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Conference Call Transcript
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Karl Kolah Good evening and thank you for joining us on Vaibhav Global's results earnings call for the second quarter and first half ended 30th September, 2017. Today, we have with us Mr. Sunil Agrawal, Chairman and Managing Director and Mr. Puru Aggarwal, the Company's Chief Financial Officer.

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

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

Puru Aggarwal Good evening everyone. I warmly welcome you all to Vaibhav Global's Q2 & H1FY18 earnings call. I will begin with an overview of the key financial highlights for the quarter under review. Before I commence, I would like to state that this is our second quarter of Ind-AS reporting and Q2FY17 results have been re-casted and re-grouped wherever necessary to make it a like to like comparison

We maintain a positive growth trend in the quarter under review. Whereas INR denominated revenues increased by **2%** YoY at **Rs. 352** crore, our retail segment revenues expanded by **11%** to **Rs. 322** crore. Retail revenues, as you know, are derived from selling fashion products, including fashion jewelry and lifestyle accessories, on our TV channels and e-commerce websites in the US and UK. In constant currency terms – US and UK retail revenues expanded by **15%** and **19%** respectively. This is substantially higher growth trajectory than our guidance of low double digit growth in constant currency terms. INR translation revenues of the retail business were impacted due to INR appreciation. In addition, there was a lower revenue contribution from our B2B business during the second quarter.

This strong retail performance in Q2 is a function of **5%** volume growth and higher ASP that increased by **10%** YoY.

In the web business, we saw growth across all segments including full price catalog sales, rising auctions and sales via TV content streaming on internet and app based web platforms. As you know, TV viewership on non-traditional platforms has been rising globally. We are seeing strong growth in sales that are facilitated by our TV broadcast made available on web, which is gaining popularity.

During the quarter, we maintained strong gross margins, which stood at **63%**. Higher revenues from retail segment that contributed **91.5%** of revenues in Q2 compared to **84%** in the same quarter last year led to expanded gross margins. This displays the key strength of our unique business model of manufacturing and sourcing quality products at highly competitive prices that allows us to offer a deep value proposition to customers.

EBITDA (Including exchange impact) increased by **82%** YoY to **Rs. 31** crore in Q2, growing from **4.9%** last year to **8.8%**. EBITDA expansion has been achieved based on higher revenues and leveraging of a largely fixed cost base. We foresee the same trend to continue going forward. PAT for the quarter increased from **Rs. 9 crore** to **Rs. 20 crore**, as profit growth once again outpaced topline growth.

On the balance sheet front, I would like to highlight that working capital has increased as on 30th September as we are building requisite inventories coming into the holiday season. We hope to see good uptake of our products from Christmas and New Year demand during Q3.

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

Sunil Agrawal Thank you, Puru. I welcome you once again to Vaibhav Global's Q2 & H1 FY18 earnings conference call. Puru has given you an update on the financial and operational performance for the quarter and first half of FY 18. I will now give you an overview of the operations and our growth strategy for FY18.

We continue on the momentum of uptrend in financial and operating performance with mid and upper teen double digit growth from both US and UK markets in constant currency terms. This is on the back of higher market share by delivering deep value to customers. Following this strategy, Vaibhav Global has achieved the position of becoming one of the few Indian companies to create a significant and highly profitable retail franchise in the most developed of global markets.

Budget Pay is now available across all geographies and mediums. We expect this to continue to contribute positively to business momentum.

It is our endeavor to increase traction in the 113 million households we reach across the US and UK, with engaging storytelling and on-air guest experts. The Mobile Apps have also been garnering good response from our customers. We continue to explore new mediums to attract additional customers. Just last quarter, we initiated sale of select products on various online marketplaces like e-Bay, Amazon, Walmart, Jet.com among others. The objective has been to reach out to a larger audience and also enhance overall experience and customer engagement.

In the US, other recent initiatives include adding scanners functionality to backend warehousing operations and multi-level auctions for saving TV airtime cost and giving customers multiple buying options. We have also initiated implementation of Baldridge quality framework in our entire US retail operation. We believe that this framework will positively impact all areas of our retail operations in mid and long term. In the UK, we launched many popular brands like Hellen and Whittle; Nicole Scherizinger; Lauren Stone, Kalvin Klien etc., with strong customer response.

We launched our One for One program at our UK retail operation over two years ago. Under this program VGL distributes one mid-day meal to a hungry child for every item sold at TJC UK. We have already distributed over ten million meals since inception of the program. Customer response for the program has been tremendously warm. Our team at UK is also highly engaged with this beautiful purpose we have adopted for the organization.

I would also like to highlight some key customers and the data points that we track. In Q2 we added about **40,000** new customer registrations and we now serve over **340,000** unique customers on an annualized basis. Repeat buying activity for our customer is at **19.4** times as against **17.2** times on an annualized basis year-over-year. TV, average selling price increased to **$26.1** as compared to **$23.7** last year while web ASP was **$20.4** compared to **$17.1** in Q2 last year. Average annual quantity purchased by each customer during the quarter is at **27.7** pieces versus **24.6** pieces in Q2 FY17. Customer retention rate now stands at **48.4%** both in the US and UK.

Before closing, I would like to reiterate that we will continue to bring deep value to our customers by leveraging our manufacturing base in India and sourcing from micro markets across Asian countries. We have significantly differentiated capabilities that are reflected in our gross margins of over 60%. We have undertaken several initiatives and infrastructure upgrades over the past few quarters that will only further aid overall customer experience, create stronger visibility and enhance our operating and financial performance. We are confident that our unique business model has tremendous growth potential to deliver value across all stakeholders. We expect to deliver mid teen double digit revenue growth for the rest of the year. This, we believe, will allow better apportionment of our fixed cost structure.

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

Moderator Thank you very much sir. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Ronak Jain from Vibrant Securities. Please go ahead.

Ronak Jain Do we ever in the future think of shifting a model from a TV based seller to a web-based seller only?

Sunil Agrawal TV based seller is actually, we must start with the video-based so live programming on video. That is our USP. Even 20 years from now, 30 years from now when people will consume the content through web our USP will be live programming and that I think we have developed over last 11 years and that is our USP. We will continue to push that medium as in the commentary by Puru and myself you might have noticed that the live content that we broadcast through web has now been growing very rapidly. So, people are consuming that through web if I have answered your question.

Ronak Jain I just wanted to understand, like the cost on the web based live programming would be way lower than the TV based programming, the one that we broadcast on the television?

Sunil Agrawal The TV we pay by per home broadcast we carry through the platforms. So, for foreseeable future we will continue to pay to them as long as that model is in place. I think that model is going to be there for many years to come, maybe 15-20 years, we don't know. So that cost is going to be there. On the web if somebody buys from web there is no additional cost to that.

Ronak Jain Is there any differentiation between the age group that are buying from the TV based live programming that we do and from the web-based live programming that we do, do we have the data?

Sunil Agrawal We don't have specific data for the live versus live. But we do have data for web catalog customer versus TV shoppers. So the average age of web catalog shopper is about 10 years younger.

Ronak Jain What is the age range that if you could give me?

Sunil Agrawal On television it is from 40 to 70 years, on web I don't have specific data right now. They still may be some more than 60-year-old here and there, but on an average it is 10 years younger.

Ronak Jain We have seen a huge increase in the average selling price on the web sales, so can you give any guidance, as we are a discount retailer, our prices are almost 1/3rd of our closest competitor. So, the increase in the average selling price would be harmful to us. We should be capping it to a particular price if I'm correct on that.

Sunil Agrawal It is true, our competitors are in $58-$60 range and we need to be substantially lower to them to keep our differentiation. That is why we have kept differentiation, so our average across the board between TV and web which is around $25 which is substantially lower than our competition.

Ronak Jain And do you see that increasing ways on moving forward?

Sunil Agrawal There is no plan, there will be some movement plus minus 10%. But we expect to keep that clear differentiation.

Ronak Jain So the revenue growth that we will see is will be only based on the increase in the volumes?

Sunil Agrawal In longer-term, yes. From quarter to quarter they can vary depending on the product mix because some product mix for example we sold lot of wigs last quarter and wigs average per spend is higher. Sometimes we can mix depending on the trend and depending on the mix, but we will keep a clear differentiation.

Ronak Jain Any plans of getting into some newer geographies?

Sunil Agrawal No plan yet. Within these geographies we see a lot of potential, especially given our revenue per household is just about $2, our closest competitor is about $7 and then leader is $60.

Ronak Jain You were there in Canada also if I'm not wrong a few years back, so have we stopped the operations in Canada?

Sunil Agrawal In Canada, we never had independent operation, but we were broadcasting US signal to Canada, that we stopped because the ROI was becoming very low. What happened was when the Canadian dollar was very strong they were buying a lot from US and when US dollar became very strong the buying velocity dropped quite significantly. So, the air-time cost that we were paying was not working out so we stopped the signal.

Ronak Jain The EMIs and the returns that we are taking, I think that you were not very comfortable with moving into this direction, but you had to because of the competition. So do you think that it is impacting our margins in some way?

Sunil Agrawal It does impact in a way that there is certain bad debt associated with those which is approximately 3% of Budget Pay sales. But we build that up within our gross margin as you might have seen over the years since we launched Budget Pay our gross margins have increased.

Ronak Jain So whatever the bad debt is there the credit card company would be paying it or we are having the burden of that bad debt?

Sunil Agrawal We do.

Ronak Jain The credit card company or the financing company nowhere is in the whole picture, we are directly financing to the concerned person?

Sunil Agrawal So credit card companies are there because they collect on our behalf but we are financing. So, all the accounts receivableis in our books.

Ronak Jain So wouldn't it be better if we tie up with some financing company so that they can bear the cost? We obviously have to pay something, but they can bear the cost of bad debts.

Sunil Agrawal They definitely can and there are the companies who can do that but we find that the cost is higher than what we can afford. With our internal numbers in UK is lower than 3% and US is 3% so we believe that we are better off financing ourselves because it's within our cash flow generation and the cost is lower than what it would be from outside.

Moderator We take the next question from the line of Pritesh Chhedda from Lucky Investment Managers Pvt. Ltd. Please go ahead.

Pritesh Chhedda Just picking from the initial comments you mentioned, you said that you would deliver mid-teen growth for the balance of the year, is that what you mentioned and was it in INR or constant currency because your presentation talks…?

Sunil Agrawal I mentioned that will be constant currency.

Pritesh Chhedda The rupee translation when does the base starts becoming favorable for us?

Puru Aggarwal Rupee yet is not favorable. We saw a top-line erosion by way of conversion to the extent of about 4%.

Pritesh Chhedda When does that become favorable for us, I think it has largely to do with Pound, right?

Puru Aggarwal Pound and dollar both impact. But then important to highlight here all these were notional conversions when we translate US and UK number we club this with the parent company at that time these erosions are negated

Pritesh Chheda But in the rupee terms it will start looking higher, right when erosion doesn't happen?

Puru Aggarwal Right.

Sunil Agrawal Pritesh for bottom-line does it not matter. It is only the top line that shows notional impact, so when you look at the bottom line there was hardly any impact. When we did our exchange distance calculation on the top line it made a difference of about Rs.20 crore and bottom-line it was just about Rs.0.5 crore.

Pritesh Chhedda My second question is with respect to the balance sheet and the cash flows. I was not able to comprehend because the balance sheet reporting is different now, so just wanted to understand the cash generation and the utilization if you could explain for the H1.

Puru Aggarwal For H1, the cash generation from operations was **Rs.56** crore and there was increase in working capital as I mentioned in my opening remarks that we are heading to the season so we built the stock for the season. And the closing cash in hand and cash equivalent is **Rs.64 crore**.

Pritesh Chhedda When I'm looking at your presentation, the operating cash flow which you are mentioning is zero.

Puru Aggarwal That is post adjustment of working capital.

Pritesh Chhedda So pre-cash flow is….

Puru Aggarwal From operating activities **Rs.56** crore and equal amount is change in working capital that's how you're looking at almost zero.

Pritesh Chhedda And then you have utilized the entire investments which is current investments; you have entirely utilized and generated inventory?

Puru Aggarwal For the quarter. The quarter profit which we made has been largely invested into stock.

Pritesh Chhedda And there are these other current assets which is generated in the balance sheet and then what is the other current assets when there is goodwill and intangible assets which you are seeing in this year's balance sheet, so if you could explain that on the asset side?

Puru Aggarwal There is no transaction on goodwill and intangible asset. The other change is with respect to the debtors because this has been up so as a result of that the Budget Pay debtors also has been up.

Pritesh Chhedda That is reflected in other current assets?

Puru Aggarwal That I need to check.

Pritesh Chhedda And why is goodwill and intangible assets created?

Puru Aggarwal That is because of consolidation.

Sunil Agrawal There is no goodwill transaction this financial year or there was no purchase, there was no goodwill created.

Pritesh Chhedda Just coming back to the original question of mid-teens growth?

Puru Aggarwal Pritesh just to address your question, it is there in published data of annual report last year.

Pritesh Chhedda I got it sir. Just on the mid-teens part of the double-digit revenue growth, what explains this upward change in momentum, the drivers and how do you look at it for the rest of the year?

Sunil Agrawal the efficiency gains we have put in and the marketing strategies we put in place, Budget Pay, returnability, the brands and the team that we put in place, so all are coming together to give us growth now.

Moderator The next question is from the line of Ronak Morjaria from Edelweiss Asset Management. Please go ahead.

Ronak Morjaria I just wanted to understand this quarter I think we added we have expanded our reach by 6 million households, earlier in US you were 82 million and now we are 88 million, so what was the incremental cost that we had invested for our reach and what could be on the revenue potential and how was it in the last quarters?

Sunil Agrawal These households were added towards the end of the quarter. So during the quarter you may not see much of the cost addition and during the current quarter there may be some increment but we are constantly reviewing the homes. If the home doesn't look like contributing within six months of their incremental cost or their variable cost, we exit from them. So we don't have any long-term contract as far as houses are concerned.

Ronak Morjaria We are seeing a kind of a slow volume growth in the TV side, so if you could just brief on that because we are seeing Web doing very well since we've expanded our EMI, Budget Pay on the web portal as well. But on the TV front why are we seeing such slow growth?

Sunil Agrawal There are two reasons for that. One is when the average selling price goes up the volume hit backs. So you have seen our ASP is gone up in last quarter. Second reason is since last about 2-3 quarters we have started incentivizing our TV crew on web sales as well because the web servicing cost is lower for us, the agent don't need to come on call and its quicker. So they are driving lot of customers towards web, so web streaming sales have gone up, web catalog has gone up. So lot of our customers are buying through the TV streaming on web now but that TV streaming on web is calculated as Web sales.

Ronak Morjaria So you are saying that it is shifted from TV to web in the sense of TV on the television only they are watching it through the web?

Sunil Agrawal Correct, it is intentional shift there is lesser cost to us.

Ronak Morjaria What is the content and broadcasting cost for this quarter?

Puru Aggarwal Its **Rs. 56.3** crore.

Ronak Morjaria And also if you could just repeat I think if you would have mentioned what is the average purchase in terms of number of pieces by per customer?

Sunil Agrawal So Ronak, this is **30.7** this quarter, trailing 12 months and **28.2** last year same quarter trailing 12 months.

Ronak Morjaria And also if you could just help me out with jewellery and lifestyle if you could just give us the breakup, what was the proportion of revenue and the growth number since you have also started selling lifestyle products?

Ronak Morjaria And what has been the growth in the respective segments?

Sunil Agrawal I have the US data here in the terms of total dollar terms for H1 this year versus last year H1, it is the jewellery is **94.4%** this year, last year was **94.8%**, so it's pretty much flat.

Ronak Morjaria Okay.

Sunil Agrawal So there is no much difference really.

Moderator The next question is from the line of Sunil Jain from Nirmal Bang Securities. Please go ahead.

Sunil Jain My question relates to TV sales, why it is still declining, and we are not able to see the up move now also?

Sunil Agrawal Actually like I just said to Ronak with the same question; number one is the ASP, when ASP goes up overall volume goes down because on television is a factor of price point. Second thing is from TV we are intentionally encouraging customers to buy on web. So about eight months ago we started incentivizing our crew in US, UK we have not done that. We will be probably doing it next quarter. We are incentivizing our crew to divert our customers to buy on web because the reason for that was the cost of serving to that customer is low on web. And also the customer who buy multichannel buys on TV and web is for us almost 4x more valuable than TV alone because longevity is more and she buys more. So because of that push and the hosts are incentivized now combined on TV and web, so they are pushing more and more customers on web. So that's why the web television sales have shot-up this year or its almost double than last year because TV streaming on web is almost double than last year. But that is captured in web data but actually it is TV driven.

Sunil Jain But if we see from say the way we are going and all, if we see from here say 1 year down the line or maybe 2 year down the line, how the things will look like means the TV sales will remain stagnant or somewhere here and then web sale will keep on moving or how we are seeing that?

Sunil Agrawal So for us, we made both these channels into quite seamless multichannel experience for customer. So we have to look our business combined TV and web together. Just to give you an example of that even the RA which is 1/3rd of web is mostly TV, actually it is 100% TV-tails only. So whatever this short remaining quantities on TV that we cannot sell on TV are sold on rising auction. And the 1/3rd sale is TV streaming on web, so that is also television driven. Only FPC is full price catalogue that we also drive through web through television for people to go on web and buy there as well where we believe that multichannel customer is much more valuable for us. So look at our business in one uniform picture rather than TV separate and web separate really.

Sunil Jain You mean to say because of the one other is getting sales and all?

Sunil Agrawal Yes, we are not like Jaipur shop versus Bombay shop. In this case they help each other. One is push, other is pull. So we want the customer to buy from both, I will give you the number multichannel customer for us is $2,100 life time value, TV alone is $600 life time value and web alone is just about $210 life time value. So multichannel is so much more valuable so we are driving customer to buy from multichannel, web to TV and TV to web. So just purely web customer usually doesn't go on TV but TV customers have a high tendency to go on web and that we have seen helping us in last 1 year very much.

Sunil Jain Yes true and that is visible also but if I take combined volume for TV and web this quarter it has increased just by 4% whereas if I see last consecutive 3 quarters, it was moving around +10% volume growth. So somewhere even the incremental sales though no doubt this time we were able to take price increase and that's why our revenue looks good but on the pure volume front somewhere we are losing.

Sunil Agrawal So Sunil ji this is business is somewhat different than a bag of cement. A bag of cement will be same but in this business we have 100 new SKUs every day and the price points are different on the SKUs, the product mix is very different. So this is more a fashion business and the taste and combination changes every day. So you will have to look this business more comprehensively in terms of total revenue and not the average price point should not move dramatically up and down but there can be some movement up and down because this is a lot of variety here.

Sunil Jain Another thing is earlier you were guiding around 10% growth, so now post this result are you increasing your guidance for the revenue growth or not?

Sunil Agrawal Correct.

Sunil Jain What's the new guidance?

Sunil Agrawal Around 15%.

Moderator The next question is from the line of Chirag Lodaya from Valuequest Investment Advisors Please go ahead.

Chirag Lodaya My first question is toward this content and broadcasting cost which is Rs.56 crore versus Rs.66 crore YOY, what has led to decline in this number?

Sunil Agrawal So some was the advertising that we were spending money on. We have reduced some advertising because we are still finding it was not giving us the ROI and other was some airtime cost. As you saw only the end of the quarter our homes have increased but for most of the 2 quarters our homes were lower than last year. So somewhere homes were lower and some we reduced the cost with negotiation.

Chirag Lodaya But this content and broadcasting cost also includes advertisement cost so on a full year basis what would be that number for FY17?

Sunil Agrawal I cannot give that position for the rest of the year.

Chirag Lodaya I'm asking about previous year, financial year 2017. On a full-year basis what was total content and broadcasting cost and out of that how much was this towards advertisement?

Puru Aggarwal This cost was **Rs. 259** crore for the full-year.

Chirag Lodaya And out of that how much was advertisement?

Sunil Agrawal We won't have it broken down Chirag.

Chirag Lodaya The reason why I'm asking is our understanding was this content and broadcasting cost is fixed in nature.

Sunil Agrawal Since the homes keep on changing sometimes we would have expensive homes they are not making sense for us, we will get out of those expensive homes and maybe look for a cheaper home because cost of home can differ. The difference can be up to 4x depending on the home quality.

Chirag Lodaya How one should look at this number on a full-year basis?

Sunil Agrawal My suggestion for you would be to use the current latest number and extrapolate it forward.

Chirag Lodaya This Rs. 56 crore run-rate?

Sunil Agrawal Yes.

Chirag Lodaya If I look at overall manufacturing plus administration cost, it's more or less flat over HY first half versus last year, so again how one should look at this number?

Sunil Agrawal Extrapolate it forward.

Chirag Lodaya There is no inflation in this cost?

Sunil Agrawal No.

Chirag Lodaya At least for say next year FY19?

Sunil Agrawal At this time we are not looking inflation unless the volume increases substantially, we are not looking inflation on this.

Chirag Lodaya And in terms of gross margin what are the sustainable gross margins on full-year basis?

Sunil Agrawal We give the guidance of 60% up, so this particular quarter it's substantially higher because the wholesale revenue is low. If the wholesale revenue was as per the same last year it would be somewhere around **61%-62%**.

Moderator Next question is from the line of Vikrant Kashyap from Kedia Securities. Please go ahead.

Vikrant K My question is again on TV volumes. As you mentioned that you are intentionally driving volumes towards web TV streaming and ASP has also improving in the web like it's gone to $20. So can we see going forward it will match our average selling price of TV like $26 in the bottom?

Sunil Agrawal Web has three components, one is the TV streaming on web, other is the catalog. All our inventories published there about 35,000 SKUs or so and third is rising auction; rising auction are the tails of TV inventory remaining and these were auctioned through and whatever price it will sell we just sell it. So that price is usually lower, so that is very low margin. There is a kind of exit mechanism. So the web by nature of the design will always be lower than TV.

Vikrant K As you have mentioned your outlook for second half is like 15% growth, what is your vision for 2020, can you give guidance for that?

Sunil Agrawal Right, now I'm not giving the guidance for 2020 but our hope is that we will continue similar kind of growth rate on the top line and the bottom line we will have the leverage benefit.

Vikrant K Can we see the similar kind of performance in terms of average selling price in web and TV in second half?

Sunil Agrawal Yes, our expectation is to extrapolate what you are seeing in the latest quarter you should extrapolate the same. There can be some change within the range of **10% up and down** but it would not be material change from where it is.

Vikrant K So if in the second half if TV average selling price remains constant on $26 that we have given in the second quarter. Do we see volume growth picking up in TV?

Sunil Agrawal Yes, if the price is same the volume growth should be **15%**. But again I would qualify that you should always account for **+/-10%** change in price point, so volume may change accordingly.

Vikrant K In the opening remarks you have talked about the implementation of Baldridge like what is the strategy, what is the process framework that you are talking about I could not understand from there and how it is going to help company in driving the growth?

Sunil Agrawal Baldridge is a pretty advanced framework for quality process across all disciplines of a company. So they have 7 segments of that starting from leadership, strategy, customer, employees, internal processes and finally the results. So all these verticals they are framework for measuring the benchmark, measuring your last performance, measuring your current performance, improvement processes and training of employees on all these frameworks. Currently our first batch of employees have trained in that, there will be about 5 or 6 batches of employees will be trained in this particular process. It's more than a year long process to train the population and then implementing all these areas. So what it will do is, it will take away the reliance of specific person and put a process in place. In case somebody leaves there is a process in place to continue the growth or whatever the momentum is. And also there is a constant benchmarking with the best in the industry. You are not just benchmarking yourselves from the last quarter but you are benchmarking with the best. So we have identified certain benchmarks within our US operations and we are looking at all the benchmarks where the public information is and setting it up. As I said it is a long process, one year long process but it will be highly beneficial for long run for the company.

Vikrant K So you have deployed it with US and UK both places?

Sunil Agrawal Only US at this time, once US is fully deployed then we will go to UK.

Vikrant K As in the last quarter and today you also mentioned about selling to other channels like Amazon and eBay so how has been the traction, are we getting more clients from there?

Sunil Agrawal Yes we are but still it's in a starting stage because we are not simply just selling a separate inventory to them, what we are doing is our own FPC inventory is published on all the market places and we have already contracted with channel advisor is company that helps in the process. So there is simultaneous publishing on our own website, on Amazon, on Wal-Mart, on eBay and wherever it's one piece gets sold it's taken off from all other market places, so multiple exposure of same inventory.

Vikrant K I have some data-points question; what is the return ratio in US and UK?

Puru Aggarwal US has return of **16%** and UK **29%** in H1 FY18.

Vikrant K And what is the customer retention rate?

Sunil Agrawal **48.4%** both places.

Moderator Thank you. Next question is from the line of Ashish Kacholia from Lucky Investments. Please go ahead.

Ashish Kacholia I just wanted to ask you that you kind of given a mid-teens guidance for the rest of the year, what gives you the confidence that you can kind of get this number going?

Sunil Agrawal This is the track we are seeing in current month and another thing that what we have seen in last quarter also it was 14% and 10% in the UK and US respectively. So we are seeing the track and visibility is for mid-teens for next two quarters.

Ashish Kacholia So momentum is good basically?

Sunil Agrawal Yes.

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

Sunil Agrawal I would like to thank all the investors for their time and their insightful questions. Feel free to reach out to Karl Kolah at CDR, India or Puru Aggarwal at VGL if you have any other questions. Thank you.

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

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