05th August, 2024

BSE Ltd.
Corporate Relation Department,
Listing Department,
Rotunda Building, PJ Towers,
Dalal Street, Mumbai – 400 023.
Scrip Code: 532867

National Stock Exchange of India Ltd.
Listing Department
Exchange Plaza, C-1, Block- G,
Bandra Kurla Complex
Bandra (East) Mumbai–400 051
NSE Symbol: V2RETAIL

Sub: Transcript of Earnings Call Q1 FY 2024-25 - Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Pursuant to Regulation 30 read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI Listing Regulations), please find enclosed the transcript for the conference call with the Analysts/ Investors for the Q1 & FY 2024-25 Financial Results of the Company conducted through digital means on Wednesday, July 31, 2024 at 12:00 Noon IST.

The transcript shall also be uploaded on the website of the Company. You are requested to kindly take the above on record.

Thanking you,
YOURS FAITHFULLY,
FOR V2 RETAIL LIMITED

SHIVAM AGGARWAL

Digitally signed by SHIVAM AGGARWAL
Date: 2024.08.05 08:50:56 +05'30'

SHIVAM AGGARWAL
COMPANY SECRETARY & COMPLIANCE OFFICER

Encl.: As above

"V2 Retail Limited Q1 FY-25 Earnings Conference Call"

July 31, 2024

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the Company's website will prevail

MANAGEMENT: **MR. MANSHU TANDON – CEO, V2 RETAIL LIMITED**
MR. AKASH AGARWAL – WHOLE-TIME DIRECTOR, V2 RETAIL LIMITED

Moderator: Ladies and gentlemen good day and welcome to V2 Retail Limited Q1 FY25 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

Before we begin a brief disclaimer:

The Presentation which V2 Retail Limited has uploaded on the stock exchange and their website including the discussion during this call contains or may contain certain forward-looking statements concerning V2 Retail limited business prospects and profitability which are subject to several risks and uncertainties and the actual results could materially differ from those in such forward-looking statements.

Ladies and gentlemen, I now hand the conference over to Mr. Akash Agarwal – Whole-time Director, V2 Retail. Thank you and over to you sir.

Akash Agarwal: Good afternoon, everyone. A very warm welcome to our Quarter 1 FY25 Earnings Conference Call.

Along with me I have Mr. Manshu Tandon – our CEO and Marathon Capital – our investor relations team. I hope everyone has had an opportunity to look at our results. The presentation and press release have been uploaded on the stock exchanges and our company's website.

At V2 Retail our ambition is to democratize fashion by offering high quality, trendy apparel at affordable prices to value conscious customers across all tiers of cities. We achieved this through operational excellence, strategic expansion, competitive pricing, a customer centric approach and a strategic use of technology. Our diverse product range, competitive pricing and exceptional shopping experience ensure that we provide significant value to our customers. As we continue to grow and innovate, we remain committed to making fashion accessible to all, uplifting communities and driving sustainable growth. Our business model has increasingly evolved to deliver desirable customer propositions, emphasis on our own designing and credible quality, nimble responsiveness to emerging consumer preferences, coupled with relative price stability, contributes to our distinctive market positioning in the value retail apparel space.

Let me start with some key updates:

After a historic FY24, we are thrilled to start the current Financial Year with highest ever quarterly sales during Quarter 1 and a 162% increase in year-on-year PAT. The company opened 10 new stores during the quarter taking out total store count to 127 stores. Our store expansion strategy is focused on penetrating underserved urban and rural markets and maintaining a strong presence in Tier-I and Tier-II cities. To reach a very diverse customer base, we aspire to add between 50 to 60 stores on a net basis through internal accruals in line with the commitment to sustainable growth driven by cash flows in FY25. The strong acceptance of our differentiated product offerings at full price is the testimony of our customer centric thinking of providing fresh variety, good quality at best price.

So, the growth across all our stores have been encouraging translating into a robust same store sales growth of 37% in Quarter 1. We have been able to consistently deliver high double digit SSG for the last few quarters due to this approach. The volume growth was 55% in the first quarter. The full price sales contributed 93% in the first quarter compared to 84% in the corresponding quarter last year. Through efficient supply chain management, streamlined operations and strategic inventory management, we have been able to maintain cost effectiveness without compromising on quality. We believe that our sustainable and scalable business model will help us improve ROCE and ROE going forward.

Now I will hand over the conference to Mr. Manshu Tandon – our CEO to give you an overview of our operational performance during the quarter.

Manshu Tandon: Good afternoon, everyone. I will give you a brief on the consolidated performance highlights for Q1 FY25:

Revenue from operations stood at 415 crores, registering growth of 57% on YOY basis. Gross margin stood at 29% for Q1 FY25. EBITDA for the quarter stood at 55.5 crores as compared to 35.6 crores in Q1 FY24, registering a growth of 56% on YOY basis. EBITDA margin stood at 13.4% for Q1 FY25, PAT for the quarter stood at 16.3 crores as compared to 6.2 crores in Q1 FY24 registering a growth of 162% on YOY basis. As on June 30th, 2024 the company operates 127 stores with a total retail area of 13.64 lakh square feet. The company opened 10 stores in Q1 FY25.

With this I now leave the floor open for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ankush Agrawal Surge Capital.

Ankush Agrawal: Firstly, what kind of pre-IndAS EBITDA and PAT margins are we looking for FY25 and for the coming years?

Akash Agarwal: So, if we talk about pre-IndAS numbers, this year we are targeting an EBITDA of 7% to 8%. And going forward we want to target a pre-IndAS EBITDA percentage of 8% to 9%.

Ankush Agrawal: And how much would that translate to net margin on a PAT basis.

Akash Agarwal: I think in FY24 our net margin was about 3.5%, so you can expect this year's PAT margin to be 4.5%. And going forward it should between 4.5% to 5.5%.

Ankush Agrawal: Secondly can you share the share of our own proprietary labels and own manufacturing for FY24 and how should we see that number going ahead?

Akash Agarwal: Our private label contribution is almost 80% and going forward the target is to make it 100% private label business. So, we are moving in that direction because one year back that percentage used to be 60%. So, in one or two years we want to be a 100% private label business.

Ankush Agrawal: Just a clarification. Till FY23, based on the annual report revenue share from proprietary labels was 40% in FY23. This is as per annual report. So, when you say private label and proprietary label, is there a difference in that or that number is moved from 40?

Akash Agarwal: You're talking about financial year. I was talking about calendar year. That is why there's that confusion. So, this year when I mean, I mean from January till July the percentage is 80%. So, like if you converted to financial year, I think it was 40% then 60% and this financially we close at 80% and in one or two years we plan to take it to 100%.

Ankush Agrawal: The last question is on the gross margins. So, over the last couple of quarters, we have seen gross margins taper off a little bit every quarter. On one side you have continued to maintain that you are trying to pass more value to your customers. But on the other hand, what is also true is the share of revenue from proprietary labels have increased. The share of sales at MRP has also consistently increased. So, which should act to gross margins. So, from all this perspective where do you expect these gross margins to settle eventually?

Akash Agarwal: So, we pass on all the benefits from our own production as well as private labels to the customers. So, we do not get an extra gross margin on our private labels and we are selling more at full price. But now our input margin is strategy is such that we are targeting a gross margin percentage ranging from 27% to 29% because we want to give maximum value to the customer and we want to be the market leader in the value fashion space.

Moderator: The next question is from the line of Palash Kawale from Nuvama Wealth.

Palash Kawale: My question is related to market leader in our category which will be Zudio. So, do you foresee your store metrics going closer to Zudio in coming years and if yes then what are you planning to do to like take it closer?

Akash Agarwal: There are two major matrix that we look at and we focus on, rather than just per square feet sales or per square feet cost or GP per square feet we focus on EBITDA percentage which is pre-IndAS EBITDA percentage and the ROCE and the ROE of the business. So, going forward our aim is to be at par or even better than the best players in this space. So, that is why I said, going forward we want to keep increasing our EBITDA margins pre-IndAS to and move to 9% first and then further.

Palash Kawale: Did I get you correctly that you are planning to add 50 to 60 net stores this year?

Akash Agarwal: 40 to 50. We have already added 10 stores and the plan is to add about 30 to 40 more.

Palash Kawale: My next question is, if everything goes right in like next 2-3 years, what is that opportunity in front of us in terms of store additions, what do you see that room for expansion in next 3 to 4 years for V2 Retail?

Akash Agarwal: So, it completely depends on the performance and the execution and how the new stores that we are opening are doing. If we continue to see the kind of growth that we are seeing and the kind of product acceptance that the market is showing us, then after these 40 to 50 stores this year we might open another 60 to 70 stores next year. So, it all depends how the business is performing because we don't want to chase just growth by compromising on profitability. So, the first target is for the next 3 to 4 years to grow at least 30% to 40% both in terms of revenue and EBITDA.

Palash Kawale: What was our footfall growth for the quarter?

Akash Agarwal: I will have to check the exact number. But we started tracking footfalls from this year because old technologies were not accurate enough to be relied upon. So, we will be able to give the comparison of footfalls from next year onwards because we've started collecting that data I think about five months back.

Moderator: The next question is from the line of Jagvir Singh from Shade Capital.

Jagvir Singh: What is the current debt position?

Akash Agarwal: I think the current debt on the books is about 78 crores. So, what we have is, it's a CC limit that we have from the banks, and we give a bill discounting feature to all our vendors where they can get an early payment of their bills. So, mostly we use the limit for those purposes.

Jagvir Singh: Second question related to the competition. So, Zudio is I think at upper level because they start from Rs. 450 or 500. So, is this Vishal Mega Mart or V-Mart?

Akash Agarwal: So, there are different tiers of competition. So, one would be the local mom and pop stores which is the unorganized retail, one is the national level retailer. So, there is a certain level of overlap because Zudio starts selling their t-shirts for 199 but their ASP is almost 80% higher than ours. So, like there is competition from each space, I would say, whether it's Vishal, V-Mart, Zudio but we try to focus on ourselves. And I think in India the market is big enough to easily accommodate five-six big national players because the shift from unorganized to organized retail is accelerating and that is how the organized retail is going to grow at a high CAGR for the next few years.

Jagvir Singh: And second question related to the manufacturing. How much is owned manufacturing?

Akash Agarwal: So, about 16% of our sales are owned manufacturing but we don't plan to open any more units. So, as we are opening more stores and as our sales are growing this contribution is going to come down.

Jagvir Singh: In the in the first innings in the Vishal Mega Mart, I think inventory has the problems. So, what we have learned from them and so what is our strategy in this new inning?

Akash Agarwal: So, one of the biggest learnings was not chasing growth blindly by compromising on profitability. So, we make a store level EBITDA every month. We sit down we take decisions on low performing stores, and I think in the history of V2, it's the first time that not even a single store is EBITDA negative on a YTD level with the corporate cost. So, like we try to forecast cash flows, EBITDAs and we try to keep certain business metrics in check before taking the next leg of expansion. And if you talk about learning there have been 15-20 learnings as call will go on. But we have learned from those mistakes and implemented a lot of checks and balances in order to not open bad stores. So, there's a lot of checks before finalizing a new store, there's a lot of checks on inventory control. Our old and aging inventory has come down drastically. I think everything points towards very positive outlook.

Moderator: The next question is from the line of Abhishek from ABS Capital.

Abhishek: You said that ROE will increase going forward. Can you throw some light as to what ROE number you are targeting internally going forward?

Akash Agarwal: So, the ROE number that we're targeting going forward should be around 20% to 22%.

Abhishek: And going forward how much same store growth do you target internally?

Akash Agarwal: I think 10% is a very good number. So, going forward even if we achieve a 10% SSG I think that's very good for the business because it's a fixed cost business where even if you grow your sales by 10% your profitability grows multifold. So, going forward with a higher base I think even if we get 10%, a double digit SSG is a good SSG.

Abhishek: And just one clarification' in the long term just now you told that revenue growth you are targeting internally is around 30% to 40% year-on-year, right?

Akash Agarwal: Yes.

Moderator: The next question is from the line of Shrinjana Mittal from Ratnatraya Capital.

Shrinjana Mittal: I have three questions. One is on the employee cost. So, this quarter the employee cost is a little bit on the higher side. I wanted to understand that is it because of some incremental cycle or is it just new employee addition? Can you just throw some light on that?

Akash Agarwal: So, most of it is because of the new store additions. So, a lot of the hirings needs to be done at least a month or couple of months prior to the opening of the store. So, every quarter you know we plan to open 15 to 20 stores. So, if you look at the per square feet basis, there's not much change. But in the absolute numbers as we keep growing the store base ,this number will rise.

Shrinjana Mittal: One question on the same store sales growth. How do we calculate our same store sales? Like in the denominator do we include stores which are greater than one year old as of date?

Akash Agarwal: We include all the stores that existed till 31st of March, 2023.

Shrinjana Mittal: 31st of March, 2023. That is for this year's same store sales growth?

Akash Agarwal: That is for Quarter 1 SSG because all the stores should have been there for the whole quarter of 2023 as well as 2024. That is the only criteria. So, the stores that open during the first quarter of FY24, we don't take that. It's only the opening number of stores. Yes.

Shrinjana Mittal: One more question. on the seasonality, can you give some color? So, I understand that Q3 is a bigger quarter for us but Q2 also relative to Q1, it's a little bit on the slower side even in terms of margin. So, why is that if you can just give some color?

Akash Agarwal: So, Q1 and Q3 are the biggest quarters for us because Q1 is the main wedding season and the summer season and Q3 is the festive and the winter season and Q2 has July and monsoons and even Q4 has January and February which is end of season for winter and pre-winter. So, that is the seasonality impact in retail. But I think going forward all our quarters will be EBITDA positive.

Moderator: The next question is from the line of Kaustubh Pawaskar from Sharekhan by BNP Paribas.

Kaustubh Pawaskar: My question is on gross margins. So, just want to understand the decline in the gross margins in this quarter. And how do you see this going ahead considering the fact that Q3 is one of the strongest quarters for us? So, whether this quarter has some impact of mix or discounts which impacted the margins which will not be there in the next quarter, so just understanding from your end?

Akash Agarwal: So, in fact there were lesser discounts but still there's a decrease in gross margin percentage because like I said it's the strategy of the company. We are not focusing on gross margin percentage rather than we're focusing on EBITDA percentage. So, if we reduce our gross margin by 10% and that increases our sales by 15%-16%, so that is ultimately beneficial for the business. So, it's a business strategy and going forward we are targeting a gross margin of 28%-29%.

Kaustubh Pawaskar: I just wanted to understand how the demand environment is like how it was last year compared to that how the demand environment is in some of the important states where your stores are and how the festive season would be for us where maybe Quarter 3 because last year Quarter 3 was much stronger for us? So, considering that how do we expect this year's festive season?

Akash Agarwal: So, if you talk about the demand scenario, I think the 37% SSG, the number itself says a lot. And we have seen this consistently over the last 4-5 seasons. And now it's very hard to differentiate how much of that is because of our own strengths or the work that we have put or how much of that is the overall market growing. But we have seen an amazing demand. And for Quarter 3 we hopefully want to continue the momentum and we are working hard towards that. I think this trend should continue because we are getting a very good feedback from our customers, both about the price proposition as well as the product offering. I think this is a trend that should continue in the future quarters because we have seen this in July also. So, in July our same store sales growth is actually better than the Q1 numbers.

Moderator: The next question is from the line of Ankit Babel from Subhkam Ventures.

Ankit Babel: My first question is on your working capital, what was the inventory and creditor levels at the end of June quarter?

Akash Agarwal: If you look at the standalone basis the inventory days were 81 days and the payable days was 40 days. So, our net working capital and days were 42 days.

Ankit Babel: No, I need the absolute numbers at a consolidated level.

Akash Agarwal: The absolute consolidated level inventory was 439 crores and the payables was 251 crores.

Ankit Babel: Also, as you said that the aging of your inventory has reduced a lot. So, just for my understanding what would be the share of inventory which is more than one year old and what it was say a couple of years back just to see what kind of improvement is there?

Akash Agarwal: So, a couple of years back more than one year inventory was almost 23% and now that number is down to 7%. And the idea is to take this number down to zero by end of next year.

Ankit Babel: And what are your plans for the upcoming festive season I mean what are your expectations?

Akash Agarwal: We don't share our internal expectations because we are very bullish because every month the growth and the demand and the customer acceptance is surprising us positively. But like I said we always give a forecast of 30% to 40% revenue and EBITDA growth. I think this year is the same.

Ankit Babel: And just a clarification on your sales promotion expenses. Now just wanted to understand for the accounting treatment, do you reduce it from the revenue or show it as a part of your other expenses?

Akash Agarwal: So, it depends on the kind of marketing expense. So, if we are doing for example a newspaper ad or we are spending on ATL and BTL, those are a part of expenses. But most of our marketing spend is in terms of gifts given to customers or special discounts on some items. So, that is all part of the cost of goods sold. So, that is already a part of the gross margin.

Ankit Babel: No. But you show it by reducing it from the revenue or you show it by adding it to your raw material cost, how you would account it?

Akash Agarwal: So, it's added to revenue also and it's added to the cost of goods sold also.

Ankit Babel: And last question is, you mentioned that you want to increase the share of private label to almost 100% in the next 2 years. How is it going to benefit you in what terms? I mean either on the profitability or on the churning of the product or how is going to help you?

Akash Agarwal: It's just that the customer starts identifying with the brand. So, each brand will have their own story and each brand will have their own identity and in 2 years each of our brands will have a turnover of almost 200-300 to 500 crores. So, it becomes a brand in itself and then the customers have size standardization, and they have that trust, so that whatever product they're buying of that brand will be of a certain quality or a certain standard. So, that is the only benefit that we get.

Moderator: The next question is from the line of Naveen Baid from Nuvama Asset Management.

Naveen Baid: I just wanted some sense on what's going to be the marketing spend ex of the debts that you mentioned with debts clubbed with your COGS and revenue. What is going to be the marketing spend ex of that as a percentage of the top line?

Akash Agarwal: Your voice is not clear. I just understood what's the marketing spend. I didn't understand anything else.

Naveen Baid: That's correct.

Akash Agarwal: So, it's less than 1% of total sales.

Naveen Baid: Is it going to be around similar levels?

Akash Agarwal: Yes. Because we have understood that the product is the best brand ambassador and there's a lot of word-of-mouth marketing that's happening because all this growth is actually we have reduced our marketing spends from previous years. So, that is why the main focus is on improving the product offering and giving it at the best price possible.

Moderator: The next question is from the line of Himanshu Shah from Dolat Capital.

Himanshu Shah: Couple of questions; one, the store additions that we are targeting for, will it be in the existing areas of operations or it would be coming from newer geographies, we are trying to tap newer stage?

Akash Agarwal: So, this 40 to 50 store that we're opening this year like most of it is in the similar clusters or the same states that we're already present in. But maybe in the next leg of growth we will have to enter new markets. But currently it's all the same states in the same cluster that we are already present in.

Himanshu Shah: And secondly how much more juice has been left from a revenue per square foot? Can you give an idea what top 20% of the stores, what kind of throughput they must be doing on annualized basis?

Akash Agarwal: Like I would not want to share those numbers but I would tell you that we have a lot of stores that are doing above Rs. 1,400-1,500 per square feet monthly sales also. So, there is no potential. It all depends on the kind of execution and the kind of product assortment that you have in the stores because in terms of capacity it's huge. And it all depends what percentage of the Target market that you're present in or you actually catering to. So, if you have a very strong brand and you know you've been able to stay in touch with the latest trends because with our markdowns and the markups nobody can beat us in price. So, it's all about product assortment. So, I think that problem is not a problem till we reach maybe 2x or 3x of where we are right now in terms of per square feet of sales.

Himanshu Shah: 2x to x you are saying. But right now, some of the stores would be at around 1,400-1,500 is what you are highlighting, the top performing stores?

Akash Agarwal: Yes. And even they are growing at almost the same growth as the numbers that we are posting. That is the beauty.

Himanshu Shah: So, on a per square foot basis, you are seeing that at optimal level the number can even double from here on over the longer period?

Akash Agarwal: If we do everything right, of course.

Himanshu Shah: And on rent part how are the rent cost? What kind of escalations we are seeing over there and is our model more of a variable or it's on a fixed rental basis with our landlords?

Akash Agarwal: It's completely fixed rental basis and our rental cost are Rs. 54 per square feet and I think it should be at this level just accounting for inflation obviously but it should remain at similar levels. We're not seeing a big change.

Moderator: The next question is from the line of Sameer Gupta from India Infoline.

Sameer Gupta: I have not been part of previous calls for the company. Just wanted to understand this same store sales growth a little bit in detail. So, you've done 31% in FY24, this quarter is 37% and you said

July has also been strong. So, firstly, when I look at other companies, especially since FY24 it has been a very tepid consumption environment and especially in the lower income segment. Plus, competition has also intensified in the value fashion segment across the board. So, this 37% growth has continued for you, what are the drivers here?

Akash Agarwal: I would say the commentary about the whole market situation depends on who you are talking to because I know a few retailers myself were showing good numbers and showing good growth. So, like I said it's all about the kind of execution that we have done and it's the hard work of the last 3-4 years because were in consolidation phase. As you can see, we didn't open a lot of stores, we shut down a lot of loss-making stores, we completely changed the approach to business where it was not a product first approach. So, now we have been focusing on product and I would say this growth has been driven primarily by product development where till 2 years back only about 5% of the goods in our stores were designed in-house whereas now that number has almost reached 30%-35%. Going forward we are targeting this number to reach 80%. And in this 30% to 35% we are seeing at least a 20% higher throughput or per square feet sale you can say than the designs that we get from the vendors. So, if I start listing down the things, it will be like long list. But I would say it's completely the main driver behind this has been product, the focus on product.

Sameer Gupta: Just a follow up here. So, you're also saying that sales per square feet potential itself is 2x to 3x from current levels. But your SSS growth guidance that you mentioned is 10%. Now that again raises the question that from a 37% why it will go down to 10% if the SPSF juice itself is there to be exploited.

Akash Agarwal: So, when we closed last year at I think 29% or 31% SSG, even this year we had targeted a 15% SSG because we thought it's a higher base now, even if we grow at 15%. That's why I said we are positively surprised. For this year we are still targeting a higher SSG. But when I said 10% that was from next year onwards. So, even if we close this year at 950 to 1000, even if we are growing 10% then we are growing Rs. 100 per square feet next year. So, we can easily double in like I think 5 years.

Sameer Gupta: Given the way the first quarter has gone by, would you want to revise that guidance again?

Akash Agarwal: Again, I would not want to revise the guidance for next year. We have already revised the guidance for this year, the rest of the nine months. But if you talk about next year onwards, we want a minimum SSG of 10%, any double digit SSG is good enough for us.

Sameer Gupta: And the next nine months you are saying 15%?

Akash Agarwal: Yes, 15% to 20%.

Moderator: The next question is from the line of Mr. Manoj from Kivah.

Manoj: I wanted to ask, will we do the call now every quarter and also, I wanted to congratulate you for a great performance?

Akash Agarwal: Yes, now we are going to do the call every quarter.

Manoj: If I'm not wrong we had implemented SAP HANA way back in 2017.

Akash Agarwal: No, we had implemented SAP but we have implemented HANA I in 2022.

Manoj: And can you share has that been very helpful, one of the things and are we looking to improve the metric there with the number one player, are we putting more work there? Is that helping, is that one of the secret sauces for you in the last few quarters?

Akash Agarwal: No. First can you repeat your question? You spoke about SAP HANA and then your voice broke.

Manoj: Like has that been one of the secret sauces for us and are we looking to benchmark? So, I know the largest player trend. They use SAP HANA very effectively. Are we trying to you know trying to benchmark with them?

Akash Agarwal: We are not benchmarking with anyone. So, we are directly in touch with SAP and we are benchmarking with the industry best practices and we are spending constantly and I mentioned in my opening statement also that technology is a big part where we want to innovate and create some sort of differentiation. So, there is a lot of development that is happening. So, we have an SRM, we have a store app. So, there are many projects that are happening and that are being implemented across. I think we will see the benefit of that going forward. But if you talk about SAP HANA, it's just a database change that the data has been moved from Oracle to a HANA database. So, obviously the reporting is faster, the extraction of data is faster, so we have better MIS and more efficient DC operations. But only that cannot be the secret sauce behind this growth.

Manoj: Can you explain that you said 30%-35% is the in-house design products and private label is 80%. So, what is the difference between the two?

Akash Agarwal: So, the rest are the designs that are developed by our vendors. So, they give us a presentation and then we order it in our private label in our own in-house brands.

Manoj: If you can just share your thought on a bridge like you said 1,400 a square feet monthly sales versus I think 1,081 is the average company. So, if you can just share the bridge as I said in 5 years, we should go to like 2x that. So, can you just share some broad thinking if you've not already shared?

Akash Agarwal: So, first target as a company for us is to reach Rs. 1,000 per square feet of sales annually. So, that is the target for this year. Then the next target will be 1,200, then the next target will be 1,500. So, the timelines again will depend how good we are and how good are we to actually execute our vision because the vision is there now. It's all about execution.

Manoj: New stores are starting in the same few months as how long they take and what sales per square feet do they start at?

Akash Agarwal: So, new stores typically start at a 20% lower PSS than old stores and it takes about 12 to 24 months for any new store to mature.

Moderator: The next question is from the line of Ankush Agrawal from Surge Capital.

Ankush Agrawal: The question is relatively similar to what the last participant was asking. So, you said the new stores started 20% lower since the square feet and then they mature over 12 to 24 months, right?

Akash Agarwal: Yes.

Ankush Agrawal: And once that happens typically what kind of growth is there like historically what has been the growth? Because my understanding of the value detailing as a format is that initial 1-2 years of growth is there. Then there's a lot of a sign of saturation that reaches a particular store versus some of the other retailing categories when the store starts very low and then scales up over a couple of years.

Akash Agarwal: I'm sorry I did not understand the question because the 37% SSG that we have shown, it has all the old stores as well as the new stores, the stores that had opened till March of 2023.

Ankush Agrawal: Yes, obviously. I mean currently the kind of traction that you're getting is incredible. Generally, at a value retailing at the industry level I'm trying to understand the journey of a store. Like what we said makes sense that initially I think in 1-1.5 years you are typically reaching at a steady mature level. But beyond that 1-1.5 years what's the growth part for a typical store? Is it like do you still get 10% efficiency or it's like 5%?

Akash Agarwal: So, if you look at the consolidated number yes it will be around 10%. That is what we're targeting. But if you take out samples then of course there are some stores that do 25% whereas some stores only do 2% to 3%. So, those outliers are always there. But I think there is no I would say directional change or there's no change in the trend of a new store versus an old store in terms of growth because once the store matures it acts pretty much like an old store.

Moderator: The next question is from the line of Madhav Agarwal from SG Investments.

Madhav Agarwal: Could you give a breakup of sales in physical stores versus e-commerce and what do you see trend?

Akash Agarwal: We currently do not have any e-commerce and 100% of the sales are from offline stores.

Madhav Agarwal: And do we plan to enter into e-commerce or online?

Akash Agarwal: Yes, we are evaluating the omnichannel model where we'll use the store inventory and we'll use all the stores as a warehouse and deliver to the same city because that saves a lot on the return and the logistic cost. So, we are evaluating that and we are working on it. We will comment on it I think in the next quarter.

Moderator: The next question is from the line of Abhishek from ABS Capital.

Abhishek: Just two questions I wanted to ask. One you are telling that from henceforth we will go more towards contract manufacturing, so that will reduce cost, right? Is that the reason why you're doing it?

Akash Agarwal: No. We have our own manufacturing units where we save about 10% to 15% on cost. But we are passing that on to the consumer because all the other goods are done in contract manufacturing only.

Abhishek: No, you have first said henceforth you will increase the contract manufacturing and reduce your own manufacturing, so will it help in margins?

Akash Agarwal: No, it will be a very similar cost. There will be no change in cost because our manufacturing capacity is constant and now, we are increasing sales. So, the contribution of manufacturing will keep going down as we are growing. That's what I said.

Abhishek: Your growth is very nice. So, just wanted to know like how you are competing with the online competition? Like are your customers different from the ones who are doing online shopping, if you are supplying to those people who are like one strata below, is my understanding correct?

Akash Agarwal: So, you need to understand the economics of online retailing in online. If you're selling at the ASPs that we are selling at that is around Rs. 250-260. Then you need a markup of more than 150%. So, suppose you have a product for Rs. 150, you have to sell online for more than Rs. 350 to actually make any money on it because of additional logistic cost, return cost, COD cost, RTO cost. So, there are a lot of costs associated with online retailing that doesn't allow people to sell off such low ASP products. That is why internationally also Primark doesn't sell online and a lot of value retailers don't sell online because it's not economically feasible. So, I wouldn't say that we are in direct competition with any of the online retailers because most of the products that you're getting at this price is usually two or three seasons old for brands or it's a much-much lower value product than what we sell in our stores.

Moderator: The next question is from the line of Tushar Sarda from Athena Investments.

Tushar Sarda: I have two questions. One is I wanted to know your seasonal distribution of sales and second you mentioned that some stores are doing much higher sales. So, if you can provide some idea on what are your highest selling stores and how many percentage of your total number of stores what would that be?

Akash Agarwal: Can you repeat your first question, please?

Tushar Sarda: Seasonal distribution of sales. How much you did in Q1, Q2, Q3, Q4?

Akash Agarwal: So, because of the Hindu calendar the festivals keep on changing, the dates keep on changing. So, it's very variable. So, if Durga Puja happens later then the percentage of sales in Quarter 3 increases. So, talking about the contribution it varies according to the Hindu calendar festivals. But the highest sales are in Quarter 3, then second is Quarter 1, then the lowest sales are usually in Quarter 4. So, that is how the seasonality is impacted. And what was your second question?

Tushar Sarda: I wanted to know your per square feet sales. You mentioned that some stores do very high sales. What is the highest that you do in terms for a full year, for last year, what is the highest per square feet sales achieved and how many stores would cross the benchmark of Rs. 1,500?

Akash Agarwal: I will have to check the exact number and we don't share the exact number. But we do have a few stores that do annually more than Rs. 1,500 per square feet of sales.

Moderator: The next question is from the line of Khadija Mantri Capri Global.

Khadija Mantri: My question is on the competitive intensity. So, Reliance has also launched this affordable clothing brand. So, do we compete with them or the average selling price is much higher than those type of stores?

Akash Agarwal: I haven't personally visited; I think it's called Youthstar. But I think it's in the similar price range of Zudio which is higher than us. But like I said the market is big enough to actually accommodate multiple retailers. So, this is not a cause of concern because more and more people will enter this because this is such an attractive space. So, we are focusing on making ourselves strong enough that we don't have to worry about competition.

Khadija Mantri: But Reliance is known to be a little aggressive when it comes to pricing or capturing the market shares. So, what are your thoughts on that?

Akash Agarwal: I would say like even Zudio opened 200 stores last year and they have opened a lot of stores in the same area where we are present. But we haven't seen any sort of impact in sales. So, even if Reliance is being aggressive, I think our growth expansion strategy is also pretty aggressive. So, if we focus on doing the things that we've been doing right then again like we're focusing on ourselves.

Moderator: The next question is from the line of Prathamesh Dhiwar from Tiger Assets.

Prathamesh Dhiwar: Just if I missed it earlier couple of questions. As we plan to open 50 to 60 stores, so how much investments is going to be there to open the 50 to 60 stores? And my second question is if we open a store let's say today so how much time it will take to reach the revenue per square feet of Rs. 1,000.

Akash Agarwal: So, answering your first question, we plan to open 40 to 50 stores and the investment required for that is about 110 crores which we will be completely financed through internal accruals. And second question when a new store opens how much time it takes for it to reach 1,000, so again it completely depends on the company base. If you spoke to me last year, I would have said the store will take 2 to 3 years. If you talk to me this year, I will tell you that it's 1 to 2 years and maybe next year if we continue this growth then the new stores from the first month itself are doing Rs. 1,000 per square feet. So, it depends on the company base because it's like 15% to 20% lower than the company average.

Prathamesh Dhiwar: And just last question. I think you said we are expecting 30% to 40% revenue growth and around 4.5% of PAT margins for FY25. If I'm not wrong.

Akash Agarwal: Yes.

Moderator: The next question is from the line of Prerana Amanna from PNARS Partnership.

Prerana Amanna: I have two questions. First of all, when it comes to manufacturing, what percentage are you getting manufactured in-house and how much are you giving it for like a third-party manufacturer?

Akash Agarwal: 16% of our sales are manufactured in-house and 84% is outsourced.

Prerana Amanna: And this will reduce as your scale of operations increase, right?

Akash Agarwal: Yes.

Prerana Amanna: And the last one is I think in your beginning comments, you told that 80% right now of your sales to your proprietary brand. So, are you telling me that the rest 20% that is there you're selling other people's brand in your stores?

Akash Agarwal: Yes.

Moderator: The next question is from the line of Virendra Bajaj, individual investor.

Virendra Bajaj: I just had a few questions. What sort of inventory turnover in times are we looking at for this year and the next year?

Akash Agarwal: So, the target inventory number is 90 to 100 days that we're looking at. And going forward we would like to reduce it to 80 to 90 days.

Virendra Bajaj: And you said that you have increased your private label sales quite a bit. So, what sort of extra margin are we getting in private label sales versus the third-party brand sales?

Akash Agarwal: We do not get any extra margins because that is our strategy. Whatever benefit and cost we get we pass it on to our consumers.

Virendra Bajaj: And if I can just understand what sort of revenue per square feet are we getting from new stores like that we open in the current year within less than one year?

Akash Agarwal: We don't share those exact numbers.

Virendra Bajaj: Also, another question I had is that I was looking at your pre-IndAS consol numbers. You have reduced your expenses by almost 3% of revenue. So, just to understand how that was achieved by the company?

Akash Agarwal: What have we reduced?

Virendra Bajaj: The other expenses in the pre-IndAS consol numbers for this quarter. Your other expenses have gone down almost by 3% of sales.

Akash Agarwal: So, that's because the sales have gone up. Like I said it's a fixed cost business. The rent is always going to be Rs. 54 per square feet even on Rs. 800 per square feet of sale and even on Rs. 1,054 square feet of sale. So, if you look at it the per square feet of sales have risen almost 33%. So, of course, cost as a percentage will come down.

Virendra Bajaj: And while we expand more so in the current geographies, are we planning to like open more in like cities or more in the smaller towns?

Akash Agarwal: So, like the kind of customers that we cater to, they are present across tiers. We have around three stores in Delhi also and they are also doing reasonably well. So, we are targeting Tier-I, Tier-II, Tier-III, wherever we get a good enough site where we think we can achieve those sales at our cost.

Virendra Bajaj: One last question. What is the sort of payback period that we have for our new store that we are opening now?

Akash Agarwal: It should be around I think 3 years.

Virendra Bajaj: Payback period?

Akash Agarwal: Yes.

Moderator: The next question is from the line of Naveen Baid from Nuvama Asset Management.

Naveen Baid: If I look at your numbers historically your depreciation used to be about 1% to 1.5% of your top line. Now if you strip off the depreciation on ROE assets, is the depreciation going to be around similar lines which is gone to 1% to 1.5%?

Akash Agarwal: Yes. It's going to continue to be that in pre-IndAS numbers.

Moderator: The next question is from the line of Manoj from Kivah.

Manoj: If you can share some details on Zudio. As you said Zudio has opened the stores near you. If you can share how near and in case of any research that why has that impact not happened? I think you said the ASP is much higher than ours but as you said that t-shirts start at a lower price, so if you can just share more colors? So, if you can address that concern that it's a totally different market if you can share that. And also, the Rs. 54 would have an escalation clause of 5% a year and the average was 5%.

Akash Agarwal: And there are some Zudios within 1 km radius, there are some within 5 km radius. And we do some sort of benchmarking in terms of competitors for all our stores. But what we have found out is our kids-wear contributes almost 26% of sales. So, we have a lot of family customers coming into the stores whereas Zudio kids-wear is almost nonexistent. So, I think one big reason is that and the second reason is like I said it's a completely different target customer with very little overlap. That is why I think we haven't seen much impact on our sales in those particular stores.

Manoj: And that low overlap is because of the product fashion trend or the price point or both?

Akash Agarwal: I would say price point because even in our stores, usually when we study the parking space it's usually two-wheelers and we don't have a lot of four-wheeler owners as customers. Whereas I would say like if we visited Zudio, it has a lot of four-wheeler owners also. So, there's a change in the target customer.

Manoj: If we look at just reading the numbers you're sharing, kind of the ROE is coming much higher than 20%-22% is probably inching to in the 30s. Also, the payback period is not looking like 3 years, if you just look at what we have. Is that okay? Where am I going wrong here?

Akash Agarwal: We like to under promise and over deliver. So, we are happy with a 20% ROE also. Like if we get more than that then good enough. But the guidance that we give going forward like even if you're getting an ROE of 20% to 22%, we are happy with those numbers.

Manoj: And still share something 110 crores for store CAPEX, what was that number?

Akash Agarwal: So, that 110 crores is total investment. Out of that the CAPEX would be about 40 to 50 crores and the rest would be for inventory, working capital.

Manoj: This 110 will be spent over the next over the next?

Akash Agarwal: Next 9 months.

Moderator: Thank you very much ladies and gentlemen. I would now like to hand the conference over to Mr. Akash Agarwal for closing comments.

Akash Agarwal: Thank you everyone for joining on the call. We hope we have been able to answer your queries. For any further information, we request you to get in touch with Marathon Capital, our investor relations advisers. Thank you and have a nice day.

Moderator: On behalf of V2 Retail limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.