



VAIBHAV GLOBAL LIMITED

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**National Stock Exchange of
India Limited (NSE)**
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra, Mumbai – 400 051
Symbol: VAIBHAVGBL

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001
Scrip Code: 532156

Subject: Submission of transcript of conference call

Dear Sir / Madam,

With reference to captioned subject, we are enclosing herewith the transcript of Q1 FY25 Earnings Conference Call held on Friday, 02nd August, 2024.

The Transcript of the earnings conference call is uploaded on the website of the Company and can be accessed on the below link:

https://www.vaibhavglobal.com/admin_assets/Investor/Investor_Presentation/1806723325409001.pdf

Kindly take the same on record.

Thanking you,

Yours Truly,

For Vaibhav Global Limited

(Yashasvi Pareek)
Compliance officer
ACS - 39220



“Vaibhav Global Limited Q1 FY25 Earnings Conference Call”

August 02, 2024



**MANAGEMENT: MR. SUNIL AGRAWAL – MANAGING DIRECTOR,
VAIBHAV GLOBAL LIMITED
MR. NITIN PANWAD – GROUP CFO, VAIBHAV GLOBAL
LIMITED
MR. PRASHANT SARASWAT – HEAD (INVESTOR
RELATIONS), VAIBHAV GLOBAL LIMITED**



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Moderator: Ladies and Gentlemen, Good Day and Welcome to Vaibhav Global Limited Q1 FY'25 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing the "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Disha Shah from Adfactors PR. Thank you and over to you, ma'am.

Disha Shah: Good evening, everyone, and thank you for joining us on Vaibhav Global Limited Earning Conference Call for the 1st Quarter ended 30th June 2024.

Today, we have with us Mr. Sunil Agrawal – Managing Director, Mr. Nitin Panwad – Group CFO and Mr. Prashant Saraswat – Head of Investor Relations.

We will begin the call with “Opening Remarks by Mr. Sunil Agrawal on the Business Operations, Key Initiative and a Broad Outlook,” followed by a “Discussion on the Financial Performance by Mr. Nitin Panwad,” after which the management will open the forum for Q&A session.

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 conjunctions with the risks and uncertainties that we face. A detailed statement and explanation of these risks is included in the Earnings Presentation, which has been shared with you all earlier. The company does not undertake to update these forward-looking statements publicly.

I would now like to invite “Mr. Sunil Agrawal to make his Opening Remarks.” Over to you, sir.

Sunil Agrawal: Thank you, Disha. Good evening, everyone. Thank you for joining our Q1 FY'25 Earnings Call. I hope you've reviewed the Results and Investor Presentation.

I am pleased to announce that we have sustained our growth momentum with the 15% increase in revenue. Our gross margins have improved substantially to 66.1% from 61.2% in Q1 of last financial year. Thanks to focused pricing efforts and a favorable product mix.

Our vertically integrated supply chain has also helped us to maintain gross margin above our 60% target. EBITDA margin was 8.7% of revenue, down from 10% for the same period last year. This decrease is primarily due to higher spending on digital marketing for new customer acquisition and higher spending on air time for better channel position. These investments are expected to sustain our growth momentum in coming periods. However, our overall content and



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broadcasting expenses will reduce as a percentage of revenue from the current level of 20% to approximately 18% of revenue for the full financial year.

Now, let me take you through our key retail markets:

In the US, we saw a 3.7% year-over-year growth driven by favorable macro factors, which propelled growth in the online retail industry. Our wide product range with quick turnaround times owing to vertical operation integration has also supported this growth.

In the UK, revenue growth by 17.8% YoY, however, when adjusted for acquisition, it decreased by 6% YoY, owing to cautious consumer behavior amidst economic and political uncertainties.

Germany continues to perform well, having achieved YoY revenue growth of 18% in Q1 FY'25.

During the June and July months, trends were even more encouraging, with YoY growth of 30%. We believe we will sustain this growth momentum during the remaining period of the year and will be profitable at the operating level by H2 of FY'25.

Our “4R Strategy”, Widening Reach, New Customer Registration, Customer Retention, and Repeat Purchases has shown positive results.

Our TV networks now reach 130 million households, and our unique customer base has grown by 37% YoY to approximately 6,36,000. Excluding acquisitions as well, the unique customer base has been improving QoQ. Customer retention is strong at 40%. Overall Repeat is 24 pieces per annum on a trailing 12-month basis.

In Ideal World, we upgraded our presence on the HD network now. It is already profitable on a direct cost basis, and we expect to achieve profitability on a full cost allocation basis in next three to six months. Similarly, Mindful Souls continues to launch new products regularly and has created a base of 85,000 unique customers since acquisition. We expect that the utilization of VGL Group's supply chain will further improve the profitability of this business in the coming months. Further, the company has discontinued its apparel manufacturing owing to the lower margin nature of that business. Impact of the discontinued operation was negative 25 basis points on an overall margin on TTM basis.

At VGL, community giveback is a core part of our business. We are proud to announce that we reached the milestone of 90 million meals being donated to school children under our flagship, midday meal program, ‘*Your Purchase Feeds...*’ We currently serve approximately 57,000 meals every school day and aim to donate 1 million meal every school day by FY'40.

On the sustainability front, we generated 1.1 million kW hours of solar energy this quarter, meeting 100% of the power needs of two manufacturing units in India. Our premises in US, UK



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and Germany are also operating on renewable energy. These efforts support our goal of achieving carbon-neutrality in Scope-I and II of greenhouse gases emission by 2031.

We have also commissioned our third rainwater harvesting tank with the capacity of 600 kiloliters. With this we have built a total rain water storage capacity of 1,100 KL.

We are honored to receive the IGJ Award 2024 from the Gem and Jewellery Export Promotion Council, i.e., GJEPC, for being the highest exporter of cut and polished color gemstone from India during FY'23. This award reflects our global competitiveness and customer trust. It recognize our contributions through 'Make in India' initiative over the past four decades.

We are committed to creating long term value for our shareholders and thus the board has declared the first interim dividend of Rs.1.5 per equity share for this fiscal year, representing a 90% payout.

Looking ahead, we will focus on growth and profitability with the prudent capital allocation. We reiterate to achieve 14% to 17% revenue growth for FY'25 with operating leverage. For future periods, we project revenue growth in the mid-teens range with operating leverage.

I now hand over the call to Nitin to discuss the Financial Performance in detail. Over to you, Nitin.

Nitin Panwad:

Thank you, Sunil. Good evening, everyone. I would like to extend a warm welcome to you all at Vaibhav Global Limited's Q1 FY'25 Earnings Call.

While Sunil has provided an overview of our Operational Performance and Key Initiatives, I will now present a detailed review of our Financial Performance for the Quarter Ended 30th June 2024:

In Q1, we have achieved our revenue growth of 15% YoY totaling Rs.756 crores compared to Rs.658 crores in Q1 FY'25.

We also recorded 20% YoY volume growth with a 6% volume growth excluding acquisitions.

In Q1 FY'25, the gross margin was substantially stronger at 66.1%, reflecting the efficiency of our vertically integrated business model and product mix.

EBITDA margin for the quarter was 8.7%. Excluding Germany, the EBITDA margin was 11%. As Sunil mentioned earlier in his remarks, due to elevated investment in digital, EBITDA margin was slightly lower than expected. As a result, content and broadcasting expenses as a percentage of revenue have become 20% in Q1 FY'25. We believe that this cost will be around 18% of revenue for full financial year.



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Profit after tax for the quarter is Rs.27 crores versus Rs.30 crores in Q1 FY'25.

Now, I will provide an overview of our revenue breakdown by geography. In Shop LC US, we experienced the growth of 4%, TJC down by 6%, and Germany saw a growth of 18%. Overall, our existing B2C businesses grew by 2.3% in U.S. dollars. The overall growth of existing businesses was dragged by softer performance in UK, where a broader macro indicators are suggesting sluggish consumer demand. In Germany, recent revenue trends are quite encouraging, and we are confident that YoY growth of 30% will enable us to achieve profitability at operating level by second-half of FY'25.

TV revenue for the 1st Quarter was Rs.440 crores while, digital revenue was Rs. 289 crores. TV revenue grew by 12.2% YoY and digital revenue grew by 22%. Digital now accounts of 40% of total revenue and 45% of our volume. This growth is due to our sustained investment in digital marketing and tech infrastructure. Additionally, our Budget Pay option allowing customers to purchase products on EMI basis, has proven valuable and contributing 38% of our B2C revenue in Q1 FY'25. Ideal World is already profitable on direct cost basis, and we anticipate that it will achieve full cost allocation profitability within the next three to six months, surpassing our initial expectation. Mindful Souls is a profitable and margin-accretive business that continue to perform well. We are leveraging VGL's supply chain to boost group's overall profitability and strengthen our digital segment.

We are pleased to report that we maintain a robust balance sheet position and net cash positive balance of Rs.158 crores. However, our free cash flow and operating cash flows remain flat during this quarter due to increased working capital investment in preparation of upcoming festive season primarily in inventory. Currently, our ROCE is 17% and ROE is 10%.

The board has declared a first interim dividend of Rs.1.5 per equity share for this financial year, with a 90% payout, reinforcing our commitment to long-term shareholders value.

We continue to demonstrate resilience, agility and strength to capture long-term opportunities. We are confident in our business prospects ahead of us and are investing in capturing growth. We remain confident of our prospects and deliver our stated growth guidance of 14% to 17% for the current year with operating leverage. For subsequent periods, we project revenue growth in mid-teen range with operating leverage.

Thank you. Over to you, moderator. We may now open the line for Q&A.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Nirvana from Badrinath Holdings. Please go ahead.

Nirvana: So, my question is regarding the content and broadcasting cost. So, if I look at the history of this line item, from FY'21, the cost has really ratcheted up. So, in FY'20 it was around 11% of our top line, FY'24 it became around 17% and this quarter it's around 20%. So, from FY'20 to now



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if I see the CAGR growth in this line item is 23% whereas our revenues have only grown by half of that like 12%. So, I just wanted to understand what is the reason for this bigger divergent between the two areas. Is there some operating leverage sitting there, sir, or is customer acquisition getting really costly for us and therefore is this going to be a permanent drag on us now?

Sunil Agrawal:

We made the investments where we see the opportunity. So, this contains the airtime as well as the digital spend. There are different drivers for both. For airtime, we make the investment, especially the new acquisitions that we made- Ideal World, we took new airtime for that. In Germany, when we launched, we have to go in for the airtime full fledge, even though it takes time for business to scale up. Even in the US, we took some airtime, which is lower channel position that will be productive in next 12 to 18 months. So, the three investments that we made in Ideal World airtime, Germany airtime and within US a new airtime has brought the cost high. But, as I gave guidance in my opening remark that this line item will be approximately 18% of revenue for the full financial year. Over the time we would see this to moderate a bit. We always look for opportunity and for future growth prospects for the company.

Nirvana:

But even if I look at 18%, that's a YoY increase of (+30%). You had a 500 crores cost last year. And now according to this, 18% approximately will be north of 600 crores. So, again while top line growth will be 15%, to scale this line item by 60%. so this is what I'm trying to understand, sir, like is this the new normal for high teen type of content you are working front and therefore our RoCE and RoE, are they permanently impaired to that extent or are you hoping to bring them back to the level where it was pre-COVID?

Sunil Agrawal:

Yes. So, the startup nature of our kind of business is that the airtime cost and even the HR cost in initial years is relatively high. So, as we saw in Germany and Ideal World, so those are relatively high now. In geographies, UK TJC or Shop LC, these costs are relatively lower than the overall mix that you would see. The other component is the digital spend that we do. So, when we see an opportunity of ramping of customer acquisition for future benefit, we did make the investment appropriately. That may moderate over the time. There's no specific guidance for that. The current guidance we are giving is 18% of this particular item for this current financial year and continued leverage for foreseeable future with mid-teen growth. Now, that would entail that this line item would have some leverage coming back in and some leverage will come with some other line items as well, some will come with HR cost and some other small cost.

Nirvana:

Sorry, last question on this particular topic. So, let's looking ahead 2-3 years, do you think that this number can come down to 15% or below, are you in a position to sort of comment on that?

Sunil Agrawal:

Too long term to say in today's dynamic retail environment to give a three-year guidance on that. But the guidance what we feel comfortable giving guidance is three-year term, we will continue to see the leverage coming in as our businesses mature in Germany, Ideal World as well as the scale leverages in the existing businesses of US and UK.



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- Nirvana:** My next question is on the leverage part. So, in the last call, you had mentioned that content broadcasting will not see any leverage. In fact, we see the opposite of that as I pointed out. I think so you had mentioned that HR cost and SG&A, shipping cost, these will be the potential operating leverage items on the cost base. So, it's a little confusing because SG&A, which line items are you talking about, that is not clear. So, what kind of operating leverage are you hoping FY'25 to play out or alternatively, if you can give us some understanding of what percentage of the cost base will see the operating leverage?
- Sunil Agrawal:** So, #1, we believe the gross margin we will be having at least 200 basis points higher margin than last year. So, there will be one benefit, and other as I mentioned in last earning call, I appreciate your memory, the HR will see about a little over 100 basis points leverage, the other component of SG&A will have some leverage as well, for example the rent or the travel or some other areas will have some leverage as well. Now, shipping, we have negotiated some better rates in US because of the volume getting higher. So, there will be some leverage in shipping as well. So, overall to summarize, the leverage will come with higher margin and some lower cost in these three areas.
- Moderator:** The next question is from the line of Pritesh from Lucky Investments. Please go ahead.
- Pritesh:** Sir, just on this content and broadcasting cost, so from Q3 of last year is where I see the spike coming in at about 300 crores plus. So, basically is there any content cost rise in your TJC and Shop LC business?
- Nitin Panwad:** So, compared to Q4 in our existing TJC business, actually cost is flattish, but in the US, we have taken some of the airtime. So, the small portion is increased in US.
- Pritesh:** You started consolidating Ideal World and Mindful Souls from December '23?
- Nitin Panwad:** From Q3 FY'24.
- Pritesh:** Yes, that is basically Q3 FY'24, right?
- Nitin Panwad:** Yes.
- Pritesh:** So, can you tell us what is the content cost on account of these acquisitions or you can tell us what is the growth rate in the content and broadcasting cost in your base business of US and UK?
- Nitin Panwad:** So, UK's content and broadcasting cost is flat and in US in Q4 to Q1 there's a 10% higher cost in Q4 to Q1.
- Pritesh:** And between Q2 and Q3 last year?



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Nitin Panwad: Q2 and Q3, because there is a new airtime that we have taken and the cost increase was around roughly if I recall correctly is around \$1 million in absolute terms.

Pritesh: So, 8 crores there and 20 crores. So, basically on your base business, you added 28 crores of content cost, you are running at about 250 crores all these quarters for the last 8-9 quarters?

Nitin Panwad: Yes.

Pritesh: Basically I'm including content plus other G&A items. Okay. So, the Ideal World and Mindful Souls, at what operating margins these business is operating at?

Nitin Panwad: Ideal world on direct cost basis, it is profitable, but if I allocate all the business costs, back office staffing it is not profitable, but next three to six months it will be profitable Mindful Souls is already operating around 9% profit margins, but we expect that the supply chain and the warehousing leverage will come in upcoming quarters.

Pritesh: And both these businesses versus the channel business of US and UK, are both these business on a higher, then the base business in terms of content and broadcasting cost as a percentage of sales?

Nitin Panwad: Mindful Souls is pure B2C business. So, their content and broadcasting cost is higher than our existing business because predominantly the nature of the Mindful Souls is digital, only just selling on social media and the platform. So, our cost-to-sales ratio is roughly around 25% on content and broadcasting in Mindful Souls, but they don't have other higher expenditures like SG&A or HR cost is much lower compared to our existing businesses. I just missed another point of Ideal World. Ideal World is now, as Sunil mentioned in the earlier remark, this is a startup business phase. So, initial phase, the cost-to-sales ratio in terms of airtime is higher, but pretty much 100% of the UK households we have covered in Ideal World. So, no additional airtime we anticipate from Ideal World, so that in absolute terms the cost will be fixed for Ideal World.

Pritesh: In US, it was an airtime increase or was it a content increase?

Nitin Panwad: So, it's both area that we have invested in the airtime and also on digital side.

Pritesh: So, in US, you guys were always fairly high household penetration in reach. Then why this additional requirement? Is it additional household addition or it is a price hike which has happened in those markets?

Sunil Agrawal: Yes, better channel position.

Pritesh: And my last question is sir, on your customer slide. So, between Q2 and Q1, you guys have given 4,52,000 customers going to 4,72,000 on the existing business. Can you give us a number



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in Germany will also be there between the four quarters? So, ex of Germany, what it would be? So, basically I wanted to understand your US and UK original business customer number?

Nitin Panwad: Just we will add up, but just to add on the Germany part, so in Q4 to Q1 -

Pritesh: Or you can just give us in Q1 FY'25, what is the Germany customer number?

Nitin Panwad: Yes, 59,000.

Pritesh: 472 minus 59, so 413. So, basically in the last five years, you have moved from 350 to 430?

Nitin Panwad: Yes.

Pritesh: In your original business?

Nitin Panwad: Yes.

Moderator: The next question is from the line of Ravi Teja from Taj Capital. Please go ahead.

Ravi Teja: Could you provide more insight into the performance and the growth strategy for the German market and how do you plan to achieve the breakdown towards the second-half of FY'25?

Sunil Agrawal: Yes, we go by the unique customers trend that we see in the business and historically what the repeat purchase and what is the AOV we get from these customers. So, based on our cadence, we look at the number of unique customers we've made so far, how many of them historically come back month-over-month based on historical cadence and how many new customers we are expecting and what is their revenue expected in H2. Based on that trend line, we see on operating level, we become profitable in H2.

Ravi Teja: The reported revenue that we have is about 15%. This includes our recent acquisition. So, what would be our growth rate X of this acquisition without the impact of this acquisition?

Nitin Panwad: In rupees terms, ex of this acquisition growth is 4%.

Ravi Teja: What are the key drivers behind the increase of these customer acquisitions and the retention rate? Are these momentums also sustainable for us?

Sunil Agrawal: Yes. So, we have 4R that we focus on, one is expanding the reach, that is through television and digital properties, then registration that is acquired new customer within the reach that we have again through television, digital, OTT and social platforms and then retention of these customers. As you would have seen, our retention numbers are improving through the marketing efforts and more broad base, better customer service and better way of selling on multiple platforms, getting



one customer to other platforms so, that we do sell more to the same customer. So, these are 4R which are our drivers for business growth.

Moderator: The next question is from the line of Chitra Joshi, an individual investor. Please go ahead.

Chitra Joshi: I just had one question that how do you plan to diversify your product portfolio and what will be the impact of that on your revenue and margin?

Sunil Agrawal: Chitra, we come up with about 100 new products every day on our TV channels and then there's a large organization for product development in VGL group, hundreds of people, there is the designers, the trendspotters, the model makers, the prototype makers and merchandisers. So, we keep score of different areas of our competitors as well as the trendspotting sites to look at those and we bring relatively lower quantities and if something hits, then we expand those quantities very rapidly through our own manufacturing or supply chain mechanism and we scale them up. So, it's a constant exercise in different product categories, predominantly jewelry, but many different product categories. So, any specific answer to a particular product may not be feasible with such high velocity of product.

Chitra Joshi: So, are you looking for any margin expansion in the coming quarters?

Sunil Agrawal: Yes. So, we just give guidance of about 200 basis points YoY margin expansion for this financial year over last financial year, that is a gross margin. And EBITDA level, we are giving leverage guidance over last year, but we are not giving specific EBITDA margin growth guidance.

Moderator: The next question is from the line of Nirvana from Badrinath Holdings. Please go ahead.

Nirvana: So, you just clarified that the leverage that you are talking about is gross margin level. Did I hear you right, sir?

Sunil Agrawal: Yes, so 200 basis points from gross margin and on EBITDA level also we will have decent leverage this financial year over last financial year. We are not quantifying the EBITDA because of our retail nature, but we have seen the drivers coming in, in Q3 and Q4, for these particular areas I mentioned earlier, and with Germany coming to EBITDA profitability, we will have decent leverage coming in EBITDA level as well.

Nirvana: Sir, you are confident of having like a good operating level at EBITDA level in spite of the broadcast and content cost line item actually contributing (-1.5%) leverage, right? If I calculate your predictions right, you are going up to 18% there. Last year it was 16.5%. So, there's a negative leverage from that line item. In spite of that, you think that can be like 100 basis points improvement in the other....

Sunil Agrawal: We expect it to be better because 200 basis points is just the gross margin leverage we are seeing, and then we are seeing over 100 basis points improvement in HR cost and some other into



shipping and other SG&A line items. So, we expect the overall leverage to be better than 100 basis points.

Nirvana: When you say HR cost, you mean employee cost, right?

Sunil Agrawal: Correct, yes.

Nirvana: So, in Q1, there was no leverage. So, when do you think the leverage starts playing out strong in employee cost and what is the driver for that -- is it simply increased revenue base or is there some rationalization in the cost basis?

Sunil Agrawal: Yes. So, one is the revenue growth and others we have found opportunity in our warehouse operations to automate the business processes and reduce the costs from there.

Nirvana: How do you see the demand environment shaping up in the US which is your largest market like are you seeing some positive signs of maybe realization also going up along with volume because in some consumer pockets we are hearing good commentary?

Sunil Agrawal: So, generally we see better economy in US. GDP continues to grow steadily. So, that is good. Overall jewellery market is seeing a negative growth in the US currently. But from our space point of view, we are seeing a positive momentum. Only we've moderated a little bit our guidance earlier was because of US election. We lose some eyeballs digitally as well as on television because of new election cycle every four years.

Nirvana: When you say that you have paid extra in full broadcast cost to position yourself better in the US, what does that exactly mean? In business numbers, how do we see the impact of that better position like your unit sales price has been going down in the TV category, volume has increased, but it's probably to an outsider it looks like it's because some discounted base. So, what do you mean by better positioning and how as an outsider, should I see it getting reflected in the business?

Sunil Agrawal: Yes. So, our airtimes take 12 to 18 months to mature with enough critical mass of customers to really make a meaningful difference. So, having better channel position is long-term sustenance mechanism for us and leverage over the period of time. Now, if assuming that our ASP will stay constant, then it will transfer into volume increase, therefore, the revenue increase. And as we've given the guidance of mid-teen revenue growth for future periods, these investments will play part in those continued future growth.

Nirvana: Once all these new acquisitions fully come into the base, say, when we are in FY'26, do you think that you can still grow at mid-teens, I mean there will be cycles ofcourse, but adjusting for cycle, do you think on a fully mature base, will you be able to keep growing at mid-teen?



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Sunil Agrawal: We expect that because as Europe and UK, we are still seeing negative cycle partly to do with high interest rate and high mortgage costs, unlike US, in US you have fixed mortgages, in UK you don't and people are suffering because of that and there was some election that impacted a bit. So, we expect those cycles to fall off and economy going back into positive territory both in UK and Germany. In US, after election cycle, we expect the economy to be a steady state and our business model is pretty robust with that steady state, with the investments that we made in airtime as well as digital will continue to give us growth in the coming years.

Moderator: The next question is from the line of Aditya Shah from Neteour Wealth Management. Please go ahead.

Aditya Shah: Sir, my first question is how are you addressing the macroeconomic challenges and competitive pressure in the market? What trend do you see in shaping the industry in the coming years in all the three regions?

Sunil Agrawal: That's a very broad question, Aditya. I can only say from our observation because I'm not an economist, my observation is that as I just mentioned to Nirvana's question earlier that in UK, we continue to see a bit of stress in the consumer sentiment as we saw with the numbers also. But we expect that to moderate as Bank of England just cut the rate yesterday and that we expect to impact mortgage costs positively and cost of living index positively. US continues to be positive from GDP growth point of view. With the election cycle also getting over by the end of this year, we expect the US to get back into the good steady positive territory. Germany also, again, it is difficult for me to say, but we expect interest environment to be moderating over the coming years, Germany should continue to grow well, during the last two months- June and July, we saw 30% growth YoY and we are seeing similar growth in coming times as well. So, we are overall positive for the economy coming in unless some Black Swan event comes in, we are fairly positive.

Aditya Shah: My last question is how is digital and social integration in the business panning out for your business and how impactful is Mindful Souls in leveraging the digital business to your company?

Sunil Agrawal: So, Mindful Souls is a native digital company, and the thinking process of the staff is completely digital and somewhat different than our hybrid business model. So, we have integrated lot of the learning to our business and that is already helping overall for the business as you saw the new customer numbers spiking up within our main core business and to some extent there was the benefit of Mindful Souls. And on the other hand, the benefit to Mindful Souls is our supply chain. We bought all the supply chains for 3PL. We bought that into our own warehouse in US already and we expect that to give us leverage in coming quarters. And our sourcing also we bought in-house. Initially, we had to send by air because of Red Sea disruption in last quarter and this quarter, but after that we expect the VGL group supply chain leverage coming into Mindful Souls as well. All in all, pretty positive experience for us.

Moderator: The next question is from the line of Rohan Mehta, an individual investor. Please go ahead.



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Rohan Mehta: Regarding the new customer acquisitions that we've had, what would you point out as the top reasons or initiatives which have been driving these new customer acquisitions and the retention rate that we have, and can we consider these to be a sustainable level for the coming quarters as well?

Sunil Agrawal: Yes, I expect the new customer acquisition velocity to continue for existing businesses as well as the new businesses. Now, let me take it back. The Ideal World customer acquisition was pretty robust since we acquired that company. So, that may moderate a little bit, because as a new business, it takes especially on television, it slows down over the time. But for our steady state, US, UK and even Germany business, we expect the current growth rate to continue. And your other question was about the retention rate. So, retention rate with our marketing initiatives is that we've really augmented our marketing teams. So, those initiatives are helping customer retain better and also to have better repeats as well.

Rohan Mehta: Sir, do we have a marketing budget per se as a percent of sales?

Sunil Agrawal: Yes. So, different brands have different budgets and within marketing also there are different segments, one is the traditional marketing, there is e-mail or flyers or discount offers or buy one, get other one, 50%. Those kind of offers is one segment budget. Other is the digital paid, which includes social, include search, it includes affiliates, includes influencer, and also retargeting through SEP and other tools. There are different levels of marketing.

Rohan Mehta: And sir, our revenue growth has been to the tune of 15%-odd, but that includes the inorganic initiatives as well. So, just for the sake of granular understanding, what kind of growth can be expected excluding inorganic moves?

Sunil Agrawal: Yes. So, we are hoping that the economy will return to steady state next year. So, we expect our steady state growth to be mid-teens with operating leverage. So, we have sufficient drivers in our 4R framework that we have, unless there is a macro environment, we expect the growth rate to continue at mid-teen number.

Rohan Mehta: So, this would be applicable to the US and UK market, excluding the impact of Ideal World and Mindful Souls. Is that understanding correct, sir?

Sunil Agrawal: So, for next year, we won't have the acquisition period under us. So, for next year overall for the business, we expect overall growth to be mid-teen numbers including the new acquisitions as well. Now, new acquisition Mindful Souls is already a decent size business. So, the growth there will be similar steady state and other businesses. Ideal World would be a little bit more elevated level and Germany would be a little more elevated level than UK and US would be. But overall, we expect to be mid-teen.



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Rohan Mehta: Just if you could touch upon our supply chain-related initiatives if any in terms of improving efficiencies on that front and leveraging the manufacturing hub that we have at Jaipur. Is there anything if you could shed some color on that please?

Sunil Agrawal: So, it's a continuous process to learn and to implement the learning and make the operation efficient. And over the years sometimes the leverage does kick in because we find some efficiencies in supply chain as well. But I cannot point to a one specific area that would give additional leverage in addition to what we have already mentioned.

Moderator: The next question is from the line of Parth Dalal, an individual investor. Please go ahead.

Parth Dalal: Sir, about the US election this year, do you see any impact? I think it will be around our best quarter historically. So, is there any impact that you see?

Sunil Agrawal: Yes, we've already accounted for that in our guidance. We expect the revenue to be overall 14% to 17% growth year-over-year with decent leverage for the year.

Parth Dalal: A couple of years back we had this investor day or a call where we had this all country level teams as well. I remember I think U.S. team was saying that they were increasing some investment around the same number of PIN codes with the same day delivery or one day delivery, something like that. So, how is that panning out, I mean, is quick delivery has been happening in US?

Sunil Agrawal: So, I don't remember for US because we don't have such initiative in place. The US is a pretty large operation and we have only one warehouse in the US at the moment. But in UK we do deliver some higher end items with next day deliveries. We ship same day and it comes to customer and that helps into better retention. But in US, we don't have such initiative.

Parth Dalal: In the same call, I think there was one unit initiated particularly for just the lifestyle products, if I'm not wrong? We had also hired some resources over there and all. So, is it still going on or I mean is that line still ongoing for the lifestyle products?

Sunil Agrawal: Yes. So, we had bought a business which had apparel manufacturing as its main business. That was in 2021. We have recently taken a decision to exit apparel manufacturing because we found that that is a low margin business, and we can source that apparel at relatively fair competitive prices. We went deeper into the space, we have decided to exit the apparel manufacturing.

Parth Dalal: I think that was not disclosed on the exchanges, so we are not -

Nitin Panwad: In commentary, as Sunil mentioned about that, that VLL we are exiting, yes.

Parth Dalal: And also, one packaging unit or small unit that we had acquired a couple of years back. Is there any advantage we are seeing from that?



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Nitin Panwad: Yes, we are still fulfilling our packaging from that factory, and we will constantly review the product and pricing for that if it is competitively available from any other country or any other vendors. So, we review it whenever we find opportunity. But right now, we are fulfilling partially our packaging material requirement from that company.

Parth Dalal: And last question again is a very long term one. After Germany, is there any plan, I mean, any other region, territory, country that the management or the board is looking right now?

Sunil Agrawal: So, not right now because we would like to see Germany giving robust leverage to the group before we go next country. So, possibly next country might be Japan, but this is at least in my opinion three years away.

Moderator: The next question is from the line of Nirvana from Badrinath Holdings. Please go ahead.

Nirvana: I wanted to understand for your digital versus TV, at a steady state return on capital level or unit economics level, is there any difference? I understand that in some cases digital is still ramping up. So, I'm talking about things that have already settled down in your legacy business. In digital, the unit economics for the return on capital is it different from TV?

Sunil Agrawal: For us it's difficult to break down the two businesses separately, Nirvana. The reason is that we find the customer coming from television and then us migrating them on digital platforms to be very highly accretive because lifetime value goes four times up when we are able to migrate the platform for the customer. So, we look at both as holistic business overall for us. Having said that, the digital paid like Google paid or social paid customer that we acquire, so that first acquisition cost is a certain amount and then we make money with the margin that we make from that customer in subsequent period through repeat purchase. If we are able to migrate them on television, they're kind of very valuable. But if they stay on digital, then we try to make sure to make them profitable within a certain period of time. So, there are different drivers from pure digital to television to television to digital or television to digital or OTT, there are different drivers, but usually we look at the business as holistic business.

Nirvana: I got a little confused. You said the customer that you acquire through TV and migrate to digital, that kind of customer has a very large lifetime or was it the opposite?

Sunil Agrawal: Now from television to digital, the lifetime value goes up by 4X. From a pure digital to television, the migration is very rare.

Nirvana: So, from television to digital, so you are acquiring a customer via your TV channel and then you are getting them to shop on your website. You are saying that the person is likely to shop four times more compared to if he had only been a TV audience. Is that the right understanding?

Sunil Agrawal: That's correct.



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Nirvana: Why does this happen? Because I would assume for your TV forming connect with the salesperson would also be important, right? So, you are seeing even for your kind of TV, digital is giving you higher lifetime value?

Sunil Agrawal: So, we have pretty high lifetime value for TV, almost \$800 as a pure TV customer, customer who goes on digital property goes to almost \$4,000 in lifetime value. The reason you asked why does it happen. Our theory is that the television is only push marketing. We tell them what to buy or why they should buy this. But on website we also address their want. So, if they bought say a ring on television, then on website they would want matching necklace or matching earrings, then they would become more valuable because we are addressing their impulse purchase needs as well as their considered wants and it helps overall.

Nirvana: You are saying that the cost of acquiring customers on digital is higher than cost of acquiring them on TV. So, the best kind of customer for you is somebody who is acquired on TV but then migrates to digital?

Sunil Agrawal: So, let me rephrase that statement. On television, we have only one shop to acquire customer as well as to sell. So, it's difficult for us to ascertain what is the customer acquisition cost on television because it's the same shop. Now on digital, there is the acquisition cost that is ascertainable. So, that's why we know what the acquisition cost on digital is. On TV, we don't really know the cost. So, we look at overall what is the percentage of revenue we can afford to pay to a certain broadcaster overall as a percentage of revenue over a period of time. So, it starts with high percentage when we acquire a home, starts with about 70%, 80% of revenue goes in airtime. But over 18 months it goes down to up to 15%.

Nirvana: I will write to you to understand this, sir.

Moderator: As there are no further questions from the participants. I would now like to hand the conference over to Mr. Sunil Agrawal for the closing comments.

Sunil Agrawal: Thank you, Steve. I want to thank all the participants for your time and great questions. If you have any further questions, feel free to reach out to Prashant Saraswat at VGL, or Amit Sharma at Adfactors PR India and we will be happy to answer your questions. Thank you once again.

Moderator: On behalf of Vaibhav Global Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.

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