Ref. No. CS/S/L-846/2024-25 **10th February, 2025**

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 5th February, 2025

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 January 30, 2025 (Ref. No. CS/S/L-837/2024-25) regarding the intimation of the conference call with Analysts and Investors held on 5th February, 2025, 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: 2025.02.10 10:34:04 +05'30'

Megha Tandon
(Company Secretary & Compliance Officer)

Encl: As above

"V-Mart Retail Limited Q3 FY '25 Earnings Conference Call"

February 05, 2025

MANAGEMENT:	**MR. LALIT AGARWAL – MANAGING DIRECTOR, V-MART RETAIL LIMITED** **MR. ANAND AGARWAL – CHIEF FINANCIAL OFFICER, V-MART RETAIL LIMITED**
MODERATOR:	**MR. SAMEER GUPTA – IIFL CAPITAL SERVICES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to V-Mart Retail Limited Q3 FY '25 Earnings Conference Call, hosted by IIFL Capital Services Limited.

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 the operator by pressing "*", then "0" on your touch telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sameer Gupta from IIFL Capital Services Limited. Thank you, and over to you.

Sameer Gupta: Hi. Good morning, everyone, and welcome everyone to V-Mart's Conference Call. Without taking more time, let me hand it over to the Senior Management for their Initial Comments and we can take Q&A after that. Over to you, sir.

Lalit Agarwal: Good morning. Thank you, Sameer. Thank you for hosting us. Thank you once again to every participant who is there on the call.

The run continues, we definitely see a little betterment in the market. The festivals has been quite good. I would not say it has been very good, because the way we expected, it did not perform as good as that in the last few days of the festival. But yes, post the festival, things were very good. We saw overall demand spurting up because of the marriage season, as well as the winter sale which got generated. Winter definitely got a little delayed in the month of November. And then it was peak in the month of December. December was very good in terms of winter period. But yes, the overall sentiment in terms of the semi-urban, rural population, the overall sentiment in terms of the lower strata consumer segmentation that we saw in the industry, in the market, at our stores, has been quite promising. It's been good.

We do, I mean, the commentary that I am saying is not resonating with some of the other brands, some of the other companies that we have been speaking with and we have been knowing that. But yes, we are definitely seeing some betterment here. It could be also an outcome of what we are seeing is an outcome of also maybe unorganized share reducing a little more, moving into more of organized share. And that is helping a lot of value retailers, and especially value retailers who are quite nearer to the consumer demand, nearer to the consumer taste, nearer to what the consumer wants in that particular market, and is able to provide the real value, real quality product. So, I think most of the industry players in value retail are getting good responses, and that is heartening to know. And that definitely also is telling us that there is definitely a lot of shifting which is happening from unorganized to organized. And it is becoming good news. It is becoming good news for the overall industry; everyone is getting the benefit.

So, I think the performance during festivals has been good, the performance during winter period has been good in the last quarter. Definitely some spending concerns were there from the government side, some real liquidity concerns were there at the consumption end which we realized. But still, I see there are change of hands which has happened because the consumers who were consuming earlier has now shifted a little bit. Youth, somewhere we have seen that youth have got a little more liberty, a little more empowerment, a little more ability to spend in the market. And then we also acted in that spirit in the last year itself, and which has given us some benefit.

So, we have thoroughly watched ourselves as well. The youth share of our business has literally gone up because that share used to be somewhere around 22% earlier, now has gone up to 27%. So, we are focused towards the Gen Z population. And the Gen Z population itself becoming larger and becoming much more empowered is giving us those kinds of betterment. So, I think this particular spree that we have taken up or this particular strategy that we have taken up to attract that particular kind of audience and be relevant to that particular audience with all those initiatives is definitely the right move that we feel, and we will continue doing that as well. And we feel that definitely all this focus towards the lower income or the middle-income group segment, which is especially more in the urban cities, which is by the government, by even reducing the taxation and raising the limit, all of this should definitely further help us to sustain that and maybe grow that.

So, I think largely the fabric prices, the material prices have been almost constant. There has been some movement in the material prices, in cotton prices, in yarn prices. But I do not see a lot of risk because the government's focus is also very largely on the textile sector. The government is ensuring that the cotton prices do not go up and there is enough production in the cotton prices. So, all of those moves by the government also towards the textile industry is definitely something which will add more resources, which will add more benefits in the overall manufacturing side. But yes, definitely, it will also bring in a lot of innovation because whatever PLI schemes that are being given in the textile sector is also bringing in a lot of innovation in India, a lot of new development of fabrics, a lot of new development of those kind of product lines is getting developed. And then also another good news that we are seeing is a lot of factories are getting set up, even in apparel sector, even in garments.

So, I think some of these pieces, we are very conscious of all of these pieces. We are regularly participating in industry meetings and industry areas. So, we do get updated on all of these areas. We try to motivate vendors to try and grow into those levels, get on to those segments. A lot of states are offering a lot of incentives and benefits in terms of apparel manufacturing units, giving them labor subsidy, giving them capital subsidy. So, all of those definitely is a better area so that organized production, large-scale productions can happen in India. Large-scale production will definitely help retailers like us who are growing and who are definitely wanting to have better supply chain, better mind-to-market speed, better fashion designing, better quality, and definitely reducing the prices, which is the important part.

So, all of those things is definitely making the whole value retail segment and value apparel fashion retail segment a little more stronger, and that can give a little more pressure to the brands, to the ones who are selling it at a higher price or are targeting the higher middle segment of the consumer. So, there are some constraints I have been seeing and that continue even in this quarter. But yes, largely for us, we have been focusing, and we have been really strengthening our quality piece. We have strengthened our design piece. We have worked a lot on our store experiences in terms of ambience, in terms of the look and feel, in terms of the visual merchandise, in terms of the product displays, in terms of the cleanliness of the store, reducing the clutter-ness in the store, trying to work on the density of inventory at the store level.

So, some of these pieces are also giving us some benefits. We are definitely focusing a lot on sourcing, focusing a lot on reducing the prices, focusing on keeping the prices sharper aligned. We definitely have not reduced our margin yet. That also we may experiment in a few of the items, a few of the products where we would want to generate a little more higher volume and try to see what is the market possibility demand, which can get accrue.

So, some of these things have happened. We are definitely working a lot on futuristic needs in terms of the technology, in terms of the integration of technology because there are various processes which needs to get automated, which needs to get a little more sharper, which needs to get scaled up. And there we are using some of those technology pieces. We are talking to a lot of technology companies to integrate further processes as well, and enhancing our digital experience even at the store level in terms of those lost sales or in terms of endless aisles. And our one-click proposition through LimeRoad is really working very well. We have seen a lot of app downloads at our stores, we have seen almost more than 3 million app downloads happening at our stores. So, some of these pieces are for the futuristic understanding, futuristic needs. And then some of these pieces are now coming into good thought process.

And also we are focused very highly on keeping our inventory levels at the base or reduce our inventory levels, days of inventory going down, better freshness of the inventory at the store level. How do we increase our freshness? How do we really better on the new designs and new philosophy of product lines which is required by the consumer?

So, some of these things have helped us and we will continue doing that. Manpower cost has been a little bit of challenge because minimum wages have grown in certain markets, grown by very high degree. Initially it could look like a bigger, better or a higher cost to the organization, but later on, we believe that all of these minimum wages will also bring up the GDP of that particular state, the per capita income will go up, the consumption further will come up and that will further offset all of these costs.

So, definitely, yes, states like Odisha saw almost 29% minimum wages hike, like Jharkhand saw a 22% minimum wages hike. So, some of these states which went for election in the last few years, in the last year, have seen a good growth in the minimum wages hike. So, that is putting a little bit of pressure on the labor bill, on the manpower bill, even though huge competition, which is splitting up, everyone wants to open up more stores, a lot of money has been raised in the market to private equity and IPOs.

Some of these pieces definitely bring more dynamism in the market. There is more number of stores getting opened, everyone wants to target a higher growth. So, I think some of those pieces also is trying to where there is higher competition amongst employees.

So, that is also something that we are watching and we do know. But there could be some pressure, but yes, we are trying to nullify all of these pressures to bringing in automation, bringing in digitalization and trying to provide similar or better solutions in those similar number of people that we have.

So, there is a lot that is being worked at the V-Mart level in the back-end side, a lot of analytics, a lot of work on the data, data management, some work on AI, some of those things are also happening. I mean, we will keep updating you.

But let me hand over to Anand so that he can give you a little more detail about the results that we have announced this time. Thank you.

Anand Agarwal: Thank you, Lalit. And good morning, everybody.

Let me take you through some of the "Key Financial and Operations Highlights" from the quarter, and then we can open the session for questions.

This has been a reasonably good quarter. Like-to-like sales growing at 10% in aggregate, with Unlimited LTL also growing at 11%. There was a bit of a delay in the winter onset after Diwali, which impacted the winter merchandise sales briefly, but however, it picked up in late November.

I think, overall, temperatures have generally been hotter in this current year than the previous years, reflecting an increasing impact of climatic change, which was also reflected in the lower peak winter days during Q3. However, efficient planning did not lead to any adverse impact on the inventory due to this. But despite the winter challenges, the sales grew at a healthy 17% in the offline business, with footfalls also growing by almost 40% in this quarter.

V-Mart sales grew by 19%, while Unlimited had a lower 6% growth, despite an 11% LTL increase due to the adverse sales base impact of 12 unprofitable Unlimited stores getting closed in last year. So, on a comparative basis, the base quarter of Q3 of last year included the sales of these subsequently closed stores, resulting in an optical lower growth rate for Unlimited in the current quarter in this year.

Looking at the sales per square feet, the total sales per square feet increased by 10% for the quarter, which was in line with LTL growth. The SPSF growth for V-Mart increased to 927 and for Unlimited was at 676, which was also 10% higher than the previous year. The average selling price remained flat for V-Mart, while it decreased by 5% for Unlimited due to changes in merchandise mix. The ASP should remain in similar range going forward, but for any seasonal or mixed variations.

The LTL sales growth was similar across all tiers, with Southern India stores doing marginally better in Tier-1II, Tier-1V markets, vis-a-vis the Tier-1 and Tier-1I, reflecting the success of replicating the V-Mart strategy of getting into smaller towns, also in Unlimited. For stores under V-Mart brand, the like-to-like sales growth was similar across almost all tiers.

At an overall level, the festive period went off quite well. A substantial part of Durga Puja sales shifted to the previous quarter, thereby implicating a relatively softer growth in the East zone in this quarter. However, all other regions had double-digit LTL growths.

We opened 21 new stores during the quarter, with 19 in V-Mart and 2 under Unlimited, taking the tally to 488 stores pan India, out of which 85 now are in South. All the new stores opened this year, including in South, have been performing well and in line with the established V-Mart business model.

Moving on to gross margins. The total gross margin was at 35.8%, it was 30 bps higher than last year, despite a 38% lower revenue contribution from LimeRoad marketplace business, which flows in 100% into total gross margins. So, the improvement in gross margins came in at the back of better fresh merchandise sell-throughs of new winter merchandise. However, on a go-forward basis, we shall be prepared to compromise on product margins to make the value proposition even more sharper for consumers and improve on inventory freshness through higher inventory turns.

Coming to expenses, at an overall level, total expenses were almost 3% lower than last year, in line with the 3% reduction in Q2 as well. The continued reduction is due to the sustained significant reduction in LimeRoad online marketing expenditure, along with favorable impact of closure of the unprofitable Unlimited stores in the last one year.

The manpower cost was up by 24% on the back of increased incentives, increased higher minimum wages, and also the increase in the 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 overall profitability and growth. Other expenses declined by 15% year-on-year due to decline in the LimeRoad business and consequent logistics costs apart from a few other efficiency improvement measures.

Coming to EBITDA, for the V-Mart core business, EBITDA for the quarter came in at 17.9%, which was 130 bps higher than last year, and Unlimited at 15.4% due to the beneficial impact of closure of the loss-making Unlimited stores in the last year. For total V-Mart, including the 54% reduction in losses from the LimeRoad business, the total EBITDA for the company came in at 43% higher at 16.7% for the quarter.

Coming to inventory, the quarter closed at Rs. 818 crores of inventory, which was at 92 days. There's a lot of good work which has been happening on the product side, which includes a lot of technology-led improvements in designing, sourcing, quality control, and replenishment cycles, leading to overall improved sell-throughs and thereby better inventory health. This is still work-in-progress. I think Lalit also alluded to this, and we are undergoing a lot of projects, a lot of work in this area. And this has been our core focus of how to improve the product side and thereby reflect even better inventory cycles going forward.

YTD CAPEX has been at Rs. 83 crores, which includes spend on the 49 new stores and refurbishing of old stores. The new warehouse, which has had a few initial operating challenges in the last year is fully stabilized and is helping improve the overall supply chain turnaround times.

The working capital limit utilization has reduced by 70% since the start of the year and remains in a very comfortable range. Better profitability and improved working capital led to a positive net-free cash flow of Rs. 59 crores YTD. There is no long-term debt on the books, and we remain comfortable on the cash front with ample working capital limits available to leverage future growth, which will be financed mainly through internal accruals.

Coming to store expansions, we opened 21 stores this quarter and 49 year-to-date, with five closures. The pipeline for Q4 looks reasonably strong and we should end the year with 50-plus net store additions for the full year. There may be three, four store closures in the current quarter, which is a normal practice as we will budget for 1% or 2% mistakes that will need closures every year. All the major one-time corrections have already been done in the last year, and going forward we should see minor 1% or 2% closures on a need-to-do basis only going forward.

Coming to LimeRoad, the marketplace business remains in improvement mode. EBITDA losses already reduced by 54% in this quarter year-on-year. This is the seventh straight quarter of reduction in losses at LimeRoad. The strategy on LimeRoad remains the same, which is to extend LimeRoad as the fashion-forward omni-arm of V-Mart and facilitate very easy order placement process by V-Mart customers through the LimeRoad app, initially for missing sizes or missing colors in the offline stores, but eventually extending it to offering a bigger catalog of products which can be offered beyond the brick-and-mortar stores.

Before I conclude, I also wanted to mention that Lalit's eldest son, Varin, has joined the company recently. Varin has completed his education from New York Stern School of Business and has also done stints with Kearney and U.S. Telecom in Strategy in the U.S. before shifting back to India in December. Varin has joined us in the operations team and is helping co-execute the future expansion strategy for the company along with Vineet in Vineet's team.

The company has also recently been awarded with the prestigious 2024 Institute of Company Secretaries of India award for excellence in corporate governance during the quarter, recognizing our commitment to the best governance standards. This recognition comes as a follow-up to winning the Golden Peacock award for corporate governance in 2022 and also the 2022 Certificate of Appreciation at the Institute of Company Secretaries National Awards for Excellence in Corporate Governance.

So, that was all from my side on the operations and the business update. 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 Tejas Shah from Avendus Spark. Please go ahead.

Tejas Shah: Hi, Lalit ji. Hi, Anand. Thanks for the opportunity, and congrats on good numbers. Sir, just wanted to know, for example, last 12 to 15 months clearly policymakers are trying to, they have first recognized and then they are now trying to solve the problem at the mass end, and you also spoke on positive sentiments. So, I just wanted to know the sustainability of the same, A.

And B, when we look at our recovery and our numbers, which is on a standalone basis quite good, but now many of our peers are also being listed. And when we compare, over there, there seems to be some, we are tracking below the median growth rate. So, if you can comment on both on these points on growth.

Lalit Agarwal: Okay. Yes, I think I have already mentioned about this, and we believe that there's nothing which should distort the aspirations or the consumption speed that we are able to see. And we should get a little more positive news going forward, and then we should see more disposable income in the hands of consumer. Consumers should feel more confident going forward as we see. And more and more industrialization, more and more manufacturing capabilities has to come into India and will get appreciated here.

So, I think we definitely have good plans going forward. We continue thinking, because we have always seen that, especially in our market, it does not behave as the global markets. It does not behave also as to the national urban market. But once the consumption speed starts coming in, at least three, four years if the monsoons are good, we continue having good demand pattern coming in. So, we are positive, we are hopeful. We will continue targeting similar kind of growth. And maybe not exactly this one, but maybe mid to high single-digit numbers. So, that's what we are targeting.

And then I think everyone who is able to focus, a little more complexity has got developed in terms of fashion business, because there's a lot of change in terms of the fashion wearings and the kind of product lines which are getting launched, the kind of fits which are getting launched and which are being accepted. And there's a lot of complexity in terms of understanding the consumer versus the fashion, because there are tiers and within the tiers, there are stores which will behave in a different manner versus a store which will behave in a different manner.

So, there are different consumer persona which has to be identified, and the product has to be mapped with it. And it involves a lot of complexity in terms of forecasting, allocation, understanding the consumer, and understanding the behavior pattern of buying. And then allocating such kind of product, because the range has become a little more wider. And there are customers who still believe in the classic designs and there are customers who now want the modern design. So, how do you differentiate between the two, and both the customers are important.

So, that's how you have to pass through this transition journey. And that becomes very complex for some of the retailers. And retailers who are able to cater to that are then able to provide better growth. And these will be testing times for retailers, fashion retailers especially in the next one year.

Tejas Shah: And Lalit ji, on relative growth, how should we interpret the gap between us and median growth rate that we are seeing in this space?

Lalit Agarwal: Tejas, I may not be able to help you a lot. As I told you, this complexity is there. So, I mean, comparison is very difficult. But yes, it is also a function of their own market. It is a function of their consumer segment. It is a function of how do they anticipate the fashion, anticipate the growth. And then how do they actually perform. There are hundreds of levers, which we say, between a cup and a lip. So, you have to fulfill all the levers till the time the product reached the customer at the right time. So, a lot of things have to get synchronized so that you actually deliver those outcomes. So, I think some retailers have delivered a little lower, unless and until they are targeting a different segment of consumer, unless and until they are targeting a different price point in the market, they definitely should be able to get the benefits which is coming out of this market.

So, we believe, I mean, I do not want to mention anyone who is doing bad. Maybe in a certain phase of time they might have not performed, but they will once again come back and perform. There are retailers who are East-based retailers, and East-based retailers, because the Pujo sales have gone a little bit in the Q2 market also, so East-based retailers have shown, because even our East zone, as Anand mentioned, has shown a little lesser growth compared to the other zones, because there the festival period has shifted to Quarter 2. That is why maybe you are seeing some differentiated growth.

Tejas Shah: Got it, sir. Sir, second, how the new stores have done, because we corrected a lot of COVID phase store shutdowns, and then we actually kind of recalibrated in the last two years. So, how they are doing? And any guidance looking at the consumer sentiment you would like to give for FY '26 on store opening?

Lalit Agarwal: I think for us we have been very, very conscious because we have closed a lot of stores, so a lot of learning has finally got plowed back into the decision-making processes on the new store finalization, or new store search, and new store opening. So, all of those learnings are now being getting accounted. So, as of now, most of the stores that we have opened in this particular year and the last year, has really given us one of the best sales per square feet in new store for the last five years that we have opened. So, these stores which we have opened have given literally better sales per square feet, and more than the company average that we have clocked.

So, I think we definitely are very conscious. We do not want to go out and open up any store at any kind of rental, because there's a lot of hue and cry in the market to acquire properties. So, people are going out to give any kind of prices because the money is becoming cheaper. As the multiple in the share market has gone up so people are trying to raise funds at a lower cost and the cost-of-capital is becoming lower.

People are taking those kinds of decisions also, which we are very, very clear that we do not want to go out in any kind of those streets. We will be very conscious in terms of our rentals, we will be very conscious in terms of the location that we open up. And we will just not change the number, but we will definitely change the profitable number of growth that we are able to do with new stores.

Tejas Shah: Got it. And sir last one, inventory deals have come down significantly and inventory looks very healthy. Should we expect that, assuming that there would not be any discounting pressure next year, would you use that tailwind to expand margins or you will pass it on to consumer to drive SSSG next year? And any guidance on any target that we are running for inventory days as well on improvement?

Lalit Agarwal: So, Tejas, these are all incremental areas. If I have my way I would make it tomorrow, but it generally does not happen like that. So, there are a lot of efforts, as I said, a lot of efforts has to get synchronized and everything has to fall right, even the seasonality like this year. The January month has not been great because the winter was topsy-turvy. Winter was topsy-turvy. We did plan for an inventory. When you do not get a great season, maybe you need to discount a little more, you need to liquidate your inventory or maybe you get a little leftover of the inventory.

So, these are synchronized. We can put our efforts, we will definitely want to bring in all those kind of automation, digitalization, analytics which is required. But still there could be an outcome which may be in our hand and which can become positive. We would definitely want to better our days of inventory cover by reducing it by at least another 5% more coming down to 87 days or 88 days, that's where we would definitely want to target. But yes, the margins also, on the other side we would want to become a little more attractive in terms of value providing to the customer because that is what will work. And because there are a lot of players across the road in the same street which is providing and trying to provide the same customer with value, you will definitely have to be much sharper in terms of the price.

So, if margin leverage or margin escalation is not possible, you may have to take down a little bit of cut in the margin also, but provide more value to the consumer to retain the consumer and also attract more consumers. Because the organized segment has got more consumers in the market. Now it is about us, how do we attract them and retain them, and give them the right and the best value which is possible. The value is not only about price, we are not chasing price, but it is more about quality as well as the product which is important.

Tejas Shah: That's all from my side, and all the best for coming quarters.

Lalit Agarwal: Thank you, Tejas.

Moderator: Thank you. The next question is from the line of Rishi Mody from Marcellus Investment Managers. Please go ahead.

Rishi Mody: So, Lalit ji, just picking up on Tejas, when you responded on the rental piece from competition, right? Other retailers have also pointed out that rentals have escalated. So, are we going to go for properties with lower rentals and maintain our store count guidance, or we going to reduce our store count addition guidance and wait for the good properties to come back once, say, some stores fail?

Lalit Agarwal: I think that's the skill that we have and that's the skill that we are going to apply. We definitely do not intend to reduce our store count. We would continue to open similar percentage of new store addition or percentage of square feet addition that you would want to do. But yes, we just do not want to chase those numbers. We will be very conscious on trying to open up the stores which are profitable and it gives us a great return on investment. So, that is the underlying factor and that is the underlying message which has been passed on to the team, and that is what we would relate and we would want to.

Maybe if there is a difficult period where you do not get a great property, but you do not get a great price, you may not want to open up. You will rather want to focus more on increasing the same-store sales growth rather than opening up new stores. But we always keep this stand and we always have been telling this to the market and telling it to everyone, that our growth will only come from our possibility of rental being at below 6.5% to 7%. It cannot go above that.

Rishi Mody: Right. So, I will tell you where I am coming from, right? So, we have guided for, say, 60 store count additions over the next year. In the past as well, we have had an accelerated store count addition, albeit some stores which maybe pre-COVID were not coming to the same throughput, but we maintained the store count addition. So, just trying to understand, are we changing that stance going forward that we would not open stores in locations which would not give us the minimum throughput?

Lalit Agarwal: I am not saying that I am changing the stand. We are saying that we continue having the same growth rate. You may calculate that to 60 or 65 or 55. I do not know how the calculation is working. We will continue to have similar targets, similar goals, which we have passed on to the team. And we would definitely want to open up and get the analytics, because it is just not about city or it is just not about the town. It is also the location in the city. It is also about the frontage of the store. It is also about the size of the store. It is also about the floor that you have in the store. It is also about the rental that you are paying to the store. It is about various terms and conditions. So, it definitely has a lot of involvement, but yes, the team is aligned. The team is very much skilled, this is the whole team, this is the strength of V-Mart, and we will continue to leverage that strength.

Rishi Mody: All right. And where the competition is setting up stores, right, whether viable, non-viable, I am assuming the store count addition rate of competition has increased on the back of the fresh funding that they have received. Are we seeing any temporary market share loss in at, say, any catchment level or region level? We might regain it, but in the nearer term, are we seeing that impact hitting us?

Lalit Agarwal: I think if you look at the overall retail market, I am not seeing that happening, but yes, if you see at the organized share of market, see what is my percentage market share in the organized share, definitely because of the organized share, the number of competitors have grown. There are more than 12, 13 competitors, or 15 competitors which are trying to open similarly. So, you cannot compete with all of them. So, market share may go down within the organized share. But on the overall spree, yes, the market share is continued or is increasing.

Rishi Mody: Okay. Got it. Understood. And finally, on the minimum wage increase, right, you called it out that Orissa, Jharkhand going into the state election increased the minimum wage by 25%-30%. Are we also seeing, like we have Bihar elections this year, we will have U.P. elections a couple of years down the line? Are we hearing any minimum wage revisions coming in for these states?

Lalit Agarwal: I mean, see, it also depends because these states also have a lot of people who are unemployed. These states also provide manpower to most of the Indian states. So, these states need their manpower to work in their state. But that would not happen if their minimum wages are not attractive. The industries would not come in. So, they want also to bring in industry. It depends. It depends upon the state of the affairs of that particular market, and also what is the minimum wages.

Orissa and Jharkhand were at a lower minimum wages compared to other states. They increased sharply. And there is a lot of activity happening in Orissa in terms of mining and stuff. But I do not expect similar to happen in U.P. But yes, something may happen in Bihar. Because they are also at a low. But that will continue. And that's what the risk that I have told and narrated that this is a risk, which is a short-term risk, but ultimately, it should lead to a higher GDP and higher per capita income, which should once again come back to the consumptions.

Rishi Mody: Understood, sir. All right. Thank you. That's it from my end. Thank you, Lalit ji.

Moderator: Thank you. The next question is from the line of Aditi Lohadkar from CD Equisearch. Please go ahead.

Aditi Lohadkar: Okay. Sir my first question is that what factors led the sales to go up?

Anand Agarwal: Sorry, Aditi. Can you repeat that question?

Aditi Lohadkar: My question is, what factors led the sales to go up?

Anand Agarwal: So, it's a mix of multiple factors. It's not a one factor. So, one is Quarter 3 usually is a very strong quarter for us. And we have been doing a lot of projects, a lot of work around improving our own efficiency in terms of the product mix, the product quality, the product design, the what we source, how we source, from where we source, at what price we source, and making the customer proposition even more stronger. It's been a continuous exercise for the last one, one and a half years. And thereby, you would have seen the sales improvement has happened for the last one, one and a half years consistently. So, this is probably the fifth quarter straight where we have delivered good same-store sales growth and we believe that the work that has been going on is sustainable and is helping us build the momentum for even better growth in the quarters to come.

Aditi Lohadkar: Okay. And so what is, like how do you think ASP of V-Mart will move over time?

Anand Agarwal: I think we are very comfortable with the ASP where we are. There may be some changes because of the festival mix or the climatic mix which happens from month-to-month or quarter-to-quarter, but at the level where we are, I think we are fairly comfortable.

Aditi Lohadkar: And is there any inflation trend in raw materials or in consumer spending? Can you see that?

Anand Agarwal: So, there is a bit of inflation pressure that we see on the expenses side, but as far as the raw materials are concerned, I think cotton prices have, in fact, a little bit softened but they have remained in a very narrow range throughout the year and we are not anticipating big changes in the cotton pricing going forward. Oil has also remained pretty much very much in a controlled range. So, we are not anticipating any pressure on the raw material front. But yes, on the expenses side, on the manpower cost, on the rental cost, there will be inflationary trends and it has been there also in the past. So, nothing unusual, but yes, it will continue. It should continue.

Aditi Lohadkar: So, will those increase in expenses be passed on to customers?

Anand Agarwal: We will try not to. We will try our best efforts not to. Because our customer segment is extremely cost-conscious and we will want to, therefore, mitigate any normal inflationary trend through efficiency improvements and volume-led improvements. We will try not to pass on any more surprises to the customer.

Aditi Lohadkar: Okay. So, what do you think is the more of your priority, like retaining the customers or retaining the margin?

Anand Agarwal: Absolutely retaining the customer. We are absolutely very, very customer centric. Profits are important. Profitability is the reason why we do our business. So, every store everything that we do is centered around profitability, but we will not want the customer to move out because of compromising on profitability a little bit. But yes, we do not want to get into a loss-making situation. Our focus always is to make sure that any location in the store that we run is profitable and continues to remain profitable.

Aditi Lohadkar: If the expenses are going up, can we see any decrease in margins going ahead?

Lalit Agarwal: So, Aditi, you have to understand this business and understand its mathematics a little more in detail. Let me explain you. Even if your cost goes up, the whole process of getting the margin has to be through higher volume and has to be through better same-store sales growth, because there is some element of cost which has to always keep going up, like rentals. Every year you have got an increment, or every three years there is an increment, which is bound to grow. So, now you have to see. And there is a labor, manpower, which is bound to grow. Every year there is inflation which is happening, there is some amount of cost which is going to grow.

So, that is the reason that we always anticipate a same-store sales growth. And you need to beat those numbers in terms of your same-store sales growth. All of these cost increments, if we do a same-store sales growth of around 4%, all of these costs get mitigated. Anything in a delta of 4% same-store sales growth always gives you add, add, betterment into your bottom line, if your gross margins are constant. But if you now become a little more sharper in terms of pricing, if you are not able to sell through at a full price, your margins get compromised, your gross margins get compromised. So, you may finally get into the bottom line. So, do not worry, I mean, we definitely believe that the margins should be constant or should be growing, but as long as we are able to keep getting this whole same-store sales growth phenomenon.

Aditi Lohadkar: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Ali Asgar Shakir from Motilal Oswal. Please go ahead. Hello, Mr. Ali, your line has been unmuted. Please go ahead with your question.

Ali Asgar Shakir: Yes. Sorry, I was on mute. Thanks so much for the opportunity. Hi, Lalit ji. Hi, Anand. So, my question is on basically margins. So, you mentioned that from a gross margin point of view, you would want to be a little more sharper to improve the value orientation. But I just want to understand from an EBITDA margin point of view, now when I look at it and compare it from a pre-IndAS level, the current quarter margin would be somewhere close to, give or take, around 400-500 bps lower than what you were doing probably pre-COVID. And I am just saying Q3 number. Of course, YTD, it will be different, but I am just giving the fact that we are improving the numbers every quarter, I am taking this quarter number, so still 400-500 bps lower.

So, I just want to understand, I mean, the point that you mentioned that improvement in throughput will continuously improve your margin. What level of increase from the current throughput you think should allow you to kind of reach your stable state margin that you are doing pre-COVID level from a full-year point of view? Any understanding over there will help. I was just thinking from the point of view that pre-IndAS level, this company can do somewhere about 8% kind of margin in terms of EBITDA and probably 4.5% margin. Then how much further throughput improvement is required to be able to achieve that?

Lalit Agarwal: So, Ali, I do not think I know math better than you. So, you are an expert in math. It is a mathematical question and you should be able to answer that. I do not think I need to answer it.

Ali Asgar Shakir: My point was more from qualitatively, more from the point of view that looking at that situation on the ground, how much you think levers you have that will help you probably reach.

Lalit Agarwal: Yes. These are all perspectives. These are all subjective perspectives. So, we need to keep working on all of those. We need to always keep focusing, because there is definitely a higher trust that the consumers are demonstrating on organized retail. And this movement from unorganized to organized is making things much, much better. And that is what India is all about. Their per capita income, once again, grows, and they start consuming a little more, and their disposable income is a little better, the share of urbanization increases, the share of consumers coming into organized space increases. I think all of these will fold up into our basket. And then definitely our own efforts and our own propositions and our own ability to understand them, provide them with the right assortment, mix and merchandise, and give them those kinds of quality which creates a trust within them.

So, all of those will finally add up into the same-store sales growth. And that same-store sales growth will finally bring in the margin. So, we definitely believe we will want to be constant. But still, as you all understand and we all know that there has been multiple number of competitors which have evolved, there are higher ticket sizes, competitors or conglomerates which are driving value retail. So, definitely, there is going to be some pressure which is going to come in in terms of value providence, because what consumers want and what are you offering and what kind of designs are you offering.

So, we are very realistic. We are very relatively we are talking about that. We're just not talking about prices. We are also talking about product, fashion, quality, because even that do cost. Even bringing in a new design, good design, bringing in a better quality, bringing in a better look and feel at the store, better service standards at the store, all of those do cost you. So, there's also a cost and there has to be some differentiator. And that differentiator also is a cost. So, we will balance most of them. But do not, please do not, I just want to remind you, do not start still chasing those pre-COVID numbers. The days were different. This age is different. Do not compare the stone-age with the digital-age. So, it will be better that we do compare in a year-on-year methodology only. Those were times when you were alone in your market. A lot of markets were there where you had a monopoly. Now is not the time where you had those complete state.

But anyway, I think if our same-store sales growth continues, we definitely would not want to surpass any double-digit margin numbers. We will definitely want to retain that number, but pass on all of those value benefits to the consumer so that the consumer keeps trusting us and keep coming back to us. Because even now we see, because even there are seven to eight stores opened up in a lane, customer comes in at V-Mart, looks at V-Mart product, goes back to a competitor, looks at the competitor, comes back once again to V-Mart and then buys it. And that's what we want. They should compare, they should understand, they should understand and look at the entire market. But they will do it one or two times. Once they have a trust that V-Mart is always better and V-Mart is always better in quality also, then they will stop checking also with other competitors. So, that's what we want in the future, of course.

Ali Asgar Shakir: Very useful, sir. Very, very clear on this. Sir, just one last quick question is on the competition and your comparable performance. So, of course we have 500 stores across multiple markets. On the ground, can you tell me, sir, how is the performance like-to-like? Are we growing at par with the market? Are we growing in certain markets higher or any markets lower? Just a general sense in terms of how is the comparison on a like-to-like basis on the ground? Because, obviously, on an overall portfolio things can be very different because of the presence of different players in different markets. But on a like-to-like basis if you have any insights to share.

Lalit Agarwal: See, I mean, as Anand mentioned, because the quarter saw Durga Puja coming in, in the Quarter 2, a few days sales had gone into that, so we saw a little lesser like-for-like growth in the Eastern market, Eastern India Market. We saw very good growth in the Northern India market because the base for us also is lower in the Northern India market. And some of our new initiatives, some of our fashion initiatives, some of those quality-led initiatives has really helped to grow that market a little better. We saw a good growth even in our Unlimited market.

South India has shown a good growth. Within South India, Tamil Nadu has been a very good market. Telangana continues to struggle for us. Telangana is not giving us a great response. So, there are markets which has really done well. There are markets which has been almost on an average. UP was struggling until last quarter, or last to last quarter, but UP has come back, UP has started growing. So, I think because we have a big base in UP, so UP has shown up. From a competitor's perspective, we have seen, I mean, most of the major competitors, even in spite of their good growth or their lot of new store opening that we have seen, we still see a good growth coming in from those stores as well.

So, I think the stores which gets opened up, even in the same wall of our store, we see a lot of more customers coming into that market, more customers trying that stores. So, I think it is a function of market becoming bigger, and that is ultimately leading into everybody's growth. So, that is what we are also seeing, and that should continue. There could be some disturbance in a particular market, but otherwise most of the markets have really grown well.

Ali Asgar Shakir: Yes. Got it, sir. Very helpful. Thank you so much.

Lalit Agarwal: Thank you.

Moderator: Thank you. The next question is from the line of Sameer Gupta from IIFL Capital Services. Please go ahead.

Sameer Gupta: Hi. Good morning, everyone, and thanks for taking my question. Sir, firstly, just your comment on Unlimited. I notice that sales per square feet in V-Mart is still 30% higher than unlimited. These are the numbers that you report in the presentation. Now, in the media interview earlier today, I heard Anand say that margins in Unlimited are now at par with V-Mart. So, was this comment meant only for the new stores that you have opened in Unlimited? And can I just ask the pre-IndAS EBITDA margin level, any particular range that you can give for the older store group that you had originally acquired? And I believe that that number is less than 60 stores now. So, just some color on this aspect, sir.

Anand Agarwal: Yes, Sameer, you are absolutely right. I think that comment was more in terms of the new stores that we are opening in the South. And that number is quite heartening, and it is almost at par or even better than V-Mart stores. This is the new stores that we are opening in South on the Unlimited. And yes, the older stores are still tracking well below the norm. Their sales per square feet is also slightly lower than the new stores that we are opening. And the expenditure or the overheads there are also slightly more because of the higher square footage area. So, the area size is slightly bigger.

The catchment is more Tier-1. And thereby, the pre-IndAS EBITDA still is lower than the planned average for the Unlimited chain. But as I have said in the past as well, we continue to build on new stores in South. The new stores have better sales per square feet and, therefore, better profitability. And as the proportion of new stores keeps increasing, the overall profitability level for Unlimited as a segment will keep on getting better and keep getting improved or comparable to V-Mart.

Sameer Gupta: Sir, just a follow-up here. So, these older cohort of stores, let's say, I mean, what I remember is around 58. You can correct me if I am wrong. At, let's say, less than 5% margin on a pre-IndAS basis, their ROCE profile of the store would still be less than or sub 10%. So, like beyond a point do we keep these in the system? Because now it's been like three or four years and we have waited around for them to turn around. Or is it an acceptable outcome that, okay, it's a sub 10%, but still they are not making losses, so we will still keep them in the system.

Anand Agarwal: Sameer, it's been a journey. So, see, there's a lot of internal review around each of these stores that we run. And especially for the Unlimited stores that we took over, there were many, many hard calls that we have already taken in the last two years. We've already closed more than 20 stores in that chain. And whatever stores that we felt required surgical action, that has already been taken. The number of stores that we now continue to run are strategically important, are important from different perspectives, and they are not loss-making. And we have faith and belief that we will be able to turn them around even better. So, it's just a matter of time, but we are not building in aspirations of a Rs. 1,000 sales per square feet in these stores. But there are priorities, there are importances, because of which these stores will continue to run, but they are not loss-making, they are profitable. Their profitability profile may be marginally lower, but they will also come at par.

Sameer Gupta: Got it, sir. This is very, very helpful. One last question, sir, from me. There's one large retailer, Reliance, which has been consolidating its store footprint. And I believe some of it might be in the apparel retail as well. So, just wanted to understand from you, is there a meaningful difference between the set of stores where, let's say, a Reliance used to be there and now it is not there, versus where there is no Reliance in the vicinity? Just this aspect, sir.

Lalit Agarwal: So, for the matter, when we speak to the operation team, they say Reliance is omnipresent. So, Reliance is everywhere. Whether they perform or not perform is a different question. There is a lot of change in the strategy in terms of Reliance. So, the consumers are also confused. The store people are also confused. I feel Reliance has gone out of our bracket, because their average selling price is almost 60%, 70% higher than our selling price. So, it is not becoming too relevant anymore. But yes, definitely, some of the Reliance, the growth of store getting closed, do add up some number to our store, and then we see some betterment there.

Sameer Gupta: Got it. Got it, sir. That's all from me. I will come back in the queue for follow-ups.

Moderator: The next question is from the line of Lokesh Manik from Vallum Capital. Please go ahead.

Lokesh Manik: Hi. Good morning, Lalit-ji and Anand. Am I audible?

Lalit Agarwal: No.

Moderator: Yes, sir, please go ahead.

Lokesh Manik: Yes. Great. Lalit ji, my first question was continuing from the previous participant. So, the sales per square feet nine months Unlimited is somewhere around Rs. 500 versus V-Mart at Rs. 700.

Lalit Agarwal: Lokesh, are you speaking on the speakerphone? You are echoing.

Lokesh Manik: Yes.

Lalit Agarwal: I am not able to hear you.

Lokesh Manik: Yes, is it better now?

Lalit Agarwal: Yes.

Lokesh Manik: Yes. So, the sales per square feet unlimited is at Rs. 500 versus V-Mart at Rs. 700, whereas the ASP is almost double. Now the difference can be alluded to the volume, so just wanted to understand that is this more external where the consumer market is such that it's not more volume driven, or is it more internal at our end where we need to make further changes to increase the volume throughput? And your view on whether it can come to Rs. 700, Rs. 800 per square feet, three to five years down the line.

Lalit Agarwal: So, Lokesh, we all know that Unlimited market: One, the per capita income of the consumers in Southern India is also higher, number one. Number two, the market there, we offer a differentiated product, which has a little higher margin also. And three, we also house there some branded products, which is called partner brand business, where some of the known brands in the market have been given some space in terms of stop and shop kind of model, which brings in almost 18% to 19% of Unlimited's revenue, which is at a higher ASP.

So, that, including all of those, the ASP level looks much higher. And definitely, if you see the last four quarters, you must be noticing there's a sharp drop in ASP of Unlimited. And that is the focus that we are bringing in. And how do we give more -- the consumer the more share of our kind of product, which is a V-Mart kind of product, and bring down the prices. So, that is how we are trying to first get the little more mass audience, little more lower per capita consumer segment, and little more youth into our store. And that is what we are trying to do. That is how we are also seeing some growth, which is coming in. Even this quarter, we reported 11% growth coming in from Unlimited market. And we are seeing very good response from some such kind of store.

So, we believe Unlimited, this particular quarter, has almost given greater than Rs. 650 per square feet of sales. We believe we should be able to bring it to that level of V-Mart, maybe in the next two years.

So, that is what we will want to do. But yes, the delta will be there. There will be a difference between both of them, sales per square feet. Yes, but we are nearing to our proposition. Once the consumer there understands our proposition well, we will want to then slowly and gradually decrease the share of the bigger brands, of the partner brands, because anyway, our propositions are also similar to the partner brand. But only the brand has brand value, whereas in the South, the consumers still value that particular product.

Lokesh Manik: Understood. Lalit-ji, the second question was on, in the past two years, we have been focusing a lot on merchandising. So, on the sourcing front, we may have even partnered with some of the suppliers who are supplying to our competitors, who are doing well at that period of time. How has been your experience from a quality perspective getting these new suppliers into the system and seeing how their quality is indexing with the past V-Mart suppliers? How is that difference been in your view?

Lalit Agarwal: It has been a very tough journey, Lokesh. It has not been very easy to bring in change management in smaller entrepreneurs across India, and that is the toughest part of growing up and becoming organized. Bringing them on the compliance, bringing them on sustainability, bringing them on the quality parameters, bringing them on the scalability part. So, we have done a lot of workshops with the vendors across cities, because as we speak, there is a workshop going on in Tirupur.

So, we keep doing workshops across cities. I have participated myself also in two or three workshops because we keep giving them those instructions, keep teaching them about things. There is a complete big team which is a quality team, which is a technical team, which helps them go down to make -- create better processes for them, create better quality parameters for them. And then, definitely, we have taken a little more stricter measure on the acceptance of quality norm and what quality can be accepted, how do we test, how do we try out those products.

So, there's been a lot of shift. There was definitely a lot of resistance. There's been a lot of rejection. Last year, we faced a lot of shortages of inventory because the product got rejected and people were not able to supply us in time. So, some of these problems were there. Our existing suppliers have really come up well and even we have brought in a lot of new suppliers, and we are seeing a lot of betterment in all of those and that is what we want to give. Ultimately, our consumer trusts V-Mart and we should not be giving them anything which is substandard. That is our goal and that is our motto.

Lokesh Manik: No, fair enough, Lalit ji. Because that correlates with the point that your customer comes back to you after experimenting with everybody else. I was just trying to understand if these new suppliers, the quality was much lower to what they were supplying to the other competitors, and are they facing difficulty matching V-Mart standards and at the price point more cost consciousness?

Lalit Agarwal: Everything is doable. It just requires better processes and better care, so that's all. It is an intention issue and then a discipline issue. So, it doesn't cost too much.

Lokesh Manik: So, there you have put some of them out of the system, the new ones, if they did not match and --

Lalit Agarwal: Definitely, almost 20% of the vendors have got blacklisted.

Lokesh Manik: Understood, understood. That's it from my side, Lalit ji. Thank you so much. Thanks, Anand.

Lalit Agarwal: Thank you, Lokesh.

Moderator: Thank you. Ladies and gentlemen, due to time constraint, this was the last question for today's conference call. I now hand the conference over to the management for closing comments.

Lalit Agarwal: So, thank you so much for being there. We have spoken enough, and a lot of inputs are being given. Not too many retailers come out and speak to all the analysts and bring out detailed data. We do give them. I would appreciate if people have a little more trust on us and we will continue definitely being more transparent, being more agile in terms of providing the data. But yes, there may be a few things that we would want to now strategize and work, which every time is difficult to open up, but yes, we will continue doing that.

Thank you for being patient with us, and we will continue delivering the best value proposition to all our ecosystem and entire ecosystem. Thank you so much. Have a good day.

Anand Agarwal: Thank you. Bye.

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