



Vaibhav Global Limited

CIN: L36911RJ1989PLC004945

Regd. Off. : K-6B, Fateh Tiba, Adarsh Nagar, Jaipur – 302004

Phone: 91-141-2601020; Fax: 91-141-2605077

Email: investor_relations@vaibhavglobal.com; Website: www.vaibhavglobal.com

Q2 & H1-FY16 Conference Call Transcript November 05, 2015

Shiv Muttoo:

Good afternoon and thank you for joining us on Vaibhav Global's Q2FY16 results earnings call. Today, we have with us Mr. Sunil Agrawal, Chairman and Managing Director and Mr. Puru Aggarwal, the company's recently appointed Chief Financial Officer.

We will begin the call with brief remarks by Mr. Puru Aggarwal on financial performance followed by a discussion on the business operations, key initiatives and broad outlook by Mr. Sunil Agrawal. Following the management's opening comments, we will open the forum for your questions. Before we get started, I would like to point out that some of the statements made or discussed on today's call may be forward looking in nature and must be viewed in conjunction with the risks and uncertainties faced by the company. A more detailed statement and explanation of these risks is included in our earnings presentation. The company does not undertake to update these forward looking statements publically.

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

Puru Aggarwal:

Good evening. I welcome everyone to Vaibhav Global's Q2 FY16 earnings call. I now provide a quick overview of the key financial highlights for the quarter ended 30th September, 2015.

Revenues in Q2 FY16 were lower by 6.5% yoy at Rs. 298 crore in-line with our outlook of weakness in the first half shared with you previously up 8% from Q1. Within this, retail sales were lower by 6.5% yoy at Rs. 273 crore. Compared to Q1, retail sales were up 5%.

Retail pricing or average selling price we can say, was marginally lower overall on year-on-year basis but largely remained in line with our core customer preposition in the range of about \$20. Our new SAP HYBRIS-based web platform and responsive mobile website continue to resolve initial technical challenges which are now coming nearer closer and are likely to result in volume expansion. Gross margin was higher at 66% in Q2 compared to 65% in Q2 last year. This demonstrates our ability to sell a larger phase of products to consumer in global markets while maintaining profitability.

EBITDA margin was impacted by committed investments ahead of anticipated sales volumes. We have expanded our bandwidth and capacity to position the Company for growth and stronger customer's visibility. The fixed and indirect cost

structure has increased to 59% of revenue in Q2, which will get apportioned as business volumes kick in.

Depreciation increased to Rs. 6.2 crore in Q2 from Rs. 2.3 crore. We are now amortizing two recent CAPEX items, one incurred towards improved channel positioning of our TV channel in the UK and the other on our new web platform that I discussed earlier. Overall, these items have resulted in the addition of Rs. 44 crore in gross fixed asset. Despite these investments, we maintained our net zero debt position and cash surplus status. Provisions of tax were lower in Q2 as we had a tax credit equivalent to Rs. 2 crore in the US operations. Consequence of all this, PAT margins decline to 4.1% in Q2 from 7.8% a year ago.

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

Sunil Agrawal:

Thank you, Puru. Before talking about the business, I take this opportunity to welcome you once again to the Vaibhav Global management team. Mr. Puru Aggarwal, our new CFO, comes to VGL with over two decades of rich experience which we are certain to benefit across our global operations.

We have also recently inducted to two new members on our Board of Directors. Mr. Harsh Bahadur and Mr. Santiago Roces Moran.

Mr. Bahadur has over three decades of rich global experience through his illustrious career in retail, branded FMCG, music, software business, services and jewelry industry. He is currently a senior advisor at PricewaterhouseCoopers and also advises some private equity funds in the domain of his expertise.

Mr. Moran has extensive senior leadership experience at companies such as WalMart US, WalMart Korea, WalMart Argentina, YUM Brands and Carrefour across the international market, operational excellence, and business development.

We look forward to their continued contribution through long association with Vaibhav Global.

Now to cover operational highlights, H1 has been subdued as per our expectations. As you know, we have been making several initiatives that thus far have increased our organizations capacity and consequently our cost base. Volume expansion we expected in H2 and beyond.

Our latest initiative is the launch of an EMI for TV customers, termed Budget Pay which covers a large number of our \$20 plus products making it easier for customers to buy from Liquidation Channel. Our initial experience suggest that our three installments payment option creates a marginal cost of approximately 1% of sales from bad debts, which we believe is a positive given the substantial visibility it affords. Also based on our understanding of the competitive landscape, this is a much lower than what some of our peers incur.

Budget pay follows last quarter's initiation of a returns policy on product sold. Here again, our experience is positive. Given our low average price points, we see fewer returns compared to the industry benchmark of approximately 20%. The flexibility to our customers, we believe, will now drive better market visibility for us.

Another key initiative launched recently is a larger, more strategic focus on developing in-house brands both in jewelry and non-jewelry. From our recent pilots

in the space of branding product lines where we partnered with two UK-based designers, we have seen stronger affinity with customers and robust margins on an all-in cost basis. In addition, an extensive survey that we conducted prior to the launch of this exercise further indicated that younger customers have greater brand affinity. One of our objectives is to expand our customer base from existing older, more frugal buyer to whiter Caucasian, younger, and affluent buyer. This has encouraged us to go aversively with branded collections.

We will launch a series of brands over next few months covering this holiday season and beyond. We are associating with a range of appropriate in-house and outside brand champions, who symbolize the key attributes we would like our specific brands to be associated with. We look forward to launching jewelry brand such as Royal Jaipur, Tribal Jewels of India, and Treasures of the Orient that look create differentiated visibility in US and UK market by leveraging our Asian routes. We also have other upcoming launches of Italy, UK and US designer brands comprising in-house manufactured jewelry that will seek to bond with a younger and affluent customer.

To start with, we have already launched the Santa Fe Style Jewelry Collection. The collection comprises themes and stories from Southwest America. Our charms jewelry collection called Hidden Treasures will target the vast and growing segment made popular by leader such as Danish Charm jewelry firm 'Pandora'. This is expected to launch later this month. We plan to bring interesting dimensions to TV presentation by getting minor and gem experts to talk to our audience. We have in the pipeline a natural beauty brand 'Just Herbs', skin care brand 'Dead Sea Spa Magic' and several other interesting brands in non-jewelry segment. We have already launched in-house home brand called 'a Home-smart' with very successful results. This has been launched in UK initially and after a successful launch in UK, we will take it to US We will provide you further update on this front as our branding forays unfolds over the next few months.

Let me now highlight some vital customer-centric data points. In H1 financial year 2015, we have added 127,000 new customers. We now sell 390,000 unique customers calculated on an annualized basis. Customer repeat buying activity is at 17.2 times compared to 17.4 times on an annualized basis. Average annual purchase by each customer stood at 25.5 pieces in the trailing 12 months to September compared to 25.6 pieces same period last year. The customer retention rate is 46% in US and 48.5% in UK. These are positive data points compared to leading peers.

Before closing, I would like to share with our near term outlook in the retail part of our business. We expect gross retail revenue to grow up by at least 8% H2 to H2 in current financial year. This is prior to returns which is expected to remain at higher level compared to last year based on our current returns policy. Retail revenue net of returns are expected to come in flat in H2 compared to H2 of last year. Actually these numbers, we will considerably improve our business momentum given the large fixed and semi-variable cost component in our numbers. Business expansion should be beneficial to margin. With that I conclude my opening remarks. I request the operator to open the forum for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have our first question coming from the line of Mr. Jagdish Bhanushali from Florintree Advisors. Please go ahead, sir.

Jagdish Bhanushali: I wanted to understand that there is a drop in TV volume series Y-o-Y; in fact, there is a significant drop which I am seeing. So I wanted to understand is this for any specific reason one off or how should it be looked into?

Sunil Agrawal: Yes. This is the same reason as I stated in the last earnings call that because of the competitive pressures, we launched our returns policy as well as our EMI proposition and both of these propositions are showing results in current financial year and we will see the volume growth in current financial year.

Jagdish Bhanushali: Okay. So we should see good customer base building-up because of this?

Sunil Agrawal: That is correct. And these are net volume numbers, net of return, so we launched returnability in August of this year. The returns have started and we expect volumes to grow in current quarter onwards and we will continue to grow in next financial year substantially.

Jagdish Bhanushali: Okay. And we are guiding a flat revenue that is H2 revenue compared to the H2 in FY2015, I wanted to understand are we just counting the jewelry revenue or we are counting other than jewelry revenue as well?

Sunil Agrawal: This is on the retail revenue. We expect about 8% to 10% of increase in gross revenue before returns plus since we started returns recently. So because of the returnability, on net basis revenue is expected to be flat in H2. On gross basis, we will see 8% to 10% growth on our revenue.

Jagdish Bhanushali: Right. But question was that would this be having a products that is other than jewelry segment as well?

Sunil Agrawal: Yes. Other than jewelry is very small for us under 10% right now, but yes, it includes all of them jewelry as well as non-jewelry.

Jagdish Bhanushali: Okay. And wanted to understand that our B2B sales has been on a lower end. So do we maintain the same for H2 as well or should it move higher?

Sunil Agrawal: So B2B has two components. One component where we sell to other retailers like QVC's, EVINE or Macy's so, that business continues on a same number as that last years. The other component where we sell the overflow of rough stones which we buy from auction from listed companies in Africa and Brazil and all those places. So those view scaled out substantially because as the current environment in Asia and for those sale of the over flow. So that component is the one which is not growing, it is actually slowing down and there is an intentional decision and there is a low margin division which you see reflected in higher gross margin. This is partially reflected not all.

Jagdish Bhanushali: Yes. I wanted to understand how the October month is looking like?

Sunil Agrawal: So the trend is on the upswing. That is why it gives us confidence to give you the guidance of 8% to 10% growth on gross level for our retail for H2.

Jagdish Bhanushali: Okay. And we maintained that, the returns will be about 8% to 10% from year on?

Sunil Agrawal: So, the returns in the US are approximately 14% which used to be up 4% to 5% before returnability. Therefore, we are agreeing a guidance of flat net revenue on the retail side.

Jagdish Bhanushali: Okay, right. I wanted to understand this EMI schemes have just kicked in Q2 or no?

Sunil Agrawal: They already have. We started it in September and results have been quite positive.

Jagdish Bhanushali: Okay. Because when I see our debtors, I think there is not any significant deterioration seen on that front, hence I wanted to understand exactly. So has the sales I mean actually been coming from the EMI schemes or it is just so?

Sunil Agrawal: Right now, it is just what 20% of our sales in US come from EMI. In UK, we have no EMI. There is not substantial portion, but it has created a good buzz and customer engagement. Started in September, so in last quarter, there would not be much of it in the quarter.

Moderator: Thank you, sir. The next question comes from the line of Malvika Mundhra. Please go ahead, ma'am.

Malvika Mundhra: Hi, I wanted to ask you about the EMI scheme as well. So this has been put on all the products or specific product range because I could not find it on liquidation channel website?

Sunil Agrawal: Yes. We do not offer it on website yet. It is only for TV product and about 70% of over \$20 product is offered EMI on.

Malvika Mundhra: Okay. 70% of above \$20 products.

Sunil Agrawal: Correct.

Malvika Mundhra: Okay, fine. And only for television?

Sunil Agrawal: Only for television, Yes.

Malvika Mundhra: Okay. And also the households have reduced from last quarter by 1 million, is there some specific reason for this?

Sunil Agrawal: So we keep on looking at the households. And so if some households do not perform we exit from them and we take new one. This is a very small churn compared to last quarter. But when you look at year-over-year, last year we have a 96 million at the end of Q2 and this year we are 104 million. So we have internal target of 8% to 10% increase in household within US every year so compared to lastly US is up 12% this quarter over same time last quarter.

Malvika Mundhra: Okay, got it, thank you. And a last question, I had read by some class action suit which filed against Liquidation Channel regarding the pricing front, is there some new development on that front?

Sunil Agrawal: So there is no further development. We have given a press release for that on the Stock Exchange as well. So there is no further development and we feel confident that we have robust processes for our start price declaration. So we feel confident that we will win that lawsuit.

Malvika Mundhra: Okay sir, is there some date when it will be settled?

Sunil Agrawal: I do not have visibility in the timeframe yet but usually such cases takes anywhere from two to three years.

Moderator: Thank you. We have next question coming from the line of Mr. Ram Shankar, he is an Individual Investor. Please go ahead.

Ram Shankar: Due to the new channel position that we have acquired in UK, have we seen any growth on account of that?

Sunil Agrawal: We have not seen any substantial growth for that. We usually takes some customers may go and some new customers may come. So it builds up over the year, so there will be sometime before it builds up. But so far it is about six months or five months that we have aquired, it is same as last year from the new position.

Ram Shankar: Okay. Sir, when we are planning to launch that budget pay through internet?

Sunil Agrawal: Yes, that is a good question. It will take about three to four months before we launch that because we want to improve our processes and make them robust on television before we launch online.

Ram Shankar: Okay. Sir, regarding the short-term borrowings, there is an increase. What is the reason behind that sir?

Sunil Agrawal: So we have increased our credit limit as a bank just in case our business expands and we would need credit. But it is a working capital. So it is based on our requirement. It is not a composition or not a term loan.

Ram Shankar: Okay. Sir, yesterday the QVC and HSN, they have released that quarter results and there is a growth in US compared to other regions and what is your opinion about that? And how come we have not grown that much?

Sunil Agrawal: I am very confident of both US and UK market, especially US because the economy is strong, there is a rebound, and the labor employment situation is very good. So I am confident on US market. The reason that we have not grown have been the competitive reasons and our own strategic decision of launching returnability and EMI. It took us some time to launch both of them. Now that we have, I am confident of our continued growth in current H2 and years to come.

Ram Shankar: Okay. You are saying that retail growth is flat and your gross revenue is expected to grow by 8%. Could you please clarify that?

Sunil Agrawal: We in US, since we launched Liquidation Channel about six years ago, we did not have a returnability of a product below to \$200, that means we could not return products below \$200 unless it is defective. But we do some market survey and also our internal assessment; we felt that we were alienating a portion of customers who would not buy from us because we do not allow returns. And our price points were quite low and so our returns would not have been very high. So we decided to allow returns in August. So we now accept returns on all price points. Because of that initial returns are about 14% of the sale but the sale pick up will happen over the time because of that facility. Because when customers want to come in, they come in slowly over the time. They do not rush in. So because of that returnability, in current H2, our gross revenue on retail will be higher by 8% to 10% but because of returns, our net of return revenue will be same as last year compared to 7% negative that we had in H1.

Ram Shankar: Okay. Sir and you have mentioned that during your opening remarks that H1 FY2016 we have added 1,27,000 customers and we have added in Q1 43,000 customers. So we have added more numbers in Q2 around 84,000 customers?

Sunil Agrawal: Just let me look at the data, can you hold down for a moment, please?

Ram Shankar: Yes.

Sunil Agrawal: Yes, we added 84,000 customers in Q2.

Ram Shankar: Okay. And sir when I go through your Liquidation Channel, the jewelry segment is the maximum number, if you see the total price or pricewise if you go through, maximum numbers you can see in only jewelry segment approximately 92% to 93%. And when you see home and other segment, it is very less under attained the quantity which are showing is even less than 300 for entire products put together. So are we planning to increase the home and decor segment during this quarter or we are only going initially with jewelry, because jewelry, there is a huge drop in TV volumes?

Sunil Agrawal: Mr. Ram Shankar, I compliment you for your research. It is an excellent research and you are right. There is a number of SKU in non-jewelry are low compared to the jewelry. So there are two reasons that. One thing is that non-jewelry is new for us and we want to launch with the due research and while keeping our price points competitive or lower than the competitor.

Second thing, the non-jewelry is usually or there is MOQ which is reasonably large it is a minimum order quantity. And we do not manufacture non-jewelry. And jewelry, we manufacture and we can afford to make smaller quantity, because there is a flexible manufacturing facility that we have in-house. So when we order larger quantities, we want to make sure what we order the item is good and robust and because of it is larger quantity, we are not going very deep into non-jewelry very urgently. So there we do not get stuck with the inventory. So we are learning the business and learning and going. And I am happy to say that our non-jewelry productivity or the margin per minute is about 15% higher than jewelry right now.

Ram Shankar: Okay. Sir and last two points, last Q1 you have mentioned that there is a reduction of ASP. And in Q3, are expecting to make the same price point of \$23 or you are going to reduce it, sir?

Sunil Agrawal: So, let me give you a number specifically for Q1 versus Q2.

Ram Shankar: There is \$23 you have mentioned there pricing point in 2014 and 2015, Q3.

Sunil Agrawal: Yes. So the Q2 average price point has gone to \$22.8 from \$22.5. So it has gone slightly up on Q2 and from Q1 it was \$21.8 and in Q2, average of TV and web is \$22.8 there is a slight increase on average price point from Q1 to Q2.

Ram Shankar: So we are seeing any increase in Q3 or same level that we are getting again, sir?

Sunil Agrawal: It might increase a little bit actually because of budget pay, we have seeing that the customer are comfortable buying a little higher price point too.

Ram Shankar: Okay. And last question there is an increase in inventory actually in the balance sheet, can you throw some light on that sir?

Sunil Agrawal: Yes. We are building up for our season now and we expect it to stabilize by March.

Moderator: Thank you, Mr. Shankar. The next question comes from the line of Mr. Abhay Kumar from Legends. Please go ahead.

Abhay Kumar: Sir, I have three questions. The first question is, why cannot such a good e- market place can be explored in India? India's e-commerce population it is rising like anything now. People are shopping day and night Amazon, Flipkart and all the

websites and all the things which you know each and everybody shopping now why are we, our self not exploiting the Indian market?

Sunil Agrawal: Abhay, thank you for questions and it is a valid question I am sure this must be in many people's mind. We are a company that are fast followers but not leaders and we go into the market that are already established and mature for long distance shopping. We are a low cost discount operator with vertical manufacturing and sourcing worldwide. So our USP is manufacturing, sourcing, storytelling, and our USP is not burning money.

Abhay Kumar: Okay. And then being in Jaipur, so lot of cost reduction can be done to trying to explore Indian markets right?

Sunil Agrawal: So Indian market there is a lot of cost and acquiring customer right now. Not so much in pricing product. As you might already know, most of the electronic retailer or e-com players are really burning money. And even if you have to compete, our logistics cost are definitely lower than them but still there is no gross margin, most of the retailers as I understand, are not making any gross margin. So without the gross margin, how the people will make money? So we struggled with that idea of coming into a market which is not making any money. Now the players are making money.

Abhay Kumar: Okay sir, the second question. You identified the link for stretch pay you said not then you say yes because that is a human psychology to go for stretch pay when it is an easy option available. What is the forecast of change of sales through stretch pay now, since you started it at September?

Sunil Agrawal: Yes. So the currently is about 20% of sales are coming through stretch pay. Since this is new for us, we do not know what exactly will be the customer behavior but we expected to go slowly over the time. I do not know the timeframe yet, but over the time, it may go up to 35% or 40%.

Abhay Kumar: No, my question was that we are doing x sales without stretch pay what is the x plus percentage sales which we can obtain through stretch pay on a conservative basis?

Sunil Agrawal: It is still new for us. So we cannot give guidance on how much it will happen. But the trend we are seeing, we are giving a guidance of 8% to 10% increase on gross sales for H2.

Abhay Kumar: Okay and last question, sir. The software shift of HYBRIS solution into your website and other improvements in the software inside your website and both TV management software, has all the upgradation happened or is it at the best level now?

Sunil Agrawal: We have launched HYBRIS in US and Demandware in UK. So both places we are into that world's topnotch platform. The US is owned software and UK is hosted solution. So the owned software is more complicated than the old hosted ones. So the US HYBRIS is still not fully into place the way we would like. We expect it to be done before the end of this month.

Abhay Kumar: In the last con call you said, it will take three to four months for the customer to understand the software and the website for usability and then we will come back to a bigger track, is it on?

Sunil Agrawal: That is correct. And that is why I said, it should be done by the end of this month.

Moderator: We have a question from the line of Jaineel Jhaveri from J&J Holdings. Please go ahead, sir.

Jaineel Jhaveri: I understand that you are trying to get the younger generation to start buying these products, so for that one of the things that I have seen usually is, having the app which is kind of user friendly and really-really attractive to get people to start going there. And also on another thing that I have noticed is companies is very quick on the bandwagon to get on to like Apple TV or Roku or some of the streaming boxes. I understand that we are working on those applications and can you talk a little bit about that?

Sunil Agrawal: So there are two questions, one is about the app for the younger generation and other is about the IP TV? So I will address app first. We are exploring the app, what will be the additional benefit we can give on app which we cannot be given our responsive website. Our website is responsive for customers when that there will be login, which fits their screen size, for the apps we will have to device app appropriate for each screen set. So one thing, we do not want to give apple-to-apple app. It has to be something utilizing the platform of the device. So we are discussing on that. We have not started making the app. We had some apps already out there, we have iPad app, we have some iPhone app in UK and we have some apps in US But they are not the apps that, they are envision to core future. We are envisioning app where people can have additional experience, whether it is 3D experience as we can try the products or it can be more interactive we can see the streaming and buyers from the same screen. So there are some technological challenges to make our vision come true, but that is in discussions.

But as far as younger is concerned, compared to what current average age as we want our customers to go slightly lower, but we are not looking for 20s or early 30s. We are still looking at a 35 year to 40 year old woman as our customer a white Caucasian woman compared to the average of 30 year to 65 year currently. So there is a first thing and second thing about IP TV, we already are on Roku or Hulu or Samsung or Sony TVs applications or even Xbox and Google TV. So we already have apps on that and we have revenue coming from these particular platform. But still we are not at the stage of allowing customers to buy from these apps, which Apple TV has recently launched last week. So we are exploring with Apple TV as well as Amazon Fire, is there a possibility for us to network with them or to partner with them for our apps which are already there to be able to be purchase from their wallet like the Google Wallet or Apple TV or Amazon payment system. So that is an exploration.

Moderator: Thank you, Mr. Jhaveri. We have the next question coming from the line of Mr. Sahil Shah from Edelweiss.

Sahil Shah: So what is the sales growth that we expect in FY2017, as you said in H2 FY2016 it will be a flat net sales growth, what is the growth that we expect in FY2017?

Sunil Agrawal: At this time with a visibility that we have, we expect double-digit growth but we do not know exactly how much because there are a lot of new initiatives we are putting in place the returnability or the budget pay or the brands that we are going with. So still we do not know how much it will be.

Sahil Shah: Okay. And will that lead to margin expansion because what we have seen is that during Q2, with the 7% fall in sales as the EBITDA margins are declined, so will you benefit from operating leverage as the sales increase or are the cost more variable?

Sunil Agrawal: No. Definitely, we will because the major cost are fixed so if you see expansion on top-line you will see benefit in EBITDA.

Sahil Shah: Okay. And what I have seen in last two years that the TV sale and expenses have increased on a Y-o-Y basis in FY2015, so FY2016 in H2, your other expenses have largely remained flat, so will this expenses increase in FY2017 or will these remain where it is?

Sunil Agrawal: As I said, large portion of our expenses are fixed, only we have the call center, customer service and a little bit of management is increased, or the manufacturing site has some increase. But where anytime cost or the senior management and middle management cost there is fixed. The large portion of the cost would not increase.

Sahil Shah: Okay. And are we done in terms of penetrating the US market when you talk about the TV channels?

Sunil Agrawal: In UK, we are fully done but US we expect to increase, continue to increase the homes by 8% to 10% a year till we reach about 95 million to 100 million homes. In US, currently we are about 80 million homes.

Sahil Shah: Okay. So in that proportion the TV channel expense should increase?

Sunil Agrawal: Yes, correct. But since it is overall average for the year, they should be increased about half of that. Because it is the households over the year, it is not start of the year.

Moderator: Thank you, sir. We have a question coming from Mr. Ram Shankar. Please go ahead.

Ram Shankar: Sir, how many percentage of customer logging via responsive mobile, website, is there any increase in that sir after long-term....

Sunil Agrawal: So as of last week as I was looking, the number was flat year-over-year, in US I do not have a UK data, so I cannot share. So we have not seen the growth but the growth is not because of the platform is not attractive enough. But there are still some enhancement as you could not do that are required or are interesting for consumer point of view, like one clickpay or one click payment or same shopping card for charging option or a streaming TV or catalog. We have different shopping card for all three of them. There are other enhancements that we are doing, which should increase engagement. And we expect all this to come by end of this month.

Ram Shankar: That is a very less tax expense seen in the quarterly results vis-à-vis last year.

Sunil Agrawal: Yes, Let Puru answers that.

Puru Aggarwal: That is Ram Shankar, because of the tax credit which we got in US operations.

Ram Shankar: And this will continue in future also or?

Sunil Agrawal: No. Because in US we expect to turnaround in H2 and will be profitable there would not be tax credit in the US.

Ram Shankar: Okay, whatever tax credit it got exhausted it means.

Sunil Agrawal: Yes.

Ram Shankar: And last question, what about if you see there is a 7% reduction where on we lost that 7% revenue, can you throw some light on that sir? B2B we have lost some Rs.3 crore like that...

Sunil Agrawal: All three segments: The Television, Web and B2B. So it has declined in on all three sides.

Moderator: Thank you, sir. We have a question coming from Sunny Shah, an Individual investor.

Sunny Shah: My questions were few ones. First of all, could you throw some light on what the market share of the company is as far as the US or the UK markets?

Sunil Agrawal: For a total markets combined, we are less that 2% of the market share.

Sunny Shah: Okay, all right. So I mean just what I got through about the details of the other competitors, what I understand is the market share there I mean since you have just 2% of the total market share, few things which were highlighting were that the ASP that is average selling price of those particular competitors, is pretty high compared to what we have. So going forward, what you think, what is a scope of the improvement in the market share? And how is the Company dealing with the same?

Sunil Agrawal: Yes. So our price point is approximately one-third of the near competitor that we had and doing our clear differentiations from them. We do not want to go too high from where we are currently so not to compete head-to-head with them. We want to be seen as a discounter and we have positioned ourselves as that. So there may be some improvements of the price from current \$22 maybe \$23 or \$24 but did not have visibility of increasing it to any further from there.

Sunny Shah: Okay. And the second question would be, on an average I see, I mean since last one year or so I mean or probably a little longer period, the average margins of roughly 8% to 10% is what is seen as trickling down in the profits. But do you see that going forward, the same margins would be repeated or it would squeeze in all?

Sunil Agrawal: I hope so.

Sunny Shah: Okay, alright. And the last question is, do you think as far as the Company on a consolidated basis as a whole, all the operations, all the products side, the worst is behind for the company I mean how positive is the management about this or is the management skeptical about a few things?

Sunil Agrawal: Personally, I am very confident. I personally have, that management have purchased stock in the past they have the confidence that we have. So I have all the confidence in the company and in the growth of the company. And I actually, I was not only confident I can say that I am highly excited with a prospects of the company.

Sunny Shah: Okay. And one last final question, that is, I see that due to the some provisions of the new Companies Act, there is what you call up a deficit in the profit and loss which cannot be adjusted against the securities premium. And that is a major reason for not giving the dividend. Any highlights or updates on that as to when it would be finalizing?

- Puru Aggarwal:** We have initiated the process few months back and some part of the process has already been completed. NSE has already given NOC, BSE is in process. So once we get the approval from SEBI, we will file it with the High Court of Jaipur and that is our hope and intention to expedite it as fast possible as we can, but since there is a process involved at every steps, so we are keeping our fingers crossed that we complete this process as fast as possible and distribute.
- Sunny Shah:** Okay. And one last question, when do you think it could be possible whether I mean when you are expecting Q3 or Q4 this particular event?
- Puru Aggarwal:** In fact, we do not expect Q3 because it is too early. There is a long process. High Court itself takes generally three or four months. So we expect towards the end of the Q4 that is our hope, but with agencies involved outside so it is hard to give a perfect timeframe.
- Moderator:** Next, we have a question from the line of Mr. Sahil Shah from Edelweiss.
- Sahil Shah:** One follow-up. So out of the overall industry sales which is out of the our addressable market, if we have to break-up the sales between different channels that is web based, application based and TV. So what would be the proportion for the industry?
- Sunil Agrawal:** Now for industry the major competitors like QVC, HSN, they have about 55% to 60% via television and 40% to 45% via e-com. I do not has a breakup of how much as a mobile versus how much is desktop. Now there is an approximate number, I can give from my memory, of the total e-com sales about 40% comes from their mobile and 60% comes from their website. In our case it is just about 25% of our US sales come via e-com and 75% comes from the Television. And in our UK business, about 12% comes from web 88% comes from TV.
- Sahil Shah:** Okay. And for let us say player like QVC, the shift to e-com which is now 40% to 45% would be happening at the rapid pace. If you look at let us say, three, four or five years back, it would be what 10%. So every year it is increasing by around 5% to 10% or how is that?
- Sunil Agrawal:** I do not have the data but it is definitely increasing faster than television. This is true. I do not have a data how much it works three years to four years ago. When it will merge to the two of them completely I do not know. There is still gap, but for us, the key thing or key USP is what video programming and the robust sourcing processes that we have and the market positioning that we have as a discount retailer. So the video engagement and the storytelling that we do via television is continue to do via IPTV or via streaming Web or whatever the medium there will be. So that will be our USP going forward. It does not matter to us whether that is running through television or through IPTV or the media. The way that the customers see us and find us will change so our opportunity to adapt to that new environment when that changes.
- Sahil Shah:** Sure. And so QVC, do they do the sales in terms of what we do, like as you said, you have a video on TV. So do they have video on mobile app or e-com side as well?
- Sunil Agrawal:** Absolutely, yes it is. In fact, we were interviewing the candidate for our President position who works for QVC and the candidate shared that of your 40% to 45% e-com sales, more than 80% originate from TV in some form or other.

Moderator: Thank you. We have a question coming from the line of Mr. Abhay Kumar from Legends. Please go ahead.

Abhay Kumar: You said 15% margin increment is there as compared to jewelry business in the home sector product and which is commanding a market share of almost 7% of your total sales. So this is more exciting or a new discovery for you, do you have a plan or a process where in you are visualizing yourself to capture this much amount of home segment market or go with proper merchandizing and going to deep into it like, this is like a jewelry segment, any road maps is therein that?

Sunil Agrawal: We have teams and place in the US, UK, India, and China for all these categories. There is home Textile, Home Décor, Beauty and Accessories. So all the four segments which is non-jewelry we are addressing, now want to go deeper into. But we do not want to make a mistake because customer perception as we do not want to lose that has been built over many years. So we are looking at the products, analyzing them, creating the story and then bringing them one at a time. And since, as I said earlier there MOQ for these products is larger. They come by sea in a large container. So we have to be careful what we have because the last thing we want to get stuck as dead inventory.

Abhay Kumar: It is a bit of a slow and steady process?

Sunil Agrawal: It is slow and steady process.

Sunil Agrawal: But I am confident that these category ratios will increase. I have seen the QVC in last 15 years I have been selling if you can consider our B2B division, their jewelry used to be about third of the sales, now jewelry for HSN and QVC just about 10% to 12%.

Abhay Kumar: So there is one of the reasons, I will just question.

Sunil Agrawal: Yes, Beauty and Home has increased significantly for them. And we are finding very good traction on them but we do not want to make a mistake.

Abhay Kumar: Okay. The second question sir, what is the percentage division of selling's via TV, via mobile app, via web platform and any other means?

Sunil Agrawal: Yes. So currently in H1 I can give you the data 74% of our sale is coming from Television. Now 18.5% sale on web both for US and UK combined and the balance is 7% sale is coming from B2B in H1.

Abhay Kumar: So which one is going to scale for us in the coming quarter and the half years?

Sunil Agrawal: I believe that the web will increase as a ratio of sale in H2.

Moderator: Thank you. As there are no further questions, I would like to hand the floor over to Mr. Sunil Agrawal for closing comments. Please go ahead.

Sunil Agrawal: Thank you to all the investors and the participants for the time and interesting questions. In case you have any further questions, feel free to contact Shiv or Karl at CDR India or Puru Aggarwal, our CFO at Vaibhav Global. Thank you very much.