Vaibhav Global Limited

Investor/Analyst Conference Call Transcript
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Karl Kolah

Good evening everyone and thank you for joining us on Vaibhav Global's Q4 and FY14 results earnings call. Today we have with us Mr. Sunil Agrawal – Chairman and Managing Director of Vaibhav Global, Mr. Sri Burugapalli – Senior VP, Corporate Strategy and Mr. Hemant Sultania – Group CFO. We will begin the call with brief opening remarks from the management following which we will open the floor for your questions.

Before we get started, I would like to point out that some of the statements made or discussed on the call today may be forward-looking in nature and must be viewed in conjunction with risk and uncertainties we face. A more detailed statement and explanation of these risks is included in our earnings presentation. 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

Welcome to the Vaibhav Global's Q4 FY14 Earning Call. I will initiate the call with a brief introduction to Vaibhav Global for the benefit of those of you who are not deeply familiar with the company, its operations, and business model.

Vaibhav Global today is a global electronic retailer of fashion and life style products or its proprietary TV shopping and web platforms. We have presence in US, UK and Canadian markets having direct access to over 100 million full time equivalent TV households. Our TV shopping channels reach customers directly on all major cable and satellite and DTH platforms such as Dish TV, Diet TV, Comcast, Verizon, Time Warner, Sky, Virgin, Freeview, Freesat etc.

Our eCommerce websites in US and UK supplement the TV channels and have customer penetration engagement. Our core strategy is to delivery deep value proposition to the customers with the lowest price guarantee. Therefore the discount seeking buyer is our core customer. This is a segment which has historically delivered robust growth and withstood economic uncertainty. Another unique proposition is our supply chain infrastructure which includes manufacturing operations in Jaipur and outsourcing operations in micro-markets across China, Thailand, Indonesia, and India.

Now I will briefly cover financial performance:

In FY14 revenues increased by 45% to Rs. 1298 crore. In dollar terms revenues were higher by 31% last year of which 29% in retail business and 52% in B2B segments. FY14 growth was driven by expanded customer offerings in existing and new categories through our TV and web platforms. EBITDA for FY14 was higher by 75% to Rs. 177 crore. EBITDA margin improved 12% from 9% last year due to robust increase in volumes on a relatively stable cost structure. Profit after tax for FY14 increased by 95% to Rs. 153 crore. In the past one year our company has shown substantial cash flow generation and reduction in debt. Free cash flow increased to Rs. 160 crore in FY14 against Rs. 69 crore in FY13. As on March 31st, 2014 net debt was lower at Rs. 52 crore as compared to Rs. 115 crore as March 31st, 2013. Our business is low on fixed capital intensity. Net current assets remained flat at Rs. 217 crore in FY14 versus FY13 even though revenues were higher by 45%. Debtors are insignificant in our LTL business model as all our customers pay on credit card. ROC has shown significant improvement to 60%.

Now covering the operating performance:

Revenue growth was driven by volumes while pricing largely remained stable. Retail volumes increased by 35% to 9.4 million units in FY14. We shipped out over 25,000 products daily during the year. The company displayed robust year on year growth of 23% in TV volumes and 74% in web volume respectively. TV shopping revenue grew 37% and web revenue grew by 111% year over year in line with our expectations. Web sales contributed 32% of retail volume in FY14, up from 25% in FY13. We believe that the mix is thus getting more desirable in line with our objectives. As we continue to expand the volumes it is also important to highlight underlying those deals volumes certain customer-centric data points. In FY14 customer repeat buying activity increased to 17 from 15 in the same period last year. Over the year, we added over 258,000 new customers and served 394,000 unique customers. Customer life time across the US operation expanded from 1.5 years to over 2 years at just the beginning of FY11. Customer retention rate has increased to 51% on some key platforms in US from 48% from last year. These positive data points are on account of improving understanding of our customer requirements backed by multi-channel marketing initiatives. We continue to make significant investments as we begin transition to the next level as a global corporation. This includes expansion, enhancements in our custom offerings, sales platforms, supply chain mechanism, physical infrastructure, and management resources. Most of these investments are incorporated in our operating expenses and a smaller portion gets capitalized.

During the year we expanded and integrated US operations located in Texas which now spans over 65,000 sq. ft. and moved into a new 30,000 sq. ft. integrated state of the art facility in London, UK. In India, we expanded our manufacturing capacity to 5 million to 6 million pieces annually. We also strengthened our supply chain infrastructure in China, Thailand, and Indonesia. Thus our global sourcing capability stands at 12 million to 16 million units which could be enhanced further on a modular fashion as required.

As you may know, we have been adding to our board and enhancing our management team. Pulak Prasad, Vikram Kaushik and Mahendra Kumar Doogar were appointed Directors and Hemant Sultania as Group CFO during the course of FY14. I am also glad to welcome Peter Duncan Whitford who very recently joined our board. Mr. Whitford has 34 years of experience across various fields including as Group CEO and Chairman of the Wet Seal Inc. which is a young women's clothing retailer focus on lower price points. He was also president worldwide of a division of Walt Disney Company in his previous assignment. These individuals bring significant experience across various domains of management, finance, and operations helping us in our growth endeavors.

Getting into FY15 in the first few weeks we have seen some moderation in revenue growth momentum owing to inventory compression at retail in FY14 and the learning curve in call center that we outsourced in March 2014. Overall we believe that we should maintain our growth's trajectory during the course of the full financial year in FY15 by improving the market share within our key focus segments.

In conclusion, I would like to say that we are committed to long term growth and will continue to focus on firmly establishing VGL as a global corporation delivering strong value to its stakeholders.

With that I conclude my opening remarks and I request operator to open the floor for questions.

Moderator We have the first question from the line of Prashant Kutty from Emkay Global.

Prashant Kutty What is the reason for Q-o-Q reduction in the average realizations?

Sunil Agrawal You mean the average price point?

Prashant Kutty Yes, the average selling price. The average selling price in TV sales has fallen by about 8% for the quarter.

Sri Burugapalli The average realization has fallen marginally because of increase in the volume from the web revenues. On the TV side, the price points have remained flat and overall the price points have remained flat. It is just that the mix has changed slightly.

Prashant Kutty Would this number be more sustainable? Could there be any upside to those numbers as far as realization?

Sri Burugapalli We intend to keep the numbers approximately the same give or take. We are not intentionally driving down the price points or driving up the price points. It is just that the mix of the product that the customer chooses from the basket of offerings would dictate the end average and it would fall approximately within this range.

Prashant Kutty What are the reasons for the Company's Y-o-Y robust growth in its web over TV sales?

Sri Burugapalli Naturally, the web growth has been very strong in the US and UK markets overall industry wide and we are enjoying the similar growth in that sense. We have made a lot of upgrades to our websites and made the websites a lot more customer centric by giving a lot more offerings on the website during the course of the year and we are seeing the effect of that. The rising auction that we offer on the websites which are $1 auctions, have taken off really well both in US and UK and as it continues to gain momentum, we expect to see further gains from the website as well as we introduce newer technologies during the course of this year. But overall it is the result of the marketing efforts that have happened internally in terms of making the website very customer centric compared to earlier iterations of the website.

Prashant Kutty Going forward what do we believe that this ratio of web sales could be? Could we also know what would be the growth targets if we are assuming for both these segments, TV sales and web sales?

Sri Burugapalli In terms of the growth targets we are as such not targeting or not breaking it down that way but as far as the momentum is concerned we do not expect to see any change in the momentum.

Prashant Kutty You believe that the current growth rate would sustain, going forward?

Sri Burugapalli Yes, into the near future on the website.

Moderator We have the next question from the line of Sunil Jain from Nirmal Bang.

Sunil Jain The Company had registered 35% of volume growth last year. Will this volume growth be sustainable in the coming year?

Sri Burugapalli One of our targets last year was to reduce our inventories and we have done that successfully. Our inventories have gone down about 14% in dollar terms. We are seeing a slight impact of that on the retail side which we are correcting right now but during the course of the year we expect things to stabilize once again.

Sunil Jain As there was a good expansion in the margin last year, do we expect any improvement in the coming period?

Sri Burugapalli From a net margin standpoint as there is a huge operating leverage in this business and as revenues increase, the contribution will continue to go up. We expect to see some benefit from that but overall from a gross margin standpoint, we believe that the gross margin is at a stable level given the mix of products that we are offering and our strategies internally. So the gross margin we do not see a significant jump other than may be slight adjustments due to the increase in mix of non-jewelry life-style accessory products.

Sunil Jain I believe that the tax rate of FY14 was quite low? What is the tax rate expected in FY15?

Hemant Sultania For FY15, we expect around 25% to 30 % tax on our income as both our India and US operations will be fully taxed.

Sunil Jain Could you explain about the growth being moderating in the initial months, as mentioned earlier?

Sunil Agrawal Yes, there are two reasons. Firstly the inventory compression in the channels went a bit too far and secondly we outsourced our US call center to a third party within US. So there is a slight learning curve in that call center outsourcing. But both of these are temporary phenomenon. Therefore the growth rate is slightly moderated from where the last year has been.

Sunil Jain What exactly is Inventory compression?

Sunil Agrawal As you see last year in dollar terms we reduced our inventory for the group at 14%, whereas the sales increased by 31%. So even though we will be reducing the inventory in dollar terms for across the group but our focus would be to reduce inventory at the sourcing units rather than at the channels.

Moderator We have the next question from the line of Hiren Dasani from Goldman Sachs.

Hiren Dasani Is the growth coming in terms of the usage by the existing customers or by acquiring new customers?

Sri Burugapalli Our growth is coming from a combination of all of these aspects. The growth is coming from increasing mix of non-jewelry products and accessories which by definition encourages the customer to buy more often and buy more products because it is a different variety, a different segment of products from jewelry.

Secondly, we are very focused on new customer acquisition and that has being quite strong for us during the course of the year. The new customer registrations grew by 12% year over year and the unique customers grew by 15% year over year basis. And our total customer database jumped by overall 24%. Therefore, on the customer acquisition side we have done considerably well and then added to that is improvement in retention rate of the customers in our core markets. For example the retention rate is north of 51% and similarly the repeat buys of the customer is about 17 in 12-month period. So these are all the different metrics that we track and a combination of all of this is driving volumes and specifically within that the web volume have been pretty much 2.5 to 3 times growth in terms of the percentage growth the differential between TV and website.

Hiren Dasani Has the 15 % increase in the unique customer incurred because the Company has entered into a new platform is it a geographical expansion within the existing platform?

Sri Burugapalli We have expanded new platforms by about 9% and the rest comes from organic growth from existing platforms. Even though the Company has expanded new platforms by 9%, these new platforms would take about up to a year to reach that maturity. So I would not say that a big portion of the 15% has come from the new platform addition.

Hiren Dasani Is the web essentially the kind of the rising auction model?

Sri Burugapalli No, there are two models on the web – one is the Rising Auction model and the other is the fixed price catalogue-which is very similar to the TV pricing.

Hiren Dasani Do you expect web to continue to show much higher growth compared to the TV in FY15?

Sunil Agrawal Yes, in terms of the growth percentage.

Moderator The next question is from the line of Rahul Bhangadia from Lucky Investment Management.

Rahul Bhangadia What is operating margin of the subsidiaries which are operating in the US and the UK, the companies parse and not on a consolidation basis?

Hemant Sultania The US operation makes around 10% operating margins and UK makes around 5% to 6% on our overall business for the whole year.

Rahul Bhangadia What are the EBITDA margins on a consolidated basis?

Hemant Sultania We keep some margins at all our outsourcing units. So around 10% to 12% margin is kept in all our outsourcing margin. That is why the consolidated margin as a whole if you see for the company is around 12% EBITDA.

Rahul Bhangadia Okay, from the suppliers.

Hemant Sultania In Bangkok, Thailand and Indonesia we keep around 12% to 15% margin for what we supplied to our US and UK.

Rahul Bhangadia Okay, so on a consolidated basis that is why it becomes 12% to 13%. So is it fair to conclude that the standalone numbers that you show are basically what you supply to your UK and US or that is not the right way to look at it?

Hemant Sultania That is fair but we also have some wholesale business in India.

Rahul Bhangadia Okay, that was on the margin front. The net debt currently stands at Rs. 52 crore now. It was Rs 119 crore in December 2013. So it has reduced to about Rs 67 odd crore. I was just trying to understand the profit number including your tax write back or what it was in this quarter is Rs 37 crore but your net debt has gone down by about just a little less than Rs 70 crore. The net current assets have gone down by Rs.10 crore. Can you elaborate?

Hemant Sultania Our gross borrowing at the end of March 2014 is around Rs 124 crore. We have cash in hand of around Rs 72 crore and that is our net debt is around Rs 52 crore.

Rahul Bhangadia I am asking the difference from the December 2013 number to the March 2014 number? The December number was Rs 119 crore, now it is Rs 52 crore in terms of net debt. So it has gone down by about Rs 68 crore. When the cash flow P&L will not be probably more than Rs 40 crore.

Hemant Sultania This because we have certain inter-corporate deposits and those deposits are converted into cash at the end of March.

Rahul Bhangadia So the inter-corporate deposits which you got from – that would have never in the consolidated basis, okay that would have reflected as a debt you are saying basically?

Hemant Sultania That gets reflected as long term loans and advances on the asset side.

Rahul Bhangadia Okay. So that is how the numbers have come down. So is it fair to take a 12-13% kind of EBITDA margins as we move ahead for FY15?

Hemant Sultania As we have told we are not giving any guidance for future.

Moderator We have the next question from the line of Aastha Jain from Hem Securities Limited.

Aastha Jain My question is regarding non-current investment. In the balance sheet we have shown those investments at around Rs 3 crore. What is the nature of those investments and in the future also under such kind of investments the Company is going to incur?

Sri Burugapalli This particular investment is in a mining company, the Tanzanite Mining Company that is out of Tanzania and we have acquired a small shareholding in that Company during the course of the year. It is primarily to support the company with the intention to secure supplies of Tanzanite product that is essential to our business.

Aastha Jain How much percentage of shareholding do we hold in that Company?

Sunil Agrawal It is a public listed company in AIMS and with this investment we own 4% of the Company.

Aastha Jain As mentioned earlier that for FY15, the Company would be paying a tax liability of 25% to 30 % in US and India. What would be the tax liability that the Company would pay for UK going forward in FY15 given the fact that the Company has accumulated losses in UK?

Hemant Sultania In UK we will not pay any taxes because we have brought forward losses. We do not see paying any taxes for the next 3 to 4 years. Our tax liability will primarily come from India and US only.

Aastha Jain Therefore, from FY15 the tax rate which the company will sum up would be 25% to 30%?

Hemant Sultania Yes. The effective should be around 25% to 30%.

Moderator We have the next question from the line of Vishnukant Inani from Inani Securities. .

Vishnukant Inani As rupee has appreciated by 5-7%, what would be the effect on the Company's working?

Hemant Sultania I see rupee getting stabilized between Rs 58-Rs 58.50. We have around Rs 60 crore of bank loan in dollar terms, so it is a natural hedge which comes to us. Therefore this fluctuation will not affect us in any major way on standalone basis. However while consolidating income from US and UK rupee appreciation will effect earnings.

Moderator The next question is from the line of Amish Surekha from Bharti AXA Life Insurance.

Amish Surekha The FY14 revenue growth is 45% on a Y-o-Y basis and as mentioned earlier that the same amount of growth rate is expected in FY15. Does your rupee revenue growth in FY15 on a base of FY14 be in a range of 40%? Is that what you are looking at?

Sri Burugapalli We look at our business in dollar terms for the most part. So in terms of the growth, the current growth is 31% in dollar terms and there is no guidance that we are giving for this particular year but we would try to maintain that growth the best we could. Our historical growth has been higher than that and it is going to stabilize a little bit from there and added the rupee change is what will give you the entire growth in rupee terms.

Amish Surekha As the Company is growing at a strong growth rate even in dollar terms, what will be the incremental investment required in FY15-16 to maintain this kind of growth? Are there any predominant expansion plans to maintain this kind of growth?

Sri Burugapalli Predominantly, our business is a higher OPEX business with a low CAPEX. CAPEX requirements are not that high barring some investments in technology primarily and some upgradation that may be required within our facilities and our studios and things like that. We do not foresee significant CAPEX investments for this coming year.

Amish Surekha Would the incremental growth come from the existing markets or the Company is planning to enter some other new markets or new areas for the same?

Sunil Agrawal There are no plans to enter any new markets. The entire operating and growth strategy is driven by serving the existing markets, enhancing our product offerings through introduction of additional lucrative product lines and by driving our web business and growing our TV household footage within the existing markets, the two markets US and UK.

Amish Surekha The Company's EBIDTA margin has increased from 9% to 12% in FY14. Part of this increase has been due to the operating leverage and part of it would be coming because of the rupee depreciation. How much of the 300 bps margin improvement has come because of rupee depreciation?

Hemant Sultania For Q4 of FY14, the Company has not got any benefit as the rupee had started moving after January and has been fluctuating since. Not much of a difference can be seen from the December average rate and the March average rate. It was on Rs.60.5 in December and in March it was around Rs 59.85. Therefore, I do not think any benefit has flown into this balance sheet for this quarter.

Amish Surekha I was talking about the FY14 margin versus the last year's margins 9% and 12%?

Hemant Sultania The revenues are booked on the average basis So it plays on both the sides if you see in rupee. But we look out business on dollar terms not and in rupee terms.

Moderator We have the next question from the line of Gunjan Prithyani from JP Morgan. .

Gunjan Prithyani In terms of mix it was mentioned earlier that the web is growing faster than he TV**.** Is there a target mix that you have in mind that this is what is web going to be 2 to 3 years down the line? If web as a mix picks up, is it favorable for margin improvement? Is there any kind of difference between the web and the TV margins?

Sunil Agrawal We look at our competitor which is QVC as our role model. They are at 43% web whereas we are approximately 20% web right now. In long term we hope to increase our web penetration so that we can reach customers who currently do not get our TV signals. As far as the margin is concerned, in rising auction, most of the component is residual product from our TV. If we specifically merchandize our rising auction we expect to get higher margin in that product mix. So ideally the increase in web should not be margin dilutive to us.

Gunjan Prithyani Will it be margin accretive? I am assuming that the overheads there would be lower versus a TV sale and not at a gross margin level. Is there a significant difference?

Sunil Agrawal The TV cost for us is sunk cost so whether customers increasingly buy from web or not we have already paid for the television and broadcast. So increasing sales on web does not increase the bottom-line for us. But in long run when we see in 8 years, 10 years, 20 years when there will be congruence of TV and web. So we want to position ourselves positively for that congruence down the hood.

Gunjan Prithyani And again on mix with non-jewelry accessories or other fashion accessories contribution increasing, how are the margins on those newer product lines?

Sunil Agrawal Very similar. We do not look at the dilution on the new product. The new product adds to the customer increase of repeat purchase which for us increased from 20 to 24 this year. That means the average quantity purchase by average customer. So we had seen 19% growth on average quantities and that we believe is a factor of offering new variety. But margin wise they are similar.

Gunjan Prithyani In terms of the growth perspective for the next 2-3 years is there any intent to get into newer markets or to add any new product line as our competitors have much bigger product line.

Sunil Agrawal We continue to add new products to our offerings.We have a team which defines the new products that we should get into. So what we do is we try adjacent products, not totally new. Adjacent would mean, adjacent to the jewelry with handbag or scarf or hair accessories or home décor so we continue to expand the product offering. About the new markets for the next 3 year timeframe we do not see ourselves getting into new market because we have sufficient growth opportunity or the run rate within these excessive markets.

Moderator The next question is from the line of Darshit Shah from Equirus.

Darshit Shah The Company expanded its manufacturing capacity in Jaipur by almost doubling from 3 million to 6 million. Also our outsourcing capacity has been increased significantly. What kind of growth do you expect in the next 2-3 years due to which you have expanded your capacity?

Sri Burugapalli In terms of the growth as you can see from our last 2 to 3 years growth that is what we are using as the baseline to prepare ourselves. What we do not want to do is fall short of production capacity or sourcing capacity. Now one of the reasons for the increased sourcing capacity for example in China or Hong Kong or Indonesia is the increased variety of products that we are now capable of sourcing. We have established further relationships for example in the category of bags, watches compared to where we were 2 years ago and that is the reason for the jump in the sourcing capacity improvement. We have also increased our team size significantly in China and all locations in terms of the sourcing capability, people with the merchandizing expertise.

In India, we have shifted entirely our offering base to a lower price point model which would automatically require us to increase the volume capacity. We have also introduced new categories of jewelry lines. For example, this year we have introduced a capacity to manufacture steel jewelry within our Jaipur operation and that now we have just the capability to manufacture 600,000 to 1 million units of steel jewelry and we are continuing to expand that further.

Darshit Shah As the product charge in now sourced from our manufacturing base in Jaipur, would it lead to a slightly better margin than from the previous outsourced one?

Sri Burugapalli Some of it depends on our capabilities sometimes. Generally the answer is yes for any products that we manufacture in-house. We try to retain that competitive edge and we try to keep it in-house wherever we have the competitive advantage. But it does not necessarily get across the board but generally yes.

Darshit Shah As the Company is generating sufficient free cash flows and has also paid its sizeable amount of debt, therefore can it be expected that it would be paying decent dividends from FY15 onwards?

Sunil Agrawal We do expect to pay dividend in the current financial year but the final decision will be on the board based on the free cash that we generate. Do keep in mind that we have tax liability this year. Also, the CAPEX this year will be slightly higher than last year because we will be setting up new factory in SEZ in Jaipur.

Darshit Shah Will the expanded capacity be coming up in this new factory?

Sunil Agrawal Correct.

Darshit Shah Tax on a consolidated level was mentioned to be around 25% to 30% for the overall company?

Sunil Agrawal Yes.

Moderator The next question is from the line of Chetan Vora from Valuequest.

Chetan Vora Can we get the financials of your subsidiary companies?

Sunil Agrawal Individually because of competitive reasons we do not publish subsidiary results because we have competitions both in US and UK. But we do give information on the matrices that we are showing in both the locations.

Moderator We have the next follow-up question from the line of Pritesh Chheda from Emkay Global.

Pritesh Chheda Next year or year after that, how much the company would spend on the business development, platform development and on overall organizational development? How much of it should be OPEX in nature?

Hemant Sultania As the Company is growing; its HR cost would increase because it has to build the management team. Also, the Company has to spend on the business side in UK and US. These two expenditures will definitely go up but again there will be leverage in the form of absorption of fixed cost which will balance these expenses. But definitely we see as we are a growing organization these expenditure will increase.

Pritesh Chheda So let us say the QVC's carriage cost-to-sales is about 4% vis-à-vis plus 20% for us. Your business model when do you see that gap bridging on the outset?

Sri Burugapalli Year ago our carriage cost was more like 20% and with an incremental revenues that we have this year, it has dropped from that level to closer to 17% now. We do expect this to improve over time but not reach closer to the QVC levels anytime in the near future.

Pritesh Chheda But even if let us say there is a 3% reduction of 25% growth, which means on the outset it is another 5 years from now one can be at about 4% of sales as carriage cost? Is that a good assumption to take or do you think that it is going to be in excess of 5 years?

Sri Burugapalli Yes, I do not believe that there is a good assumption to take within the next few years. Pritesh, you have to be mindful that QVC has 4% on a huge revenue base of $6 billion. So on such a smaller revenue base it is not possible to expect us to reach to that 4% level anytime soon. Now we do expect to see this improving from the existing levels. We do not know where that would end. But I still expect it to be in the double digits, may be lower double digits.

Pritesh Chheda Which cost heads would have increased in fiscal FY14 if we have seen a 3% drop in carriage cost as a percentage or an absolute number? Any other cost head that you want to highlight which would have increased in the operations?

Sri Burugapalli Generally the HR costs have increased because our team sizes have increased in all locations and a significant portion of our HR cost is tied to logistics operations and with a jump in the volume the people required to handle, we do all of our logistics in-house in terms of packaging and shipping the products. Only the final physical shipment is handled by third party. So HR cost is one big area and then some IT expenses and on the SG&A side certain fixed costs, which are fixed in nature.

Pritesh Chheda Can you tell us the dollar operating cash flows in the US subsidiary and the UK B2C business?

Sri Burugapalli Generally we do not breakdown the dollar cash flows at the subsidiary level that is why we look at our business although there are geographical businesses from a consolidated basis we look at the businesses as web business, TV business and B2B business and then everything else is handled accordingly.

Moderator We have the next follow-up question from the line of Aastha Jain from Hem Securities Limited.

Aastha Jain What are the reasons for the downfall of sales in Q4 FY14 on a q-o-q basis? Did only the festive season sales enhance your sale in December quarter?

Hemant Sultania Q3 is our best quarter because we get 'Christmas' and 'Thanksgiving week' so the sales will always be better.

Aastha Jain Is the festive season only reason we have seen the fall in Q4 FY14 sales from the previous quarter?

Hemant Sultania But the difference is not much. The difference is only Rs 11 crore. Both of them are at par.

Aastha Jain In Q1 FY15, do we see some moderation in the sales again?

Sunil Agrawal As I said in my opening remarks because of the inventory compression that we did in FY14 last quarter and also the call center outsourced to third party there is a learning curve there, so there is some moderation in growth, not in absolute number but in growth rate. So we are seeing this moderation in Q1 but I expect it to normalize in coming quarters.

Moderator We will take the next question from the line of Viraj Mehta from Emkay Global. .

Viraj Mehta What is the current reach in terms of household or eyeballs? What is the target for next year and how we intend to achieve it?

Sri Burugapalli Our current reach on a full time equivalent basis is close to 100 million or so. We actively manage the households so it fluctuates slightly but it is approximately 100 million. Now there are additional, we are currently engaged with a lot of carriers either for a nationwide distribution or for selective distribution. We do expect to increase the household by a few million over the coming year but at this point we do not have anything firm in terms of making any contracts.

Now also another point I want to emphasize here is our household expansion strategy is very closely tied to a low cost approach and we are very selective in the markets that we want to enter and we are very vigilant about monitoring those markets and have extensive backend systems analytics to monitor that. And hence we are not into the mode of expanding at whatever cost. We want to expand only in the areas and in the markets that are favorable to us as per our analysis and that is why the focus is not on having a target to grow in terms of the households. But having said that we do expect to grow by a few million this year.

Viraj Mehta In terms of the conversion rate how has it moved for the past few years i.e. in terms of viewership how many viewers have bought our product? Of 100 viewers, if there are 100 eyeballs for the product how many have converted into actual purchase?

Sri Burugapalli It is a good question but it will be a difficult question to answer because we cannot track the eyeballs. What we can track is that, what we know is we in a 100 million households. We do not know if there is only a million households watching us at any point in time or if it is 10 million, we would not know that yet. The viewership we have would still be considered small to be rated by like say 'Nielsen' or 'Barb' for example in UK. But our customer database is between 1.3 to 1.4 million right now. And all of those have purchased from us at one point or the other.

Moderator Participants that was the last question. I now hand the floor back to the management of Vaibhav Global.

Sunil Agrawal I thank all the participants for participating in today's call and if you have any other further call, please feel free to call CDR India or Hemant Sultania at VGL.