



VAIBHAV GLOBAL LIMITED

Ref: VGL/CS/2025/88

Date: 11th August, 2025

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

Sub: Submission of transcript of conference call

Dear Sir / Madam

With reference to captioned subject, we are enclosing herewith the transcript of Q1 FY26 Earnings Conference Call held on Wednesday, 06th August, 2025.

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

https://vaibhavglobal.com/admin_assets/Investor/Investor_Presentation/1840161104734168.pdf

Kindly take the same on record.

Yours Truly,

For Vaibhav Global Limited

Yashasvi Pareek

Company Secretary & Compliance Officer

M. No.: A39220

Encl: as above



“Vaibhav Global Limited
Q1 FY '26 Earnings Conference Call”
August 06, 2025



MANAGEMENT: **MR. SUNIL AGRAWAL – MANAGING DIRECTOR –
VAIBHAV GLOBAL LIMITED**
**MR. NITIN PANWAD – GROUP CHIEF FINANCIAL
OFFICER – VAIBHAV GLOBAL LIMITED**
**MR. PRASHANT SARASWAT – HEAD, INVESTOR
RELATIONS – VAIBHAV GLOBAL LIMITED**

MODERATOR: **MS. NISHITA BHAT – ADFACTORS PR**



Moderator: Ladies and gentlemen, good day, and welcome to Vaibhav Global Limited Q1 FY '26 Earnings Conference Call. 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 this conference call, please signal an operator by pressing star, then zero on your touch-tone phone.

I now hand over the conference to Ms. Nishita Bhat from Adfactors PR. Thank you, and over to you, ma'am.

Nishita Bhat: Good morning, everyone, and thank you for joining us on Vaibhav Global Limited's earnings conference call for the first quarter ended 30th June 2025. Today, we have with us Mr. Sunil Agrawal, Managing Director; Mr. Nitin Panwad, Group CFO; and Mr. Prashant Saraswat, Head of Investor Relations.

We will begin the call with the opening remarks by Mr. Sunil Agrawal on the business operations, key initiatives and a broad outlook, followed by a discussion on the financial performance by Mr. Nitin Panwad, after which the management will open the forum for the Q&A session.

Before we get started, I would like to point out that some statements made or discussed on today's call may be forward-looking in nature and must be viewed in conjunction with the risks and uncertainties that we face. A detailed statement and explanation of these risks is included in the earnings presentation, which has been shared with you all earlier. The company does not undertake to update these forward-looking statements publicly.

I would now like to invite Mr. Sunil Agrawal to make his opening remarks. Over to you, sir.

Sunil Agrawal: Thank you, Nishita. Good morning, everyone. Thank you for joining VGL's Q1 FY '26 earnings conference call. Hope you have reviewed the results and investor presentation. The June quarter played out against a mixed global backdrop with consumer sentiments fluctuating across our key markets.

However, we did see some improvement towards the end of the quarter gone by. We reported revenue of INR814 crores in Q1, registering an 8% year-over-year growth. Our gross margin held steady at 63.8%, which is reassuring given the macro volatilities.

We continue to operate comfortably within our target margin range of 60% plus, thanks to our vertically integrated global supply chain. This setup helps us stay cost competitive and responsive while maintaining industry-leading margins.

On the digital front, we are seeing steady momentum as digital now contributes to 43% of our B2C sales. We now remain on track to reach a 50% digital revenue share by FY '27. Let me now walk you through region-wise performance.



In the U.S., revenue grew by 1.3% compared to the same period last year. Consumer confidence dipped in April, partially improved later, but towards the end of the June, the U.S. strike on Iran subdued the sentiments. So overall, remains below last year's levels.

With household savings more- resulting discretionary spending continues to stay under pressure. As you may be aware, the U.S. has recently imposed a 25% tariff on all imports from India. While this development has created a level of uncertainty across the industry, we are fairly well positioned to navigate the impact.

Unlike our peers, we operate a fully vertically integrated business model with in-house design and manufacturing, globally spread in-house sourcing base. This gives us control over our supply chain and cost structure. Leveraging this model, we have proactively shipped advanced inventory ahead of the tariff announcements, ensuring that we are fairly well stocked for the coming few months. We remain optimistic about a potential reduction or rationalization of tariffs in the future.

The UK retail industry continues to face a challenging environment with growth held back by economic uncertainty and a cautious consumer spending. In the UK, revenue grew by 2.3% Y-o-Y, supported by Ideal World business. The core TJC business had an impact of both internal and external factors.

Consumer confidence had fallen sharply in April before recovering in June. TJC also went through recent leadership transition, which caused some initial disruption. We are now seeing early signs of improvement in TJC performance, while Ideal World continues to be EBITDA profitable in Q1 also.

Germany delivered 7.2% Y-o-Y revenue growth during the quarter. Consumer demand was affected by macro challenges, including weaker sentiment early in the quarter. While tax and interest rate cuts supported spending to some extent, these tailwinds were not sufficient to fully offset the broader pressure on discretionary demand.

As a result, this quarter, Germany incurred losses due to operating deleverage. Our Germany business saw improved year-over-year performance in Q1, and we are encouraged to see even stronger traction showing in Q2. With this momentum, we remain confident of achieving EBITDA profitability for full financial year in FY 2025-26.

On the product front, our focus on innovation and responding to evolving consumer demand continues to yield results. We are pleased with the successful scale-up of our lab-grown diamond jewellery portfolio, which contributes to 11% of group's overall sales in Q1, up from 1% in the same quarter last year.

This strong traction reflects growing consumer acceptance. We are curating our offering and optimizing both airtime and digital platforms to cater this rising demand. We continue to focus on 4 pillars of our growth: widening reach, new customer registration and acquisition, customer retention and repeat purchases.



Vaibhav Global Limited
August 06, 2025

In Q1, our TV network reached 127 million households. As of 30th June 2025, our unique customer base stands at 7,13,000, which is up 12% Y-o-Y and the highest ever for VGL Group. New customer acquisition stands at 400,000 in Q1, while retention rate improved to 42%. On a TTM basis, customers purchased on an average of 22 pieces from us in last 1 year.

Sustainability continues to be the core of our business. I'm pleased that VGL has been assigned a combined ESG rating score of 72, which is a strong ESG rating from ICRA. This recognition reinforces our position as a responsible corporate citizen.

I'm also pleased to share that Vaibhav Global is now certified by the Responsible Jewellery Council, i.e., RJC- a globally recognized standard for ethical and sustained business practices in jewellery industries. This places us amongst the select group of certified manufacturers worldwide and reflects our commitment to responsible sourcing, governance and environmental stewardship.

Further, Germany has received the Great Place to Work® certification. And with this, VGL is now a globally Great Place to Work® certified group. We are grateful to our employees for their honest feedback and remain committed for an inclusive and collaborative work environment.

At VGL, community giveback is integral in our business model where every unit sold results in a meal for a school going child. We are pleased to share that this quarter, we served 103 millionth meal to school going child since the inception of our mid-day meal program called **'your purchase feeds...'** Currently, we are serving approximately 57,000 meals every school day, and we are on our journey to donate 1 million meals every school day by FY 2040.

On the clean energy front, we generated 1.4 million kilowatt hours of solar energy this quarter, meeting 100% of power needs of our manufacturing units. These steps brings us closer to our target of achieving carbon neutrality in Scope 1 and 2 emission by 2031.

In addition, we have built rainwater harvesting tanks of 4,000 kiloliters in and around our manufacturing locations, taking our total capacity to 10,000 kiloliters. This is another step towards achieving water stewardship. We believe in long-term value creation for our stakeholders. The Board has recommended a first interim dividend of INR1.5 per equity share, which implies 66% payout ratio.

Looking ahead, our focus remains on driving innovation, leveraging advanced technologies, including AI and driving operational efficiency. Current macroeconomic environment and recent tariff development presents near-term challenge, especially in consumer sentiments. In light of this, we are taking a cautious approach and guiding to achieve revenue growth of 7% to 9% for FY '26.

We believe that the short-term disruptions give way to long-term growth, especially for an agile company like VGL. That said, we remain optimistic that the tariff situation and weaker



macros will resolve over time and will unlock potential for growth beyond our current guidance.

For the periods further ahead, we continue to project mid-teens revenue growth, supported by strong operating leverage and our investment into digital marketing. Despite macro risks, our low-cost vertically integrated model and high agility positions us well to navigate the evolving landscape.

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

Nitin Panwad:

Thank you, Sunil. Good morning, everyone, and thank you for joining Q1 FY '26 earnings call. I will take you through the key financial highlights for Q1. As Sunil mentioned earlier, we continue to closely monitor market dynamics and proactively manage our operations. Consumer sentiments remain delicate across our key markets, influenced by changing spending pattern and external factors like tariffs and geopolitical tensions.

In Q1 FY '26, we delivered revenue of INR814 crores, up 8% year-over-year from INR756 crores. This growth came despite the challenging external environment. In the U.S., revenue remained steady, supported by omni-channel reach, and we believe digital native and vertically integrated business like ours are well positioned for long-term market share gains.

In UK, muted consumer sentiments and internal leadership changes affect our core performance, which is more of transition in nature, but strong traction at Ideal World helped balance the growth. Germany continued its upward trajectory, growing well ahead of the market. Macro pressure and operating deleverage led to quarterly loss. We remain confident in our strategy and expect Germany to achieve EBITDA profitability in full financial year of FY '26. In local currency terms, U.S., UK and Germany grew by 1.3%, 2.3% and 7.2%, respectively.

Looking at channel mix perspective, TV revenue grew by 1% year-over-year to INR444 crores, while digital revenue grew strongly by 14% to INR329 crores. This momentum reflects our continued investment in strengthening omni-channel capabilities. Digital now contributes 43% of overall revenue, and we remain firmly on course of reaching 50% by FY '27. Lifestyle products continue to scale well, now forming 36% of B2C revenue, with a medium-term goal of reaching 50%.

Our Budget Pay option remained popular, accounting of 39% of our total retail revenue. Gross margin for the quarter was healthy at 63.8%, reflecting the advantage of our vertically integrated business model. EBITDA margin improved by 50 basis points year-over-year to 9.2%. The improvement was driven by saving in employee cost through headcount rationalization, improvement in efficiencies. Shipping costs benefited from improved logistic efficiencies and successful rate negotiations. Additionally, we saved airtime cost due to operating leverage. Profit after tax stood at INR38 crores, a 37% year-over-year growth.



Both of our recent acquisitions continue to contribute meaningfully. Ideal World sustained its growth momentum, while Mindful Souls remains a high-margin business and is expanding its product portfolio and customer base. These platforms are also generating valuable cross-business learning and synergies that supports long-term efficiency and innovation.

On the cash flow front, our model remains highly cash generative. We reported INR22 crores in operating cash flow and INR15 crores in free cash flow with a net cash position of INR174 crores and consistent dividend payouts. Our balance sheet remains strong and resilient. Further, the recent upgrade in both short- and long-term credit rating by ICRA reflects our consistent performance, strong liquidity and prudent capital management.

Return metrics remain healthier, ROCE 19% and ROE 12%. We remain firmly committed to delivering consistent value to our shareholders. The Board has recommended a first interim dividend of INR1.5 per equity share, implying a 66% payout. While we remain confident in our long-term growth outlook, the current macroeconomic environment calls for a measured approach.

Accordingly, we are revising FY '26 revenue guidance to 7% to 9%, supported by operating leverage. We remain optimistic that issues like the tariff situation and weaker macros will be resolved over the time and could unlock the potential of growth beyond the guidance. Over the medium term, we continue to target mid-teen revenue growth with sustained margin expansion driven by scale and cost efficiencies. Thank you. Over to you, moderator.

Moderator: Thank you. We will now begin the question-and-answer session. The first is from the line of Tanvi, an Individual Investor.

Tanvi: Congratulations on good numbers. I had 2 questions. Sir, first, in your press release, you've given a growth guidance of 7% to 9%, considering the current macro environment and U.S. tariff regulations. However, in the call right now, you've given a guidance of revenue for early teens. And in the previous con-call also, you've given a guidance of 8% to 12%. So are we like reducing our guidance for the current year given the current economic situation?

Sunil Agrawal: Tanvi, this is Sunil. Yes, given the current macro environment, especially the consumer sentiment that we see in U.S., so we are revising the guidance to 7% to 9% for current financial year. Now there is a potential for upside to that if the macro situation improves, but the current guidance is 7% to 9%. Now mid-teens is for next financial year onwards, assuming that the macro environment goes to steady state.

Tanvi: Okay. Got it. And sir, one more follow-up question. So you've mentioned that you had a lot of pre-shipped inventory before the U.S. tariff regulation was imposed. So that also helps in a way to get us achieve better EBITDA margins. But how do you see that going forward in the coming quarters that now the inventory levels will also deplete and we will have the revised pricing. So how do you look at the EBITDA levels or this revised price inventory?



- Sunil Agrawal:** Yes. Good question, Tanvi. The inventory that we have sent recently to U.S. will help us moderate the consumer sentiments because other retailers would also have inventory and other retailers will slowly increase their prices reflecting the tariff addition. So we will also have this cushion to get to that consumer acceptance of higher prices. And we are multi-country sourcing organization. So we will be able to source product from countries, especially for U.S., which are most suitable.
- So for example, we have Thailand, China, Indonesia, India for our own sourcing and then third-party sourcing from Europe, Turkey or even UK or Middle East, many different countries we can source, and we will source from most suitable country for our U.S. market. And our own manufacturing will redirect towards UK and Germany. So we are very agile, and we'll be able to navigate it, I believe, better than pretty much anybody else. The main reason for guidance was the consumer sentiment.
- Tanvi:** Okay. Okay. And just -- so how much this tariff, it will be 25% across all our goods that are sent to U.S.?
- Sunil Agrawal:** Yes. So 25% is on the top of existing tariffs for a different category. For example, jewellery was 5.7%, plus 25%, it will become 32.7% from India; from Indonesia is 19% plus 5.7%; Thailand is 20%, plus 5.7%. So different countries have different tariffs. Europe will be 15% plus 5.7%.
- Tanvi:** So in a way, those countries will be cheaper than India in terms of sending goods to U.S.
- Sunil Agrawal:** Yes. So what we will do is to not send goods from India to China. India will dedicate for UK and Germany businesses and other countries can be dedicated to U.S. We are very agile in that sense, and we can balance between the countries, we can decide what is the best for us.
- Tanvi:** Okay. Got it. Sir, just one last follow-up question. So will this thing impact our -- will we face more competition from the local players in U.S. given a 25% increase in our prices? I know the other export-oriented customers will increase their price, but how do we see the competition from the local players there in America -- in the states?
- Sunil Agrawal:** Yes. So jewellery manufacturing is extremely limited in the U.S. or even the accessories, handbags are also -- they are pretty much non-existent in the U.S. But maybe down the road, if there is no resolution in the medium term, then we can set up the small units in the U.S. The capex is not meaningful there. So it's not difficult if the labor arbitrage is sufficient to do that.
- Moderator:** The next question is from the line of Dipali Kumari from Arihant Capital Markets Limited.
- Dipali Kumari:** Germany saw 7.2% growth compared to the last year, but the business is still running at a loss. You said breakeven was almost achieved in July. So what helped make this turnaround happen? And like was it higher sales or changing how the business is run?
- Sunil Agrawal:** Yes. This is Sunil. Thank you, Dipali. So Germany, we are seeing better performance even from July. So July is still EBITDA loss, but very marginally. So as we go towards season, we



expect the H2 to be sufficiently EBITDA positive to cover the deficit of H1 or at least Q1. So we are fairly confident of Germany achieving EBITDA profitability for the full financial year.

Nitin Panwad:

Dipali, Nitin here. Also adding to Sunil's point, Germany, we have changed our product mix and offering and planning strategy in presentation that helped to the gross margin improvement from earlier level of 63% to 68% in Germany. So you may see the lower growth comparatively previous year, but a substantial improvement in gross margin itself from Germany business is helping to improve the profitability.

So gross margin improvement is double digit and higher, while revenue is 7.2% you see, but gross margin is much higher in Germany now onwards. So achieving EBITDA profitability at much lower sales point.

Dipali Kumari:

Okay. So do you believe like for FY '26, Germany market will be profitable?

Nitin Panwad:

Yes, yes.

Dipali Kumari:

Okay. And sir, one follow-up question, like what is your planned capex for FY '26 and '27 like any big project you are coming, like you are acquiring or like after acquiring Mindful Soul and Ideal World, are we looking more acquisitions or any other product categories?

Nitin Panwad:

So in capex terms perspective, FY '26, we haven't planned any major capex. It is a routine major capex upgradation of our softwares and the tangible goods, which is around 3 million to 5 million. But FY '27 may be slightly higher as we are consolidating our UK operation in one place. So around 2 million, 3 million higher in FY '27. So we expect 5 million to 7 million capex overall in the business. But this year is around 3 million to 5 million.

Dipali Kumari:

Okay. And sir, like any new product category you are interested?

Nitin Panwad:

Yes. So category-wise, obviously, the lab grown, as Sunil mentioned, is working very well for us. It is within a year of span of time, it is contributing more than double digit. It's almost 11% of our sales. And we continue to see it performing well in terms of gross margin improvement and lesser returns, and we see a lot of potential with that category.

Apart from that, our business model is more for launching new varieties of products with different gemstones. Every single day with our supply chain vertically integrated factories are launching around 100 different new products to the consumer. So launching-wise, innovation-wise, it is many new products we keep launching to give newness to the TV and web consumers, so they can keep on repeat buying and increase the retention rate from the same consumer.

Sunil Agrawal:

Deepali, to your question about the Mindful Soul and Ideal World and acquisition. So, we are happy with both the acquisitions. And we don't have any other active target that we are looking at right now, but we are always open for possibility. If there's any opportunity comes, we'll look at it. But we have to balance between the existing portfolio doing well and growing and then adding to the portfolio.



- Moderator:** The next question is from the line of Naveen Baid from Nuvama Asset Management.
- Naveen Baid:** I had a housekeeping question. So in your segmental reporting, Europe showed an EBIT profit of INR8 crores, whereas in your presentation, you are still speaking of losses in the European segment. Can you just help me reconcile the numbers, please?
- Nitin Panwad:** Yes. So can you just refer which line you are quoting with the segmental P&L?
- Naveen Baid:** Yes, the profit before interest and taxes of INR8 crores is what you reported -- for the quarter. Sorry, INR12.8 crores is what you have reported.
- Nitin Panwad:** INR12.8 crores in Europe business, yes. So the FX in the segmental reporting, there is a larger movement in euro and GBP. That currency movement led a larger forex gain in both of the countries. However, that gain is not translating in consolidated level as all the gains for intercompany loan is going to other comprehensive income. So while segmental reporting is showing profitability, but that gain is largely contributing to the intercompany loan -- foreign exchange gain of intercompany loans.
- Naveen Baid:** At the EBITDA level for European operations, where are we for the quarter?
- Sunil Agrawal:** So your voice is a little bit fumbling.
- Naveen Baid:** I'm saying for European operations at the EBITDA level, where were we in the quarter?
- Sunil Agrawal:** Yes. So EBITDA level was roughly around 700,000 loss that we have in Germany in EBITDA level, EUR700,000.
- Moderator:** The next question is from the line of Kumar Saurabh from Scientific Investing.
- Kumar Saurabh:** So sir, I had a question regarding the UK business. So last 2 years have not been that great given the challenges in the European and UK market. Given this FTA agreement, do you see our growth being higher than how it has been in past 2 years for UK market?
- Sunil Agrawal:** Kumar, this is Sunil. So thank you for your question. So the FTA agreement will definitely help, but the UK was, to some extent, our internal challenge was more than external. External-consumer sentiment was challenging, but our leadership that we had put in UK didn't work out. So we made those changes in February and March of this year, and we are seeing that it's already making the difference.
- So the FTA will help and the leadership change as well as the internal team restructuring will also help us in sustaining the momentum going forward. We're already seeing our legacy UK business, TJC, getting back to growth in the last 2 months. So June and July were positive for TJC. And Ideal World is giving double-digit growth to us year-over-year. So we see good momentum for UK going forward.



Nitin Panwad: Kumar, certainly, the FTA will definitely help. Right now, currently, jewellery we import from India. It is contributing 3% to 5% duty and the lifestyle product 7% to 15% duty. So maybe around mid of the next year, it will reflect in terms of the duty changing to zero. So those purchasing will definitely help to improve our margin lines and the consumer demand.

Kumar Saurabh: Okay. And sir, I think already we have a good dividend policy. But if you can highlight for next 2, 3 years, given like we will be growing around 8%, 9%. So my understanding is we will not require a lot of capex. So is the dividend policy going to be on the similar lines or there could be some increased dividend coming?

Sunil Agrawal: Yes. So we are always in favor of sharing the earnings or wealth with shareholders. So we can look at either dividend or potential acquisition or potential buyback if there is sufficient cash for doing that. So as you've seen our track record, we always are looking for opportunities to reward the shareholders.

Kumar Saurabh: Okay. And sir, last question. So I think in last 4, 5 years, we have done 2 acquisitions. So one question is, what is your experience with these acquisitions? Are you happy the way these acquisitions have shaped up? Or do you think what you targeted that has not been achieved?

The reason I'm asking is when there are no good times, companies who sit on very good cash flows, they have money to go and acquire companies which are weaker. So in next one -- I'm not asking for something immediate, but based on your history of execution of acquisitions and the opportunities available in market, do you see any high probability of another potential acquisition in the next 1 or 2 years?

Sunil Agrawal: Yes. So the first point is how do we feel about the acquisition. So we are very happy with both acquisitions. With Mindful Soul, we integrated a lot of their native digital learning into our group. And that is helping, as you saw in our digital numbers accelerating. So a lot of those learnings have been incorporated in other 5 group retail brands. And so I'm very happy with that.

But Mindful Soul itself is having some revenue degrowth, mainly owing to the supply chain movement away from China to India. So that led to some degrowth. And we expect that growth should come back in later quarters of this financial year. So I'm pretty happy with that.

For Ideal World, we got it for very low money as you rightly said, it was a distressed asset, and we got it for pretty low price. I'm pretty happy with that acquisition. It was giving good growth, already EBITDA profitable in second year, great return on investment.

So yes, to your point, if there's any other opportunity, we have a very strong balance sheet. We have a cash generation machine in this year. So if there's an opportunity, we'll definitely look at it. But as I mentioned earlier to Dipali's question, we don't have any active acquisition target as of now.

Moderator: The next question is from the line of M.S. Reddy, an Individual Investor.



- M.S. Reddy:** Congratulations on a very good set of numbers. It is gratifying that you got Great Place to Work® tag for our European operation. My question is, sir, regarding our entry into the Indian retail market. Our jewellery retailers here are doing very good. We have a very good domain knowledge of the Western retailer. Why can't we -- definitely, I think it is definitely time for us to explore Indian market. That is my view, sir. What are your thoughts on this?
- Nitin Panwad:** Thank you for your question, Mr. Reddy, and thanks for your comments and compliments. Appreciate it. So India market is definitely promising. But for digital retail, it is still in a discovery phase. A lot of investment is being made by Amazon and Walmart into expanding digital presence. But we believe that we are not the first mover kind of company. We are low-cost vertical model, very agile, but always coming later in the market when the market matures so that we can come to profitability pretty quickly.
- So as you saw our experience in Germany, we will become profitable in 4 years of entry. But whereas Amazon, it has taken much, much longer and still profitability is nowhere in sight. So we want to wait a little longer before India matures for digital marketing. We have no plan to come on television or brick and mortar in India because that is not our business model.
- Moderator:** The next question is from the line of Gopinadha Reddy.
- Gopinadha Reddy:** Sir, what percentage of our sales is into lab-grown diamonds, sir?
- Nitin Panwad:** So lab-grown diamond right now contributing 11% of our total sales.
- Gopinadha Reddy:** Okay. Given the change in the certification by GIA, is there any impact on our sales? Or how is it going to work? Any impact?
- Nitin Panwad:** GIA specification is applicable for India. we haven't seen the impact yet in terms of sales perspective. Quarter-on-quarter, lab-grown shares keep on growing.
- Sunil Agrawal:** We use IGI certification. We don't use GIA. So all of our product that we have sourced is IGI certified. Not all, pretty much large portion of bigger stones are IGI certified and they have not changed the policy from the consumer point of view.
- Gopinadha Reddy:** So when it comes to consumer, IGI certification is very much acceptable to the consumer?
- Sunil Agrawal:** Yes. So GIA decision hasn't gone to consumers because they haven't publicized it on public television and public media. It's all a business decision, business news. So consumer doesn't know and they don't care as long as they are getting the right information, logical information, they are still buying quite a lot. So we're still seeing continued momentum.
- Gopinadha Reddy:** Are we procuring lab-grown diamonds from India or we ourselves are making or any idea in U.S.?
- Sunil Agrawal:** Yes, we're procuring them from India and China.



- Gopinadha Reddy:** Are we seeing the pricing to get stabilized? Or are we looking at -- is it going to go down or can you predict something on this?
- Sunil Agrawal:** So we are seeing -- although the decline is quite slowed down, but we're still seeing continued softness in prices because the production is still there, which is -- I would say production is continuing to grow faster than the demand. Demand is growing fast, but the production is going faster.
- Moderator:** The next question is from the line of Harsh Mehta from Perpetual Capital Advisors.
- Harsh Mehta:** So you had previously mentioned that because of the tariff situation for the U.S. market, you will source from different geographies, if I'm right. So as you diversify your sourcing, should this still affect your margins in the near term? Or are you confident of maintaining the existing margin levels through this transition also?
- Sunil Agrawal:** Yes. So thanks for the question, Harsh. As I mentioned earlier, the extra inventory that we sent to U.S. will tide us over for the few months till the consumer starts to accept this increased prices because other retailers will also be forced to increase the prices. And we believe we are confident that our margin guidance of 60% plus will sustain for foreseeable future, because the tariff situation has been there for some time, and we've been able to maintain the margin, as you saw last quarter, at 63.8%. Even in July, our margin continues to be in the same range.
- Harsh Mehta:** Okay. Got it. And sir, I wanted to understand if there are any plans or considerations to consolidate your UK operation with the recently acquired Ideal World business?
- Nitin Panwad:** Sorry, we already consolidated that business. So the support services, the finance, share finance, HR, IT, are support services to the new as well as the existing business, whereas the front end, the sales team is separate. Merchants and sales teams are separate. Leadership is one. So there are a lot of synergies there from operational support point of view and as well as the group supply chain point of view. But the front-end teams are separate.
- Harsh Mehta:** Okay. Got it. And sir, with the India-UK FTA in place, the benefits from it, like you said, the rates were around 3% to 5% before the FTA, which will now go down to 0%. Will this benefit entirely be taken by the company? Or will it be shared with the consumers to some extent? Because I think the UK demand was also a bit sluggish. So will this help build the demand also?
- Sunil Agrawal:** Yes. Good question. So we look at customer pull constantly. If the customer pull is there, we are able to increase our margins. So we'll strive to keep that for our bottom line. But if the consumer pull is subdued, then we may offer part of this. So we are dynamic in that sense. Actually, we are dynamic every hour, every day, and our pricing model is pretty agile in that sense.



If there's opportunity, we take higher margin. If there's a challenge, we go a little lower. But that is because we offer 100 new products every day, we have the ability. If we had only a few products and a consistent product, then we couldn't be as flexible as we are able to be.

Harsh Mehta:

Okay. And sir, last 2 questions. So prior to the German business starting, the working capital cycle for your business was around 60 days. But based on the latest numbers that you have posted, the working capital cycle has extended to 80 days.

Nitin Panwad:

Yes. So in terms of working capital cycle, major investment is done through our inventory and the recently added up inventory in U.S. increased the working capital days cycle. Also that the recent days, the customer demands towards the budget programming financing option is more prominent as the geopolitical tension and worldwide customer is looking for more financing option. However, we do take care based on customer history and their payment terms, before giving financing to the consumer. So part of the working capital is gone to our debtors and part is the inventory that led to increase the total working capital days. Germany has the major working capital deployment only in the inventory. As the capex amount is very low and the debtor is not as significant in Germany, the majority of the sales comes through invoicing payment method. So Germany will definitely continue to improve and contribute to the bottom line. But right now, as we have seen based on the current transient challenges, we have increased our inventory strategically and the budget financing option as the customer demand is higher towards this option.

Harsh Mehta:

Okay. Understood. So we should expect this to remain around 80 days only for the near future?

Nitin Panwad:

Yes. We expect that it will be slowed down to improve the cash in the business. But not significantly as you have seen in March '21 was 40, 50 days. It will not be bring down to that level, but lower than the current levels.

Harsh Mehta:

Right. Okay. And sir, last question. So on the other income side, in this quarter, there has been a 51% increase in other income. Could you elaborate on what were the key drivers behind this growth? And also the normalized tax rate, what should we consider as a normalized tax rate for the business on a full year basis, excluding any one-time or geographical anomalies?

Nitin Panwad:

Sure. So we are a business who is generating money in the U.S. dollar, GBP and euro and most of the spending is in rupee terms. It generates a lot of foreign exchange gain in our business. And you may have seen the history of the business and the other income normal is all -- pretty much all of it contributing to the foreign exchange gains. And we expect that this will remain, maybe some 10%, 15% up and down, but forex gain will come in the business continuously.

And your other question is about the tax rate. So tax rate is getting benefited by lower losses in Germany and also the previous tax losses are getting recognized. So normal steady state of tax rate, we expect in this financial year to be roughly around 21% to 22%.

Moderator:

The next question is from the line of Shreyansh Jain from Svan Investments.

- Shreyansh Jain:** Sir, my first question is, again, on the bookkeeping. So Germany, we're saying we were doing some losses in this quarter. And if I look at the UK business, UK business also our EBIT is about INR10-odd crores. So I was going to -- I understand that there's a lot of dividend that sits in this EBIT. So ex of dividend, even the UK entity is doing losses, is it?
- Nitin Panwad:** Ex of dividend, UK is positive. EBIT is roughly around GBP600,000 in UK ex of dividend.
- Shreyansh Jain:** Okay. And sir, the other question is, last quarter, we were guiding for 8% to 12% and now we are saying 7% to 9-odd percent. So this tariff thing, I think, was fairly known to us. So I'm just trying to understand what has led to this downward revised guidance?
- And the second part to this question is, sir, given this uncertain scenario and you also lowered your guidance, how do you see spend on content and broadcasting because we broadly spent about INR600 crores, INR700-odd crores on this line item. So do you want to maintain spending on this expense? Or you think this also should go down with the guidance on revenues?
- Sunil Agrawal:** Shreyansh, this is Sunil. From the guidance point of view, we are seeing lipstick effect already in U.S. What do I mean by that? The lower price point, slouchy jewellery is selling more right now. So we see higher traction on our under \$10 days, under \$50 days. Can you hear me? There is a disturbance on the line?
- Shreyansh Jain:** Yes, I can, sir.
- Sunil Agrawal:** Sir, can you mute, please? There's an echo coming back. Thank you. So we are seeing that lower price point is getting traction, and that tells us the consumer sentiment is currently challenging in U.S. So we didn't see that sentiment last quarter, and we started seeing the sentiment in the last few weeks. Since the June end when the U.S. had action in Iran and from there onwards when the tariff disturbance came and the consumer sentiment continued to deteriorate over there. And that is also reflected recently in the job reports where earlier months job report were severely down rated and the last month's job report was pretty low. So those 3 months job reports and our own internal lipstick effect that we are seeing led us to assess the consumer sentiment to be challenged in the U.S.
- And we are seeing although our sales is growing in the U.S., but we are seeing people down trading to the lower price point. And that is the reason we gave this guidance 7% to 9%. As consumer sentiment rebounds, there is upside potential for our performance to go beyond 7% to 9% as well. So that's why we have made the comment in my commentary that there's a potential to go up if the consumer sentiments go back to earlier that we saw last quarter. And you had one more question. I missed that. Second part of the question. Can you repeat that?
- Shreyansh Jain:** Yes. So sir, I was saying given the uncertain scenario that we are looking at, we spent about INR600 crores to INR700-odd crores on content and broadcasting. So I'm just trying to understand with this uncertain scenario, do you plan to reduce the spends or you would want to continue spending INR600 crores, INR700-odd crores on C&B?

And one more addition to this is because you're now saying digital will increase going forward, and it will actually be 50% of our revenues in the medium to long term. So sir, how much of this C&B spend do we actually require to do every year? And yes, so that's the question, sir.

Sunil Agrawal:

Yes. Thank you for the question. Great questions. So we look at content and broadcasting, so there are 2 portion of that. One is the content, the TV license fee we pay to the television network in all the 4 channels, and there's also digital spend that we do. So there are 2 segments within that. So the TV spend on a like-for-like basis, we have reduced in Germany, reduced in UK, but U.S. has increased because we found some new opportunities and we have taken them. So the content and broadcasting may not go down meaningfully.

And the digital spend, we will continue to spend if we see the productivity of that customer that we are acquiring digitally to be there. So our measure of productivity is that the customer we acquired should become profitable within 3 months. And as long as we see that customer acquiring a certain spend scale, then we continue to spend. So we can foresee that content and broadcasting as a percentage of sales not going down.

So not only at absolute dollar value or rupee value, but as a percentage of sales, as we are giving guidance of 7% to 9% growth, so that spend will grow 7% to 9% in coming quarters. But we are seeing leverage coming in HR cost, SG&A and shipping. All 3 areas will see leverage for us.

Because HR cost, we're finding efficiencies in our warehouse operations and AI is giving us many opportunity areas in back-office functions to reduce the costs. So HR is there. Shipping- we are finding some ability to negotiate at our scale to lower the costs. And in SG&A also, we're finding some AI benefits and some other abilities to reduce the cost through our talent density measurements.

Just to give an example of that, in Asia, our call center, we have 180 employees. So we are paying a little over market and also we are giving career path to those talents within other parts of business that has increased our efficiencies around by 20% because our attrition went down from 15% a month to 1% a month. So we are finding efficiencies in HR and SG&A by way of incorporating many different policies, AI talent density principles and many other optimization models.

Shreyansh Jain:

Okay. And sir, my last question is -- just addition to the same question, ma'am. I'm not asking...

Moderator:

Sorry to interrupt, we may request you to come back in the queue for a follow-up. Ladies and gentlemen -- okay, Shreyansh you can go ahead.

Shreyansh Jain:

Sir, just last question. If I were to look at the U.K. business, we did about INR900-odd crores of revenues last year, and I'm assuming INR200 crores out of that would have been Ideal World. So can you just help me with the profitability in the standalone UK entity, say, out of



INR700-odd crores of revenues, what would be our EBIT or EBITDA, if you can help me for last year, sir, ex of the dividend income?

Nitin Panwad: Yes. So last year was -- overall profit is roughly around GBP2 million, overall basis. While Ideal World was loss-making as a first year, TJC was profitable business, but overall was GBP2 million.

Shreyansh Jain: Ex of dividend income, this is?

Nitin Panwad: Yes, last year -- last full year, ex of dividend income, total profit.

Shreyansh Jain: Last -- okay.

Nitin Panwad: Yes. And if you are referring the quarter four to quarter one improvement, so quarter four that we made losses in UK. But quarter one, we are seeing already profitability, as I just mentioned, GBP600,000 in quarter one and the same improvement that we are doing -- we are seeing in July and August also.

Shreyansh Jain: Do you expect this to sustain for the year?

Nitin Panwad: Yes, yes. Certainly, the changes with what we are seeing and the demand of the customers, which are also moving, we are seeing that it is more sustainable because the weekly improvement is not a one-off. It is coming week-over-week throughout in the last 2, 3 months.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today, due to the time constraints I now hand the conference over to Mr. Sunil Agrawal for closing comments.

Sunil Agrawal: Thank you, everyone. I want to thank all the participants for your time and great questions. If you have any further questions, feel free to reach out to Prashant Saraswat at VGL or Amit Sharma at Adfactors PR India, and we'll be happy to answer your questions. Thank you all once again.

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

This earnings transcript may contain edited or paraphrased statements for clarity. Forward-looking statements included here are subject to risks and uncertainties that could cause actual results to differ materially.