forms the basis for driving operating performance. We maintain top quartile levels on each of these four parameters, translating into ongoing outperformance into home shopping streaks. The reach of our TV networks by the end of Q2 FY22 was 110 million TV homes. We reach TV homes through cable, satellite, telco networks and over the air antenna-based TV platforms. Our products are also available on digital channels including all proprietary websites, smartphone apps, OTT platforms, marketplaces, influencer marketing, and social direct response. New registrations during 12-month period continue to be strong and came in at 3.0 lakhs compared to 2.6 lakhs in the corresponding period of the previous year. This reflects our ability to not only support changing customer preference, but also respond to them with agility. Customers bought an average of 30 pieces on TTM basis from us compared to 27 pieces in the corresponding period of the previous year. As engagements with new customer deepens, we expect to continue to drive bigger volumes. Finally, our retention rates stood at 44% on TTM basis compared to 50% for the same period last year. This is partly impacted by higher new customer addition to Q2 FY2021 owing to essential items offered last year. Our retention rate of old customer base continues to remain strong.

From the triple bottom line perspective, I'm glad to share that we are now meeting 100% of our power requirements at all our manufacturing units in Jaipur from solar generation. It is also heartening to note that we have crossed a milestone of 58 million meals through our one-for-one meal program for school children with a run rate of 58,000 meals donated every school day. We continue to reward our shareholders and keeping in mind our dividend policy the Board has declared an interim dividend of Rs.1.5. per share. We look forward to maintaining fine balance between growth investment and quarterly payout to generate sustainable value for our stakeholders.

As I conclude, I would like to state that we have demonstrated resilience, agility and strengthen in our performance for the last quarter and years. I would like to reiterate our positive outlook for the business. We are confident of our business model, valid proposition and our execution abilities. Our retreat full year guidance of 16% to 18% retail revenue growth in constant currency in geographies of US and UK for the current financial year.

With, that I now handover the call to Vineet to discuss financial performance for the period, annual year. Over to you Vineet.

Vineet Ganeriwala: Thank you Sunil. Good evening everyone. And welcome to Vaibhav Global's Q2 and H1 FY22 Earnings Call. I hope that you and your loved ones are all safe and keeping well. I will now take you through our financial performance for the quarter and half year ended 30th September 2021 in greater detail.

As Sunil mentioned, Q2 saw a change in consumer behavior with home shoppers shifting to in person shopping. And we also saw increased holiday travel induced by lifting of lockdowns completely. Amidst this we continue to expand digitally and geographically. Overall revenues stood at Rs.635 crores growing at 6% year-on-year with retail revenues growing at 3.3% year-on-year. In local currency, Shop LC grew by 2.3% year-on-year and shop TJC reduced marginally by 1.7% year-on-year. However, in comparison to Q2 FY20 both Shop LC and Shop TJC grew substantially by 22.1% and 24.5% respectively. TV revenues have shown marginal improvement year-on-year at Rs.389 crores though a strong growth of 24.6% year-on-year over same quarter FY20. While digital revenues in Q2 FY22 increased by 8.6% year-on-year over the same quarter in FY20 it grew by 52.9% year-on-year to Rs.226 crores during this current quarter. TV contribution to our retail revenues is now at 64% with the balance 36% accruing from their digital segment, as the business continues to get greater traction there. As, you know TV includes customer accessing our products through our proprietary TV channels that reach their homes, both on conventional TV media as well as free to air channels on OTA platforms. Digital includes online purchases on our proprietary websites, shopping apps, OTT's and social e-commerce.

With omni channel customers, our core focus remains to encourage customers to transact on both TV and digital platforms, which gives them a unique shopping experience. Such omni channel customers relatively fetchers significantly higher lifetime value than customers that either buy only on TV or only digitally. In our overall product mix. revenue contribution from non-jewelry product was at 30% in Q2, which has significantly increased from single digit levels few years back. This clearly demonstrates our ability to expand wallet share by entering adjusting categories over time. Non-jewelry categories now include fashion accessories, lifestyle products, apparels and beauty products. This trend has also balanced our revenue streams.

Our budget pay feature provides customer with the convenience of buying on EMIs. During the quarter the products sold via budget pay contributed 38% of total retail revenues. This feature has added level of affordability, especially in high ticket sized products. Gross margins in Q2 continue to remain strong and marginally improved to 63.9%. On an overall basis, EBITDA margin for Q2 is 11.4% versus 16.5% for the same period during the last year. EBITDA excluding the Germany investment in Q2 is 13.5%. For H1 EBITDA margin excluding Germany is 14.4% versus 15.3% in H1 of last year. Slight drop in Q2 EBITDA margin excluding Germany was partly impacted by short term increase in sea freight owing to global supply chain constraints and our increase investment on new TV OTA channels as well as accelerated investment in digital marketing spends. We are confident that most of these are transient in nature and we will rebound to our growth trajectory in the ensuing quarters.

Profit after tax came in at Rs.42 crores, operating cash flow came in at Rs.53 crores and free cash flow was minus Rs.27 crores. The disruption in global supply chain resulted in higher inventory levels and consequently increased working capital investment. We expect this to revert back to normal levels in the coming quarters. Free cash flows also reflected planned higher CAPEX on warehouse automation, digital capability building measures and initial operating cost of Germany. We had front loaded this CAPEX in H1 of current year to get the full benefit in the upcoming season. On a TTM basis, ROC and ROE continue to remain very healthy. And were at 51% and 28%, respectively. The stability in these ratios signifying the strength of our business model. As Sunil mentioned, we continue with our policy of recommending dividend every quarter, and in this quarter the Board has approved an interim dividend of Rs.1.50 per share for Q2 FY22.

Towards the end, I would like to reiterate that the group has made a robust start to its financial year in Q1. Due to some short term aberrations are discussed above, growth momentum has slightly slowed down in Q2. However, we continue to demonstrate resilience, agility and strength and are a firm believer in invest in short term headwinds to capture long term opportunities. We are confident in the business prospects ahead of us and we are investing to capture growth and continuous healthy cash generation. We remain confident of our prospects and we deliver on our stated growth guidance of 16% to 18% for the current year. With this, I hand over to the moderator. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line Latika Jetha from Concept Investwell. Please go ahead.

Latika Jetha: Sir, two questions from my side, the first question was, we can see the number of household it is around 110 million houses currently, but if I see that, in U.S, it has reduced from 77.5 million to 63.5 million. Also, if I had to, relate with the TV revenue, so TV revenues have grown nearly 0.5% for the quarter, whereas the volumes have degrown both on a quarterly basis and a half yearly basis. So, I just wanted to ask that, Is this an indication that the industry is moving or say transitioning from teleshopping to say, video social commerce or web commerce. And I would also like to hear, Sunil sir what is your take on your target in maybe five years' time for your TV versus web revenue. And I have a second question which is, how are you looking at for D2C brands, which is TAMSY and Rachel Galley which one I believe is organic, and one is inorganic, I just wanted to pick your brain behind launching these as a separate brands rather than selling it how you sell all your different products. So, what is the idea behind launching this as a brand and going forward, can we expect more brands coming in?

Sunil Agrawal: Latika this is Sunil. Thanks for your questions, I will take that one, so the first one is about the households. So, it is not the cost cutting that has led to the reduction in number of houses. There was one operator, one platform with whom we exited because they wanted to increase the price and we didn't find it worthwhile. So, we exited with them. And we've taken alternate OTA distribution to cover those household. So, OTA maybe the same homes that we already have. And we'll be getting duplicate broadcast in those markets, but at a much better penetration. So, per household revenue will be much higher on them compared to some cable or satellite homes. So, these numbers that you see in the US is regular negotiation with cable operators, not a trend phenomenon.

The next point is about target of TV versus e-com. So, we have given this guidance here also, we look at three years, we expect our digital revenue grew cost 50% increase, which is currently about 35%. The third point was about the D2C brands TAMSY and Rachel Galley, so these are something that we are experimenting with going D2C brand. And we feel that they have potential and this is something we are experimenting and testing. How do we fair, we don't have any guidance on them yet. But this is a testing for us. Latika, hope I have answered your questions.

Moderator: Thank you. The next question is from the line of Bharat Shah from ASK Investment Managers. Please go ahead.

Bharat Shah: Vineet, basically the second quarter has witness brunt of two main headwinds. One has been the German operation cost which in any case was planned and which is about 15 crores losses that have been incurred in the German operations. The second one would have been the freight cost and the supply chain disruption that is occurred which also happens to be about 15 crores. So, these 30 crores additional cost clearly has impacted the numbers where we stand. Now when we look at our operating profit trajectory, we've been steadily improving over a period of time as our scale is improving. And given the fact that of the total cost about 40%, 45% is the variable that allows us operating leverages and the scale gets higher. So, if we disregard German operation loss for the current year, despite the impact of the supply chain disruption in the second quarter, so the year in entirety are we likely to matchup to the kind of operating profitability and the margins that we had last year. Or we would still fall below in the despite catch-up in the next two quarters?

Vineet Ganeriwala: Thanks Bharat for that question. And you're right, the EBITDA margin are impacted by two things. One was investment in Germany, which is planned. So, that is exactly in line with the guidance what we gave a $3 to $5 million loss for the first year, break even in the third year, so we are happy that it's proceeding as exactly as we envisage it to be. Close to 2% impact js because of that, the other 2.3% impact was from the elevated sea freight levels. We have already started seeing it softening, we expect it to continue to go down and reach a stable level in the short term. Having said that, we have also launched a lot of cost initiatives to counter some of these increase as well as the effort is also on to pass on the increased cost to the customers and keep focus on the gross margins. So, in nutshell, excluding the Germany losses, which will be there in this year, we expect the year to end at a flattish or slightly positive operating leverage only, by the various cost initiatives offsetting the elevated sea freight level.

Bharat Shah: Compared to last year, because last year we had about 13.6%, 14.7% kind of operating margin. So, despite the setback of the second quarter, barring German automation losses, the year should end up with similar or better kind of margin?

Vineet Ganeriwala: Yes, Bharat that's what we expect to end with all the initiatives planned. And of course, we do expect this sea freight to stabilize which we have started seeing some kind of softening.

Bharat Shah: Sure. And the second one our longer range or business plan has been kind of leveraging multiple distribution channel, expanding range of offerings and not depending only on jewelry, and given the nature of our activity on an outsourcing basis and multiple geographies and supply chain arrangements, there is a significant component of the fixed cost and therefore, operating leverage as we get a scale and we keep getting ahead is something which is integral and therefore earlier in various discussions over our belief is that over, let say next three to five years, steadily there should be uptick on the operating margin clearly because of the many costing initiatives as well as in terms of the operating leverage. So, that journey stays?

Vineet Ganeriwala: Absolutely, Bharat the business model is such that with increasing revenue operating leverage flows into the bottom line. We have seen that in the past five years, and we expect the trend to continue in future as well. This is a year of investment into Germany and other growth initiatives.

Bharat Shah: Thanks. Last question, that I need to check. While Sunil did highlight about business model, execution, resilience and agility all the defining hallmarks of Vaibhav this to intake. And none the same, given rather near term or shorter term kind of customers behavior in terms of homebound people, when they get a chance, they kind of moved away from home, and it affected our second quarter growth rates in top line, but our core business model and all that we think about it, I suppose there is no any tricking in the long term, what we visualize about our business, on a long term basis, that healthy double digit kind of growth rate, or the top line that we held is not altered by anything that we have witnessed in the short term?

Sunil Agrawal: I'll take that Vineet. Bharat, as I already stated in my opening remarks, I'm more excited now than ever, with our business model. So, as I mentioned in my opening remarks, I'm more excited than ever, with our business, where we are in the business.

And various growth initiative that we have put in place are all our confidence in the model and our confidence in the business. And that is sustained long term growth, potential projectory that we've already seen last five years, will continue for foreseeable future. And these initiatives, will make sure that these continue the same way. So, the topline growth as well as leverage should be there. So, the topline should continue and the leverage will come back after the German initiatives matures, German initiatives and the digital initiatives mature and leverage will come back and the leverage will be there, with this financial it will be flat or leverage for the full financial year for US and UK itself.

Bharat Shah: And Sunil, just to check on this, now what makes you say that you're more excited than before, at margin what is caught your attention that which makes you more excited than before?

Sunil Agrawal: So, quite a number of things. One is the OTA, OTA is over the air broadcasts into homes, which people don't pay anything and it's a digital broadcast, OTA homes are increasing every year 4% whereas cable that would pay that is getting cut, and we found very good traction on OTA, so in H1 we've made investment in OTA, we are seeing good traction on that one other investment. Number two is OTT, OTT is like Amazon Prime or Roku or Hulu. So, that investment, we started making and we are seeing a lot of customer traction on that, the lifetime value on OTT is higher than TV. And third is digital, as we learn digital over the years, we are seeing traction of revenue growth and customer acquisition and being able to penetrate to the customer who would not normally buy on television. So, as we're learning more about that, that excites us more. And the fourth is the geography we went into Germany knowing that we were in Germany long time ago in 2007. But going back in, in last few weeks, few months, we found that customer behavior is very similar to US and UK. And we can scale very rapidly, our original projection is three years profitability, but we may actually hit it even sooner. So, we are seeing that traction there. For all these factors combined, gives me tremendous excitement of where we are in the business.

Bharat Shah: So, you are saying, German operation may turn out result what you envisage earlier than what you thought when we planned Germany operation?

Sunil Agrawal: Yes, that's a possibility we are not getting guidance of earlier at this time, but that seems a possibility once we have seen the traction there.

Moderator: Thank you. The next question is from the line of Ashish Kanodia from Ambit Capital. Please go ahead.

Ashish Kanodia: Sir, in your opening remarks, you're highlighting that you have on boarded new channel, so can you just talk about that in which geographies we have on-boarded the channels and are these channels 24/7?

Sunil Agrawal: So, in Germany you're talking about or the OTAs?

Ashish Kanodia: Both.

Sunil Agrawal: In Germany we have 20 hours live out of 24. In US and UK we are 24 lives in both geographies. And OTA or OTT is the same broadcasts and same signal. So, in U.S, and UK OTA and OTT the broadcasting is 24/7.

Ashish Kanodia: No, sir my question was in your PPT, we have talked about adding new TV channels. So, my question was, in which markets this new channels has been added?

Sunil Agrawal: I see, so there are mostly OTA, OTA over the air antenna signal, this is a digital signal, and they are spread all over U.S. So, US is about 210 different markets, so they are called TV markets. Of those 210 markets, we are about 80 markets from OTA full power. So, we still have over 140 markets to 130 markets to still go into in OTA full power. So, they are spread all over U.S.

Ashish Kanodia: Okay. And secondly sir, you have talked about how the customer acquisition has been, if we adjust for the customer who basically came only for the essential, will it be possible to share the retention that also because, if we look at the retention rate, it has came down to 46%. But of course, it has that element of customers moving out who just came for the essential. So, if we carve out those customer what was the retention rate for the quarter?

Sunil Agrawal: Good question. I don't have that answer right now, very micro detail. I'm sure Prashant should be able to give that to you later.

Ashish Kanodia: Sure, sir. And lastly, my understanding was that because 70% of revenues is still jewelry and jewelry is not necessarily a voluminous product. So, we are more dependent on air rather than seas and that is why, even if the sea freight has gone up, it should have not impacted materially so just wanted to check is that understanding correct, or we are actually far more dependent on waterways rather than airways?

Sunil Agrawal: Sorry, I couldn't understand your question, can you repeat that again please?

Ashish Kanodia: Sir, my question was, that my understanding is because jewelry is non-voluminous. So, we use air as a mode of shipment rather than sea per shipment. So, I just wanted to check is that correct or is it more dependent on sea?

Sunil Agrawal: Yes you are right. Majority or most of the jewelry is shipped by air, but some fashion jewelry from China or say stainless steel or brass jewelry from India, that is send by sea, but majority is sent by air, that is correct.

Ashish Kanodia: Sure. And just last question on the D2C brand so you said that this versus D2C brand will be available from the TV channels as well as having their own website. So, how is it different barring the fact that they will have their own website. So, what's the strategy on both this brand. And how is it different versus what we are already doing, with our existing business?

Sunil Agrawal: Very good question. The reason I mentioned that these are test for us is because we want to see how the customer behavior is on dedicated standalone sites that project authority rather than sites that have multiple product categories. So, for example, multiple product categories then we are being seen as Amazon or Target or Walmart versus B2C dedicated site. So, there is going to be a test for us to see whether the customer traction on dedicated site is better for that product or on a multiple products. But we feel that initial response that we are getting, we see that there is potential to scale up these dedicated sites for higher value, for these two products. For examples, Rachel Galley, we've been selling for eight years now. TAMSY apparel, we also sell on main sites, but we are seeing that, they may have a higher traction from customer on digital space, and we may be able to target some customers that we may not attract the general website.

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

Nilesh Shah: Sir, my first question is for you, this quarter our revenues from the lifestyle segment have fallen marginally as a percentage of the overall revenues, whereas our aspiration is to basically take it up to about 50% over the medium term. So, anything which essentially didn't work for this quarter, any reason why lifestyle is a segment was soft, especially in context of its share in the overall revenues. Or if at all, that's just a temporary aberration?

Sunil Agrawal: Sure. So, last year, we sold a huge amount of essentials, the masks, sanitizers, the toilet rolls, the food items and wellness items in pandemic, and this year that the phase was not there, so there was a bit of a lower uptick. But to offset that some of the sales came from handbags, apparel, a lot of people are traveling things even going out. So, those sold well. So, it is just a temporary aberration of last year's high base of essentials.

Nilesh Shah: The next question is around, our medium-term trajectory. And you just mentioned that we aspire to have a digital revenues, cross 50%. Now, our realizations from the digital side realizations per unit are lower compared to the realization while we sell it on the TV, and there is a difference of about roughly more than even 10%. And as the share of revenues from digital increase, does that post some kind of a headwind for us in terms of our growing our revenues in double digit because that puts additional pressure in terms of growing volumes correspondingly to offset the impact on realization. So, just wanted your thoughts on this?

Sunil Agrawal: Yes, so on the web side, the lower price point that you see is predominantly because of some clearance mechanism that we have is called pricing auction, $1 auction on website. So, since that portion is pretty higher now. But as the sales from digital channels increase, that clearance mechanism becomes smaller percentage of total digital revenue. So, the overall average price on digital would eventually converge to our TV average price point over the longer term.

Nilesh Shah: Okay, that's helpful and last one. This quarter, our gross margins have inched up any specific reason generally when there's been rising input prices, what has really contributed to expansion of gross margins this quarter?

Sunil Agrawal: So, partly try to offset a bit of the shipping cost that we have been paying**.** So, we constantly look at trying to expand the margin to offset the shipping discounts that we gave or the shipping cost that we incur. More and more shipping, free shipping promotions in US and UK. In UK, we have TJC Plus, but TJC Plus gives free shipping to the customers who subscribe to the monthly service. So, to offset that we try to increase the gross margins. And U.S. also we are giving some free shipping, for example the $1 auctions, rising auctions. Anybody who signs up forward gets free shipping. So, to offset those promotions we had to increase the margin. So, we've been able to increase those margins slightly during the quarter. And in the coming quarters, our effort will be to increase it even further if we can. Not a guidance right now, guidance is generally (+60%), but there is our endeavor to increase to offset other costs.

Nilesh Shah: And our share of revenues from the budget pay mode has now inched up to 38%. I remember on one of the earlier calls, you said the intent is to not have the budget revenues cross 40% marks, so we seem to be approaching the 40% mark, do we still kind of intend to kind of keep that some kind of red line, or we would be flexible on that, or does that pose any kind of an additional headwind for us in terms of our future growth?

Sunil Agrawal: Yes, so the 40% was a general guideline, it is not a red line for us. Depends on the customer, it may go slightly higher to, or may stay slightly lower. But we don't expect it to move substantially either way. The reason is that the model of our price point, keeping it around $28, $29 kind of price point where we don't give budget pay under $20. So, that kind of model leads to this kind of ratio. If the price point goes to $30, it may slightly go 40, 41. But our endeavor is to stay about 50% of our competitors in average price point.

Moderator: Thank you. The next question is from the line of Jai Tejwani from Julius Baer. Please go ahead.

Jai Tejwani: Sir my first question is, you mentioned that home shoppers have preferred in-person shopping and holiday travel, don't you think this trend would continue over the shorter term?

Sunil Agrawal: Yes, so we expect it to come back to the normal life in a very short term, because people have been locked up inside. So, having taken cognizance of that, is we are giving this guidance of keeping to our target, our guidance of 16% to 18%. Longer than when people will settle down. We expect the similar kind of growth rate to come, midterm 15% to 17% for U.S, UK. But in longer term when we improve Germany, our other initiatives it may even be higher than that.

Jai Tejwani: Understood. My second question is, in your EBITDA margin walk you mentioned accelerated investments in digital and broadcasting. So, wanted to know if this velocity of these investments would remain the same over the next few quarters?

Sunil Agrawal: So, for OTA point of view, let me give you perspective of why the higher expenses, number of homes are lower. So, OTA homes is approximately 10 times more expensive than the normal typical cable home. And investment in airtime is mostly front ended. Where you invest right away but the customer matures in 6 to 18 months' time. So, it is more front ended rather than back ended. So, OTA will continue to invest if we get the opportunity. In last quarter, last six months actually we got good opportunities to get into two major OTA affiliates. They may not get those material opportunity in coming quarters, we will take them when they come to us. They are rightly front ended rather than back end.

Now the second part is digital. Digital investment will continue over the time. And the result of those investment is shorter term them OTA homes. So, digital lifetime is shorter than the OTA lifetime and the return is also quicker. So, digital level will be relatively elevated, but the return will also be rather sooner on that one. So, coming to overall sum up the question, some of my comment is, it may not be as high in coming quarters, as it has been in Q2, but it will be there.

Jai Tejwani: Understood, sir. Sir, could you just call out how many subscribers are there in OTA, just for us to understand how big the space is?

Sunil Agrawal: Sure. So, there are two types of OTAs, one is low power OTA, one is the full power OTA. So, there are about 20.6 million homes in U.S. who are pure OTA, the homes that they consume TV only by antenna. There are many homes who have OTT that means the connected TV, as well as they consume by OTA, there are many homes who have cables and also consume by OTA. But pure OTA is about 20.6 million homes. Of the 20.6 million homes, low power OTA that we've been having for a long time, they are already in 18.7 million homes, but the full power homes which is 10 times more expensive than low power or cable, they are only about 7.8 million homes of these 20 million. And even the 7.8 million home are very big deal for us. So, we still have about 14 million homes approximately, 13 million homes. So, 13 million more homes that we can potentially grow in OTA space. And they cost 10 times more, but they are productive between six to eight times more than cable.

Moderator: Thank you. The next question is from the line of Chintan Sheth from Sameeksha Capital. Please go ahead.

Chintan Sheth: On the revenue front, if you can talk about how things are shaping up now. As we are nearing to the festive new year over there. What kind of traction we are seeing currently, what are the trends currently compared to last year October rather than September because given the base is low, as you rightly pointed out in your opening remarks. And follow up on the guidance, if you can touch upon given to 16% constant currency growth guiding you are maintaining, the second half growth, require run rate looks 20% rate you have to grow to meet the 16% annual guidance. So, what gives you confidence in the near term that we can grow 20% on a base of last year, which is already very high at 25% to 30% rate, so if you can explain that part?

Sunil Agrawal: Sure. So, first question was on October. So, October is a bit better than July, August and September, it is a bit better but not where we need to reach right away. But last year in US we had US elections. So, there were some impact of US election while there was a tailwind of COVID but the headwind of election. So, we are comping against the elections so we have some room against last year on November point of view. Now we've looked at the numbers closely and this time from the visibility that we have right now, we feel comfortably confident that we will be able to have H2 numbers to meet overall annual guidance of 16% to 18% in constant currency growth.

Chintan Sheth: And to meet that, are we changing our product mix, in a sense that we are getting more trends, which can help us to feed the market better than what we were able to do in the current quarter?

Sunil Agrawal: Yes, so product mix is a constant thing, done on everyday basis, or week basis which look at what customer is pulling and given our ability to source so quickly. So, we have this process continuously going on, in fact last 18 months or 20 months. This has been phenomenally done very well across the whole organization. So, this is a constant phenomenon.

Chintan Sheth: Sure. And the CAPEX front we have seen slightly elevated CAPEX in the first half. So, what is the guidance for the full year?

Vineet Ganeriwala: So, Chintan we don't give a guidance for the full year but one has to see the CAPEX of H1, also including two one off things, so one is Germany, so $2 million CAPEX of Germany is also sitting in this H1 number. And the other $5.2 million of the warehouse, robotics GEEK+ plus which Sunil mentioned about that is also sitting in this H1 CAPEX. So, both put together about 7.2 million. So, more than half of the CAPEX you see is this one off which will definitely not be there in H2 this year and in that way we front ended it in H1 so that we get the benefit in H2.

Moderator: Thank you. The next question is from the line of Sridhar from Business. Please go ahead. As there is no response from the current participant, we move to the next question from the line of Rahul Rama Krishnan an Individual Investor. Please go ahead.

Rahul Rama Krishnan: Sir, in one of your earlier concalls, you had mentioned that one of the differentiating factors between Vaibhav Global and the rest of your peers is average selling price that we have basically like a value for money brand. Sir, so how do you see the ASP shaping up over the next few years, because right now we are somewhere around 30?

Sunil Agrawal: So, we expect the ASP to remain around these levels only, remain more slightly up or down, but between 28 to 30 expectations for the coming years.

Rahul Rama Krishnan: Okay, thank you sir. Sir my second question would be in the last quarterly call, you have pretty seemed excited about the fashion, the retail side of the business, which is relatively new. Could you throw some more color on that sir?

Sunil Agrawal: Yes, we continue to stay at target with that. In this quarter we also had investment into acquiring an existing building-an existing factory for apparel. And we have now approximately 300 people working for us in that building.

Rahul Rama Krishnan: Sir sorry, could you just repeat that number you said 300 and last time was that 120, if I have mistaken?

Sunil Agrawal: I don't remember last time what number I have given but right now with approximately 300 people, in our apparel factory**.** And the traction with both our TV channels is very positive for apparel. So, we remain very excited in this prospect

Rahul Rama Krishnan: That's great to hear. Sir, my final question would be regarding the number of registrations for the new custom addition. Could you give me a break up quarter-on-quarter, last quarter versus this quarter?

Sunil Agrawal: Yes. So, we had new registrations we had 64,774 this quarter, and last year same quarter this was 36,734 registrations.

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

Abhilash: In many of the concalls you have mentioned that the LTV value of a multi-channel customer is very high than an customer who buys individually through the web or the TV platform. So, can you explain in detail why the multi-channel customer has such a high LTV?

Sunil Agrawal: Yes, so TV is a push medium where we tell customer what to buy and when customer likes it, buys it. The web is a pull medium, the customer needs, they go out, look for that and they buy. Then we can combine push and pull both, we find that the lifetime value of the customer goes substantially higher compared to TV or web. So, something to do with loyalty develops when both push and pull combined.

Abhilash: Okay, so what is the percentage of our customers who are right now buying through the multi-channel or medium. I remember in one of the concall you had mentioned that number somewhere at 11% so, what is it currently?

Sunil Agrawal: I don't have the data with me Abhilash, but perhaps Prashant can give it to you later. So, right now, I got this information is around 12%.

Abhilash: About 5%?

Sunil Agrawal: No, 12%. So, I have got two different data one is the 10% and another is 12%. So, 10% seems more data to be the calculated number. So, again you are right so, anywhere between 10 to 12% is the number.

Abhilash: So, it's 25%?

Sunil Agrawal: No, 10 to 12% customer, multichannel customers.

Abhilash: Okay. 20 so I am unable to get the number 20?

Sunil Agrawal: So, 10 to 12%.

Abhilash: Okay what is the buying activity or how many products do these multichannel customers buy in comparison to the normal numbers that we report in the presentation, because I remember in one of the concall you had mentioned that number to be 100 or something above 100 is your buying activity that happens on multi-channel, so what is it currently?

Sunil Agrawal: I don't have this number. Prashant can you pull that¸ it may take time maybe if there is another question then I can share this number once when Prashant pulls it.

Abhilash: I have another question. Generally, the understanding that comes analyzing the businesses, we are more of in-house manufacturing and develop our own brands and then sell it, but when I look at the trend of the purchases of stock in trade over the last five years, that is significantly increasing. So, as I share the number with you sir, so for March 17 the numbers of purchases of stock in trade as a percentage of sales were somewhere at 16%. And now, in FY22 first half it has gone to 33% whereas in FY21 It was 25%. So, why is it that our purchases of third party products seems to be increasing?

Vineet Ganeriwala: Sunil, I can take that. So, as the non-jewelry share is increasing. So, we manufacture our own jewelry products, but besides apparel, the other non-jewelry products are outsource. So, that is what you might be seeing over the last five years, the non-jewelry share increasing is leading to this increase in purchase of stock in trade.

Sunil Agrawal: Another factor is the B2B. As B2B has reduced substantially the stock in trade for B2B is 100% it was self-manufacturing whereas B2C we also depend on third party providers specially on LSP product.

Abhilash: Okay. So, as our non-jewelry share increases going forward or we will see this purchases of stocking trade also increasing right, because as sir you mentioned, that we be going to 50% in the non-lifestyle product. So, going forward these numbers should increase right?

Sunil Agrawal: That is correct, unless we go into manufacturing like we have gone into apparel. So, in that case, we may capture that value additionally.

Abhilash: Okay. And sir just one last question was understanding the employee cost. So, when I look at the growth rates of sales, versus the employee cost, I see that the employee cost grow in line with sales growth over the last three, five, seven and 11 years. We are just trying to understand that where are we deploying, where is the investment and which domain more of the employees, can you give some breakup off, of the total number of employees how much are in the tech part. And why is that the employee cost are growing in line with sales. Why can't we see some level of operating leverage when it comes to employee cost specifically?

Sunil Agrawal: So, we already saw some leverage, because from B2B, we went into B2C pretty much entire business, but still the growth of the revenue. B2C requires more manpower than B2B, substantially more. So, the growth is in the line of revenue growth. So, that shows the leverage; now in the long run, the warehouse people, the customer service people, those grow with the need of the growth of the business, the places that will definitely grow as the sales staff stays the same. The other areas- manufacturing will also grow in same proportion, the warehouse or customer service will grow in the same proportion. So, there will come a leverage over the longer term. So, far we have transaction from B2B to B2C that has not shown the leverage as of now. Some investments were there, for example in AI or in branding or LSP merchandising, which is front-loaded, LSP will be having all the merchandisers and designers in place, and few are driven initially, as that business scales up, there will be some leverage coming inside HR as well.

Abhilash: Okay. So, sir if the understanding is correct or whether or going forward as our investments in the tech part will be increasing. So, is it correct to say that the employee cost will more or less will grow in the line of sales because we'll be having investments in the tech and then corresponding employees also needs to be higher. So, will that be a correct understanding?

Sunil Agrawal: Tech partly, outsource partly in house develop, so if you bring that in-house, that portion will go up compared to your expense that we have, but overall that should be accretive to the bottom line because in-house cost are lower than outsource. But from tech point of view, the automation of the warehouse that we recently built, there is unique spillover of HR expense, in coming quarters it will be lower. So, I see some leverage coming in from HR perspective in coming quarters and years.

Abhilash: Okay sir. And sir one last question if you may allow, is that when I look at our TV channel expenses, we kind of divided it into four parts, so I was just looking at over the last five years that our packaging and distribution cost within the mix has increased substantially whereas the content and broadcasting cost has already reduced from around 63% to 40% whereas packaging has increased from 20% to 40%. So, is it again to because of the sales mix that we are going through to the non-jewelry segment and that requires much more of the packaging and distribution cost, can you explain that in detail sir?

Sunil Agrawal: Yes, good observation, LSP is a little bit heavier and the packaging cost is higher on that and the shipping cost is also higher. So, that is another reason, the shippers have increased prices over the last five years. So, that is one of the reasons and distribution or broadcasting cost have reduced because we have been able to negotiate better with some of the vendors over the last five years.

Moderator: Thank you. The next question is from the line of Bharat Shah from ASK Investment Managers. Please go ahead.

Bharat Shah: Given the fact that, we are operating 1000s and 1000s of SKUs and therefore agility spotting changes and good execution become very paramount also, given the fact that we are moving into more digital channels compared to TV channels over the period of time. Lot of this will entail technology to understand customer, data analytics, data science and lot of things hoping so that the agility is not compromised as a key part of the business model. Therefore, we'd like to understand in some length, what kind of technology initiatives internally and otherwise are being done in order to remain at the edge and ahead and Sunil if you are answering this I'll request if you can speak closer to the mouthpiece because your voice is not clear at all to me throughout this conversation.

Sunil Agrawal: Okay, I will try to be more louder. I'm usually not loud enough, but I'll try to be. So, your point about technology investment is very relevant because the world is growing rapidly towards AI, MI, analytics, machine learning. So, these becomes paramount. And we are getting investments into these spaces. Outside investments for our size of company. We recently hired actually, almost a year ago we hired kind of Nielsen's AI machine learning. And he is now part of VGL. And he's building up a team, he has already built about eight people, data scientists team around him, and creating descent business models for different parts of business, manufacturing, order management, customer behaviors, product affinity, all these areas they are building those models and deploying across entire organization. From that investments point of view, we just transitioned to the best platform-Salesforce commerce cloud for US business. And that investment has been substantial for the company and has been in the making for last six months and has transitioned smoothly. And also, the automation of our warehouses US and UK has been staying ahead of the technological curve. So, we are ahead of our size of the company, in terms of technology investments, and will not shy away from making those investments.

Bharat Shah: And internally how is the staffing in the technology and analytical function, how it is done. How much of our technology spend in understanding comes from our investment in people waiting in the firm, and how much of it is spent to acquire the insights from the outsource technology. So, if you can describe the staffing in that area in a little bit more detail that will help.

Sunil Agrawal: Sure. So, our head of IT, has got about 20 years of experience in TV and E-com space, very well knowledgeable and highly intelligent person. And he joined us about almost two years ago. We're fortunate to have him join us and accelerate our digital investments and digital journey. Now from the people point of view, we have almost 100 people in IT development with us just a development portion in-house. We also outsource IT development to third parties within India, some in U.S. but mostly within India. Recently we subcontracted, we picked up some subcontractors in Eastern Europe, Ukraine and some other parts of the world, where we found good developers. So, we're looking at all areas in-house outsource, normal software development AI, ML as well in-house as outsource. The best part is, they are top of the line people leading those initiatives for us and then they are going to wherever areas we can find the best talent and best technology for us.

Moderator: Thank you. The next question is from the line of Kapil Banga an Individual Investor. Please go ahead.

Kapil Banga: I just wanted to get some more color on the revenue guidance part, one of the participants has already had a query around it. So, given that there is a high base of FY21 and there was also contribution that was coming from some COVID induced purchases, stay at home purchases, which will not be there this time around and with the mobility continuing to increase, are you confidence of the 16% to 18% guidance or is there a case wherein you want to possibly give a more conservative expectation?

Sunil Agrawal: Yes, so the visibility that we Kapil right now is of 16% to 18% guidance. So, there is the current visibility which we have. And I don't see a reason for us to change this guidance in coming months, but if the circumstances change, we will be upfront and always share with investors as we have been very proactive in all these years, so we'll be proactive in case anything comes up. But as of now, I don't have any visibility of any change to this guidance.

Kapil Banga: Okay. So, as of now you believe that Q2 was just a blip and H2 would be sort of 20%, around 20% growth leading to this 16% to 18% overall growth for the revenue for the year, correct?

Sunil Agrawal: That is correct.

Kapil Banga: Okay, what's the traction on the app download if you could share incrementally, If you have that number?

Sunil Agrawal: I don't have that number right now in front of me, and app right now will be going through a revamp, actually iOS revamp just recently happened. Android is about to happen. So, I don't have the data right now, we will share with you in due course.

Moderator: Thank you. The next question is from the line of Sahil an Individual Investor. Please go ahead.

Sahil: So, one thing I've observed is that we have a reach of about 100 million households, but only around 5 lakh trailing 12-month customers. What is working, where is the number of customers so low compared to the number of households that we have a reach into?

Sunil Agrawal: Yeah, so the number may sound low, but you have to look at the sequential number of customers that we acquire. And it takes time for customer to see us and become comfortable and to come to us. It's a relative number from the reach versus the customers that we acquire. So, you have to remember that all customers we reach may not necessarily watch TV, and all people who watch TV may not necessarily be inclined to buy on TV. So, the percentage of that customer is relatively small, but what you have to look at the sequential number from what we did in earlier period versus what we are doing now.

Sahil: Right. And if you could share some data rounds, the number of customers who actively watch your TV channels, I don't know if it's possible to get that data. But if you could, then that would be very, very helpful in understanding where to reach, is it the case that like, one of the hundreds of channels when the customer does not even know about us specifically, is that the case or what?

Sunil Agrawal: We don't have the data.

Sahil: Okay, no worries. The second question I have is, when we look at TJC-plus, the membership that we have launched for UK, if possible could you share some metrics around how this has impacted the lifetime value or the retention rates for our UK customers?

Sunil Agrawal: So, I don't have a big data on that and also it has not been one full year of that initiative. So, at this time, the retention date and the full lifetime value will not be fully visible to us. What we assume is, that the behavior of this customer, same customer who were buying from us before and now so their purchase is high, not fully year right now. So, I can't give exact data on that, but what does it says the customer buying through TJC plus UK is approximately 55% of our volume now goes through to TJC plus and 45% goes through the normal customers who are not the TJC plus members. So, the uptake has been phenomenal but the lifetime value data will take time to get.

Sahil: No, worries. I would be very happy if you could share it after some time, like when you think sufficient time?

Sunil Agrawal: Yes, good question, we are tracking that closely and we will continue to monitor and share the data once we have the confidence level that will come with a period of time.

Moderator: Thank you. The next question is from the line of Sridhar C from Business. Please go ahead.

Sridhar C: So, just one. First request is, instead of voice is it possible for next call maybe if could arrange through video and we could see all. The second one is, when compared to the last seven to eight months, so around 40% of the shares, around 40% of as a price has been reduced. So, just wanted to know, what is the management view on this topic. In order to help with a small scale investor segment.

Sunil Agrawal: Sridhar thanks for your suggestion for video versus voice, we will definitely look at it. And consider that suggestion. Second thing about the share price, the share price is depending on you as investors. So, the question back to you of how you see it, and how you would value the company in long term. I will request you and all the other investors to look at the company with the long term prospects of continual growth and market share gains, not look at quarter-to-quarter in a short term. You are confident of our business model, you are confident of the team, and we feel that we have the right time, with right opportunity we will create a phenomenal organization in coming years.

Sridhar C: And the last question is, how do you foresee the new business like the new management like Nykaa and other companies, which are expanding across seasonally. So, have we look at these type of businesses, whether it is completely same?

Sunil Agrawal: So, Sridhar, I have not studied Nykaa so closely to give a comment. Many of the people in audience can give much better commentary on this business than I can. I can only say about our business, that we feel very confident of our business position and our long term, continued growth, momentum, and market share again, and I appreciate your support to the business and your engagement with that off.

Moderator: Thank you. Ladies and gentlemen, we take that as the last question. I now hand the conference over to the management for their closing comments over to you.

Sunil Agrawal: I thank all the investors for your support and engagement with Vaibhav. If you have any other question, please feel free to reach out to Karl Kolah of CDR or Prashant Saraswat at VGL and we will be happy to answer any of them. Thank you very much.

Moderator: Thank you. Ladies and gentlemen on behalf of Vaibhav Global, that concludes this conference. Thank you all for joining us and you may now disconnect your line.