Vaibhav Global Limited

CIN: L36911RJ1989PLC004945
Regd. Off. : K-6B, Fateh Tiba, Adarsh Nagar, Jaipur – 302004
Phone: 91-141-2601020; Fax: 91-141-2605077
Email: investor_relations@vaibhavglobal.com; Website: www.vaibhavglobal.com

Q4 & FY19 Earnings Conference Call Transcript
May 22, 2019

Karl Kolah: Good afternoon everyone and I thank you for joining us on Vaibhav Global's earnings conference call for the quarter and year ended 31st March, 2019. Today, we have with us Mr. Sunil Agrawal, Managing Director and Mr. Puru Aggarwal, the Company's Group Chief Financial Officer.

We will begin the call with brief remarks by Mr. Puru Aggarwal on the 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 publicly.

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

Puru Aggarwal: Good afternoon everyone. I welcome you to Vaibhav Global's conference call to discuss the operating and financial performance for the quarter and fiscal year ended March 31, 2019.

Let me begin by giving you an overview of our financial performance for the quarter and year under review.

For Q4 FY19, revenues at Rs. 462 crores marked a growth of 9% on YoY basis. Retail Revenues grew much stronger at 22% YoY on account of strong volume growth of 17%. TV revenues grew by 10% and web by 54%. In constant currency terms, we delivered growth of 12% in the US and 18% in the UK market in quarter YoY.

Q4 gross margins expanded significantly from 55.3% to 62.7% on account of significant lowering of B2B sales. It may be noted that B2B has been our non-core and opportunistic sales. Now having scaled in B2C we are increasingly scaling down B2B that will lead to higher gross margins and improve working capital.

Q4 YoY EBITDA expanded from Rs. 41 crores to Rs. 47 crores. PBT expanded from Rs. 34 crores to Rs. 39 crores and PAT from Rs. 32 crores to 33 crores in the quarter YoY.

In pursuit of enhancing customer experience and expanding market reach further, the company took several initiatives during the third quarter of FY19. We enhanced our Austin call center while replacing some part of the outsourced call center in Mexico and hired services of OnBrand24 – a US-based call center services Company. In Q4FY19 we hired services of Mango, an international call centre service provider in UK. The effect is reflected in higher employee costs and call handling cost for Q4FY19. The company also made spends related to the marketing and affiliates departments – a part of this was a onetime cost borne in Q4FY19. Additionally, there has been an increase in web marketing expenses, content and broadcasting expenses and shipping and handling charges due to higher volumes including lifestyle products.

For FY19, revenues stood at Rs. 1,814 crores marking growth of 16% over the last year. In constant currency terms, US markets delivered 9% revenue growth and UK 24%. FY'19 Retail growth was based on strong volume growth of 14% across our wide suite of platforms including TV, web, mobile apps, smart TV interfaces, OTT platforms, social and third-party marketplaces; and deeper customer engagement that drove repeat purchases. Both the markets are seeing growing contributions from jewellery and non-jewellery products. So overall, we are witnessing platforms and products increasingly complementing and enhancing the overall revenues.

FY'19 gross margins expanded from 59.6% to 62.5% YoY due to higher retail revenues. We believe that our distinct model gives us a competitive edge over our peers and helps us maintain industry leading gross margins. Our operations benefit from our proficiency in manufacturing and our ability to source quality merchandise at prices that are far lower than much larger peers that operate on lower gross margins.

FY'19 EBITDA margins expanded from 10.1% to 12% YoY from Rs. 159 crores to Rs. 217 crores. PBT expanded from 8.2% to 10.4% from Rs. 129 crores to Rs. 188 crores. PAT expanded from 7.2% to 8.5% from Rs. 113 crores to Rs. 154 crores.

FY19 has witnessed strong ROE at 22% and ROCE at 37%. The asset utilization has improved in the year under report. Despite capex in the year, the net fixed asset has decreased from Rs. 120 crores to 117 crores YoY. Net CA is down from Rs. 417 crores to Rs. 399 crores. In line with healthy growth in revenue and profit and better asset utilization, our cash position has also improved. Operating and free cash flows for the year ended 31st March 2019 stood at Rs. 193 crores and Rs. 170 crores respectively.

We are glad to report that the board has approved a final dividend of Rs. 5 per share, in addition to the earlier interim dividend of Rs. 5 per share.

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

Sunil Agrawal: Thank you, Puru. I welcome you all to Vaibhav Global's FY19 earnings conference call.

Puru has given you an update on the financial performance for the period under review. I will now take you through the operational performance, key initiatives undertaken during the year.

I am happy to share that we reported FY19 revenues at Rs. 1,814 crores marking a growth of around 16% as compared to the previous year. Retail revenue for the year under review grew a strong 22% resulting in improved gross margins at 62.5% as against 59.6% for FY18. EBITDA margins expanded by around 200 basis points to 12% despite continuous investments in people, marketing, distribution and customer support made during the year. Profits grew by a significant 37% to Rs. 154 crores.

As you know, our omni-channel presence enables us to meet our customers on various platforms of engagement. In addition to our proprietary TV channels and web platforms in the US and UK, we are continuously gaining traction on mobile apps, smart TV interfaces, OTT platforms, social and third-party market-places. Our mobile apps have performed well in both geographies. Sales via mobile apps, of the total web sales for FY19 were 6% for UK and 14% for US.

We have begun offering large portion of our channel inventory on online marketplaces – Ebay, Amazon, WalMart.com and Wish.com to supplement sales from our existing inventory as well as to acquire new customers for the business. During the year, we launched the 'Fulfillment by Amazon' Marketplace which enables us to place select inventory at Amazon Fulfillment Centers to be a part of Amazon Prime shipping. In addition, it provides us with additional marketing and operational support, and we are confident that it will help us raise customer awareness and aid acquiring new customers at Shop LC and TJC. Seamless transition across various platforms, that VGL is present on, enables us to capture high retention rates at 46.4% in the US and 56.4% in the UK.

As a fast fashion retailer, VGL has been expanding its portfolio of products, designs, and brands on a continuous basis. For increased customer engagement, we have been expanding our non-jewellery products portfolio which includes fashion accessories and lifestyle products. Non-jewellery fashion products provide synergistic adjacency to our fashion jewellery portfolio at similar price points, allowing us to target a larger wallet share of our customers' spending. At the same time, non-jewellery is a significantly larger market providing us the potential for long-term growth as we establish our presence further. The non-jewellery portion of the retail revenues stood at around 17% and is improving steadily. Further expanding our brands portfolio, we launched new brands such as Chaos by Elsie, Xavier, Opatra, Sankom, Kreyol Essence and Manuka Doctor across product segments which have shown positive customer acceptance.

During the year, we organized 12 customer open days across our US and UK operations for better interaction with our customer groups. This helps us gain deep insights and valuable feedback from them.

VGL has a very distinct story-telling based retail business model. Accordingly, we strive continuously at improving our content on TV and web. As Puru mentioned earlier, to improve the visual appeal while demonstrating product functionality, we purchased a house in Austin which serves as a studio for exhibiting lifestyle products. Further, we initiated our first ever, remote live broadcast from Tuscon during annual Gem Show and reported 40% lift in sales during those particular broadcast hours. Q4 FY19 also marked our first ever non-holiday 1-million-dollar day in the US.

Here, I would like highlight that we now cater to over 3,42,000 unique customers on an annualized basis and average annualized quantity purchased by each customer has increased to 30 pieces in FY19 as compared to 28.6 pieces in FY18. Budget Pay, our convenient installment payment program, continues to be a strong driver of volumes. Budget Pay now constitutes around 38% of our total retail sales in value terms.

At Shop LC, US we have moved ahead in our pursuit of quality under the Malcolm Baldrige National Quality Award program. Shop LC has already applied for the Malcolm Baldridge Progress Level Award from Quality Texas Foundation after receiving recognition for the Malcolm Baldrige Commitment Level Award. We believe that quality is an ongoing journey that leads to significant sustainable business benefits over time.

Deeper engagement with happier employees is a core objective for us and we are happy to witness growing recognition on our employee engagement and satisfaction initiatives under the Great Places to Work surveys. Shop LC Employee Satisfaction increased by 8% and UK by 11%. We have now been recognized a Great Place to Work for our China, India and UK units by respective Great Place to Work institutes.

As we look ahead, we feel confident of delivering strong growth in the medium to long term. A well-defined strategy blueprint, financial prudent approach, and focus on agile execution will enable us to improve performance further.

We strongly believe in living up to our objective of inclusive growth. I am pleased to share with you that we have now provided more than 25 million meals to school children under our One for One initiative with our partners, Akshaya Patra in India, No Kid Hungry in the US and Magic Breakfast in the UK. In addition, we have undertaken several initiatives to meaningfully reduce our environmental footprint.

As I conclude, I would like to share that we strive to deliver joy to all our stakeholders including our customers, employees, vendors, communities and shareholders.

With that, I request the operator to open the forum for questions.

Moderator: Thank you very much. Ladies and Gentlemen, we will now begin the question-and-answer session. The first question is from the line of Pritesh Chheda from Lucky Investment Managers.

Pritesh Chheda: Just one question on the cost buildup side that we have seen for the last two quarters, if you could give some comments in terms of what is the nature of the cost buildup? And second, this year this cost buildup happened, we had a double-digit volume growth but the corresponding operating leverage was slow to flow through. What do you think on this cost buildup that we have seen this year in terms of the operating leverage opportunities for FY'20?

Sunil Agrawal: As Puru mentioned, for last two quarters, we built investment into the business, investment in our call center, customer service, in our web business and hiring some very senior people in the group. We have hired VP of Merchandising from QVC, Evine, Walmart. So, she will oversee all merchandising for US operations. We hired Head of Analytics from QVC. He was Head of Analytics at QVC for eight years. He joined us recently. We hired Head of Personal Shopper Program that we just recently launched in US. Also, we hired Head of Quality, Malcolm Baldrige Quality Systems in US. They came from MidwayUSA. So, we have made these major investments that will be crucial for future growth. As you know, our business model is such that we do not have large CAPEX requirements. So, our investment is more in terms of OPEX from time-to-time. In last two quarters, we consciously made this investment, that will be very useful for us in current financial year, that is FY'19, FY'20 and future years. So, I am quite confident that you will see a significant leverage in current financial year.

Pritesh Chheda: Did you add any households in the second half?

Sunil Agrawal: Yes, there were some additional households in the second half. As you might have seen from our presentation, in US we have increased about 3 million new households.

Pritesh Chheda: In percentage terms, if you could tell how much is the increase?

Sunil Agrawal: So, from 72 to 75 million, so that will be about 4% higher.

Pritesh Chheda: But if I just look at the cost line for the past two quarters, the cost line other than employee is up plus 25%. So, if you could give some idea as to this 25% increase in cost line?

Sunil Agrawal: As I mentioned, some are the people cost, some are the call centers, some are investment into our eCom and marketing and some are the warehouse investments and some additional shipping cost in terms of lifestyle products.

Pritesh Chheda: Additional shipping cost is now the nature of the business if your mix continues, right? If the mix moves in favor of lifestyle, that is a continued feature now?

Sunil Agrawal: That is correct, but we see corresponding increased customer acquisition from that and the lower return rate. So, in our metrics productivity that we account for, new customer acquisition, shipping cost versus shipping revenue, new customer acquisition return rate, you find that the new lifestyle product portfolio is slightly ahead of our Jewellery product portfolio.

Pritesh Chheda: If you call out as a percentage of sales, in your opinion, what could be a one-time cost built-up that one would have seen and the operating leverage to follow later?

Sunil Agrawal: In last quarter one-time expenses were between Rs.15 crores to Rs.20 crores. That we do not expect to see repeated in coming quarters.

Pritesh Chheda: The same you called out for Q3 as well?

Sunil Agrawal: Q3 I do not have the number in front of me, but I suspect it is around Rs.15 crores in Q3 as well.

Pritesh Chheda: That is about 3% of the sales basically? And your future comments on the volume growth rate side as to how the business is shaping up?

Sunil Agrawal: As I gave guidelines in earlier calls as well, we are keeping similar guideline of 14-16% YoY constant currency growth in retail business in coming quarters and coming years as well and we expect the volume growth to be similar as well because we expect the price point to be similar to what we are seeing in the current quarters. Wholesale businesses as a strategy, Puru already mentioned, we are scaling it down because we are not seeing sufficient ROCE on that business because our guideline internally is to have certain ROCE and wholesale businesses have underperformed in those terms, so we are scaling down and that is also resulting in better free cash flow and better overall operating leverage for us.

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

Vikrant Kashyap: In this quarter we have seen Web growing by 54%. Does it mean that some volume from TV has converted to web or web is independently growing?

Sunil Agrawal: In our business, Web and TV has a symbiotic relationship. I mentioned a few times earlier that lot of TV residual inventory is sold through web - through our rising auction as well as fixed price catalog. So, that inventory also sells at a slight discount. And the TV stream that we have live on television also goes through TV streaming on web. So, we will always have the symbiotic relationship between TV and Web. So, if web increases, we will not reduce TV homes because that is the main business driver for us. Having said that, we also invest money into web to gain digital only customer and we have also made investments into marketplaces, into social direct response to get additional business through those channels. So, web will continue to grow. Our current web business is about 30% of our total business and we expect this to continue to steadily increase. Our competitor that is QVC, HSN, JTV, all those have approximately 50% of their business as web. So, in coming quarters you will see this steadily increase.

Vikrant Kashyap: Since you are focusing on reducing B2B sales and we have done in Q4, despite that there has been a hit on EBITDA margin that comes from your one-time cost in admin and selling expenses - that you have explained. So, do we see this kind of expenses continue despite Rs.15 crores that came one-time and employee cost to remain at like Rs.86 crores that came into the quarter, will this run rate continue?

Sunil Agrawal: All put together, as I mentioned in my answer to Pritesh's question, so last two quarters had the one-time cost of approximately Rs.15 crores each quarter. So those one-time cost would not be there in this financial year. So, we may make investment which maybe a one-time kind of investment but for this financial year we do not have the visibility of one-time expenses.

Vikrant Kashyap: Last three quarters, our EBITDA margin was in the tune of 12%, 13%, this quarter it is down. So, when do we see it come back to this number of 13% -- this quarter or next two?

Sunil Agrawal: When you create a model of our growth of 14-16% and you take out those Rs.15 crores quarterly one-time cost, you will get the EBITDA margin. So, I do not have the model created in front of me. If you create that model it will be very visible for you.

Vikrant Kashyap: Since you are mentioning that you have gone onto Amazon Fulfillment Center, does it require any kind of investment from your side also to acquire new customers from there?

Sunil Agrawal: It does not. It is part of the business and all is within the operating cost.

Puru Aggarwal: Just to add one thing which is important is that, in admin cost there is no increase. So, increase is only in terms of manpower, investment in superior domain knowledge experts and increase in customer related experience which is directly helpful to the business.

Vikrant Kashyap: So, you mentioned there was increase in web marketing expense, TV broadcasting expense also related to US?

Sunil Agrawal: There is a course of business kind of expense. That is not one-time expense. The total expense line will never be flat, it will grow, but not to the level of growth of the top line.

Vikrant Kashyap: In this quarter, we have also seen the TV average selling price has come down by 6% on YoY basis. So, where do you see your average selling price in this financial year for FY'20 at least?

Sunil Agrawal: Take up whatever the average price for the year was, you have to keep that in mind for creating your model and remember that our average prices can fluctuate plus/minus 7-8%.

Moderator: Thank you. The next question is from the line of Nisha Sankhala from HDFC Securities.

Nisha Sankhala: Your promoter shareholding of the company is consistently going down since last couple of quarters. Can you please throw light on that?

Sunil Agrawal: Me and my family, we have bought some shares from the market, but there are some non-core promoter shareholders and if they need the funding for their other businesses, then they would liquidate some. But that has not been significant, that is just course of business.

Moderator: Thank you. The next question is from the line of Prateek Giri from Bellwether Advisors.

Prateek Giri: Sir, my question is regarding the number of our TV channels for households. Last quarter you mentioned about this that QVC and other guys have higher number of channels per households. So, is there any change with respect to Vaibhav Global this quarter?

Sunil Agrawal: Nothing significant actually. I do not have exact number with me, Pratik. But it would not be a significant change. We have increased the number of households by 4%. There is - primary households, secondary households and there is some HD. So, we have some increase in HD as I remember. But the simulcast we got slightly lower number last quarter. But the primary homes have increased; we have now reached 75 million homes in the US and UK 25 million homes, so total 100 million homes.

Moderator: Thank you. The next question is from the line of Govind Saboo from IndiaNivesh.

Govind Saboo: I just wanted to understand our capital allocation policy for coming couple of years because now we are turning into a cash surplus and a debt-free company and free cash flows are quite high. So, where do we plan to deploy our cash?

Sunil Agrawal: As you would have seen that we already declared the dividend in mid-year as well as the final dividend and in due course board may consider buyback as well.

Govind Saboo: But we are not looking for any inorganic growth or any new market or something else?

Sunil Agrawal: For the new market, we do not have visibility as of now. If the opportunity will come for inorganic acquisition within same market or outside market, we are open to that.

But we are careful investors and prudent investors. So, we would not grow for the sake of growing but only if it meets our criteria of profitable growth.

Govind Saboo: On the operational front, what is the breakup between jewellery sales and the proportion of other lifestyle products?

Sunil Agrawal: 17% of the retail is lifestyle products and 83% is fashion Jewellery.

Moderator: Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment Managers.

Pritesh Chheda: Wanted your comments on the market landscape as to what is the growth there and the market structure and any changes in the market growth rate?

Sunil Agrawal: When we look at our market, we look at television and eCom and marketplaces altogether. If you look at only linear television, then the market is pretty flat. QVC recently announced their results. So, they had low single digit decrease first time. But when you look at eCom players, they are increasing rapidly including marketplaces and eCom. And we look at our play as a combination of television, eCom, marketplaces and now increasingly social commerce. And when you look at overall market size available to us, it is approximately $15 to $20 billion which is easily addressable by us. So, at $240-250 million we are still a very small company in the market that we address. So, the growth for us is quite long and rapid potential for us.

Pritesh Chheda: As an indication, the aggregate market which you are referring to which is TV plus Web plus Social, should be more than the retail spending growth rate in that country, should they come out with the consumer spending growth rate?

Sunil Agrawal: I do not have segregated because we are not into brick-and-mortar at all and we are not into mail order. So, I do not have segregated growth rate for our segment. Predominantly long-distance television shopping and eCom and marketplaces and social. So, for us these marketplaces and social is relatively new but we are growing rapidly into that and even all those investments are part of our OPEX. So, as we grow in those markets, our addressable market size will increase. So, that is why we are saying addressable market size of $15-20 billion for us is only related to the current TV and eCom companies. I have not included pure play eCom companies like Amazon.

Pritesh Chheda: Sir, my actual question was if you have a total consumer spending growth rate which is typically given out by that country, this channel which is TV, Web plus Social as a channel would have grown faster than the overall consumer spending growth rate in that country?

Sunil Agrawal: Pritesh, I do not have the numbers. I cannot comment on that. I have to do some study on that before I can answer.

Moderator: Thank you. The next question is from the line of Govind Saboo from IndiaNivesh.

Govind Saboo: Sir, my question is regarding the sales channel. So, typically what I understand that we have three main sales channels which is TV, our website which is eCom and third is the marketplace where we use the third-party marketplace to sell our products. So, what would be the sales coming from the third-party marketplace?

Sunil Agrawal: It is relatively small still, Govind, but it is growing very rapidly, so the growth rate in that space for us is 200-300% YoY but still startup size. So, the last year total revenue from marketplaces came to be just around $2 million, this year this particular division is expected to give us about $5.5 - 6 million.

Govind Saboo: Typically, this marketplace sale should have been at a lower margin. So, is this correct?

Sunil Agrawal: It is the same margin because our same feed that goes on our own website, goes to those marketplaces, there is no separate feed. So, our inventory is working for our own website as well as all multiple marketplaces. So, it is working overtime.

Govind Saboo: But you will have to share the margin with the marketplace also in this model?

Sunil Agrawal: So, we give them commission. Our gross margin is same.

Govind Saboo: But your commission goes away, so your overall OPEX would increase or I do not know how do you bill it?

Sunil Agrawal: There is additional sales coming to us.

Govind Saboo: I agree, there would be a definite operating leverage because whatever is coming is additional revenue for us and additional margin profit to us plus additional cash flow. But the margin overall would be little less?

Sunil Agrawal: It would not be. Let me explain that to you. So, Amazon or eBay or Walmart, put together charges somewhere between 25-30% including marketing. So, our own operating cost when we operate a business, gross margin for us is 63% and our operating cost is 50%. When Amazon charges us 30%, so we actually gain on leverage.

Govind Saboo: Okay, so you save on your OPEX?

Sunil Agrawal: Yes. It is actually beneficial if we scale that business.

Govind Saboo: Our web sales and typical eCom web sales, what is the difference typically or is it on the same parlance?

Sunil Agrawal: Web business is divided into three segments – One is live streaming of whatever the product is on TV, also streams through web for the people watching on cell phones or tablets or outside the homes and that business generates about 25% of our web sales. Second is fixed price catalog. That means we have got 30,000 SKUs in our warehouse. Everything is published on that like Amazon. And people search for the product, buy what they like. That contributes about 50% of our web sales. The third is Rising Auction. So, whatever remains, in the TV remaining inventory or web remaining inventory, we put in at $1 and the people bid against each other, that is rising auction. That contributes about 25% of our web sales.

Govind Saboo: Fixed price catalog which is 50% of our web sales, that is actually similar to usual eCom site which you have in India also and globally also?

Sunil Agrawal: That is correct.

Govind Saboo: In addition to that we have the other two features which are live streaming and rising auction?

Sunil Agrawal: That is correct.

Govind Saboo: What is our process of customer acquisition and how much do we spend on advertisement promotion, all those kind of activities - so branding, marketing part I am trying to understand.

Sunil Agrawal: The biggest acquisition for us is through our TV network. So, we have 24/7 live television programming on regular cable, satellite and telcos network. So, for example when you watch your Tata Sky, when you flip the channels, you would come across different networks, same our network would be - people would come across that and they will stop and look at it and buy. That is the main driver of customer acquisition. And then you also acquire customers through our web properties, through our search engine optimization, through pay-per-click, through banner ads, through link shares and through other third-party referrals. The third way we acquire customer is through friend and family. So, people who already our customers we incentivize them to refer their friends and family to us. And fourth is through marketplaces. So, marketplaces we have a product the customer buys from Amazon or eBay and when they get our product and we send literature along with that and then they can look us up on the web or TV and we acquire them. And fifth, we recently started Social Media Direct Response. So, when our product is shown on social media the customer would look at that and buy that product and that way, we acquire the customer.

Govind Saboo: So, all are basically new gen advertisement, so we do not get into TV commercials or traditional way of marketing and branding?

Sunil Agrawal: Correct, we do not need to, except that sometimes we have done radio ads in certain markets and some flyers in certain markets wherever we have TV presence to get our customers to come to TV or web properties.

Govind Saboo: Do we have any business equivalent in India which we can study more closely?

Sunil Agrawal: India is still not a developed market for television or web. So, there is no equivalent business in India, but you can look at QVC.com, they are our benchmark, they are about $12 billion company and similar kind of business model like us. But they are not vertical, they are on to only brands and their gross margin is lower. We are into OEM, we have our own manufacturing or direct sourcing, so gross margins are much higher.

Govind Saboo: India is still underdeveloped market in terms of fashion jewellery through TV and web, web is still developed but TV actually there is nobody?

Sunil Agrawal: Web and TV still is in customer education and acquisition space where a customer is learning about that business. So, it is not profitable business yet.

Govind Saboo: Any plans for you to come in the domestic market?

Sunil Agrawal: Not right now, long run, yes.

Govind Saboo: You will continue to ignore the domestic market?

Sunil Agrawal: Unless there is very compelling opportunity and we learn of the market maturing or some other opportunity comes our way, we may be open but no active planning.

Moderator: Thank you. The next question is from the line of Sanjay Banerjee from Credent Capital.

Sanjay Banerjee: Sir, you mentioned that our addressable market is $15- $20 billion. Can you please segregate this product wise and geography wise?

Sunil Agrawal: We look at QVC as one, then there is Evine, there is Gems TV, there is Ideal Shopping and Jewellery Television. So, these only four companies constitute more than $15 billion market size for us. So, there is additional market that we address already like on Amazon, on marketplaces, on social media. So, we are not even counting that as a marketplace. Now this market is divided between US, UK where we predominantly operate. QVC also does in Germany, Japan, Italy and UK. So, Germany, Japan and Italy we have not included in our calculations. And from the jewellery point of view, different players have different jewellery component and other product component. For different players it can be anywhere from 7% jewellery to 100% jewellery.

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

Ashish Kacholia: My question is basically how big do you see the eCommerce business becoming over a period of time – is it easy for us to acquire customers on Amazon? Can you just give us some flavor of why a customer would buy VGL Jewellery on Amazon.com?

Sunil Agrawal: We have a strategy as I mentioned earlier, last financial year we sold just about $2 million and this financial year we expect to sell between $5.5 to $6 million on marketplaces and same product that we are selling on our television and our own web properties, they are easily buying there. And we are not spending a ton of money in advertisement also or any kind of freebies. It is just that the product is strong, and storytelling is very strong. If you visit amazon.com in the US and amazon.co.uk and look for shoppers in Shop LC, US and TJC, UK, you see how storytelling is selling on our web pages. So, we talk about one-for-one, we talk about our direct from source manufacturing, we talk about the product and attributes and all value that we provide, and there is a compelling proposition for the customers.

Ashish Kacholia: Could you talk a little bit about social marketing? You mentioned the term, but I am not really aware of what you mean by social marketing?

Sunil Agrawal: We started a division recently actually three, four months ago. So, that shows our product on Facebook predominantly. So, on Facebook we show a small video or still images of product and that customers click on and buy and in that process, he becomes our customer. For that we don't have to transition our customer. For example, from Amazon or eBay from that, the transition is just about 3%-5%, and when we acquire the customers through social it is 100%.

Ashish Kacholia: You are saying that once the customer clicks from social media to the website, it is 100% guarantee that she will buy the product?

Sunil Agrawal: Not necessary but if she buys, it is 100% our customer then, because we have all the information. In marketplaces, we do not have all the information. So, he is not our customer till that customer transitions to our business on her or his choice.

Ashish Kacholia: I am not understanding, because you would have shop-in-shop on Amazon or you would not have a shop-in-shop?

Sunil Agrawal: Let me explain again. So, on Amazon on a typical day through our TV and web platform we acquire about 250, 300 new customers every day in US, this is an example. On Amazon every day, we acquire about 250 or 300 new customers also. But those 250, 300 customers are not transitioning to us, we cannot market to them. Only the customer who transitions to our properties, our TV network or our web properties then becomes our customer. And about 3-5% of those customers only transition every day. We are selling to them on Amazon. So, we made a sale. But we have not acquired that customer that we can market to constantly, for example, we have repeat purchase approximately 32 per customer per year on our channel on Shop LC in US. But on marketplaces, the same customer repeat purchase is just about two because that customer is not permanently our customer, the customer is Amazon's or eBay's customer. And on social media if a customer purchases from us, that is our customer.

Ashish Kacholia: You have tried Instagram or not yet?

Sunil Agrawal: It is in the plan, but it has not been executed yet.

Ashish Kacholia: Because Facebook is supposed to be not so cool or cutting edge as Instagram for all these kinds of marketing.

Sunil Agrawal: So, for our demographics, we believe that Facebook is more relevant, but Instagram is also into our plan.

Ashish Kacholia: This 9% number looks little dull for the fourth quarter. So, do you have any thoughts on how you will get to this 15% number that you are projecting for the full year?

Sunil Agrawal: 9% keep in mind, Ashish, is for consol business and not for retail. So, our guidance of 14-16% is for retail business in constant currency terms.

Ashish Kacholia: How much was retail?

Sunil Agrawal: Our retail in Q4 in US was 12% and UK was 18%.

Ashish Kacholia: Weighted average for the company is about 15%?

Sunil Agrawal: In foreign currency constant terms it was about 14% for the year.

Ashish Kacholia: So, you are already well on your way to 14-16% guidance?

Sunil Agrawal: Correct.

Moderator: Thank you. The next question is from the line of Govind Saboo from IndiaNivesh.

Govind Saboo: I wanted a sense on the demographics of your customer basically what kind of age group is your customer - because you have huge database of customers now – so what would be the demographics like - more into rural, urban, age group and other sense?

Sunil Agrawal: The customer is predominantly white Caucasian women 40 to 70-year old, all over US, rural or urban or semi-urban and similar in UK. There is no difference. We also have many African American and some Hispanic as well. I do see some Asian women sometimes as well, as a part of our customers. The idea of the business is that people who have time, so they flip the channels and they come across our programming and then they like our product, like the value and they will become our customer and then we can continue to resell to that customer. Our average 30 pieces per customer is the highest in our industry and it continues to grow every quarter.

Govind Saboo: So, 40-70-year-old, right? So, mostly it is middle age or old age kind of customers which we are having, right?

Sunil Agrawal: Those are the customers who have lot of disposable income and lot of time on their hand.

Govind Saboo: Are you planning some offerings for the young generation also?

Sunil Agrawal: We are very focused in this age group because we believe this age group continues to increase because as the longevity increases across the world and especially in developed world, this group is becoming more and more important and affluent. So, we are very happy and satisfied to address this group and this constitutes the largest population in US.

Govind Saboo: But today 25-year old, after 15-years when it comes to your age bracket or your target customer, will she not be more tech savvy and I do not know how the behavior will change because it is very tricky to go down the lane 15-years but since you are in the business for last 20-years, you must have seen the behavior changing?

Sunil Agrawal: We have not seen any time in last 20-years as we have been selling for TV or having our own TV. When you look at the 50-plus customer behavior for television, there is hardly any change. The younger ones are cutting the cord and growing more digital but older one they have time and they need to be entertained or educated or informed.

Moderator: Thank you. The next question is from the line of Parth Dalal, an Individual Investor.

Parth Dalal: Sir, for Q4 what would be the new registration? We have added around 59,000 in Q3.

Sunil Agrawal: It is approximately 45,000 new registrations excluding marketplaces in Q4.

Parth Dalal: Any foreseeable headwinds in terms of anything like trade war or Brexit or something on that?

Sunil Agrawal: Brexit has not made any difference to us and our UK operations continue to have very robust growth. So, our model is pretty resistant to those kinds of macroeconomic scenarios. There may be a few percentage points blips but nothing meaningful. Fairly confident of our business model.

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

Ashish Kacholia: Sunil ji, I just had two questions: One is can you just reconfirm these Rs. 15 - 20 crores one-off quarterly expenses for the last two quarters – will it still recur in Q1 of this year or now it has kind of gone away that one-off expense?

Sunil Agrawal: So, Rs.15 crores average of last two quarters has pretty much gone away. Only in April we had some expenses but nothing meaningful. So, we do not have any more those one-time expenses visibility for this financial year.

Ashish Kacholia: So, you can hold it for the other expense line on this Rs.15 - 20 crores, right?

Sunil Agrawal: Not in dollar terms constantly but they will increase because there are a lot of variable expenses also, for example, warehouse or the customer service, there is some talent that we will need to acquire constantly. So, the expense line will increase but there will be leverage opportunities in this year.

Ashish Kacholia: That will increase in line with the sales. One-time expense is what I am worried about.

Sunil Agrawal: Yes, one-time expenses I mentioned in my earlier comment - Rs.15 crores that we saw in the last two quarters will not be there in this financial year.

Ashish Kacholia: My second question is do you have any target in mind for the social marketing, like you mentioned for the marketplaces $5 million?

Sunil Agrawal: Still too early.

Moderator: Thank you. The next question is from the line of Vasu Lalan, an Individual Investor.

Vasu Lalan: Sir, if rupee appreciated significantly, will it impact our business or not?

Sunil Agrawal: There will be only positive impact for us because cost especially in India is largely rupee-denominated. So, Vaibhav will benefit if the rupee devalues.

Vasu Lalan: If it appreciated then like around 70 it goes back to 64 then?

Sunil Agrawal: If it goes to 64, the rupee-denominated labor cost will impact us adversely but largely if the cost is higher from India, we add our India markup send to our channels and the channels do their own markups, we do not have a long-term standard products, we do 100 new products every day, so new products will have its own margin. So, it would not be significant. So, either way it does not impact us significantly. If it weakens, we get exchange gains for the India business, but if it becomes stronger, there may be slight exchange loss but nothing substantial.

Vasu Lalan: I was reading annual report of FY'13. In last few quarters our ROC has been on increasing trend, it is a good sign. So, as we all know in FY'13 our company has ROC of about 60%. So, we may go somewhere around there something, today it is 37% and in FY'13 we have 60%.

Sunil Agrawal: We are hoping for that down the road. I cannot commit to that.

Moderator: Thank you. As there are no further questions, I now hand the conference over to the management for their closing comments.

Sunil Agrawal: I thank everybody for the robust participation in this earning call. If you have any further questions, please reach out to Dipti Rajput at VGL or Karl Kolah or Shiv Muttoo at CDR India. Thank you very much.

Moderator: Thank you. Ladies and Gentlemen, on behalf of Vaibhav Global Limited, that concludes the conference call for today. Thank you for joining us and you may now disconnect your lines.

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