



Vaibhav Global Limited

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Q4 FY'16 Conference Call Transcript May 19, 2016

Karl Kolah

Good evening and thank you for joining us on Vaibhav Global's results earnings call for the quarter and year ended 31st March, 2016. Today, we have with us Mr. Sunil Agrawal, Chairman and Managing Director and Mr. Puru Aggarwal, the company's Chief Financial Officer.

We will begin the call with brief remarks by Mr. Puru Aggarwal on financial performance followed by a discussion on the business operations, key initiatives and broad outlook by Mr. Sunil Agrawal. Following the management's opening comments, we will open the forum for your questions. Before we get started, I would like to point out that some of the 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 faced by the company. 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 publically.

I would now like to invite Mr. Puru Aggarwal to start proceedings on this call. Over to you.

Puru Aggarwal

Good evening. I welcome everyone to Vaibhav Global's Q4 and FY16 earnings call. First a quick overview of the key financial highlights for the quarter and year.

Revenues in Q4 were lower by 3% yoy at Rs. 347 crore. Revenues were also 3% lower than Q3, which is traditionally by far our strongest quarter capturing sales in the holiday season. Retail revenues on TV were lower by less than 2% on yoy basis while web was lower by 16%. However, web revenues were higher on a qoq basis – Q4 vs Q3 – which is encouraging news for the business.

All these numbers discussed here are on net basis adjusting for the returns policy introduced for TV customers in the US during Q3 this year.

Retail pricing or ASP has increased significantly as we have adjusted prices to account for Budget Pay EMI payments and easy returns available to customers. This is distinct shift in our proposition to customers.

Gross margin was higher by about 200 basis points in both Q4 and full year, reflecting the benefit of higher ASP's. We command significantly higher gross margins compared to competitors which reflects our superior ability to source fashion products from our supply chain in Asia. This includes manufacturing operations in India and outsourcing arrangements in China, Indonesia, Thailand

and India. Competitors' business models are more akin to the marketplace model that we know.

Q4 EBITDA margin was impacted due to slower than expected topline growth even as cost base has expanded from more US households covered, larger manpower in planning, sales and merchandising in US and UK as well as larger capacities created across our global operations. I would like to highlight that we have focused on running a tight ship in all areas other than investments that have a direct bearing on revenue growth.

With these comments, I now hand over the discussion to Mr. Sunil Agrawal to share his views on the business.

Sunil Agrawal

Thank you, Puru. I welcome you once again to Vaibhav Global's earnings call.

In FY16, we have managed to deliver some significant transitions in a tough business environment. Over the year, we have successfully implemented technology platform improvements, launched installment payments and returnability for customers, introduced a bouquet of brands and enhanced our leadership team.

As is evident from Puru's comments, we are already seeing initial improvements in our Q4 results. In Q4, TV revenues have largely flattened out, overall gross revenues have expanded 6.6%, working capital remained stable compared to Q3 and free cash of Rs. 14 crore was generated. Net debt reduced by Rs. 10 crore compared to December. As discussed, we have invested in capacity expansion by adding 10 million additional households and making substantial programming content and backend capability improvements. These fixed costs are already built into our numbers.

However, one area for improvement is the customer experience on our web platform, which we are addressing along with the new business and technology leadership team in place. Kevin Lyons, our President in the US retail operations has led significant e-commerce retailing initiatives over the last several years with a strong track record of delivering market leading growth. We have heading our IT operations in India, Koteswara Rao who has substantial experience in application delivery management. We are also in the process of inducting our CTO in the US who comes to us with significant e-commerce background. With this background of the team, we look forward to resumption of growth momentum in web revenues.

Let me now highlight some vital customer-centric data points. We now enter FY'17 with positive momentum and have been seeing growth in net revenues. In FY'16 we have added 223,000 new customers. We now serve 362,000 unique customers calculated on an annualized basis. Customer repeat buying activity is at 16.7 times compared to 17.8 times in previous year. Average annual purchase by each customer stood at 24.5 pieces during the year from 25.9 pieces in the previous year. Customer retention rate is 45% in U.S. and 53% in UK. Our customer engagement numbers remain favorable versus peers. Average revenue per retail customer during 15-16 was Rs 31.9 thousand compared to Rs 30.7 thousand during 14-15 generating 4% growth.

We now enter FY17 with positive momentum and have been seeing growth in net revenues. Gross margins are expected to remain healthy at current levels. Fixed cost commitments may not increase substantially from current level. We expect to see lower inventory levels and stable working capital during the next year. Our capex visibility is \$ 3-4 million, therefore continuation of positive cash flow

momentum is expected. With these key business dynamics, we now look forward to a stronger operating performance in FY17.

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

- Moderator** Thank you very much, sir. Ladies and gentlemen we will now begin the question and answer session. We have first question from the line of Sunil Jain from Nirmal Bang Securities Pvt. Ltd. Please go ahead.
- Sunil Jain** This volume decline has accelerated - means last quarter the volume decline in TV sales was 17% now it has increased to 28%. So can you explain the reason for that?
- Sunil Agrawal** There are three changes we are putting in place; one, was returnability other, was the Budget Pay which is EMI and third is launch of our house brands. All these three initiatives have added to the price point increase. The customers are engaging more on a higher price points because less of it of returnability because of returnability and less money upfront because of Budget Pay and brands usually means value addition and goes to the higher price point. So because of these three reasons the price points have increased and therefore at a higher price point, the volume have decreased. As you would see in quarter four our average price point is \$28 compared to \$22 of the year before.
- Sunil Jain** This volume is net of return or this is how it is one should see?
- Sunil Agrawal** The volume is net of returns, yes.
- Sunil Jain** So how much was returned during the year?
- Sunil Agrawal** For the whole year it is 16% compare to approximately 5% in prior year.
- Sunil Jain** For the fourth quarter how much it was return?
- Sunil Agrawal** It must be between 15% to 16%, the fourth quarter has January, in January we do not take return from the clearance sale so we had lower return in January for other months the higher the average was about 16%.
- Sunil Jain** So according to you because you had increased the prices the volume is getting impacted?
- Sunil Agrawal** Right.
- Sunil Jain** But this part of it increase in price was mainly to compensate your cost?
- Sunil Agrawal** That is just about a little over 2% but majorly at the higher price points customers have much easier acceptability now because we are giving returnability and there are EMIs.
- Sunil Jain** Yes. But same product you are offering at a higher price and that is why the volume is getting impacted?
- Sunil Agrawal** Only same product is only increased by 2% to 3% and that is visible in our margin. We are merchandizing slightly better product slightly more valuable product.

Sunil Jain So how we take it going forward means how we should see volume growth in coming year?

Sunil Agrawal As the new initiatives are put all the three things, returnability, and Budget Pay, and branding that would be the benchmark for us and as we increase our top-line while keeping the average price point to similar level around \$28 from television, we should see the volume growth in coming quarter or this is the base line what we see since we launched three initiatives. And we have seen the volume growth on these numbers going forward.

Sunil Jain Even Web sale volume decline is still higher means...

Sunil Agrawal Yes, so Web is the initiative the Hybris initiative that we had in place so that we fully could not put back on the track in last quarter. We expect to put that fully back on track this quarter. So in current quarter also you would not see the Web growth but from next quarter onwards you will start to see the Web growth. I mean it may not be apple-to-apple Web growth because the EMI is not available on Web, it is only available on Television, whereas all our competitors are giving EMIs on the Web.

Sunil Jain Okay. So on Web you are not giving EMI.

Sunil Agrawal Not, yet. One data point Sunil, that from Q3 to Q4 Web is up so there is a bit of traction on the Website but from year-over-year it is down.

Sunil Jain You mean to say that sales overall including realization?

Puru Aggarwal Yes, of the Web realization.

Sunil Jain Yes, but the volume is down?

Sunil Agrawal The volume is down, the sales is higher, that is correct, because the price point is high the product that is now shown is a relatively higher price point.

Sunil Jain So do you see this is working for you means you had increased the prices and ultimately because at the EBITDA level it got impacted a lot.

Sunil Agrawal Yes, because of the market environment we made all the changes all necessary changes and we are confident that the direction is positive as we are seeing in the current quarter. We are seeing positive on a net level the revenue growth.

Sunil Jain What volume growth we can see in FY'17 means any guidance you can give on that?

Sunil Agrawal Since we change the price point quite substantially, we are not giving a guidance on the volume growth, but from the top-line we are definitely seeing a positive momentum coming into this quarter and financial year.

Moderator Thank you. Next question is from the line of Mayur Gathani from OHM Portfolio Equi Research Pvt. Ltd. Please go ahead.

Mayur Gathani Why is EMI not available on Web? Will it soon be available or why are we holding that feature?

Sunil Agrawal Yes, so that was for the transition of Hybrids to the latest Hybris version and that was a priority for us because the latest version allows SEO and AB testing and a lot of feature and also mobile platform which will be direct mobile rather through another layer of Web. So our priority was to first launch 5.7 and then go for further enhancements like EMI, there are huge numbers of enhancements in the pipeline for web.

Mayur Gathani So when can we expect EMI these enhancements to be completed and EMI to be available on the Web?

Sunil Agrawal Next quarter, so that will be second quarter of current financial year.

Mayur Gathani So we will see again impact in quarter three only?

Sunil Agrawal Yes, you will see the Web impact in the quarter three but business as I said earlier, we are seeing positive moment on the net basis in current quarter.

Mayur Gathani Okay. Coming back on the strategy, we are always being talking about low price \$20-\$21 and now we are at \$28 so this increase in price or the change in strategy I mean where are we now heading, we want to sustain at these prices just because you are getting additional feature returnability EMI that you have increased the prices?

Sunil Agrawal So \$28 is on Television but when we look at the total average price point it is \$24. And we expect to remain at \$25 or below around \$25 because the competition is of \$60 and we are happy to keep the differentiation at around \$25.

Mayur Gathani Okay. And how is the industry growing? I mean we are not being growing this year but how is the industry growing this year?

Sunil Agrawal QVC just released their numbers and they grew within U.S., they grew 5% year-over-year.

Mayur Gathani Okay. And the another competitor of yours who introduce the EMI and I am forgetting the name...

Sunil Agrawal Jewelry Television.

Mayur Gathani Yes, would you be able to throw some light, how have they grown?

Sunil Agrawal They are private companies; the numbers are not public but what we hear from the market is that they are doing well.

Mayur Gathani Okay. So I mean post quarter two, once you know the Web enhancement is done with, are we done with all technological upgradations or we still have few more things to do because this will be a continuous process and it has been a long drawn process for us, impacted our sales and volumes whatever we take it.

Sunil Agrawal Yes, so the major technological enhancements are done but in a fast technological changing environment this is a continuous process. Just to give you an example, we are currently exploring OTT applications, OTT is over the top of the box applications, we already have some of the applications on smart TV like Roku or Samsung TV. But we are looking at advanced application on Apple TV or Smart Watch or Netflix and those application technological changes will always be there. But the major platform changes in U.S. and UK are already done. So we do not expect any major changes in foreseeable future.

Mayur Gathani Okay. And this CAPEX of \$4 million that you intended to spend in FY'17 what it is specifically for?

Sunil Agrawal The technological enhancements, example we are looking at a new Web app which will be very advance app for both U.S. and UK which will be for all the platform, Web platforms so that will be one or OTT application will be another one, we are changing the warehouse in U.S. - we are adding a large warehouse in U.S. and making new studio with three different sets to give much advanced or enhanced look for our presentation in U.S. so all these and the normal replacement CAPEX.

Mayur Gathani Okay. And what gives you more confidence for the volume growth or you know for the coming year FY'17? I mean there is slight positive momentum this quarter.

Sunil Agrawal If you look at our presentation there is some negative gross sales we are seeing a substantially improved gross sales year-over-year and that gives me confidence that we have seen the improvement from 18% negative growth sales to 16% positive growth sales in last 45 days. So that momentum gives me confident that we continue to grow and whatever we put in all the initiatives that we put in we are almost at par with the best players out there. Once we have Hybris running on all cylinders we are nowhere behind any other players in the market and our lower price points gives us very unique positioning and such positioning and also the value that we offer to customer, I see no reason for not being able to continue grow.

Moderator Thank you. Next question is from the line of Rishab Bothra from JHP Securities Pvt. Ltd. Please go ahead.

Rishab Bothra I have a few questions. First, if you could let me know how is the conversion like footfalls if there are hundred viewers how many of them do buy product and of what ticket size, average ticket size similar for Web sales and B2B sales?

Sunil Agrawal Yes, we do not have the data on how many people are watching us.

Rishab Bothra If you have viewership you can have the viewership numbers and based on the viewership numbers how many orders you have received that would be your conversion.

Sunil Agrawal On TV shopping we discussed with a couple of players in U.S. but TV shopping industry there is a margin of error and that is quite large for our audience so, it was not meaningful for the investment we would have to make so we moved away from doing that research.

Rishab Bothra Okay. So you can saw how much orders are placed in TV sales, so that I can have a conversion ticket size?

Sunil Agrawal So as I gave in my summary, we get on average 16.7 times a customer orders from us and they order 24.5 pieces during a year. So per order would be 24.5 divide by 16.7 so per order is about 1.5 pieces per order. So that means per package that we sell is 1.5 pieces per package.

Rishab Bothra So are we seeing growth trends in that particular areas or is it declining?

Sunil Agrawal Just let me figure it out, hold on.

Rishab Bothra In the ticket size.

Sunil Agrawal It is pretty constant, 1.46 pieces to 1.46 pieces per order from last year to this year but ticket size is increasing for us as I earlier said, our TV price increase from \$22 to \$28. Our average price point increase from \$23 for the whole year to \$24.4....

Rishab Bothra Those numbers which you are elaborating or mentioning is based on the volumes, your volumes and the product price?

Sunil Agrawal Yes.

Rishab Bothra What I am asking is let us say there are 20 customers who would have taken 40 pieces each, so total number of pieces would be 800 in volumes. But I am asking for per customer let us say out of the 20 customers they have shopped for us say 40,000. So my average billing per customer will not be reflected in your presentation as of now. So I want the average billing per customer rather than volume number.

Sunil Agrawal We issue in 24 hours if a customer buys either one piece or 100 pieces we make one invoice for the customer.

Rishab Bothra Okay. So you mean... so that is the number of customer you are mentioning number of volumes is number of customer.

Sunil Agrawal For one particular day, so that number of customers that we would address for the customer. Now when I say annualized quantities per customer that means I can just give you the average of in U.S. the annualized volume per customer is about 28. So a customer on an average buy 28 times from us, 28 pieces not times, he buys 28 times from us in U.S. In UK the customer buys 17.5 times from us in a year this is last quarter annualized. I do not know if I understand your question correctly.

Rishab Bothra I will speak to you later on and elaborate. And in B2B are there some order books also that this much order has to be executed in so much time frame?

Sunil Agrawal We supply to Sterling or QVC or EVINE and Zales and Macy's, so average revenue from that business is approximately between \$10 million to \$15 million a year and other business is opportunistic buying; we buy the rough gemstones during auctions. If you buy access material we sell opportunistically to other manufacturers so there is no order book in that one, there is just opportunistic buy and sell.

Rishab Bothra Okay. But for the earlier one which you mentioned three - four names which you elaborated they would be giving you orders let us say for March ending you would have certain kind of quantum of orders for B2B sales to be executed by June end or let us say May end.

Sunil Agrawal Correct.

Rishab Bothra Is it something of that sort?

Sunil Agrawal Yes, so sometimes the order visibility is 4 weeks and sometime it is 12 weeks we have not constant visibility. But there is also not a significant part of the business just about 5% or 6% of our business so we do not really track that so keenly.

Rishab Bothra So in our business per say there would be not debtor write off as such?

Sunil Agrawal No...

Rishab Bothra Cash business.

Sunil Agrawal Because wholesale business is very small portion of our business.

Rishab Bothra Right. And in terms of inventory write off how is it?

Sunil Agrawal So we have this rising auction format or whatever the residuals or the tails that we have are auction we started \$1 option and whatever prices it sells is the liquidate that inventory and we have clearance sales two times or three times a year so whatever the high debt times we clear on those clearance sales. So in our last nine years we did not really have to liquidate the inventory outside our business.

Rishab Bothra Sir, since we are present in UK and U.S. to my understanding we are not as such present or aggressive in India with the online concept being flourished in India. Are we trying to be present here as well?

Sunil Agrawal India is still in discovery phase of E-Comm or E-Retail.

Rishab Bothra Right. But it has been catching fast the electronic sales on each of the website is surging at a phenomenal pace. If you look at Fashion apparels also each of the players are having their own website. So I think we would be lagging behind in that particular territory in India in our own market.

Sunil Agrawal Yes, it is possible but we think ourselves as a discounter and a fast mover, fast follower rather than mavericks because currently India is a maverick market where their burn rate is pretty high. So even if there is a volume growth the burn rate is very high and that is not our business philosophy. Our philosophy is to become profitable within three year of a market that we will launch. And we do not have the visibility, we have done the research in the India market and other places as well but we would probably go into advanced market before India unless there is a huge opportunity and we are convinced that we can become profitable within three years and the burn rate is acceptable to us.

Rishab Bothra Okay. And lastly, if I can ask basically, we have seen volume growth in each of the segment vertical most probably. When was such kind of volume de-growth seen and how was the revival done? And what kind of sales workforce do we have to bring back the volume growth back to the territory which we had looking for?

Sunil Agrawal As I explained earlier to Sunil Jain, we launched the three major initiatives and then to a large extent that has transformed the business to a business model with all the facilities that other competitors are giving so that no customer would have reason to not to buy from us. So our price point has increased dramatically from 22 to 28 on Television. Our Web has not increased because there is no EMI on web yet. And also on the Web we are not giving returnability on rising auctions. We did give it for sometime but we stop giving returnability on rising auctions. So there is change in business model in that sense it would be better for you to compare since we made those changes in July of last year. So from that time to same period that will be a good comparison because of the change in the model that we have executed in last year.

Rishab Bothra So this model is prevalent from the current year that is FY'16-FY'17?

Sunil Agrawal Yes, it is fully prevalent in the current financial year and which will be launched in July of last year June, July, August.

Rishab Bothra Okay. So typically if you could just give a range what kind of volume growth is being visible in the current first quarter since almost 45 days have past that could give indication or help how volumes are picking up?

Sunil Agrawal At this time we do not, we are not in a position to give guidance.

Rishab Bothra I mean just a range, I mean I do not want the numbers exactly how precisely 45 days have been since, are you seeing growth in traction in each of the verticals - volume growth?

Sunil Agrawal We have seen the growth in U.S., we have seen the growth in UK Television both in Television we have seen clear growth. In U.S. Web this quarter we have not seen the growth, we are actually seeing still negative growth on our Web platform in U.S. UK we are seeing growth on the Web platform because we already launched a demandware platform there from earlier sitecore platform and that platform was launched very smoothly with no issues. But U.S. platform we had transitional issues that we have sorted now and with the new version of 5.7 Hybris we should be in a league of the best players in the industry. But our current quarter we have seen de-growth in E-Comm but total for the business U.S. and total for the business UK we are seeing positive growth on net basis.

Rishab Bothra And lastly only, what are the areas where we can have gross margin expansion and EBITDA margin expansion other than the revenue increase? Revenue increase definitely these will flow down to the margin expansion but in terms of cost synergies which are the areas we could highlight and what kind of margin expansion can be seen?

Sunil Agrawal That is a very good question. As we expand our business to the same customer our current revenue per household is just about \$2. As we continue to increase it to \$2.5 or \$3 or \$4 our airtime or our SG&A does not increase substantially. Airtime is fixed actually people are largely fixed except the hourly workers of the warehouse or customer services or call center but other than that management is same, rents are same so there is a very dramatic leverage as we increase our per household revenue. QVC is at \$60 per household, HSN is almost \$18 per household and we are at \$2 right now.

Rishab Bothra Last one is what is the customer profile in terms of the age group as well as you can say whether they are professional, they are house wife's, if we have certain kind of monetarily items?

Sunil Agrawal Yes, we have done the research on our customer profile in both U.S. and UK. So our customer is 40 years to 70 years old white female who is spending a lot of time at home. Mostly children are gone to the college or have their own lives and mostly we are their company. They keep our television on for hours together sometimes four hours - sometimes eight hours and our live host recognize them by their names from the text that they sent, e-mail that they sent, and they kind of treat us as their friend. So we have been selling to QVC from last 25 years and the demographics has been similar for last 25 years and actually since we have launched the demographics has been same for them. We have recently bought Zorile to progress towards more young generation but what they are trying to do is to have pull kind of sales and push sales so the television is push sales where the people are more receptive to the ideas we give them or stories we tell them and pull is something where they know what they want and that is done through that. And we have seen in our case as we are selling more on Web our customer becomes younger because they pretty much know what they need and they look for the product and also the customer lifetime value of a customer buys on television and Web is three times more valuable than TV alone. So to your point

our average age is 40 years to 70 years on TV, on Web it is from 30 years to 60 years that is current range we are seeing.

Moderator Thank you. Next question is from the line of Shaleen Kumar from UBS Securities (India) Pvt. Limited. Please go ahead.

Shaleen Kumar I am actually relatively new to your company; I mean I am just trying to looking at it, so please pardon me if I ask you some very basic question. My question is what are the primary reason for this volume de-growth?

Sunil Agrawal About a year and half ago we saw one of the competitor's launch EMI's or Budget Pays or Installment Payment and they are the closest competitor 100% TV channel, 100% Jewelry channel and once they launch this promotions, low shipping and EMI's our volume de-growth, our business started getting affected and at that time to be able to compete with them head to head we launched EMI's and we launched returnability at all price points and we launched in-house brands. So we have approximately 15 in-house brands now. With all these initiatives we are recovering the total top-line quickly but the volume has decreased because the average price point on Television has increase substantially.

Shaleen Kumar All right, and what about the Web version, how is the Web version and why the Web version is that the same reason?

Sunil Agrawal Yes, Web is also slow because of that but then other additional point in Web we launched world-class platform for Hybris which is a very high level platform. We launch it last May but since we launched it there were issues in integrating it with our systems and also there were bugs so, customer experience was not optimum and we addressed customer experience or all the customer experiences but during that launch of one-year priority launch and since, we launch almost a year the version has become very old so the newest version which is 5.7 compare to 4.0 is being worked on and we expect to launch that version next month. And once we launch that version, we would have the latest version and we can do all AB testing or SEO or mobile experience. So once we have that optimum platform with us we should be able to resume growth on Web quickly.

Shaleen Kumar Right, and in terms of long-term strategy, how do we see let us say over a span of 3 years to 5 years the contribution from Web vis-à-vis contribution from TV right now, I think Web is less than 20% of our total sales where do you see the potential and what is the strategy you will be working towards?

Sunil Agrawal Our competitors are almost at 50% Web versus TV and we are at less than 20% so there is a lot of runway and a lot of market pull on the Web. So we recently hire the President in our U.S. operation, he is from Web background, he ran the Web business for a \$2 billion company and his total Web business was more than \$200 million which is bigger than the whole liquidation channel and we hire a CTU who is joining us next week. So he is also from Web background, Vineet Vashisht, he works for Abercrombie & Fitch running their Web IT and given another Canadian large Canadian retailer running their Web IT. So with that expertise in place and the world-class platforms in place we are confident that we should be able to ramp Web pretty rapidly from next quarter onwards.

Shaleen Kumar I understand it is very difficult to guage your consumer you were on TV but in Web is there a matrix you follow to see the traction you are getting?

Sunil Agrawal Yes, we do. We look at the unique customer visits, page load time, bounce rate, time spent on the site and conversions, so we internally track all these numbers every day, every week, every month.

Shaleen Kumar So what is typical monthly unique customer and conversion rate?

Sunil Agrawal I do not have that data with me specifically but if you give your contact information to Shiv or Karl we would be happy to address

Shaleen Kumar Definitely, sir, I will write back to you after this call on that and e-mail it to you. But how is the trend, are we facing competition in this like unique customers are going up or down like traction wise?

Sunil Agrawal In UK they are going up but in U.S. they have gone down compare to last year mainly because of the integration disruptions and also the version being older. So once we have the latest version and the all disruptions have taken care off I am confident that we will start the growth phase again.

Shaleen Kumar Will it be safe to assume that since you will be launching a new version you would definitely like the traction to go up so you may go for some kind of expending in SEOs or other kind of promotions spend?

Sunil Agrawal Yes, so we have our budgets lined for up the year based on what we are going to see and we are confident to continue our EBITDA expansion compare to the last financial year while having the growth.

Shaleen Kumar So you are saying that we should not expect too much of a marketing spend which generally typically promotional, that is typical E-Commerce companies generally do higher marketing and promotional spend initially to gain customer traction.

Sunil Agrawal Shaleen, that is very good question but that is more appropriate for a pure Web play company. We are omni-channel with Television presence 24*7 live at people's home, 100 million homes, so our main acquisition method of acquiring even Web customer is television so, we advertise our Website on our TV very frequently and that is how we acquire customers if the customers are older they refer us to their daughter or their nieces or their younger sisters and then we get younger audience on the Web on the recommendation from somebody else.

Shaleen Kumar Okay. So not through like Google clicks or digital marketing... unlike that...

Sunil Agrawal We do a bit of that we look at the ROI very cleanly, very closely, we do not burn money into web promotions, for us every promotion has to make money in short-run as well as long-run.

Shaleen Kumar Is my understanding correct, that volume de-growth has now arrested and at least if not I mean we are kind of seeing a growth momentum coming back at least in the TV side.

Sunil Agrawal Yes, so volume de-growth may continue for one quarter more because of the launch that we did last year - part of them were launched in May and part of them were July and August. So we may have one more quarter of volume de-growth but from third quarter onwards we should see volume growth as well as the net revenue growth but what I am expecting is even in current quarter we can expect net revenue growth as well.

Shaleen Kumar Again very basic question, can you tell me names of some of your competitors and how metrics for them in terms of the operating profitability's?

Sunil Agrawal Yes, the biggest is QVC they are listed company and you can see their stock QVCA and they are \$9 billion company...

Shaleen Kumar So the QVC strategy is similar like end-to-end or as I think we are end-to-end kind of thing.

Sunil Agrawal Yes, so we are end-to-end QVC is pure retailer. They source product from people like us or other players from all over the world. There is another one HSN also publically listed about \$2.7 billion company and if I look up the financial their gross margin is approximately 38% to 40% and QVC EBITDA is around 22%.

Moderator Thank you. Next question is from the line of Jaineel Jhaveri from JNJ Holdings Pvt. Ltd.. Please go ahead.

Jaineel Jhaveri My first question is that I have seen a lot of news flow in terms of churn in the top management at both U.S. and the UK and then there is also some directors that left and I think our ex-CFO who was a director also left so can you just talk a little bit about the new people coming in? And why is there so much of movement in terms of the higher level people, is that a cost for concern?

Sunil Agrawal So we made few changes and one change in UK was not induce by us, he left for better prospects he got part of a start-up so he left. We are looking for his replacement now. Other changes that we made were made by us because we believe that for the new phase of growth we needed a new talent more Web centric and digital talent and we are very happy with the acquisition we have made to replace them and I am confident that they will add a lot of value to the company. The board change we recently had last week. One change was there - Mr. Kaushik left because he is doing a stint at Howard fellowship which is a long drawn-out process and he express his inability to contribute to the company so he left. And there is one Independent Director down for us and Hemant was he continued on the board for transitioning after he left as a CFO now that Puru is fully here and has taken over the business completely so Hemant said, my job is done to transition my role responsibilities over to Puru, that is why Hemant has left recently. Now, board has 50-50 required independent versus interested directors and is fully positioned-well.

Jaineel Jhaveri Okay. So but this is a not a cause for concern as for your expectations I mean do you feel you are comfortable now or is this...

Sunil Agrawal Not at all Jaineel, we have always been really transparent with all the information's to the investor community more than anybody who do in our size of the company?

Jaineel Jhaveri Right, I appreciate that but I am just trying to think in terms of we have so many changes that have happed in the past one year you know sometimes it is nice to have old people instead of this feels like have there been way too many changes that this is rocking the boat too much and you feel that.

Sunil Agrawal Jaineel, I am the oldest in your person here 35 years so, you can take confidence on that the company is stable and we are confident of our growth with the talent that we have on board, very capability team very passionate and very forward-looking.

Jaineel Jhaveri Okay. Another news article that I had read was that Amazon itself is coming with its own online channel is that something that worries you, because they are a huge player.

Sunil Agrawal Yes, the main point for us is the push marketing through the screen that people are comfortable with. Amazon does not have presence through cable and satellite and we are into 110 million homes to a cable satellite so, that is a very difficult

proposition to compete for a pure play online. There is no doubt Amazon is very powerful, very large but for them to go to a Television platform would not be considerable really to me.

Jaineel Jhaveri

What I am trying to say is that the kind of customers that we have are 40-year-old and above, and like you previously mentioned in calls also that this almost a function of like as we get older we start looking at more TV and start purchasing from TV that is what I have understood. But the younger generation people who would be in and around my age like 25 years - 30 years old they are looking more not so much at TV but their computer screens and we have grown up looking more at our phones and computer screen. So going forward it seems we would be more comfortable looking at not so much TV but computer screen. So do you not feel like since Amazon is not there on TV even they might not even have a channel on normal cable because may be few years down the line cable has also come into the picture, the number of cable subscribers have also started decreasing?

Sunil Agrawal

So there is a valid point. The cable industry may probably go towards digital but there is a very interesting development and good that you bring that point up, there is once the cord cutters came into play, a lot of OTA markets has expanded quite rapidly. OTA would mean the set-up that comes in people capture that signal without paying the monthly cable fees and there is about 10 million homes out of which we are already in approximately 5 million homes and that market is highly productive for us. Coming to the younger generation who are more savvy into the mobile or laptop. We are preparing our future for that by hiring E-Comm savvy leaders and investing into the platforms and rapidly going towards that. The advantage we have over Amazon in that space is our video content. We do 24x7 live programming so, we automatically have a natural video that we generate and QVC, HSN, EVINE, all of them use that video on their website and there is a lot of engagement with that video. So we have not shown that video yet, we are creating special video separately but we are going towards the technology that automatically we can clip and post that video online for people to engage with us. So video with not only of live programming but video of Jewelry or other life style products being made, designed, sourced from different parts of the world. So we have the story that Amazon would have tough time correcting because they are not vertical and we have a video that Amazon may be able to do it but it will take long time to replicate our experience of that video and our mature model of 24x7 live.

Jaineel Jhaveri

Okay. Sir, one other question was that what kind of revenues now do we need to have with the increased cost base for these like 10% - 12% kind of EBITDA margins so, where do we need to be in terms of amount sales?

Sunil Agrawal

I have not figure that out Jaineel, but that is a good question, I will work on it and may be next time when we meet or have a call we can discuss.

Jaineel Jhaveri

Okay. But even if you will try to approximate it would it be you know at this current rate of 350 like would you have to be at around 400-450 or would it be even higher than that?

Sunil Agrawal

Jaineel, I cannot answer that question without really analyzing it I do not would guess it will be just a guess.

Jaineel Jhaveri

Okay. Finally, in terms of your Jaipur facility which is online what kind of capacity do we have and what kind of utilization are we running at?

Sunil Agrawal

This facility it doubles our capacity and we are not using fully. We are using just about 25% of the capacity at this time but it offers us good opportunity for expansion as our volumes increase.

Jaineel Jhaveri So what was the capacity initially?

Sunil Agrawal The capacity was about 3 million pieces a year in Jaipur, now we can do 6 million pieces a year.

Jaineel Jhaveri Okay and we are using 25% of 6 million?

Sunil Agrawal No, of the new facility, so we are currently making about approximately 4 million pieces a year right now.

Jaineel Jhaveri Okay, making 4 million, okay.

Sunil Agrawal And run rate.

Jaineel Jhaveri Okay. And also in terms of your receivables they have gone up from December to right now, I do not know if I miss that what was the explanation for that.

Puru Aggarwal Okay. So the debtors have grown up because of the Budget Pay, EMIs, which we started in U.S. market, that is approximately \$2.9 million.

Jaineel Jhaveri Okay. So receivables are, I mean you all are comfortable with that it is mainly because of Budget Pay only?

Puru Aggarwal And just let me correct actually, you asked December to this quarter, right?

Jaineel Jhaveri Right.

Puru Aggarwal I am talking about end of this quarter. In December also it was there may be slightly lower it was close to \$2 million which has gone to \$2.9 million then another hike is the B2B which is short-term in nature.

Moderator Thank you. Next question is from the line of Runjhun Jain from Nirmal Bang Securities Pvt. Ltd.. Please go ahead.

Runjhun Jain Just wanted few clarities, you said that the FY volume growth you cannot put a guidance on it but you are assuming that the sales growth would be higher? But my guess is that it is because we have increased the selling price to incorporate the higher cost. Would it be right to say that on the volume basis we can see a good growth or healthy growth going forward?

Sunil Agrawal For current quarter and even next quarter, I do not think the volume growth you will see. But you see the top-line growth because of the increased price points and increased EBITDA from current quarter from the last quarter we just declared the results on. I do not have the visibility into the volume growth because we are now seeing what customer is pulling from us. We are offering all price points. We offer one day on under \$10 which use to two days under \$10. Now we use to have \$120 one day which we do not have any more. So we are seeing how under ten is doing testing everyday but every week we are testing different hourly segments of under 10, under 20, under 30 and we are looking at the productivity of different segments. So we are still testing with new initiatives we have taken returnability, EMIs and brands, what is the optimum price point? Ideally we do not want to go on an average about \$25 but we are still looking at what is the maximum or most optimum in terms of returns that we see, higher price points have higher return and what is the productivity per minute for us. So have the **live metrix** but we do not have yet a full guidance on the average price point that will be fully stabilized for us with this new initiative that we have taken.

Runjhun Jain So even for the second-half of the net year you do not foresee a volume a pick?

Sunil Agrawal No, we do, second-half we expect the volume growth definitely because last year; second-half had all these initiatives in place.

Runjhun Jain Okay. And second thing, you also said that January month has lower sales returns so and despite that in the quarter we have seen around 15% to 16% sales returns. So you see that going forward from Q1 onwards when this January phenomena would not be there then the sales returns would be much higher?

Sunil Agrawal No, non-January returns are approximately 19% for us in U.S. So January is 10% and February and March was around 19%. So that is why you saw average of 16%.

Runjhun Jain So you think going forward this 19% would become a new trend of sales returns?

Sunil Agrawal Because clearance is a regular phenomenon during the year and we have recently as I have said shown from May we introduced the new policy that the rising auction sales which is mostly clearance sales for us will have no returns as well. We have not done the math going forward what exactly will be return but it will be somewhere 16 to 18 as I see.

Runjhun Jain Normally clearance sale happens when?

Sunil Agrawal So clearance sale happens in December-January and happens in July-August, two times mainly and also couple of times during the year but one day sale. These two time the sale is one week or 10 days long but also we have rising option on the Web where we sell everything at \$1 and they are mostly residual of our TV merchandize. From last May to this April that was returnable as well but since May 1st we stopped returnability on that mechanize. So that will help reduce the return rate a little bit from February, March of 19%.

Runjhun Jain But that would not give you any incremental EBITDA also, right?

Sunil Agrawal That is continuous already backed into the number if you already have.

Runjhun Jain Yes, right, okay. Yes, the thing is you also said that on the Web there is no EMI yet but you want to probably start it from Q2 onwards if I got it right. So you see that there would be additional cost for that also? And you see that there would be higher price point now that would be increased for Web also?

Sunil Agrawal That is a good observation. On an average we are seeing a cost of approximately 1.5% or 2% towards returnability and EMI these two factors. The EMI itself currently our cost is about half percent of total sales in terms of bad debt or doubtful debt but we have been able to increase our margin to compensate for both these initiatives returnability and EMI and we will continue to refine that so all these initiatives will not be margin dilutive for us.

Runjhun Jain One more thing, you said that the EMI option has not been yet started but still the average selling price for the Web is already increased to \$17 so why that has been seen an increase and do you see that it is 17 would also increase further going forward when you introduce the EMI?

Sunil Agrawal So that is a good observation but when the TV merchandize is sold through rising option residual or through catalogs the product is same, we are not merchandizing specially for that. So we are merchandizing the customer is pulling a bit nicer

product or a bit higher price point product so we are merchandizing those to those kind of product and the same product get sold through Web. So you will see similar price point increase not exactly same, in U.S. the TV average volume increased in last quarter by 32% whereas Web has increased 23%. So there is definitely increase on Web as well because the product is nicer.

Runjhun Jain Okay. And, you said that our gross margins have increased this quarter we can notice that but EBITDA margins have declined so anything which you see that could be one-time in the expenses which can grow normalize going for forward or you think that this would be the new quarter last year run rate for the expenses?

Sunil Agrawal So expenses in absolute dollars, yes, you can expect that to be constant almost not completely but fairly constant except some variable cost like man power for shipping and call centers and telephone expenses which is related to the volume but other than it is largely fixed so as the top-line increases it directly impacts or positively impacts EBITDA and even PBT.

Runjhun Jain But why we have not able to see that kind of delta in this quarter?

Sunil Agrawal Because you did not see top-line growth.

Runjhun Jain Despite seeing the higher gross margin that benefit was not really....

Sunil Agrawal Yes, the net revenue was lower and also we expanded some homes during this quarter so we increased 10 million homes so we had extra anytime cost.

Runjhun Jain Okay. And last question from my side sir, you said the new version would be available by when?

Sunil Agrawal Next month, end of June.

Runjhun Jain I am sure when you were incorporating and when you started the process of installing that 4.0 version if that is the right version, you would have selected the latest version at that time and by the time you installed it and you also saw some problems in between installing and everything and streamlining it you saw that the new version has come. Do not you see that this is the continuous risk going forward also that when you incorporate or install this new version a new version on technology would further go up and you can see a new version may be two months - six months down the line?

Sunil Agrawal Yes, this is a good observation the new version versus a net platform is a different ball game. Earlier we were on PHP side which is very non scalable and the site core is highly scalable even if we have a billion dollar sales the platform is suitable for that. So when you go to the totally new platform and new technology there is a lot of changes in that. So when we were launching 4.0 and then finally when we have decided to go with that so that time that was the latest version but it took us a year to launch that version versus 5.7 is about two months' effort. So we are may be behind by two months but that is not really much meaningful. So by end of June if we launch 5.7 next version would be may be 6.0 and that would not be meaningful and that can be launched within 15 days or to 30 days only.

Runjhun Jain So 6.0 is already launched?

Sunil Agrawal It is in the works but not fully launched yet.

Moderator Thank you. Next question is from the line of Jagdish Bhanushali from Florintree Advisors Pvt. Ltd. Please go ahead.

Jagdish Bhanushali Could you comment on this in terms of understanding that our volumes have now hit a trough and from here we could see some pick-up from here may be Q-o-Q and Y-o-Y is what I wanted to understand in both TV sales and the Web sales?

Sunil Agrawal Current quarter you will definitely see Q-o-Q growth on Television and I believe you will see Q-o-Q growth on Web also. But you will not see y-o-y growth both on TV and Web because the price points have changed y-o-y.

Jagdish Bhanushali Right. But that should be incrementally beneficial because we have included EMI schemes at first place and we also got the returns scheme so your sales should actually or your volumes should start picking up compare to last year, right?

Sunil Agrawal So compare to last year apple-to-apple, yes, but in Q1 or Q4 of FY'16 or Q1 FY'17, we did not have those EMIs or returnability in place. We are comparing apple-to-orange really.

Jagdish Bhanushali Right. But the first thing to get in when we bring in an EMI scheme our volume should move up and your returns as well so that your volumes push up.

Sunil Agrawal When you look at Q-o-Q from Q2 to Q3 last year I do not have the exact data in place in front of me but I believe our volumes started to increase once we launched returnability and EMI. Prior to launching, we have huge de-growth in volume as well as top-line because the competitive pressure was quite intense on us. We did not pay attention to it we thought our price point is quite low and it would not really impact us but we actually were wrong in assuming that it would not impact but it definitely did.

Jagdish Bhanushali So understanding not Q-o-Q but Y-o-Y we see now that thing turning positive and we could see some volume growth coming up because of the EMI and the returns policy that we have introduced.

Sunil Agrawal Yes, so from Q2 you will see that of current financial year, Q1 you would not see year-over-year. Q1 last year we did not have it.

Moderator Thank you. We take the next question from the line of Ram Shankar, Individual Investor. Please go ahead.

Ram Shankar Our competitor - Jewelry TV are they gaining from Web or TV? Is there any data available with us?

Sunil Agrawal It is a private company Mr. Ram Shankar so I do not have the data but what I understand from the market place they are gaining on both Television and Web. There was recent press release that they shared and we saw this press release that press release mentioned their Web growth at 18%. They did not mention Television growth in that press release so, that was y-o-y last financial year 2015 over 2014.

Ram Shankar Okay. Are they are putting a lot of effort like what we are doing in Web changing the version or changing the platform, what their version what version have you observe the J TV version or how far it is superior compare to our version have we done any analysis on this?

Sunil Agrawal Yes, we know their version, they have also fairly advanced. They have Web sphere version it is called IBM Web sphere, that is a fairly advanced version same league as Hybris. So they do not go in for changes now. They made those investments quite sometime ago which we made last year.

Ram Shankar Okay. Since we are changing the version, are they also doing the same thing because they have gone to that and they are sticking to it and you are putting a lot of effort means from the last so many con-calls we have been discussing. So why their growth is not slowing down or how come they are gaining even though our price point is much-much lower?

Sunil Agrawal So once we change the platform so transitioning a platform is a big deal changing a version within same platform is not a big deal because it is an automatic changes and if it not too much old like 4.0 and 5.7, they were huge number of versions in between so it could not automatically be changed, it took us extra effort to about three months' effort to change it but from 5.7 when we go 6.0 it will be two weeks or three weeks' effort for us. And I assume when they with Web sphere the version changes very pretty painless process.

Ram Shankar Okay. The unique customer is declining when you see in 2015 we are scale at 396,000 so in 2014 also we were having 3,94,000 unique customers if I am correct. There are total 44,000 unique customers who have not purchased in last one year. Have we done any analysis on this, why they have not purchased from us?

Sunil Agrawal We have not done a market survey on that but we recognize that the some of the customers we lost because we were not offering EMI and our closest competitor was offering EMI. Some customers we lost because of our Web disruption. It is a combination of two and once we have all these things we already have EMI, returnability or brands in place and once we have web fully functional by end of next month I expect the customer acquisition rate to increase noticeably.

Ram Shankar That too has decreased in Q4 by 44,000 customer only have been added vis-à-vis we have added around 1,21,000 in Q4 FY'15 that also got decreased significantly?

Sunil Agrawal We have to look in the terms of the average price point as well. The average price point has moved up significantly then less customers will be coming relatively less customers and also the Web is currently not best customer experience.

Ram Shankar Okay. How many unique customer are using our EMI , if there is any other data available with you?

Sunil Agrawal So 20% of our sales overall sales is coming through EMI right now in U.S. only, in UK we do not have EMI yet.

Moderator Thank you. Next question is from the line of Siddharth Mandalaywala from Concept Securities. Please go ahead.

Siddharth Mandalaywala Can you explain the impact of Jaipur sales on our raw material cost structure due to saving in taxation and other benefits? I want to know how much benefit we can expect any cost benefit analysis we have done, any margin analysis?

Sunil Agrawal Sorry, margin cost benefit due to what?

Siddharth Mandalaywala Due to Jaipur sales.

Sunil Agrawal We did not have any duty or any cost saving per se in our EOU that we still have because there is no cost advantage per se. Benefit for us is capacity expansion and taxation benefit in longer run.

Siddharth Mandalaywala And what type of taxation benefit in percentage terms if per se if we are selling Rs. 100 unit and we have around cost of raw material is around Rs. 34 and if we produce the product in Jaipur sales then what type of benefit we can derive from raw material side?

Sunil Agrawal So it is not in the raw material side Siddharth. On raw material we have no cost differential between EOU and SEZ it is only the income tax benefit will be there. And income tax we pay full 33% here in SEZ we will have 20% MAT that is the only difference other than capacity expansion and a modern green factory where our employees are really enjoying.

Siddharth Mandalaywala Okay. And second question is that even though the sales is muted during last three quarters but the sales, general and administration expenses rare ramping any reason for that specific reason?

Sunil Agrawal The only reason is increase of the new households. In last quarter we have 85 million households in U.S. compared to 75 million last year so this 14.8% increase in household is the addition expense.

Moderator Thank you. Next question is from the line of Mayur Gathani from OHM Portfolio. Please go ahead.

Mayur Gathani I wanted to check what is the new customer addition for this quarter?

Sunil Agrawal So new registrations that we did was about 44,600 customers during this quarter.

Mayur Gathani This compared to 42,000 for last year?

Sunil Agrawal Last year same quarter we acquired a lot customers through a Facebook campaign but that was not really was ROI positive for us so we continued that campaign so I cannot give you the exact number last year outside the Facebook.

Mayur Gathani Okay. And was it 52,000 approximately for last quarter December quarter?

Sunil Agrawal Hold on, let me just see if I have that number.

Sunil Agrawal Yes, good memory, it is 52,000 correct.

Mayur Gathani Correct, okay. And just that we consider FY'16 is done with FY'17 the transition is you know first two quarters you are saying you may not see volume growth but realizations will improve because your prices have increase. So FY'18 can we see double-digit margins? We have seen those kind of margin in the past I mean 9%-10%?

Sunil Agrawal I cannot give firm guidance but that is my hope.

Moderator Thank you. Next question is from the line of Rishab Bothra from JHP Securities Pvt. Ltd. Please go ahead.

Rishab Bothra Just wanted to understand whether there are further pledge share of the promoters?

Sunil Agrawal No, we have no pledge share as of now.

Rishab Bothra Okay. And employee and salary wage hike how is it done on year-on-year basis?

Sunil Agrawal We look at the market count usually so where the market is and then we increase accordingly unless we are promoting somebody for a next position.

Rishab Bothra Okay. And what is split between sourcing and manufacturing?

Sunil Agrawal About 50-50 I would say or manufacturing has increased a little bit now, in terms of cost?

Rishab Bothra Yes, in terms of cost.

Sunil Agrawal I do not have exact data on that Rishab but I expect it be somewhere between 50% to 60% now is manufacturing and rest is sourcing.

Rishab Bothra Okay. And, apart from the three segments TV sales, Web sales and B2B sales are we exploring other channel could be airline industry because the opportunity could be great in that space also, number of flights being taken off from each locations?

Sunil Agrawal Yes, we are not exploring right now because we have a lot of runway in front of us for the Television and Web revenue and also once we have a steady growth in U.S. and UK we will look at other advance markets who already have good TV platform and do not have a discount retailer like ourselves.

Rishab Bothra Okay. So you want to stick to currently three segments?

Sunil Agrawal Correct.

Rishab Bothra But is aviation a margin accretive segment?

Sunil Agrawal I wish I do not know, long-term ago we did one promotion with all over U.S. for one they have American Airlines and they have United Airlines and for us that was not profitable at that time so it is one test and then we moved away from that.

Rishab Bothra Okay. And in fixed asset for my understanding whatever increase is there it would mostly intangible assets?

Sunil Agrawal The fixed asset we have Rs. 21 crore - Rs. 22 crore into SEZ facility and we have about \$5 million into Hybris there is a Hybris platform so that is largely intangible.

Rishab Bothra Okay. And while going through the audit report, I came to understand that few of the subsidiaries have not been audited by the auditors who have signed the audit report and that form or substantial part of your business in terms of profitability asset as well as your revenue so who are those auditors and in which countries are these subsidiaries?

Sunil Agrawal So U.S. liquidation channel subsidiary which is the largest subsidiary audit by a local BDU Affiliated auditor.

Rishab Bothra BDU Affiliated.

Sunil Agrawal Yes, in UK is a local British auditor they have respected British auditors. And our Hong Kong, China subsidies audited by local Chinese audit firms. They are all independent respected auditors who have respect in their communities.

Rishab Bothra Just since I am interacting with you for the first time, could it be possible to meet you when you are in Mumbai?

Sunil Agrawal Definitely. Currently, I am going tomorrow to U.S., I do not expect to be back to India till first week of July but whenever I am in Bombay next, definitely.

Rishab Bothra Sure, I will do drop in your e-mail. And lastly, since we have major operations in overseas market barring the outsourcing and manufacturing facility in India what was the rational of having a IPO in India?

Sunil Agrawal We did IPO in India when we were B2B only, we were based in India we are selling to Wal-Mart, we are selling to QVC, HSN from India. At that time, we actually did not know that we will have TV shopping network so that as a business evolved where the business has really evolved much further and entire visibility at that time.

Rishab Bothra Okay. And in the notes to account there was an item mentioned accumulated losses adjusted with the share premium so what was these accumulated? Is it the accumulated losses of operating year prior to the current year?

Puru Aggarwal You are referring to the tax reference?

Sunil Agrawal Yes, let me clarify that Puru is new to the firm. So the earlier operating losses that we had when they were bringing the growth TV channels to the critical mass so those accumulated losses are much lower than the total results that we have. To be able to pay dividends we have to adjust the losses against the reserves.

Moderator Thank you. Next question is from the line of Sunil Jain. Please go ahead.

Sunil Jain You said Q1 will have a higher volume as compare to Q4 but generally we had seen Q1 volumes are less than Q4 so are we seeing change this time?

Sunil Agrawal Because of the price point that we had in Q4 which is stable now and I expect us to be carrying getting the traction so that is why my expectation is that we may be seeing q-o-q higher volume.

Sunil Jain So first 45 days you already have figure so, are there more than 6,50,000 in Web sale?

Sunil Agrawal No, I did not track 45-days volume but we track on the revenue. On revenue terms on retail alone we did for both U.S., UK, for first 45 days we saw positive net revenue combined but I did not track the number of pieces sold.

Sunil Jain No, but the volume will be high or not?

Sunil Agrawal Yes, last year the average price point would have lower, so our Q3 would have been lower than Q4 so I did not track the quantity yet. I will be happy to share that with you later, Ghanshyam can share that number with you later.

Sunil Jain Okay. Sir, the volume decrease is on account of loss of number of customer or less buying by each customer and how much if you can quantify?

Sunil Agrawal Yes, sure each customer buying has increased as I said, in my commentary, the value for each customer in 2015-2016 was 31,900 compare to 30,700. So average customer sales, the number of customers have reduced for a number reasons, we were not offering EMI for some part of the year we had Web disruptions, so combination of these caused this disruption.

Sunil Jain Reason okay, but since I think loss of customer is more worrisome then less buying by a customer because that takes a lot of time to come back, what all are we doing to bring them back?

Sunil Agrawal So we are doing a lot of internal promotions e-mail campaign, discount coupons, having very engaging television promotions. We are also having social and a bit of SEU, PPC campaigns. So our Television as well as Web team is all geared towards gearing those customers back. The Television team the new head of sales we have in U.S. very capable, very passionate, very on the go so she is really working hard to gain over night customers, day customers, making sure every day's targets are met. And our Web team is not going full out with the promotions yet, once we launch Hybris 5.7 they have all the pipeline of promotions in place to go full fledge..

Sunil Jain So post this price increase, how we are comparable on price front as compare to Jewelry TV?

Sunil Agrawal Jewelry Television is suspect they are around \$50 and we are about 24.4 average for both channels, U.S., UK. If you look at U.S. alone for the year U.S. is about 23.7 but for last quarter, we have 28.1.

Sunil Jain So with \$50 as a price point they are growing over 18% and 24 we are not able to grow so somewhere the issue is not the price point, do not you feel so?

Sunil Agrawal There is Television, web is also this differential so Television last quarter grew 32% in the price point so last year Q4 we have 21.3, this year Q4 we have 28.1. so on TV there is 32% of price increase, on Web average price point increase by 23% from 13.4 to 16.5.

Sunil Jain And sir, this fixed expense which was there this year, are they likely to increase further in FY'17?

Sunil Agrawal We do not expect the fixed asset we expect to increase unless we go for homes expansion or there is substantial increase in revenue, in that case the headcount will increase to support the variable pieces to be shipped.

Sunil Jain Yes, but the acquisition of new customer or reaching to new home is there any plan for that in the current year?

Sunil Agrawal Yes, we expect to increase approximately 5 million new homes in current financial year.

Sunil Jain That they will definitely increase fixed expenses?

Sunil Agrawal From this to that extent yes. So the airtime expense may increase 4% to 5% during the year.

Sunil Jain Okay. And lastly, any update on the case which is going on?

Sunil Agrawal We requested transfer from California to Texas so that motion was granted to us and Texas is more business friendly environment. We never really had any much concern about it, but whatever concern we had is substantially reduced because the transfer to Texas.

Sunil Jain Okay, fine, okay. Means any date is there like hearing and all?

Sunil Agrawal No, we do not have any further date on that, you know such cases takes year to resolve really unless people re-settlement or withdrawn prior to that.

Moderator Thank you. That was the last question from the participant, I would now like to hand over the floor to the management for their closing comments. Over to you, sir.

Sunil Agrawal I thank all the participants for their participation and their time. Please feel free to ask any further questions from Puru from VGL or from Karl Kolah or Shiv at CDR. Thank you very much.

Moderator Thank you very much, sir. Ladies and gentlemen, on behalf of Vaibhav Global, that concludes this conference call. Thank you for joining us.