Ref. No. CS/S/L-819/2024-25 **4th November, 2024**

To:	To:
The Listing Department **NATIONAL STOCK EXCHANGE OF INDIA LIMITED** "Exchange Plaza" Bandra Kurla Complex, Bandra (E), Mumbai – 400 051 **Scrip Code: VMART** Fax: 022-26598120 Email: cmlist@nse.co.in	The Corporate Relationship Department **THE BSE LTD** Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001 **Scrip Code: 534976** Fax: 022-22723121 Email: corp.relations@bseindia.com

Sub: Transcript of the Conference Call held on 30th October, 2024

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and amendment thereof. In reference to our letter dated October 24, 2024 (Ref. No. CS/S/L-812/2024-25) regarding the intimation of the conference call with Analysts and Investors held on 30th October, 2024, please find enclosed the transcript of the aforementioned conference call.

The above information is also available on the Company's website: www.vmart.co.in.

We request you to kindly take the above information on record.

Thanking You,

Yours Truly
For V-Mart Retail Limited

MEGHA TANDON Digitally signed by MEGHA TANDON Date: 2024.11.04 17:42:27 +05'30'

Megha Tandon
(Company Secretary & Compliance Officer)

Encl: As above

"V-Mart Retail Limited
Q2 FY '25 Earnings Conference Call"
October 30, 2024

MANAGEMENT:	**MR. LALIT AGARWAL – MANAGING DIRECTOR – V-MART RETAIL LIMITED** **MR. ANAND AGARWAL – CHIEF FINANCIAL OFFICER – V-MART RETAIL LIMITED**
MODERATOR:	**MS. VAISHNAVI MANDHANIYA – ANAND RATHI SHARE AND STOCK BROKERS**

Moderator: Ladies and gentlemen, good day, and welcome to V-Mart's Q2 FY '25 Earnings Conference Call hosted by Anand Rathi Share and Stock Brokers. As a reminder, all participant line will be in listen only mode and there will be an opportunity for you to ask question after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Vaishnavi Mandhaniya from Anand Rathi Share and Stock Brokers. Thank you, and over to you, ma'am.

Vaishnavi Mandhaniya: Thank you. Good morning, everyone. On behalf of Anand Rathi Share and Stock Brokers, it's our pleasure to host the Q2 FY '25 Earnings Conference Call of V-Mart Retail Limited. From the management side today, we have Mr. Lalit Agarwal, Managing Director; and Mr. Anand Agarwal, CFO.

I'll now hand over the call to the management for the opening remarks, followed by a Q&A session. Thank you.

Lalit Agarwal: Thank you, Vaishnavi. Good morning, everyone. Happy Dhanteras. Happy Diwali to all our listeners and all the participants and in addition our investors. It's really a busy day here at retail, at V-Mart, people are very, very busy right now. We are towards the end of the festive journey.

Definitely, post the election, there has been slight recovery in the market. We have seen some betterment in the consumer sentiment. There are some positive signs of recovery, both in rural as well as urban. But yes, urban has been a little bit of a struggle, but some part of rural has recovered.

And we are seeing some increase in customer confidence. It was definitely there till now. We are seeing some pressure also coming in especially because of inflation, because of seasonality, because of rain. Somewhere it's becoming a little more extra and somewhere it’s becoming a cyclone. So some of those pieces are also stuff which have been causing some concerns towards the end of monsoon and towards the start of October.

So we have definitely seen some betterment in the overall scenario in the consumer space, in the consumption space. There has been definitely some betterment even in the way of the income, disposable income, what we see for the consumers, which we can analyze and understand that their confidence to buy and buy more is coming up. So we should see good time coming in.

Definitely, there are some consumer behavioral change that we are witnessing because more and more aspirations are getting in, more and more fashion is kicking in, especially in the younger demography, which is the youth, the early teenagers. We are seeing a lot of that happening. There is definitely more and more retail also coming in, in the market, and more and more organized is coming in.

So the preference for the organized retail is that we are seeing a little more from the consumer perspective. Even the rural audience now wants to go to a small organized store, where we have more, or go to a value retail, which is bigger retailers.

So there has been definitely more and more retailer stores' doors opening up. We are seeing competition opening up more stores. We have been seeing that the competition is also trying with multiple other stuff, bringing in newer merchandise, bringing in newer fashion, bringing in the new ways of experience provided in the retail here.

Definitely, more moneys is being chased to the retailers. So more confident they are. They definitely want to spend more that could communicate well, create freshness in the store, trying to integrate technology.

So a lot of things are going on in the value retail space especially and we all know that. So those are good news, but it also gives a lot of goodness in the system, which also makes a lot of unnecessary things go away, and people are becoming a bit more profit-centric as we are. So that's some good news.

But yes, brands continue to have a little tough time, which is premium and a little more of price-sensitive or price-heavy brands, which seems to be struggling in the market. But value retailers seem to be enjoying a good time.

Most of the value retailers which are largely built out of East India or even Northern India have been seeing good stuff coming in. Eastern Indian retailers have not seen very good Pujo comparing with the last year, Durga Pujo. So they are seeing some growth coming in, but not high growth coming in from there.

But yes, overall, we are optimistic on the value retail side. So I think we continue our focus on building the strength, the core strengths of that good customer experience, good customer product experience. So I think that is our core area that we continue as V-Mart, working on, improving largely on product quality, product designing, integrating the sourcing, integrating the supply chain.

Both from the perspective of the fabric manufacturer, to the product manufacturer, to the logistics, to the warehousing and then back to the stores, and indicating the technology between integrating a lot of processes in between, bringing in an element of sustainability, bringing in element of compliance, bringing in new element of taking care of even the environment.

So a lot of those things are also being brought into, along with our focus on improving the real quality. And also working a little more on the turnaround time of design to display, of our product to the store reaching time, integrating more with the vendors, aligning and creating alliances with good vendors.

So some of these things have really improved. And I think we've also worked a lot on the store experiences, internal store display mechanisms, the way the products should be displayed, laid out, the whole piece on the internal furniture fixtures, and the look and feel of the store, internal renovations of the store, internal optimization of display, optimization of space, optimization of operations, and enhancing the consumer experience.

So I think consumer experience enhancement is one thing that we have really worked on. And that, I think, is very, very important to us. And I think it's more about people, it's more about culture that ultimately, at levels, enhance the experience to the consumer.

So we at V-mart have also tried to initiate a lot of those collaborative work at the peak levels, within the stores, within the regions, within the zones, trying to bring in a good competition within the team, creating a better experience. So we took some house approach, we took some team approach, and then collaborated and fostered a real positive culture at the store level.

And both at the backend as well as the front-end integrated a lot of synergies, integrated a lot of coordination and collaboration. So I think what we understood that playing music at an individual level was not working. It has to be in a rhythm. It has to be orchestrated well so that it doesn't come out as noise, it comes up as what the markets trend as good music that we play.

So I think that's the area that we are trying to strengthen on. Ultimately, when your organization becomes larger and bigger, these are changes, challenges that starts happening. People starts getting in silos. People start behaving in their own KPIs, in their own domains and becoming universally controlled.

So how do you align on those, it's all about the integration of all these elements of the organization. So that it really comes out as music. So that's the opportunity that I'm sensing and that's the key thing that we are trying to work on, which gives us a scalability approach, a scalability platform for a sustainable growth.

And that's the area that we want to work, both either on the marketing perspective, trying to focus on the consumers that the merchandising team is focusing on, and that is what the marketing team has to focus on. That's how the retail store has to look like. And that is how the whole consumer piece gets blended in that consumer which comes in.

For example, a healthy consumer, which is a younger demography wants certain kind of communication, wants a certain kind of product, wants a certain kind of customer experience at the stores, wants a certain kind of products, and then they wanted a certain kind of brand and brand customers, which they relate to.

That's the kind of work we are trying to do, aligning it into digital preferences, aligning with an omnichannel approach, bringing the omnichannel piece internally, creating more better processes in the app where customers can also checkout digitally and do a lot of things. So some of those things are really working on.

More and more focus is being given on customer centricity. Very, very high thought process coming in from what is the customer looking like? How do we look at the consumer persona? How do we really look at their journeys? How do we look at their behavior and changing behavior?

How would they behave on the same age group, lives in a small town, coming from a village or a customer living in the bigger city? What is a change in their behavior, their customer, their aspiration? And how do you really link it and create a digital experience and create a digital integrated technology also, which would actually keep doing it regularly.

So some of those areas are really been worked on. Team has really built good piece on digital transformation, enhancing one-click shopping, which is the self-checkout as well as the omni-channel experience at the store level, getting a lot of those pieces in. There's a lot of work which is happening even in the planning and the inventory management.

Because looking at the opportunity, we also took some risks, we also planned, and seasonality is one big piece in India, and especially for us, because we operate a lot in Northern India. So Northern Indians, we've a lot of seasonal change in this period of time when you are in summer and then move into autumn and suddenly you start moving in the winter.

Winter has been showing very, very differentiated, I mean, unpredictable winter is coming in. We have seen a very, very warm October this year. So we try to manage all of this with the inventory, with the store allocation, with the store space management and that the customer worked upon.

So there are the key things that our planning and inventory team really, really worked upon, that actually working on an auction level, working at an assortment level, working at a consumers -- customer level. It's something that we're trying to integrate in technology and trying to work which can become automated. So those are some of the area.

But we see a lot of opportunities. We definitely see the value of retail market been growing much, much more. We see this whole lower middle class consumers experiencing moving in the middle class, trying to look different, trying to ask for differentiated product, trying to be at par with their international trends or international audience. So I think that is something which is the core of our thought process and the sort of opportunity that we look at into.

And I think the young population is driving a lot of demand, and that will be the driving demand or driving force for the demand, for 2030, and that's what we are trying to focus on. So we are seeing a lot of digital adoption also coming in. Customer now talking about digitalization, consumer are getting it inside of all of those. So these are the number of things.

But yes, at the V-Mart levels, we built in the past whether it is infrastructure of warehouses, building those warehouses, which has now become very, very normal, very, very operational, very agile, reducing the cost, bringing in more opportunities to grow our market.

We did a great job in also opening up more stores, we did a great job this time. I really congrats the entire V-Mart team and Unlimited for really bringing in high growth in the new store openings. We really added a lot of stores in this particular quarter, and the coming quarter also. So some of these things happen.

We are definitely attracting lot of consumers, a lot of repeat consumers as well, which is also a good thing, which has been showed up, a repeat consumer or the sales from repeat consumers has almost touched 70%. So that's a big news for us. The customer confidence is very clearly coming out.

We are now tracking customer NPS. Rate is also going very up. It is actually showing up better than 60% NPS scorecard. So some of those areas, I think, is giving us a lot of boost for our long-term growth, making consumer happy. Working on the operations in the area, which is actually more forward focused.

More future focused, trying to create an environment, create a platform, which can actually multiply 2x or 2.5x in 3, 4 years. So that's the kind of work we are trying to do at V-Mart level. But there are lots to be talked about. I will hand over this call to Anand, our CFO, who will take you into the numbers of the quarter.

And then we can do some few questions that you have. Thank you so much. Once again, wishing Happy Diwali to everyone.

Anand Agarwal: Thank you, Lalit, and good morning, everyone. Let me take you through some of the key operational highlights from the quarter, and then we can open the session for questions.

Quarter 2 usually is a small quarter. But has been an overall good growth quarter this year with good news to our store additions as well as good like-to-like same store sales growth, leading to an overall sales growth of around 20%.

We opened 16 new stores and delivered an LTL of 15% with V-Mart growing a healthy 16% and Unlimited at 11%. We had closed 12 Unlimited stores towards the end of last year. The benefit of which should start accruing in the Unlimited sales growth numbers from quarter 4 this year onwards. Interestingly, memos, while the footfalls have also increased by almost 47%, 50%, but the bills cut also increased by 20%, with a 4% increase in ASP for apparels. The ASP increase is in line with the change in festive mix versus last year due to slightly early onset of Pujo this year.

We closed 2 V-Marts stores in the current quarter. As also conveyed in the last quarter's call, most of the store closures or corrections have already been undertaken last year, barring 4 or 5, which may still happen over the course of the current year in case their performance does not improve. But we remain hopeful of reviving these stores also as part of the improvement drive already underway.

For the full year, we still maintain our guidance of opening around 55 to 60 stores in the current year. The festive calendar has begun on a strong note with East India leading the charge with Puja. The early signs have remained positive, although delayed winters in North India remains a watch-out area as of now.

Looking now at margins. I think the gross margin at an overall level decreased by 1% year-on-year due to the decrease in commission revenues from LimeRoad Marketplace business by 53%, which contributes only 1.5% to the overall sales, but goes 100% into gross margins. So this is an optical correction. But otherwise, excluding LimeRoad commission income, the gross margin actually improved by 0.6% year-on-year for the offline business on the back of lower discounting and higher festive sales mix.

On a full year basis, the gross margins from offline business should remain similar to last year as we continue to drive giving higher value to customers and focusing on growth through volumes, while the LimeRoad commission income contribution mix would slightly reduce, optically reducing gross margin versus last year on a total basis.

Coming to expenses. The total expenses have decreased by 3% year-on-year, largely led by a significant drop in LimeRoad marketing expenses by 74% year-on-year. The marketing expense for the offline business also continued to reduce as we continue to drive loyalty-based traffic to stores through digital means. Very interestingly, in fact, Lalit also mentioned this, the Google rating for all our stores contributed individually by customers at store level. Through lakhs of reviews has remained above 4.7 while the NPS also remains in a very healthy range of more than 60%, ensuring a repeat 70% loyal customer repeat sales.

The manpower cost is up by 21% on the back of increased incentive payouts and variable component of the ESOP liability, which is in line with the sales growth. There is a higher focus on employee reward and motivation to positively influence efficiency, which should further drive our overall profitability and growth.

Other expenses declined by 8% year-on-year due to decline in LimeRoad business, and consequent decrease in logistics costs, apart from benefits from closure of Unlimited stores in the last year. Also, there was some impact of store lease renewals, which were earlier part of rental expenses. And post-renewal, this expense has moved to an interest and depreciation line as part of the Ind AS 116 adjustment.

Moving on to EBITDA. For the offline business, EBITDA for the quarter was at 7.1%, with Unlimited at 6.6%, sorry, the offline business EBITDA for the quarter total was 7.1% and Unlimited at 9.4%, while V-Mart at 6.6%. At an entity level, the EBITDA stood at 5.8%, which included a loss of INR7 crores from LimeRoad, which is reduced by 63% year-on-year as part of our structured overall plan to make the business more sustainable in the long run.

On the capex side, the spend was INR35 crores majorly towards capex on new store openings and store refurbishments. The inventory increased by INR241 crores quarter-on-quarter and INR70 crores year-on-year as we stocked up for the festive season, which was slightly earlier compared to last year. Irrespective, the days of inventory have improved by 21 days year-on-year on the back of better sales throughput.

Investments in capex and inventory up-stocking, therefore, led to a negative free cash flow YTD of INR62 crores. Coming to new stores, during the quarter, we opened 21 new stores, 16 in North and 5 in South under Unlimited brand and closed 2 V-Mart stores. The run rate for the year is still maintained at 55 to 60 stores. Most of the unprofitable store closures have already been completed now.

Coming to the last part on LimeRoad, LimeRoad continues its improvement journey with 63% reduction in losses year-on-year. This is the sixth straight quarter of continuous improvement in EBITDA losses for LimeRoad. The strategy on LimeRoad remains the same that is to extend LimeRoad as a fashion forward omni-arm of V-Mart and facilitate very easy order placement process by offline V-Mart customers through the LimeRoad app initially for missing sizes or missing color in offline stores. But eventually extending it to offering a bigger catalog of products, which can be offered beyond offline retail for the same very customers. So getting into more and more mix of omni share.

This is a long-term strategy, and we remain committed to enhance this offering with minimal loss funding or marginal profitability in the quarters to come. The losses in this business should keep coming down quarter-on-quarter, and LimeRoad will remain an important, but financially a small non-material digital business platform for V-Mart.

So that is all from my side. And I now request the moderator to open the house for questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Sameer Gupta from India Infoline.

Sameer Gupta: Congrats on very good results. Firstly, sir, just wanted your comment on the ASP going up 4% in fashion, and 6% overall. Just wanted to make sure if it is only mix or have you also taken up pricing? And in case you have, what is exactly the strategy here because you've only brought down the pricing in the last few quarters, and again taking up pricing in a more or less stable cotton price environment. Just wanted your comment on that.

Lalit Agarwal: So Sameer, see what's happening in the market also is the whole fashion world is moving towards a little more oversized, bigger-sized layered look, where the consumption of the fabric increases. So what's happening is the product in the same category, even because the fashion is also going up, because there are the coarser weave fabrics, heavier fabrics, they are in fashion.

So what's happening in the overall cost and the whole pricing also is slightly moving because of fashion element. So not all the products, but yes, 20%, 25% of the products are moving almost 10% upward. So that's how the whole fashion element is also bring in sudden price pressure. But it may go up a little more northward, but it is all because of mix change, and mix of assortment being changed.

Sameer Gupta: Got it. So you haven't taken price increases?

Lalit Agarwal: No, no. It's a change in fashion, which is also bringing in the pricing.

Sameer Gupta: And this mix change is also accretive on margins because your gross margin is also up 60 bps if I exclude the LimeRoad thing.

Lalit Agarwal: I would say, that's more also because of, right now, a preponement of fashion festival because the festival days have shifted until the September quarter by 10 days. So that also is an impact, which is coming into the gross margin piece. So don't overestimate that for the next quarter.

Sameer Gupta: So just wanted your comment on this also. So let's say, there is an early festive, our sales will also get impacted positively. Can you call out or quantify this impact?

Lalit Agarwal: You have to understand because what happens is the days of 10 days earlier festival brings in a higher share of fresh merchandise. Because quarter 2 normally is also a period where you have a lot of uses, end of season sale and discount. So your discount period goes down, and your pressure inventory period comes in and pressure sales increases. So that's how your margin also affects.

Sameer Gupta: Got it. But there should not be any major benefit to the sales growth momentum because of this?

Lalit Agarwal: There will be some. There is some.

Sameer Gupta: Okay. Got it. Sir, second question, and this is more of a strategic question. Sir, how do you read this performance? Now value fashion, in general, what we are looking at is doing well since several quarters. Even your competition, V2 retail, Style Bazaar, they're more or less reporting pretty good set of numbers.

So is this an element of down trading from the premium end because premium is struggling, you mentioned? And what happens then when premium comes back? Just your thoughts.

Lalit Agarwal: So Sameer, it is not about down trading. It is more about even the kind of fashion, which is in, the kind of consumer that you are trying to drive, who is driving consumption, and the kind of pocket that they will carry a number of pieces that they would want to wear in a year. So it is all shifting because the whole consumer base is now thinking here and now. We look at this whole new generation customer.

They're so impatient-full. They are so desperate. They are now what I want to wear and what I want to wear today is what I need. So I don't want to play for so long that I want to play for 1 year, 2 years, 3 years, I'll get a bigger big brand. So it is a change in the consumer behaviour preference and behaviour change. So that is something which is globally being seen, and that is something which is going to continue right now.

So I don't know, I mean, what happens next. But yes, definitely, we believe if they are satisfied with our range and our variety why would they want to buy at a premium price.

Sameer Gupta: Got it. But you don't see this as also a factor that people are down trading to options which are cheaper versus what they were buying earlier?

Lalit Agarwal: That is not all pure down trading, it is more about the kind of fashion preferences, which is required and who is offering. So the brand continues to be catering to a little more elderly audience, which is 35-plus customer set, and we're trying to cater more to the younger audience, which is a little more like 20 to 30 years old.

Sameer Gupta: Okay. So for want of a better word, let's not call it down trading, but you're taking up a share from the premium and would that be a right assessment?

Lalit Agarwal: I don't know. I don't want to comment on that. We are in no position to say that we are taking away share. But yes, we believe that there is more demand, which is getting generated here, and that is what we are trying to say.

Moderator: The next question is from the line of Tejas Shah from Avendus Spark Institutional Equities.

Tejas Shah: Congrats on a good set of numbers. Lalit, this quarter has been quite challenging for us as an analyst to spot a clear trend on consumption. So at one end, the broader slowdown is visible across. But mass and rural segment seems to be doing better even for FMCG companies and your numbers also.

So from your experience and you analyse much more data than we do, do you see it as more of a base effect or you are very happy that this customer is here, and this trend can continue at least for the next at least near to medium term is, it is not just the base effect that we are playing at.

Lalit Agarwal: Yes. See, but definitely, it becomes very, very difficult for us and for them to predict what the consumer demand and behaviour is going to remain. But it feels that all the pain that got accrued right from the COVID days and then inflationary days and all of those which gave a lot of scar on consumer consumption spree. That seems to be eroding, that seems to be vanishing and that seems to be coming back.

So that is something which is the original India, and which is the original rural consumption which used to happen, and they are coming back on both lines. Monsoons have been good in the last 2, 3 years. So I think that is another piece, which is giving more money to the consumers and the farm income is increasing, rural income is increasing. More and more focus on the government, on their policies which is more, more distribution-led policies there.

Government is also actually getting into more, more politics and getting into more distribution of money and resources. So I think all of those is giving a lot of confidence to the consumer base. And that, we definitely see some betterment, and I don't see any reason in which you should get rolled back. It doesn't seems to be rolling back. We should continue seeing it more and more.

Tejas Shah: Very clear. Just the last point that you made, Lalit Ji that on government rollouts. Are you seeing that your numbers of store revival is actually higher in states where this rollout has already happened around elections versus where it is yet to happen?

Lalit Agarwal: I haven't maybe categorily seen this. But yes, sales like we have has shown good growth. Eastern India, where we've seen some good money getting distributed has seen some growth. Even Southern India behaved well because except markets of Andhra and Telangana, which we haven't seen because election was there but we are not seeing lots of revival coming in there.

But yes, yes, some part of that, we can see. But I think its entire India where the distribution part has been. Some of the other way, every government is trying to appease the vote banks. And they are trying to really grow all vote bank politics. So that is happening. But those are all temporary income.

But those are not long-term sustainability factors, but I see those are confidence-boosting measures for the consumer to work align, work around and on their basic expenses and basic educational expenses and all those stuff, which used to be a pressure earlier. So that gives little bit of leverage then your consumption gets converted.

Tejas Shah: Very clear. Second, could you comment on health of inventory in the pipeline because I noticed that we have taken slightly higher provision Y-o-Y? Obviously, sequentially, it has come down.

So any read-through on our health of inventory and competition also? And do you see that the aggressive discounting can happen in the near future?

Anand Agarwal: Tejash, let me take that. So while the inventory remains quite healthy. As you might be aware, we are very consistent with our inventory provisioning policy that we've been following for more than 10 years, where anything which is more than 2 seasons old gets provided for. So it's a really consistent and a very conservative approach, and thereby, there may be a minor change which may happen in any 1 particular quarter, but on overall level, because of the conservative inventory provisioning policy, we always ensure that the health of the inventory remains very much in shape.

In fact, the days of inventory once you look at the DOI, the DOI has actually improved by almost 21 days versus last year. And in fact, the signs that we are seeing even now sitting in October, because if throughputs are reasonably well in line with what we had planned, we're not seeing any concern as far as the overall inventory is concerned.

But at the same time, there will always be some amount of old inventory, which we will need to take care of, and that's always true in the system. But it's not something which is alarming or which is not taken care of.

Lalit Agarwal: I'll try to just add on here. So the whole, there is one small risk, which is there, and then which I want to highlight here is because of the change in fashion, which is becoming so vital and becoming so bigger. So there could be a continued obsolescence for the industry as well going forward because of the speed of fashion chain is becoming much, much faster. So that is one risk which can get activated later on.

Tejas Shah: Clear, sir. And last one, if I may. Given the buoyant environment that we've seen, we are still holding on to our store expansion guidance. So any thought on that? And any thoughts on at some stage, experimenting with franchising on this format? And lastly, has our capex per store increased in last 6 months because the INR60 crores, if I divide it by number of stores expanded, it looks slightly higher than what rate we had earlier.

Lalit Agarwal: So I think, here, what you have to see Tejash, there are 2, 3 things. Number one, there is a lot of renovations, which are also going in, which also gets into the capex cycle, capex lease. So that is to be accounted. There is a lot of renovation. There is a lot of change in the way we display at the store level. We have done a lot of work on that because I spoke in opening comments also.

Three, you will see because you were at the end of quarter 2, which was reported. We opened a lot of stores also in October. So some of those capex cut, or still I don't know, to that I can't reply. But I think all of those average cost capex per square feet hasn't gone up. So that's very new control.

That's certainly a thing we always controlled up. We don't, right now, see any opportunity on franchisees. I know one of our competitors has done a great job in that. They are a bigger brand. They have their house of Tata's. So something can come up there. But right now, we don't see a lot of those opportunity.

It definitely in the overall system, it increases the cost of fund, but we don't really believe in that. We still believe that the resources that we have and the ways in which we open is more sustainable, it's more good. And we focus right now on this. We haven't seen that yet. But yes, I'm getting a lot. We will try to understand and know about this business more, this type of business more.

Moderator: Our next question is from the line of Nihal Mahesh Jham from AMBIT Capital.

Nihal Jham: I have 2 questions. The first question was in line with what earlier participants have also asked about how the business has seen a strong revival versus last year?

If we just look at the number of footfalls also, that has seen a significant more than 50% kind of Y-o-Y growth. I mean if you look at it on a per store basis, there has been a strong uptrend. Just to understand versus last year to this year, while we are mentioning about a favourable monsoon and all, I think the benefit of that is going to be only seeing from Q3 onwards.

So just wanted to understand what has been this massive change maybe other than elections, which has driven sort of a big robustness, but at least customers are now convinced to come into stores to at least would look at maybe the conversion ratios improve going forward?

Lalit Agarwal: So Nihal, I would once again call out, it is not too much of a change in the market. It is some amount of betterment that I commented on my opening remarks as well. But it is more led by what internally the mistake that we have been doing in the past and certain correction of the mistakes and certain betterment of our own internal process and internal own ways of looking at the consumer demand and behavior, and the way you communicate about your brand.

It is more about what we have done, but let me still say this demand is looking a little difficult. In October, we haven't seen a single kind of demand coming. There are seasonal changes which are happening. So these are very relatable stuff, and then you can't take it for granted.

But yes, we believe that there is a lot of work that the team did in the last season, which resulted into a good environment to the store, a unique proposition on certain product lines, unique experiences at the store level, the whole perception of V-Mart brand changed a little bit, and attracting a lot of youth customers as well.

Because what we also saw is a higher share of increase as a percentage of customer base in the audience, which is under 23 year old. So that's something which is also meet us. And that is something also which has driven our growth and that is what we are very proud of.

Nihal Jham: Understood that, sir. So my second question was, in the past, you've discussed about Zudio and maybe the impact it had and that format, obviously operates at a very different price point. We currently look at the competition at least in terms of format similar to our price point, seeing an increase. So just wanted to understand whatever steps we are taking to obviously differentiate ourselves maybe in terms of looks or inventory so that we are able to stay ahead of the competition, which is adding stores at a very aggressive pace?

Lalit Agarwal: That competitor friend of ours is trying to really play out a very good strategy in terms of a particular segment of consumer base. And that particular segment of consumer in certain markets is driving certain consumer behavior acceleration is what, I would say, into consumption. Because that is driving certain fashionism a little more, and that is bringing a lot of opportunity for other retailers also. So I think we are all seeing this is an international trend which is rolling out.

One of the competitor is trying to do a good job on that particular segment. But what we have been doing, we have the new consumer, but we also have a large amount of family consumer. And that family consumer remains our strength. That is a differentiating factor, the kind of comfort, the kind of convenience, the kind of product lines that we are able to offer to that family consumer are both differentiated than that competitor that we are talking about. So that is something that we will continue to do. We will continue to give customer in wider variety, wider assortment and wider ability to fulfil the needs of the entire family.

Nihal Jham: Just lastly, you mentioned about FY '25 store addition, let's say, 50, 55. Any sense on what '26 could look like in case you'll have a sense at this point?

Lalit Agarwal: So we'll continue to add 12% to 13% of square feet in area. That's our goal, and that is what we should continue to do. So you can calculate on the base, wherever we are. We continue to aspire for 12%, 13% growth, but we will always be also cognizant of the fact that we don't want to oversee it on just chasing a number.

But we are also seeing that the kind of property that we are getting, the kind of cost that we will be incurring and the kind of ROI that we should be expecting is really, really important in the overall expansion. So that remains very important. But yes, the goal at the organization level is to at least grow 12%.

Moderator: The next question is from the line of Rahul Agarwal from Ikigai Asset Management.

Rahul Agarwal: Sir, I had a very longer-term question, and congratulations on the business execution. I think we've come out very well. It was going back into history, I think most of the retail since 2020 has seen a very volatile environment, and complete empathy with how you guys have been running the show.

We had COVID, and then we had the recovery period, then we had the competition issue, then we had consumer changes, then we had some mistakes corrected, etcetera. So somewhere during this, we knew problems and we've worked on that. We sorted out, we have achieve, and I think half of the year has gone. We've done great things.

Going forward, it's going to be more organic in my understanding. So Lalit ji, just from you, just some longer term thoughts like V-Mart right now is doing INR2,500 crores, INR3,000 crores top line business. In this dynamic world, how do we increase confidence on longevity of this business? And you know equity investors are greedy. So I'm talking about two things. One is essentially where does V-Mart look like 5 years out with creating continuous excitement. This V-Mart brand should actually come out as a long-term winner.

So I understand you worked on a lot of things and you've got most of things correct now. But henceforth, we're going to be more organic. It's going to be more long term. And from here on, where does V-Mart might grow. So it's more longer term, however, you want to answer, please. That's my only question.

Lalit Agarwal: A great question, Rahul. Give my regards to Pankaj, but I understand you guys are the guys who are guidance for us, and you always ask relevant questions, which makes us think back, and that's what my Board is asking me to spend at least 2 to 3 hours on answering some of these questions, and see if we were evolving on certain strategies and certain areas of that particular area, which gives us a lot of stability.

And that is what we are all here for and that is what at the end at the senior level, we all think about. And that is something that we feel, which will come from the leading pieces, which ultimately create a sustainable, scalable organization, which creates a sustainable, stable technological processes, technology led processes.

And a great way to keep integrating the entire organization and creating an innovative and creative mindset in the organization, which can take up or which can adopt every kind of situation which can come in the environment or any kind of fashion or any kind of format, which there's a change in the format and then new adoption of digitalization technology.

So I think that's something which is fundamental to our thought process that it is not about the problems that's outside, but it is more about the problems inside. It's more about the opportunity inside. It is more about building a culture, building an environment, building a process, which is actually cultivating these kind of fundamental principles and these kind of fundamental pieces.

There, it is more about learning. It is more about openness. It is more about collaboration. How do we do that? And that is what we are trying to do. Ultimately, it has to be also a brand which looks into customers, which try to look in to the customers' need, and understand regularly on customer side.

Always keeps checking with the consumer of how the consumer sees, how is the consumer understanding. That is why we initiated these couple of NPS, Google Ratings, Internal Scorecards. So all of those where we actually get rated. There, where we actually get feedbacks from the consumer, lakhs and lakhs of feedbacks coming in, helping us to improve our system, helping us to improve our efficiency of the store managers, efficiency of the entire processes.

All of these, I think, is very, very important and orgaanic in nature. That is what we believe has to be done which is fundamental. Nothing extraordinary can be done. There could be extraordinary kicker and a tactical approach which one can take, which will only give a short-term quarter-on-quarter benefit. And that is not what V-Mart is all about. We never intend to grow through parts. We never intend to also slow down and completely stop our growth rate.

We will want to continue. We will always want to continue to grow with our internal accruals, the history as you mentioned. So most of our history has also been that. So that is what we will try to do but yes, we should also have sufficient cushion and sufficient space, wherein if there are abruptions and the market scenario, we are seeing World War possibilities coming in Israel.

So they are also scenarios that need to be taken of. We should also have the risk metrics very well aligned, to build a complete risk and governance committee, which is there, looking into all those risks, understand where do we not fail, how do we not do? And then definitely, how do you grow in the next 5 years to at least 2x - 2.5x. So that you will continue getting the juices of the opportunity which is there in India and the entire talks about becoming a 10 trillion economy in 2030.

Because of this part of that, that's something which is also an opportunity which we are mindful of. And we continue building our expansion side of our organization, and we continue looking at those opportunities with either this format or extend the possibility to expand into the digital format or another format. We are always open and always inviting for special feedback.

So these are some of the routes. There are some things on the top of my mind. But yes, later on, we can have a one-on-one conversation on these areas as well.

Rahul Agarwal: Sure sir, sure. As of Diwali gift, can you give me one reason, at least in terms of what could be the next big thing for V-Mart in terms of whatever you can offer to the customer?

Lalit Agarwal: Nothing different, Rahul. Nothing different. I don't want to give any surprise. I don't have anything in my kitty which I can give any surprise to everyone. Nothing is there and nothing should be there. It should be as per the customer needs, how well are you prepared every day? How well are you open every day? How do you integrate those things into your processes and change your certain pieces in the system which ultimately delivers what customer wants?

That's the entire thing that we are all on to. And we see this as a opportunity. You've seen the kind of footfall growth versus the kind of conversion that we got. We've got a lot more opportunity to convert more customers. We have to become much more better. We still have a long way to go. So let's work on that.

Moderator: The next question is from the line of Varun Pratap Singh from AAA PMS.

Varun Pratap: Lalit, sir, my question is on LimeRoad. So I mean, if you can share that what is the road map from here onwards. It is very much positive to note the overall reduction in the losses in the business, which may be tracking as per our plans. But given like if I just look at the 6 months number, 60% reduction in EBITDA is quite enthusing.

But when I look at the revenue, so 45-odd percentage decline on the revenue front. And also, I mean in your PPT, I could say that V-Mart share on LimeRoad has also maybe a decline from the June quarter, 33% to 29%. Now despite a 20%, 25% improvement in the overall V-Mart store integration to now 90-odd percentage. So just wanted to check that what is in your mind regarding this part of our business?

Anand Agarwal: So Varun, let me take that. So see, our strategy on LimeRoad is very, very simple and very clear. In fact, I stated that in my opening remarks as well. What we are building LimeRoad towards is a sustainable business model, which can help the omnification of the entire V-Mart Group. While it's a journey, and there will be ups and downs, and there will be results where we will see that the top line is coming down or whatever, but we are very focused on creating something which we are all proud of and which we can all see as a sustainable part of the organization.

We've been very deliberate in cutting down on the marketing expenditure, and that's because we don't want to buy revenue. The earlier model or the larger models in this space always has been that you spend more on acquiring customers and thereby you get revenues and then you have more losses. So we have significantly cut down on that part.

We are focusing more on getting customers from V-Mart pool of customers, we're getting more organic share of customers. There is more integration, which is happening on a lot of omni use cases within the V-Mart ecosystem. Some of the parts have already become functional and some of the benefits we have already started to see.

Our cost of operations, cost per order, cost of logistics, all have started to see very sizable improvements in the last 3, 4 quarters consecutively. And these are all building up towards a more sustainable future. The strategy will always remain that how can we bring it to a level where we don't need to burn more cash, we are able to get more insights, more analytics and more convenience for the online as well as the offline customers through the entire ecosystem of the V-Mart network. So whether it's only online or only offline or a digital ecosystem, but we are building something towards the future.

Now there is a marginal drop versus June in the share of V-Mart business into LimeRoad, but you also need to understand that quarter 2 is a very, very small quarter, both for online as well as offline. So it's a very marginal drop, so you should not read too much into it. We remain very committed towards building this towards a non-loss-making and a profitable venture in the long term.

Varun Pratap: All right. Understood. Understood. That is very helpful. And secondly, please pardon if I'm repeating the question because I joined the call 15, 20 minutes late. Sir, my question was on the average selling price improvement. So that is quite pleasing to note, almost 4%, 5% improvement in both V-Mart and Unlimited. So what is the, I mean, underlying reasoning for this improvement? Is it because of the improvement in sales mix or is it because of the price hike, etcetera., at the product level?

Anand Agarwal: There's no price hike that we have taken. We've already addressed that question earlier. So there's purely a mix change which is happening, and also the merchandise change which we have deliberately done to cater to the higher fashion requirement of the customer, which is again a mix reason. So we have not taken any price increase, and we would not want to take any price increase.

Moderator: The next question is from the line of Aliasgar Shakir from Motilal Oswal AMC.

Aliasgar Shakir: Congratulations for a very good set of numbers. I have a couple of questions. One is on LimeRoad, you obviously have provided a lot of details. One specific that I just wanted to know is last year, we had this road map to achieve breakeven in LimeRoad. Of course, we have reduced it quite significantly. So if you can just share some color in terms of whether it may achieve breakeven or given the fact that you will obviously run omnichannel, there may be some losses in LimeRoad that we will have to continue. That is point number one.

And second question, little more broader is pre-COVID profitability metrics was around close to 8% EBITDA margin in a pre-Ind AS scenario, and maybe you will take about 5% PAT margin. Now I just want to understand from a 3-year point of view, given the fact that now our SSG have been very strong, our revenue per square feet has been recovering.

Should we expect in the 3-year period that you should give or take, reach that level of profitability? Or do you think there is further scope of improvement that you want to do or you want to just kind of pass it on to the customer and make sure that you don't have a higher margin so that you continue to provide value to the customer? Over to you, sir.

Lalit Agarwal: So great question. See, basically, at a LimeRoad level, as Anand mentioned, this is a business which is helping the offline retail as well. So right now, we are reporting LimeRoad business separately. So I don't think we should do it because ultimately, it is an omni-channel approach, and it is something where online is helping offline, a lot of technology integration is happening. Lot of teams are working together. Consumers are looking discovering online, reaching in and buying offline. So ordering online, business is getting to offline. So all of those things are happening, but we definitely believe that there is a cost to be the digital platform.

Looking at the environment in the online market, it is very difficult for one to right now sell at profitability at our kind of average selling price. So the average selling price being low and the technology piece has to be there and this discovery and the technology availability, consumer discovery should be there in the market.

So there is a cost to operate. So we will definitely want to reduce the losses, but I don't guarantee that we will reach to breakeven. Yes, we aspire. We want to reach out to there. Maybe it may take another 1.5 to 2 years, where we will almost minimize and make it negligible to further the losses at the LimeRoad level.

On the second point on the EBITDA, I think it's more about efficiency building. It is more about those leading indicators, which work into and work at a per square-feet level, which is resulting into same-store sales growth. The moment your same-store sales growth continues to be in higher single-digit number or a double-digit number, it definitely leads to be a better profitability at the bottom line.

There are enough pressures on the gross profit. There will be a lot of more pressure in the gross profit base coming in from the fashion, coming in from the retailers who want to pump in money and want to reduce the margins and bring down the market. So there will be some pressure, which will also come in. But still, our endeavor, our numbers which are stacking up and the kind of operations that we are doing, even closing down all the loss-making stores or non-profitable stores.

So all of those included whatever you are expecting the pre-COVID numbers, we should be somewhere there in the next 2, 3 years, and then we do believe and we have the confidence that we will be able to reach that number.

Aliasgar Shakir: Got it. So one can pencil in like a stable state number of about 8% on EBITDA margin and probably about 5% PAT margin in a 3-year basis, right?

Lalit Agarwal: I don't know of PAT margin because the PAT is getting impacted by the Ind AS' also. So there is some Ind AS adjustment, which also decreases the PAT, but those things can be taken up.

Aliasgar Shakir: Yes, I'm actually talking about a pre-IndAS basis given the fact that you provided a lot of detailed disclosure. So of course, we can always note that out. Just one quick follow-up on that, sir, would you say any of the new things that you may have to continue to incubate, for example, like LimeRoad, that there should be some additional costs that you will bear and therefore, this margin should be slightly lower? Or you will make sure that any new incubations will not come there.

Lalit Agarwal: Let me just tell you there is no new things getting involved, and there's nothing that we are doing separately. And whatever we are doing, we are doing under the budget. So nothing is there which is yet to be done, which can increase our margin.

Moderator: The next question is from the line of Anuj from Manus.

Anuj: Yes. My questions have been answered.

Lalit Agarwal: Thank you.

Anuj: Thank you, and Happy Diwali to all.

Lalit Agarwal: Happy Diwali.

Moderator: Thank you very much. I now hand the conference over to the management for closing comments.

Lalit Agarwal: So thank you, everyone. A lot of questions. Thank you so much for asking so relevant questions which makes us more aware, which makes us more long-term focused, which don't throw us into those chasing the quarter-on-quarter numbers. We definitely believe in sustainability, scalability, we believe fundamental values of the organization, we definitely believe taking along the shareholders and even the community along with us.

So we will definitely try to do and bring our best efforts to try and see that we ensure a sustainable and secure future. Thank you so much. Thank you, and wishing everyone a very, very Happy Diwali. Thank you.

Anand Agarwal: Happy Diwali, everyone. Thank you. Bye.

Moderator: Thank you very much. On behalf of V-Mart Retail Limited and Anand Rathi Share and Stock Brokers, that concludes this conference. Thank you for joining us, and you may now disconnect.