Vaibhav Global Limited

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Q4 & FY20 Earning Conference Call Transcript
May 29, 2020

Shiv Muttoo: Good evening everyone and thank you for joining us on Vaibhav Global's earnings conference call for the quarter and year end 31st March 2020. Today, we have with us Mr. Sunil Agrawal - Managing Director, Mr. Vineet Ganeriwala – Company's Group CFO, Ms. Dipti Rajput – DGM, Investor Relations.

We will begin the call with opening remarks by Mr. Sunil Agrawal on the business operations, key initiatives and broad outlook followed by a discussion on the financial performance by Mr. Vineet Ganeriwala. Following the management's opening comments, we will open the forum for Q&A.

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

I would now like to invite Mr. Sunil Agrawal to start proceedings on the call. Over to you.

Sunil Agrawal: Good evening everyone and thank you for taking time to join us today on Vaibhav Global Limited's Q4 & FY20 earnings conference call. I wish you, your teams and your loved ones, health and safety.

Before we move forward, I take this opportunity once again to welcome Mr. Vineet Ganeriwala, our new CFO to the Vaibhav Global management team. Vineet comes to VGL with over two decades of rich experience across diverse industries and multiple geographies. Our erstwhile CFO, Mr. Puru Aggarwal will continue to be part of the core management team as President, Strategy and Business Development. With these changes, the management capital of VGL has strengthened further.

This conference call, I would like to first talk about business continuity during COVID-19 followed by the performance during the year.

The year 2020 began on an unexpected and a difficult note with the entire world coming to standstill due to the spread of the pandemic. Economic activity, manufacturing operations, global supply chains have been disrupted and consumption patterns altered at macro as well as micro levels. Despite the uncertainties over the last few months, our retail businesses i.e. Shop LC in US and Shop TJC in UK, have been operational throughout. Based on the announcement by the authorities in Texas, Shop LC operations are a part of the 'Essential Businesses' category and as per the UK government guidance, online retail businesses are encouraged to remain open. Ancillary services like delivery services remained functional all through the pandemic at both US and UK.

With customer at the heart of the business, we rapidly augmented product offering across our omni-channel sales platforms to include over 250 essential products including masks, sanitizers, health supplements, kitchen accessories, colouring books, board games etc. This enabled us to deepen our engagement with existing customer while expanding the new customer base. In addition, the traction on our retails platforms is supported by shut down of traditional retail in line with social distancing guidelines. To ensure undisrupted call centre functioning, the entire call centre was moved to remote workforce. We also initiated auto-routing to outsourced call centres to reduce the wait time. The integration of Five9 software into our IVR system that we undertook in Q2, provided strong support for managing high traffic on the platforms in recent months. Robust IT infrastructure helped create a "Borderless workforce" to support business globally with no latency. As a contingency plan, we built remote TV production and broadcast solution to ensure continuity in operations should the campus not be accessible due to the lockdown.

Coming to the supply side of the business – our global supply chain consisting of wholly owned subsidiaries in key sourcing geographies of India, China, Thailand & Indonesia. Over the past one year, the tenacity and immense value of robust supply chain has been put to test several times on account of external exigencies including the US-China trade war and the current pandemic. It is noteworthy that the supply chain has consistently delivered with prudent time to market and efficient product sourcing providing solid support to our B2C model. Coming to the specifics – there was a temporary shut-down in China at the start of the year, resuming operations on March 02, 2020. Units in other sourcing countries picked up the slack during that time. A lock-down in India led to temporary closure of Indian operations at the end of March resuming partial operations on April 27, 2020. China, Thailand and Indonesia filled the void during that time. We have been adhering to all the directives issued by government authorities across our global operations.

Now more than ever, our commitment to all our stakeholders remains un-wavered. With the well-being of our team at the core, we have taken appropriate precautionary measures to ensure safety and health of all our employees. Stepping up to the situation, we realigned our business to meet customer needs through uninterrupted supply of essentials. As an expression of gratitude to frontline healthcare workers, we donated ~127,000 masks to ~200 hospitals, care homes, police stations and even grocery stores. Extending support to the government in India, post announcement of the lockdown, VGL donated ~1.6 million meals to migrants and people in need through Akshay Patra in Jaipur, India. Overall, through our flagship CSR initiative, the 'One for One' program, we have provided nearly 37 million meals to school children across India, US, and UK since inception of our One-for-One Program 5 years ago.

Let me now take you through the operating performance and key initiatives during the quarter under review. I am glad to share that our global operations have been delivering on both societal as well as economic goals. On constant currency basis, Shop LC, US, marked a growth of 9% y-o-y and Shop TJC, UK, marked a growth of 17% y-o-y in Q4FY20. Despite higher returns witnessed during the quarter due to COVID, the Company reported strong profitability. We remain focused on strategic objectives of expanding the **4R's** underlying business performance – widening **R**each, growing new customer **R**egistrations, improving customer **R**etention, and increasing **R**epeat purchases. Success on these parameters has resulted in increased market share, higher margins, and strong cash flows.

In Q4 FY20, the number of TV households in our coverage stood at 99 million as compared to 100 million in the same quarter last year. Unique customers for FY20 at 3,61,915 increased from 3,42,577 in FY19. Average annualized quantity purchased by each customer on TTM basis is stable at 30 pieces per customer. The customer retention rate stands at 50% and is steadily improving.

Revenues have increased at a CAGR of 12% between FY16 and FY20, while EBITDA has increased at a CAGR of 39% during the same period. EBITDA margins have improved from 5.9% in FY16 to 14% in FY20. This has led to strong cash accretion, steady improvement in return ratios and growing pay-outs to shareholders. I am pleased to share that our Board of Directors approved a special interim dividend of Rs. 19.74 per equity share during the quarter and have recommended a final dividend of Rs. 7 per equity share.

In the current financial year, FY21, we continue to deliver secular growth in the world where last mile delivery has become the 'new normal'. The current industry disruption will cause long term shift in customer behaviour leaning towards home-shopping formats including TV and web. Ability of retailers to transform and adapt with agility will define their chances of survival. At VGL, we believe this is an opportunity to serve our customers with product offering that meets 'wants' and 'needs'. And given our strong operation and financial standing, we will emerge even stronger on the other side. As per IMF's world economic outlook projections, US output is expected to decline by 5.9% in 2020 and improve by 4.7% in 2021. UK output is projected to decline by 6.5% in 2020 and improve by 4% in 2021. Our current business model emerged during the global financial crisis of 2007-2008 when we created a niche for ourselves as a deep value discounter. Since then we have been committed to our core which serves us well especially in adversity. The current times favour those who offer deep value for money and the segment we cater to will only expand further give our value proposition. Given the Company's resilient operating structure and agility, in the medium term and short term, we expect revenues to improve in the range of 15-17% on constant currency basis for our B2C business with commensurate operating margin leverage owing to a relatively fixed cost base.

To conclude, I would like to express my sincere gratitude to VGL team, our customers, suppliers, for all the support and a special thanks to the frontline workers across the globe. With that, I now hand over the forum to Vineet to discuss financial performance for the period under review. Over to you, Vineet.

Vineet Ganeriwala: Thank you, Sunil. Good evening everyone and welcome to Vaibhav Global Limited's Q4 & FY20 earnings call. Hope you and your near and dear ones are safe and healthy. I am glad to join you all on my maiden earnings concall. Let me take you through our financial performance for the quarter and full year ended 31st March 2020.

At stated previously, effective 1st April 2019, the Group adopted Ind AS 116 "Leases", applied to all lease contracts existing on April 1, 2019 using the 'modified retrospective method' and has taken the cumulative adjustment to retained earnings, as on the date of initial application. Accordingly, Group is not required to restate the comparative information. A detailed note related to the said accounting standard has been shared along with the results table published day before yesterday.

Rapidly adjusting to the new normal, we balanced safety and business to deliver positive results. Revenues have improved from Rs. 462 crore to Rs. 498 crore y-o-y during the quarter under review. For FY20, revenue increased to Rs. 1,986 crore compared to Rs. 1,814 crore for FY19.

As you would know, the retail or B2C business has been our key focus - this currently constitutes about 97% of total revenues. We operate our proprietary TV and web-based platforms for direct customer outreach and this business grew by 14% y-o-y for the quarter and 15% y-o-y for the full year. We witnessed healthy growth in both the geographies. On constant currency basis, Shop LC, USA grew 9% y-o-y for the quarter and 13% y-o-y for the full year, while TJC, UK grew 17% y-o-y for the quarter and 19% y-o-y for the full year ended 31st March 2020. Towards the end of the quarter, we witnessed increased return rates owing to some nervousness in US around the pandemic. Mapping customer feedback with business results we promptly shifted the product mix to cater to the current requirement of our customers. With agility we introduced essentials while exploring future opportunities in this segment along the way.

As early adopters of the omni-channel distribution model, VGL continues to build a deep commitment to its customers through the diverse channels of television, web, mobile apps, marketplaces, social media platforms and several new age digital platforms. This integrated model allows cross-referencing of customers which favours business growth as the lifetime value of an omni-channel customer is meaningfully higher than a web only or a TV only customer. TV revenues grew by 16% y-o-y for the quarter and 11% y-o-y for the year. Web revenues, on the other hand, grew by 10% y-o-y for the quarter and 24% y-o-y for the full year. Within web, mobile sales constitute around 60% of the total web sales. Although we continue to report TV and Web sales separately, it is important to remember that both these channels are rapidly converging from the customers' perspective to create a symbiotic ecosystem.

Over the past few quarters, we have scaled down the B2B business as we consider it more opportunistic and not core to our longer term objectives. During FY20, we registered revenues of Rs. 69 crore in this business compared to Rs. 147 crore in FY19.

Over the years, VGL has created a robust supply chain with manufacturing and sourcing operations across US, Asia and Europe supplemented by some product ranges sourced locally in the US and UK. We are the only company in our peer group that has its own manufacturing set-up in addition to the direct sourcing offices that operate without the intervention of external agents. This allows us substantially high gross margins at around 60% levels. We have maintained such margins over the last several years across an expanding portfolio of products. Gross margins came in at 60% for Q4 and 62% for FY20.

During the quarter, EBITDA improved by 29% y-o-y to Rs. 60 crore and margins expanding by 190 bps at 12%. For full year FY20, EBITDA came in at Rs. 276 crore, growing 27% y-o-y compared to last year. Margins increased by 190 bps to 14%. PAT was Rs. 40 crore for the quarter, increasing by 22% y-o-y and margins improved by 100 bps to 8%. For full year FY20, PAT was Rs. 190 crore, expanding by 23% y-o-y. Full year PAT margins increased by 120 bps to 9.6%.

During FY20, we incurred capex of around Rs. 35 crore attributable mainly towards purchase of an adjacent factory building in Jaipur for Rs. 6 crore, investment of Rs. 4 crore in the solar power plant, and the balance towards Global ERP and equipment and furniture at new warehouses in US and UK.

Our operating model remains significantly cash accretive - operating cash flows for FY20 stood at Rs. 211 crore and free cash flows stood at Rs. 176 crore. For the fourth quarter, we reported operating cash flows of Rs. 68 crore and free cash flow of Rs. 61 crore. Our return ratios continue to expand - return on average net worth came in at 26%. A low debt structure allowed return on average capital employed to improve to 46% for FY20 as against 37% for FY19.

While concluding, I would like to say that we have delivered strong performance amidst the ongoing pandemic and a stressful environment. This was primarily on the back of proactive measures taken by the management supported by our strong Balance Sheet. Going ahead, we will continue to rationalize costs across all business functions and geographies while maintaining a healthy Balance Sheet. We are also confident of continuing our operating momentum and remain optimistic about the business.

With that I conclude my opening remarks and 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. We take the first question from the line of Pritesh Chheda from Lucky Investment. Please go ahead.

Pritesh Chheda: Sir, first question is, there is a interplay of lowering volume growth, higher realization but a lower GM, gross margins, so how should we read that and what should be the course direction here because the GM is down about 100 basis point for FY20 and about 200 basis point in quarter 4 with a plus 10% type realization growth, so if you could throw some light there?

Sunil Agrawal: As I mentioned in earlier calls also, we look at our business model as very agile, so we look at what customer is pulling from us, if it is a higher price point, we offer slightly higher price point but within our guidance of being value retailer and approximately half of what other retailers are. So, we have a certain range within our company, so we operate within that range from the price point perspective and the volumes are driven from the price point because customer has certain budget or some amount in their mind that they reach that level, then they may not go higher than that. Next point was about gross margin - our aim is to constantly monitor the gross margin to stay above 60% and from above that if there is 1 or 2% margin movement, we don't pay so much close attention because we have such a varied product line. Just to give you a perspective - we launch about 150 new products every day and with different margins in different products. So in a business like cement or Parle-G biscuit there are very few SKUs and they can maintain a certain constant margin within those limited SKUs. Our SKU base is very immense, so margin can vary a bit but as long as we maintain above 60% that is our internal guideline.

Pritesh Chheda: So I was a bit worried if the gross margins keep on going down, then there is a ceiling on the EBITDA margin or the operating leverage play but since you are saying that 60% is what you would look at and not go below that then the business model has a scope for operating leverage.

Sunil Agrawal: Correct.

Pritesh Chheda: My second question is, now there is an interplay of recession in the countries that you are operating and there is this direct pay out which has been given to the larger population there - so considering these two divergent elements, what do you think should be the course of business for the current financial year?

Sunil Agrawal: So we are giving guidance of 15 to 17% top line B2C growth in constant currency in combined business and corresponding operating leverage will be there.

Pritesh Chheda: Could you throw some colour in terms of, is it a customer pulse or any other data point that you are relying on for double digit growth?

Sunil Agrawal: As I mentioned earlier in my opening comments about our **4 R's**, so first is the **R**each, so we continue to expand the reach through television by way of having additional simulcast channels, through OTA markets which is over the air antenna markets which is expanding quite rapidly; through OTT, that is over the top on streaming platforms; through market places, there is Amazon, Walmart, eBay and Wish and through social DR**.** We had continued to expand the reach and the next is acquiring more and more customers. During the pandemic and during last couple of months, we have seen the **new customer acquisition** has been higher than normal due to essential products that we aired. We have aired 250 new essential product which are new to the business and that has attracted lot of customers and we are trying to transition those customers to main business, so far transition rate has been double digits and we are trying to increase it to higher double digits. And this third is **R**etention **-** we are constantly improving the retention, so we are standing at around 50% now and we are hopeful to improve that slightly over the years and the last fourth is **R**epeat purchase. Our repeat purchase is approximately 30. With new advent of customers that are coming in for essentials, it may not go up substantially during the year and go slightly low but all these four factors combined gives us confidence that we will attain 15 to 17% growth. In fact, the current quarter may see slightly higher than that, but the next quarter may see slightly lower due to US election. But for the current financial year, we are fairly confident of 15% to 17% year over year growth.

Pritesh Chheda: Have we formulated a pay-out policy for us, last year the PAT pay out was fairly high even considering the buyback - so have we formulated a dividend pay-out policy?

Vineet Ganeriwala: Yes, we have formulated a dividend pay-out policy and that has been posted on the website today as well. Our endeavour is to distribute to the shareholders, 20% to 30% of our free cash flow for the year. Of course, board while recommending or approving dividend, will take into account the other circumstances and may give special higher dividend or at times a lower one. But in general, the endeavour would be to distribute 20 to 30% and if you look at the pay out of the last year, the interim and the final dividend with the board have now recommended, both added together is about 25% of the total free cash flow for the last year.

Pritesh Chheda: And lastly sir, the UK business, until last year was not profitable or let us say low profitable and generating an extremely low cash flow, so what is the update specifically on UK business in terms of the profitability and the cash flows?

Sunil Agrawal: UK has been growing very well between 17 to 20% year over year. As I mentioned in my opening remarks, UK grew 17% for the quarter and 19% for the last financial year and we expect the growth rate to be similar or higher in current financial year and coming years as well.

Pritesh Chheda: My question was on the profitability there, the margin profile and the cash flow?

Sunil Agrawal: I don't have exact gross margin. Gross margin is overall very strong but profitability we don't split separately from the EBITDA perspective. Vineet, do you have more information on that?

Vineet Ganeriwala: UK business has been profitable since last couple of years, it has been quite profitable and right now it is sitting at a very healthy EBITDA margins, but like Sunil mentioned we don't report the profit number for both entities separately and only report the consolidated one, but yes it is quite profitable and generating healthy cash.

Moderator: Thank you. We take the next question from the line of Vikrant Kashyap from Kedia Securities. Please go ahead.

Vikrant Kashyap: Sir, my first question is, what is our mix of jewellery and non-jewellery segment and how do you see it panning in next 2 to 3 years?

Sunil Agrawal: Currently, jewellery is approximately 80% in US and about 60% in UK, rest is non-jewellery. Over the years, the non-jewellery will continue to grow as we find product categories that give us more profitability and per minute revenue and per minute margin compared to jewellery and what we look at per minute productivity ratio that consists of margin, new customer acquisition and overall consolidated revenue that includes the shipping revenue and the product revenue. So we look at all these product mix which combines into our matrix productivity ratio per minute and we constantly look at that matrix productivity ratio and based on that we take the decision of addition of a product line or exit of a certain product line. We don't have a certain target for that for the long run. We let each category earn its space into our product mix.

Vikrant Kashyap: You also mentioned in your opening remarks that you are looking to serve the customers with new product that serve the needs and wants and we have seen books as a category, say in Amazon and likewise other channels which is a big market for the online books - do you think or have you considered adding it to your product by catalogue?

Sunil Agrawal: Online book is a very traditional category and only suitable for very large players like Amazon or Borders. For us to get into that competitive product category may not allow us 60% gross margin that we have in the guideline but we do continue to monitor the additional product line as I mentioned in my opening remark that during pandemic we found the colouring books received great traction or board games received great traction or supplements, the vitamin supplements were accepted very well. So we will continue to monitor these categories and if they stand test of time after pandemic, we will continue to expand them but our guiding principle is, we have about 60% gross margin and each category must make the space by way of matrix productivity per minute.

Vikrant Kashyap: So you were driven by these four factors and you also mentioned about increased return ratios in US, so what are they right now and what were they earlier and do you think it will impact on your performance anyway going forward?

Vineet Ganeriwala: So returns in US hovers around 18 to 19%, in UK as a country it is little higher and hovers around 26-27%. In Q4, we saw an increase of about 2 to 3% because of this nervousness due to pandemic but in the coming months like in the current month, we see that it is again stabilized, so we don't foresee the return percentage to continue increasing further and it is again back to the normal return percentages which we saw in last year.

Vikrant Kashyap: We also talked about our increased focus on market places along with OTT and OTA, in social media also, have you seen any traction or have customer engagement has improved or have they started coming to our own platform from the likes of Amazon and eBay?

Sunil Agrawal: The business has rapidly increased on the platforms, so just to give an example in 2019-20, the business was approximately 120% more than year before on gross basis and in current financial year also, we are seeing such kind of growth on the market place. It is a small base but we are still seeing tremendous growth. The customer transition from marketplace to main business is still low single digits but even that is meaningful because when that customer comes in main business, their buying patterns are similar to our own acquired direct customers for digital platforms.

Vikrant Kashyap: My last question is, why our sales growth on web has been only 10% this quarter but this has been rapidly growing quarter-on-quarter, year-on-year?

Sunil Agrawal: Only for Q4 there were two factors, one was the year before, we have done massive promotion on e-com platforms, so that had high base. And the second is, in Q4 there was nervousness in overall business that reflected on lower overall growth rate, but we are quite confident that in current financial year, our e-com growth rate will be north of 25%.

Moderator: Thank you. Next question is from the line of Akash Singhania from Motilal Oswal Asset Management. Please go ahead.

Akash Singhania: I have a couple of questions, first is on, when we speak about let us say growth for more than 15% for the year, so this year is, I would say a special year because of the ongoing pandemic and since we are selling essentials now, growth could also be driven by the essential category, so I wanted to understand whether the outlook of 15% will stay for the fashion jewellery and fashion accessories as well?

Sunil Agrawal: We gave growth projections overall for the business Akash, so essentials are just approximately 15% of our business right now in the pandemic. That is not massive but what it has done is, it increased engagement with our customers tremendously, for example, if we sell them essentials like masks or sanitizers they really thank us for bringing it to them and combining that we give donations to the hospital and police station and care homes, so that improved the engagement substantially and new customer acquisition that we give this year has also helped it because of essentials. That will continue to help for many years to come. So as I mentioned earlier our growth is not just because of essentials it is because of **4 R's**, **R**each, **R**egistration of new customers, **R**epeat purchase and **R**etention and we continue to focus on all these 4 levers and we have a long way to go. Just to give a perspective, QVC's revenue per home in US is above $60, our revenue per home in US is $3, so we have long runway in front of us. We are a small player, very nimble and low cost structure.

Akash Singhania: So this is a new category for us, the essentials which we have started, let us say, in the last 2 to 3 months, so if we take a longer view, let us say 1 to 3 years would it remain, let us say in this 15-20% range and whether in terms of gross margins, it would be meeting the company criteria of 60%?

Sunil Agrawal: Yes, it is meeting the company criteria. There are some very low margins that we brought for customer engagement like pasta and rice but they are hardly 0.1% of sale. But the other essential like board games or colouring books or vitamin supplements or sanitizers or masks, they are giving 60% plus, our regular margin. So overall essentials are giving our matrix productivity requirements. In long run, if they continue that will be great but we don't expect the essential to continue to 15% or so. We expect other product categories as people become more relaxed and they continue to engage with other products like our lifestyle bags. Right now, people are not buying bags because they are not going outside, so the bags will start to take up when people start to go outside. The jewellery is low price point right now, but as the people become more relaxed they start to buy mid-price point or a little higher price point from us. But we are quite confident of our growth projection that we are giving to you.

Akash Singhania: And lastly, I think we have been having spectacular results, so good results since last few quarters and years and so in FY20, if I include the buyback as well, we almost distributed Rs. 150 crore in terms of dividends and buybacks which is almost 80% of PAT and more than 50% of cash flows and as it was mentioned now that we are looking at a policy of 20-30%, so that way going by the past year, are we contemplating a decline in the pay-outs because FY20 was really fantastic at almost 80% pay out to the PAT?

Sunil Agrawal: Our endeavour is to have certain portion of cash in the company if certain opportunity comes our way, although we are not actively looking for M&A opportunities, but we want to create certain cushion in case there is an opportunity. But if we don't see opportunity, like we didn't see last year, we paid it out. So, we will continue the similar practice in years to come. If you see the opportunity, we will utilize the cash, otherwise we pay it out.

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

Chintan Sheth: Sir, on the sales through EMI options, how that has performed and any delinquencies we have faced because of this nervousness in the market?

Sunil Agrawal: Our EMI sales is around 40% of our total sales is on EMI and during pandemic since our amounts are so small, so we have not seen any delinquencies during this pandemic. It has been now more than 2 months and we have not experienced any such thing. Only adversity that we experience was the high return rate, so that started to come in March, continued in April but that was towards what people purchased for Q4 and that we have fully accounted for in our books.

Chintan Sheth: And on the contracts with the TV broadcasters, how we are seeing any improvement or how the negotiations are going on right now given the weak environment currently?

Sunil Agrawal: This is a constant thing that we do, we do the weekly review of all the market places and wherever we find they are not performing to their potential we negotiate it down. If there is no negotiation, then we exit that market. So overall, it is a continuous review and we are not seeing any material change in that space.

Chintan Sheth: But you mentioned during the initial remark that we are converging between our web and online e-com side, be it TV and web are getting converging that way, so given the scale up of the website, do we foresee any curtailment in terms of TV spends going forward and that will push our EBITDA margin further higher compared to what we are currently reporting?

Sunil Agrawal: For most of the markets, we pay a flat fee of the entire platform, so whether we sell $1 per home through their platform or we sell $10 per home, some platforms have per home basis as well. So if there is a cord cutting happening on that platform then that will be reduced but correspondingly when the OTA is improving rapidly increasing as the market size and so that also we have to pay per home, so that will increase on other side. So in long run, we are not seeing any material change on air-time basis. My comment about converging of TV and web was to the fact that our business model is such that it covers both the spaces. I will give you an example, we have an online auction platform within our web where we start everything at $1 and people compete against each other and they bid against each other and it reaches whatever price it reaches, $1 starting reaches say $15 or $20. But that is mostly the exit of our TV product, so the small tails which are not doing well on television, not worth the airtime, so that we liquidate through this model, so that means the web and television is very symbiotic and also on the web we have a TV streaming, so all the TV is streamed through web, there is a good amount of revenue coming through that channel as well. Whether the TV broadcast is seen by people who don't have cable subscription or say, some people have a subscription and they refer to their daughter and their sister in another city where they don't see our cable and they will consume it via web but there is again symbiotic between television and web. Now the third is FPC platform on web. For that we constantly promote on our television, there is a discount on web, the TV host will encourage customers to go on web and take advantage of a promotion. So again, there is a continuous convergence of this model and symbiotic relationship between two models.

Chintan Sheth: And lastly on the US household data you pointed out just a bit earlier, is there any category you are focusing on, is the entire household universe for the US and UK that you are indicating, specific say urban or rural or some portion of the US market which is more relevant to you or it is a broad based household you are indicating?

Sunil Agrawal: So for the television signal, it is uniform all across US, so you must source the product which is suitable for large population of US. For web, we have ability to geographically segment the product feed, we have the ability, but we haven't really fully utilized the segmentation yet. That is in offing right now, we are investing our resources in that space but we haven't taken advantage of that capability yet.

Chintan Sheth: So basically the cable householder will be a good number to start with for us in terms of number of cable connections per household in US that will give a broad indication what you mentioned about $30 versus $3 we are at right now?

Sunil Agrawal: $3 versus above $60 that is correct, so that will be a good indicator, now you have to take into account the paid cable as well as unpaid OTA market, both are addressable for us. So cable paid homes are going down slowly but OTAs are coming up year over year.

Moderator: Thank you. We take the next question from the line of Ashish Kacholia from Lucky Investment. Please go ahead.

Ashish Kacholia: I have two questions, one is that our B2B sales have gone down to almost negligible level, are we to understand that it is no longer a focused business for us and these are the levels at which the B2B revenues will continue forever?

Sunil Agrawal: So, as Vineet mentioned, B2B is still opportunistic for us and we look at it when we look at an opportunity, or we need to exit certain product line, For example, say if you buy from an auction of some semi-precious material and give you certain grades for that, the rest is an exit into this opportunistic market. We have already exited the B2B sales to Macy's or to Evine or QVC that we used to sell, so that business has been exited but there are certain customers like QVC Germany, 123 television or certain other television companies that we sell directly from our India or China offices. So that will continue, if that continues to offer us appropriate ROI.

Ashish Kacholia: So it may not go up much from the current quarter's levels whatever?

Sunil Agrawal: We don't foresee at this time.

Ashish Kacholia: Secondly sir, you have just opened, I just saw your Shop LC on Instagram, so what is the initial response of customers on this stand?

Sunil Agrawal: Instagram is a great initiative, thanks for asking this question. So we started about 5-6 months ago, influencer program on Shop LC, so we partnered with a platform called Pixlee. Pixlee has about 250,000 influencers registered on their platform that are relevant to us and our team is reaching out to hundreds of those influencers to post our product to their followers. For some of the influencers, we have to send our box to them of a product free of charge and then they take the picture of that jewellery or accessory on them and they post to their followers and they get that box for free in return. Some influencers are for revenue sharing, so whatever revenue they will generate we would share part of revenue with them. So that is a very exciting platform for future growth. We have also contracted another platform called TV page. That also has ambassadors and influencers linked to the platform whom we can tap for our growth of the business. So far the revenue is small but this offers much exciting avenues for company's future growth and we have dedicated people both in US and UK for that platform to take forward, some very capable people.

Ashish Kacholia: And what about TikTok sir?

Sunil Agrawal: We have not done anything on TikTok. This is still a new platform for us, Instagram and Facebook, we wanted to leverage that and get traction there before we take up any new platform but thanks for the suggestion Ashish, I will keep that in mind.

Ashish Kacholia: On TikTok, a video is only a minute. I think it is a really buzzing platform from the low price point merchandise point of view.

Sunil Agrawal: TikTok is a very popular application in India and China. But in US and UK it has not yet caught on as much as Instagram or Facebook but I will definitely explore that. Thanks for sharing.

Moderator: Thank you. Next question is from the line of Sabyasachi Mukerji from Centrum Broking. Please go ahead.

Sabyasachi Mukerji: Couple of questions on Q4 results and then probably I will go to FY20 results, Q4 so if you can quantify the impact of COVID-19 in terms of revenue or in terms of EBITDA that would be helpful because if I see that there has been some impact in terms of margins - gross margins have come down from a quarterly run rate and also the EBITDA margin is not up to the mark if I see so, if you can quantify the impact of COVID-19?

Sunil Agrawal: I don't believe we have separately quantified the COVID impact on the business, but I can give you qualitative information, one is that we paid some extra incentive to our warehouse employees in both US and UK to come, so there was $2 per hour that we paid to them. Anybody else who came for like studio staff or IT staff or some merchandizing staff who came into our buildings, we paid extra incentive to them both in US and UK. I don't have exact number, how much that spend was. Second thing is the return rate increased that Vineet mentioned and gave colour on, both in US and UK the return rate increased in March and April that we accounted for all in Q4 because whatever return came for that period we accounted for as per the regular standards. So I don't have exact numbers but what I can share with you is that current financial year or even current quarter we will see 15 to 17% constant currency growth for both combined businesses and the corresponding leverage for the business and minimum 60% gross margin.

Vineet Ganeriwala: May be to add Sunil, we don't see an EBITDA growth decline in the quarter, so Q4 EBITDA growth year-on-year was 29% which is quite similar to the earlier quarter, so while we see a return impact but we have managed well to offset by our cost optimization which we launched in the last quarter and we don't see an EBITDA impact.

Sabyasachi Mukerji: I just meant that if I adjust for the Ind AS impact your EBITDA margin for the quarter is 10.4% vis-à-vis the run rate of last 3 quarters of around 15%, 13%, much higher, so I thought that may be some impact due to COVID-19?

Vineet Ganeriwala: Part of the margin is also seasonal, so if you look at Q4 over Q4 of last year, we did expand by about 190 basis points in terms of margin and even if we adjust the lease impact out of it, I guess the margin expansion is still 100 basis points in the quarter.

Sabyasachi Mukerji: Second question on the consumer behaviour as Sunil mentioned that there are almost 250 essential items that you have rolled out and that customer engagement has been terrific, is that something to do with the gross margin dip little bit of dip that we have seen in the quarter because most of these items would be I guess traded if not manufactured, is that a correct understanding?

Sunil Agrawal: As I mentioned earlier also that our gross margin on essential as a category is 60% plus similar to our overall business requirement, so the essential has not impacted the gross margin as such. What might have impacted in Q4 slightly was that we ran clearance in both US and UK and we discounted products slightly more owing to the environment and our essential had not landed with us at that time. Some essentials had landed in the UK - US started seeing some essentials coming into us towards very fag end of quarter. So essential didn’t impact but extra discounting in jewellery to keep the momentum going might help.

Sabyasachi Mukerji: On the guidance of 15 to 17% constant currency growth, your FY20 B2C revenue growth if I see is 15% approx. and if I remove the currency part, what is your average USD realization, USD annual if I may ask for FY20?

Sunil Agrawal: As I mentioned, in US we grew 13% for the full year in USD terms and 19% in UK in pound terms.

Sabyasachi Mukerji: Yes, and both put together I think that is approximately 14.5%.

Sunil Agrawal: So it depends on what currency you put in? If you put in US dollar, probably it will be around 14, if you put in pounds, it will be probably around 16-17% because pound devalued against dollars but if you convert them in rupees, it was 15% growth year over year for the B2C revenue.

Sabyasachi Mukerji: So my question was 15 to 17% constant currency growth that you are guiding, is it volume led or is it ASP led, anything you want to put a colour on that?

Sunil Agrawal: We don't want to emphasize too much on our volume because as I mentioned earlier we let the customer dictate what they want to pull in at any given time and we are very agile in terms of bringing the right product what customer is looking for as we demonstrated with essentials in our Q4 and in current quarter. So it may move a little bit, so I would encourage you to look at in total terms of dollar revenue in constant currency terms, so if you want to create a model and if the model is volume led, I encourage you to look at the model of whatever average price point of last year was. So for the model perspective, the volume or revenue increase will be same.

Sabyasachi Mukerji: The reason why I asked is, your ASP has actually seen a dramatic increase especially if I look at the TV space almost touching $29, $30, do I expect it to remain in the same range in FY21 as well?

Sunil Agrawal: Current quarter, the ASP is lower than what you saw in last quarter or last year because of essentials but again I don't want to give the guidance on ASP, I request you to keep the total overall margin at 60% plus and the revenue growth of 15 to 17% at same ASP as last year.

Sabyasachi Mukerji: Last question on the net addition of unique customers if you can just provide for the quarter and full year?

Sunil Agrawal: I shared the total year numbers with you, but quarter number, Vineet do you have the data in front of you? Year number, I shared was 361,915 for this financial year and 2019-20 versus 342,577 in FY19, so there was an increase of approximately 20,000 customers.

Vineet Ganeriwala: The unique customers increased by about 6.6% for the quarter, the Q4 FY20.

Sabyasachi Mukerji: 6.6% and if you can help me with the number in Q4 FY19, so that I can get the Q4 number?

Vineet Ganeriwala: So our unique customers for Q4 FY20 was 1,78,000 and for Q4 FY19 was 1,67,000.

Sunil Agrawal: So one thing to keep in mind that we gave unique numbers in trailing 12-month basis. So even for the 361,915 number is trailing 12 months. This is the end of the year, so it doesn’t matter but even for next quarter when we give this number is on trailing 12-month basis.

Moderator: Thank you. We take the next question from the line of Tanvi Jain from Hem Securities Limited. Please go ahead.

Tanvi Jain: My first question would be, sir, do you see a change in consumption pattern given the current pandemic situation and given the fact that approximately 70% of the revenue generated from the fashion jewellery item, besides the fact even though we have 15-20% coming from this essential category, but how do we see it because it is already projecting a growth of 15-20%, so if you could just answer the first one?

Sunil Agrawal: As I mentioned earlier also, we are seeing a good traction on the lower price point jewellery and accessories. So for example, there are many jewellery that people want are low-price jewellery right now. For e.g. crosses, rosary has started to sell very well. Our jewellery with love, affection, like charm bracelets and jewellery which is family denominated has started to sell well, so since we are very agile we go with what the customer is looking for and we get to the customer very rapidly. So this kind of emotional jewellery is doing very well. The investment pieces are not doing very well right now, so we have reduced the airtime devoted to that kind of product, so lower price point and mid-price point are doing well. And if the economy goes back to a strong footing, we will bring those higher price point back up again and bring those handbags back up again, handbags are not selling right now, for example, earrings are selling very well because people are in zoom meetings, so earrings are visible but not as much as say rings, because rings are not as visible on zoom meetings.

Tanvi Jain: Sir, just a question on this, to the low price product with jewellery items, they have a similar margin as that of the high price product?

Sunil Agrawal: Correct, they have similar margin.

Tanvi Jain: And this one last question that is on the supply chain side, you said that you have supply chain issues in India due to the lockdown but that was partly offset by other subsidiaries say, in Indonesia, China and other places, so are these subsidiaries exactly complemented to each other, so if one is not able to supply anything that will be compensated by other subsidiaries or how do we look at that?

Sunil Agrawal: Yes, we are able to source from those countries as well, from outside vendors level, only India is our own factory, rest all these three locations are outsource model, so we can source products that are suitable for customers at that time. They don't replicate exactly but our agile business model allows us to modify the product offering to the customer. If we were selling Parle-G biscuits then it will be difficult but we are very agile in terms of what we can offer to the customer at certain point. Just to give an example, the essentials like sanitizers or masks or board games or these kind of product came in from China during pandemic and that worked very well for us and products like turmeric or amla powder or cinnamon powder, that came from India. Even during lockdown we were able to ship those product because they were essential product, we were able to ship them from India and that went very well for us. So, we are very agile in terms of what product customer needs and we are able to modify our offering based on what they are needing and what we are offering.

Tanvi Jain: Next is a repeat question, so even on the outsourcing, when while you outsource products from these other factories you enjoy a similar kind of margin?

Sunil Agrawal: Yes, we do.

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

Chintan Sheth: Just a clarification on the essential products which you introduced this quarter, you said it contributed about 15% to the revenue in 4Q?

Sunil Agrawal: Not Q4, Q4 was just about 3 to 4%, but there is current run rate, so in current quarter.

Chintan Sheth: So even if I adjust that growth will be slightly lower, not materially lower?

Sunil Agrawal: We are very confident of 15% to 17% growth in current quarter and current financial year or even mid-term, next 2 to 3 years as well.

Moderator: Thank you. We take the next question from the line of Pritesh Chheda from Lucky Investment. Please go ahead.

Pritesh Chheda: So just a clarification, you mentioned that the web growth rate will be 25%, e-com growth rate when you are mentioning, e-com growth rate 25% for that refers to the web, right?

Sunil Agrawal: Correct.

Pritesh Chheda: So now in this, the portal and everything will get included, right, the market places, the social media portals, everything will be included here right as e-com growth rate?

Sunil Agrawal: Correct and this is minimum that we expect, it will be north of 25%.

Pritesh Chheda: And my second clarification is, you were mentioning one figure at $60 per household and you are at $3 per household. I couldn't catch what you are actually referring to?

Sunil Agrawal: QVC, US revenue is above $60 per household and Shop LC, US is about $3 per home.

Pritesh Chheda: But let us say in the jewellery category any further breakdown if possible whereas in jewellery category how they would be and how we would be stacked up?

Sunil Agrawal: We do not know the exact jewellery number but we are mostly looking at per minute revenue because customer would respond to what product we offer or they offer. We are giving say 5% air time to jewellery, you can't extrapolate that to 100% of the time.

Pritesh Chheda: So now you are referring to per minute revenue and what is the difference there between us and QVC, US?

Sunil Agrawal: Above $60 per home per year revenue.

Pritesh Chheda: Perfect, $60 is per household per year?

Sunil Agrawal: Yes and we are $3 per household per year.

Pritesh Chheda: Anyone in the middle between you two, any other players and what would be their statistics?

Sunil Agrawal: So Evine, they are called ShopHQ in US and JTV are below $10 per household per year.

Pritesh Chheda: What does ShopHQ sell?

Sunil Agrawal: So they sell lot of watches, jewelleries, so 43% of the revenue come from jewellery and watches and the rest comes from beauty and others. They are called iMedia brands, they are publicly listed iMedia Brands. QVC is called Qurate and so you already have the information on them and the third is the Jewellery TV that is a private company. Their revenue is $500 to $600 million revenue and I would say they are about $8 assuming they broadcast to the similar number of homes as we do in US.

Pritesh Chheda: But JTV is purely jewellery, right?

Sunil Agrawal: Yes, so purely jewellery they are doing $500 to $600 million from about 75-80 million homes that they must broadcast to; so they make it about $7.5-$8 only from jewellery.

Pritesh Chheda: And for iMedia what is the contribution from jewellery?

Sunil Agrawal: The jewellery watches is about 43% of the revenue and rest is other products.

Pritesh Chheda: And they are also about $700 million, right?

Sunil Agrawal: They were about $600 million as of last year. Recent quarter, they have declined their revenue substantially because they had a change in ownership and new owners could not really come as well, so they have reduced their revenue run rate quite substantially.

Moderator: Thank you. Next question is from the line of Pulkit Singhal from Motilal Oswal Asset Management. Please go ahead.

Pulkit Singhal: Just strategically, I mean that chart was interesting where you have shown the FY16 to FY20 kind of transition on product mix, on channel mix etc., so just trying to take that forward to say in the next 4 or 5 years, so would it be fair to say that jewellery as a proportion would actually come down for say 78% from the full year to 50% or 55% odd in the next 5 years continuing the same trend as what you see in the US?

Sunil Agrawal: Projecting for 5 years for product mix is difficult for us as I mentioned earlier. We let the product earn its space in terms of matrix productivity ratios we have in place, so we constantly monitor the matrix productivity ratio for hourly basis and also product category basis, on buyer basis. We let the product category earn space in terms of our gross margins and also in terms of matrix productivity ratio per minute that we calculate, so I can't project what the ratio will be, but my intuition is that jewellery will slowly decrease as the ratio of total business but every product that comes in has to find its space in terms of gross margin and productivity ratio.

Pulkit Singhal: I am coming also from the perspective that in QVC long back would probably have a higher share of jewellery and they have also somehow found jewellery to be a lower part of the mix as we stand and think over the last 15-20 years and to that extent the consumer pull has been towards some of the other categories as well. So it seems just looking at your last 5 years and next 5 years would go down but I just thought I will get your comments on that?

Sunil Agrawal: That is a good assumption because I remember when I started selling to QVC about 25-30 years ago, at that time their jewellery was about 30-33%, now they are below 10% because they found the new customer acquisition is higher in non-jewellery product. So jewellery is pretty low in terms of new customer acquisition.

Pulkit Singhal: And similarly continuing the same on the channel mix, as the web platform goes up, is it fair to say, I understand that many of them may be coming online looking at the TV, but at least for the television you are paying a contract cost and for web I am assuming the content cost or the cost for that platform would be lot lower. So does that provide a huge amount of leverage as that share goes up?

Sunil Agrawal: Yes, for air time if the cable cord cutting continues and goes rapidly down then some contract that we have on per home basis or even the fixed contact when we renew them, we renew them lower based on their home numbers, so that may go down and some markets like OTA we shall be increasing the number of homes, so that go up but in long run there may be some savings there but not meaningful. Our benefit will come from leverage afforded to us by revenue growth where the costs are largely fixed.

Pulkit Singhal: But for web, the platform where you sell online, there is no content cost out there or very limited content cost unlike a TV customer?

Sunil Agrawal: Except the marketing cost, customer acquisition cost is there, for a new customer acquisition for example if you are doing digital ads, the display ads or PPC campaigns, there we have to pay per customer acquisition. Market places, we have to pay as a percentage of revenue, say influencers as that business increases there is a percentage of revenue that will be given to them.

Pulkit Singhal: And that would be lower than your current pay TV content cost, whatever percentage of revenues are going out, is it a higher margin channel is what I am just trying to understand?

Sunil Agrawal: It goes differently, for example, social DR that we just started recently few months ago. There the advertising evident to Facebook is slightly higher because it is starting up right now, but as we scale up, as we understand the business it will go down, so there is a potential for additional leverage there.

Pulkit Singhal: Next question, your constant currency growth has been 14 to 16% in FY20 but the depreciation of dollar to INR has been around 7 to 8%, so why are we not able to see that in the INR revenue growth, I mean why is that not coming to 20-22%?

Sunil Agrawal: The pound has devalued against dollar and when you look at rupee to pound, the INR has not devalued against pound

Pulkit Singhal: So it is completely offset the benefit from dollar, INR just what you are saying?

Sunil Agrawal: I don't have exact numbers but maybe Dipti and Vineet can do it later and share with you to some extent and some of the various B2B sales have decreased year over year that is why we don't see our total revenue growing that much.

Pulkit Singhal: Sir, last question, the companies have been giving us an idea of how vast revenue growth has been because that is kind of like a one-off and they have indicated us to how April and May we are going so, if you could mention at least how Jan-Feb together versus March was, so that we know what the run rate is and how April and May are showing up?

Sunil Agrawal: I don't have exact number but I remember March for US was about flat, slightly higher than last year. UK, March was about 15% growth year over year, but I don't hold me to these exact numbers and that is from a memory I am telling.

Pulkit Singhal: And April-May have recovered to more or less or higher than the Jan-Feb level?

Sunil Agrawal: Correct, they have, as I mentioned in March, so just to give you some colour on that. In March, we didn't have the new product coming in the full flow that we saw in April and May, while the return rates were higher. So that was the reason for subdued growth in March.

Moderator: Thank you. We take the next question from the line of Aditya Mehta, Individual Investor. Please go ahead.

Aditya Mehta: Sir, one side you are saying that the lower price jewellery items are moving fast and on other side we see in the presentation, the average selling price has increased, ASP of all products have increased, how has this been this possible?

Sunil Agrawal: The change will be reflected in current quarter Aditya. In Q3, as I mentioned our new product inflow didn't fully come in at that time, so we continued to sell in March and in January-February it was business as usual.

Aditya Mehta: So in current quarter, we are expecting our ASP to come down?

Sunil Agrawal: Yes, to some extent.

Aditya Mehta: And just one more thing, could you please give up the breakup between jewellery and lifestyle products in Q4 specifically for Q4 only?

Sunil Agrawal: Vineet, can you share that number if you have it?

Vineet Ganeriwala: Yes, so jewellery sales in Q4 were 78%, so lifestyle was 22%.

Aditya Mehta: Same as annual figures?

Vineet Ganeriwala: Yes.

Aditya Mehta: And one more thing regarding the finance cost, though it is very small number around Rs. 4 crore per quarter, it has doubled if you see it to the previous quarter, how is it possible even though our borrowings have remained the same?

Vineet Ganeriwala: Because of the accounting standard, part of the exchange loss on the dollar loan is reclassed with this finance cost and also because of the Ind AS accounting standard which we mentioned, so we get a little benefit in EBITDA but that gets partly compensated in this finance cost in the form of accounting standard reclass of interest for the leases, so these two reclassifications if you remove that, our finance cost is almost flat year-on-year.

Moderator: Thank you. We take the next question from the line of Mr. Lokesh, Individual Investor. Please go ahead.

Lokesh: Sir, my question is, in your presentation on slide number 9, you have mentioned that mobile sales contribute 60% of the web sales, so when I do plain arithmetic, then this mobile sales comes somewhere around Rs.360 crore of the total sale, I just want to know whether these mobiles are branded mobiles like Apple, Samsung and all or these are cheap mobiles which are importing from China, Taiwan and all?

Sunil Agrawal: I think you misunderstood this point. The mobile sales means sales through mobile platform that means we track desktop and mobile as two separate categories of new generation.

Lokesh: It is like sales through mobiles through app or something. Sir, another question is sir we have approximately Rs. 63 crore debt in our books, is there any plan to repay this debt and make our company look debt free?

Sunil Agrawal: So this is working capital debt, so we have large credit line in India and UK and we are utilizing very small portion of this credit line and we keep the credit line alive in case we need the financing in future. So you will see our net debt is negative, so that means we have substantial cash in our balance sheet, so we use small portion of that.

Lokesh: Is there any measures we are taking for reducing cost because our cost structure is like we have a high operating leverage wherein our fixed cost is very high, so in case of any eventuality or slowdown in the US while you take in the mean future, so how are we preparing for that if we are doing something, can you throw some light on that?

Sunil Agrawal: Cost reduction is our constant endeavour. We are a very low cost company compared to other players in US and UK, so there is a constant endeavour and given the pandemic, we are trying to be more frugal into the cost but our large portion of our cost is manpower and air time. For us, both are kind of fixed because of our business volume and reach and also we took a conscious decision during our lockdown in China and during our lockdown in India we paid the salary for people completely without any reduction even though none of people were able to work there, especially the factory workers, so we took the decision and we paid full.

Moderator: Thank you. We take the next question from the line of Kapil Banga, Individual Investor. Please go ahead.

Kapil Banga: So, I have two questions related to customer acquisition and customer engagement. The first question is around the unique customers that the company has, though the numbers have increased as compared to the last year but given the size of the market the current market showed that VGL has the substantial potential to increase it further and we are doing, customer addition looks below the potential, so are we innovating enough to bring in new customers within the core competencies and so this customer addition has increased, what is your view on this number going forward?

Sunil Agrawal: You are right, market is pretty large, but our principle has been prudent investment into customer acquisition unlike many other e-com players and no disrespect for their business model, they have done very well, but our strategy has been to prudent investment into new customer acquisition channels, whether it is through television by acquiring new channel positions or through web marketing, buying the customer and spending large sums of money. So we look constantly at ROI, for example I will give you background that TV channel broadcasting cost, we have a cadence already set for every new market that we get in, so we have a cadence of 30 days, 60 days, 90 days, 6 months, 1 year and 1-1/2 years. If any market don't meet that cadence then we will have to exit that market and for example same for e-com customer acquisition. So, there are certain strategies are not working like key word or display ads that are not working, we will stop that. If we were to burn more money, we can probably acquire more customers quickly but that will be against our business model of constant 15 to 17% growth at EBITDA growth with operating leverage.

Kapil Banga: I had a query more on the product innovation side, so I certainly feel that product pull would result in better customer acquisition rather than incurring more on channel cost or new or creative marketing programs, so on the product innovation side, the traction could have been better.

Sunil Agrawal: Yes, as I mentioned earlier we have about 150 new products every day, so there is a lot of energy that goes into bringing new product in and that is one of the key drivers of our revenue growth year over year in a competitive market like US and UK while other retailers are not growing anywhere close to that.

Kapil Banga: Second and last question again on customer engagement side, so I keep checking the reviews of Shop LC app on the Google play store, on the Apple store, there is not much traction in the downloads of the app and the reviews that have been put, though the share of revenue that is coming from mobile app is going up as mentioned in your presentation but the number of downloads and the number of reviews are moving at a modest pace, any initiative?

Sunil Agrawal: That is a great observation Kapil, thank you for bringing that up, so that is true that the mobile app revenue for us is relatively low compared to total mobile sales. So mobile sales is largely from responsive website or through browsers compared to the app, so we have put in the initiative recently. Recently, we hired in a CTO who comes with 20 years of experience on television and e-com space, so he has put in a new vendor and a new team together and he is working to build the team to accelerate our mobile app as well as mobile engagement with our customers. So in coming years we will see a more robust growth and more rapid downloads into this space but it will take time, so don't expect in next quarter, but it will happen few quarters down the road and few years down the road.

Kapil Banga: I will just squeeze in one last question, so with Shelter-in-place in US has led to better growth for entities which have been providing online platform like yours online and TV platform, so was that a tailwind for you also for the month of April or it was business as usual?

Sunil Agrawal: To some extent it was.

Kapil Banga: Okay and in the absence of that tailwind going forward as other offline channels catch up again, you see the growth moderating?

Sunil Agrawal: Since we have lot of initiatives in place that have been there for quite some time, we expect those initiatives to play and continue our growth even after this tailwind ends.

Moderator: Thank you. Ladies and gentlemen that was the last question for today. I would now like to hand the conference back to the management for their closing comments. Over to you.

Sunil Agrawal: I want to thank all the participants in the Q4 investor conference call. Once again, I reiterate my immense confidence in our robust business model that does very well in good economy as well as in adverse circumstances as it is currently. Finally, I wish you and your loved ones a lot of health and safety. Feel free to contact Dipti Rajput or CDR India if you have any further question that we can help you with. Thank you.
