

To,  
Listing Manager,  
The National Stock Exchange of India Ltd.,  
(Through NEAPS)  
Symbol: EMIL  
Series: EQ  
ISIN: INE02YR01019

The Secretary,  
BSE Limited,  
(Through BSE Listing Centre)  
Scrip Code: 543626

Dear Sir/ Madam,

**Subject: Disclosure of transcript of Earnings Conference Call for the Financial Year ended 31<sup>st</sup> March 2024 held on 27<sup>th</sup> May 2024.**

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed transcript of the earnings conference call held on Monday, 27<sup>th</sup> May 2024, to discuss the Audited Financial Results for the Financial Year ended on 31<sup>st</sup> March 2024. The same is also available on the website of the Company at the below-mentioned link:

<https://investors.electronicmartindia.com/earning-call-transcripts-and-investors-presentation>

We request that you take this information on record.

Thanking You,  
For and on behalf of **Electronics Mart India Limited**

**Rajiv Kumar**  
Company Secretary and Compliance Officer

Date: 31<sup>st</sup> May 2024  
Place: Hyderabad



## “Electronics Mart India Limited Q4 FY'24 Earnings Conference Call”

**May 27, 2024**

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 27<sup>th</sup> May, 2024 will prevail



**MANAGEMENT: MR. KARAN BAJAJ – CHIEF EXECUTIVE OFFICER,  
ELECTRONICS MART INDIA LIMITED  
MR. PREMCHAND DEVARAKONDA – CHIEF FINANCIAL  
OFFICER, ELECTRONICS MART INDIA LIMITED**

**Moderator:** Ladies and Gentlemen, Good Day and Welcome to Electronics Mart India Limited Q4 FY'24 Earnings Conference Call.

This conference call may contain forward-looking statements about the Company which are based on the beliefs, opinions and expectations of the Company as of the date of this call. These statements are not a guarantee of future performance and involve risks and uncertainties that are difficult to predict.

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

I now hand the conference over to Mr. Karan Bajaj, CEO of Electronics Mart India Limited. Thank you and over to you sir.

**Karan Bajaj:** Thank you. Good evening, and a very warm welcome to everybody present on the call. Along with me is Mr. Premchand Devarakonda, our Chief Financial Officer.

We have uploaded our Results and Investor Presentation for the Quarter and Year-end FY'24 on the Stock Exchange and Company's website. Hope everyone had a chance to go through the same.

In FY'24, the segment has observed a robust surge in consumer demand for premium appliances. It includes large-screen televisions, smart inverter ACs, spacious refrigerators and top-loading washing machines, among others. Concurrently, appliances presenting a compelling value proposition, combining connectivity, convenience, comfort and energy efficiency, have sustained positive growth.

Anticipating a robust performance, the consumer durable and electronic industry is poised for a double-digit revenue surge in FY'25. This optimistic outlook spans across diverse markets, emphasizing the significance of premium, value-added and features of the products driving the industry's growth trajectory.

To share an update on the store opening front in Q4 FY'24:

We opened 12 MBOs, out of these, four MBOs opened in Andhra Pradesh, three opened in Telangana, and five in Delhi NCR region. In FY'24, we opened 33 new stores. Our store count at the end of March '24 stands at 160 stores, 147 of which are MBOs and 13 are EBOs. Out of 160 stores, 137 stores are leased, 11 are owned and 12 are partly owned and partly leased premises.

As on date, we are present in 62 cities across four states. To give you comparison of region wise stores opening, out of 32 new MBO stores opened in FY'24, 13 stores opened in Andhra Pradesh, Telangana, which also added 30 new stores, six stores opened in Delhi NCR region, and one new store of EBO opened in Delhi NCR region during FY'24.

Given the healthy cash flows from operations in FY'24, we are optimistic on the future cash flows from operations being effective working capital management and hence almost all future store additions will be well funded through internal accruals and remaining IPO proceeds.

Coming to Q4, we have delivered robust growth of 15% revenue year-on-year at Rs.1,524 crores and 15% year-on-year increase for FY'24 at 6,285 crores. Our EBITDA for Q4 '24 stood at 108 crores, and for FY'24 it stood at 449 crores. EBITDA margin stood at 7.1% for Q4 FY'24 and 7.2% for the whole financial year of FY'24.

Our SSG for quarter stood at 7.3% for FY'24 and stood at 8.4% for the whole year on account of investment made to open our new stores in geographies that is, NCR. The Company has increased investment in brand building, sales and marketing for which it expected that the EBITDA margins will improve as revenue throughput from new geography stores will increase eventually.

Also, to highlight like-to-like sales growth in FY'24 region wise, starting with Hyderabad City which grew approximately at 9% for 68 crores, Telangana excluding the Hyderabad Stores, 17 stores stood at 11%, Andhra Pradesh grew by 22% for the 28 stores and Delhi grew by 95% for the 14 stores.

Our store productivity per store on per square feet is visibly comparatively little lower due to the six MBO new stores that we opened in the month of March in Q4, aggregating to an approximate of 38,000 square foot. So comparative numbers look flat or reducing though practically it is not the case.

Also, to highlight on the operations of few stores in FY'24, few of the stores in Telangana and Delhi region were ready for operations, but due to some hindrance we did not commence the stores during that period.

We are concentrating on centering our position in the areas where we currently operate before exploring newer markets. This strategy has allowed us to establish a brand in markets of Telangana and Andhra Pradesh. This not only helps customers in those regions connect with our brand, but also familiarize them with our range of products. It enhances our understanding of the market and preferences of our customers. We are confident that this approach will contribute to achieving a significant market share and establish dominance in our current markets.

Our future plans involve future expansion in our store network in Andhra Pradesh and Telangana. Additionally, we aim to gradually extend our presence to the NCR region and deepening our roots there.

Following our focused expansion strategy based on defined clusters, our proficiency in local market dynamics, efficient supply chain management and strategy, inventory control has contributed significantly to achieve high-end cost competitiveness and consistent profitability. The customization of our product assortment and maintenance of a comprehensive portfolio, play a pivotal role in securing enhanced visibility, brand recognition, deeper market penetration and expanding customer base.

We provide a complete and unique shopping experience to our customers by showcasing a wide range of electronic products under one roof in our MBO model and providing a specialized brand experience with our EBO model. We work with limited brands, but in huge volume as compared to other players who have more brands onboard. This gets EMIL in a competitive edge and better bargaining power with top brands versus the top peers.

With this, I request Mr. Premchand Devarakonda, our CFO to update you on the financial performance. Thank you, all.

**Premchand Devarakonda:** Thank you, Karan, sir. Good evening and warm welcome to all the participants.

Now, I would like to present the financial overview of the Company for the 4th Quarter and the Financial Year 2024. Our revenue from operations for Q4 FY'24 stood at 1,524 crores as against 1,327 crores, a growth of 15% year-on-year. And for FY'24, our revenue stood at 6,285 crores as against 5,446 crores with a growth of 15% year-on-year.

EBITDA for Q4 FY'24 stood at 108 crores as against 91 crores, has a growth of 18% year-on-year, and for FY'24 EBITDA stood at 449 crores as against 336 crores, recorded a growth of 34% year-on-year. EBITDA margins for Q4 FY'24 stood at 7.1% and for FY'24 stood at 7.2%.

PAT for Q4 FY'24 stood at Rs.41 crores as against Rs.36 crores, a growth of 12% year-on-year. And for FY'24, PAT stood at 184 crores as against 123 crores, shown a growth of 50% year-on-year.

ROCE, ROE on an annualized basis for FY'24 stood at 17% and 13.4% respectively.

The working capital days as on 31st March '24 stood at 74 days, which was mainly due to stocking of inventory to meet the demand during the upcoming and ongoing summer season.

Both the gross debt-to-equity and net debt-to-equity stood at 0.5X, and the net debt-to-EBITDA stood at 1.4x.

Our cash flows from operations stand healthy at 160 crores for FY'24. As a result, the cost of borrowings got reduced by 7% year-on-year in FY'24 in spite of 26% increase in the investments in inventory and receivables.

For FY'24, same-store growth rate stood at 8.4%. For FY'24, around 45% of our revenue came from large appliances, 42% from mobile and 13% from small appliances, IT and others. About 98% of our revenues come from the retail segment, and the top five brands contributed around 60% to our revenues.

With this brief presentation, I open the floor for Q&A. Thank you, everyone.

**Moderator:** We will now begin the question-and-answer session. The first question is from the line of Devanshu Bansal from Emkay Global. Please go ahead.

**Devanshu Bansal:** This time around OEMs have reported very strong numbers for AC sales. However, the same is not reflecting into our top line growth for this quarter. So, Karan, what is the reason for this, if you can elaborate on this please?

**Karan Bajaj:** Usually with seasonality products, firstly what we look at or what I would suggest personally to look at not one month or a quarter end period, I would say suggest to look at an annual basis or a half yearly basis say we usually internally look at it from Jan to June and then it depends on when the peak heat summer starts off in the region, that we will be operating. So, I would say that March last week picked up really well for Hyderabad, April first week really picked up for Telangana upcountry market, second week was really peak for Andhra upcountry market. So, we would look at a blended growth number and we're really happy with what numbers we have delivered. So, probably you would see that reflection on the growth of that particular category when we would talk about Q1 FY'25 numbers in the coming times, but then we're quite happy with what we performed. Last year, if you look at our March numbers, the base itself in March and April was very high again. And then last year the festival period of Ugadi was in March, compared to that happening in April this year. So periodically we would look at the peak coming in, in different periods. So these are all localized testicles, localized period. So all these matter a lot, but we see full blended, Jan to June how much growth came, that is in line with what you would hear from the market coming through.

**Devanshu Bansal:** So you're saying Jan to June should more or less reflect with what OEMs -?

**Karan Bajaj:** Devanshu, secondly what happens if you see OEMs number it depends on billing before the season starts because, see for them, the primary happens when they bill it to us, right. And for us we stock up as early as Jan, Feb, March. So for them that quarter number look higher compared to what we start selling only in March, April May, that's it.

**Devanshu Bansal:** And Karan, one more follow up on this. So whatever OEMs are reporting, so that should be reflected in only part of our business, which is AC, ref, etc., that kind of a growth can be sort of reflected in overall business as well?

**Karan Bajaj:** Again, two things. As you are saying about certain category, so what happens if you a particular category demand for example if you see this quarter or this summer this quarter cooling products go up. So not like a Diwali quarter where all product categories go up equally well. This will only be focused on the cooling product category, the air cooler, air conditioners, refrigeration products. You would only see a majorly spike or the major growth coming in these categories first compared to follow up by mobile, IT as a category, then audio, then home appliances, and washing machine like for example would be a little much slower compared to other quarters in this quarter because the cooling product demand goes up. It is not necessary that all product categories would give you similar demand trend.

**Devanshu Bansal:** And cooling in Jan to June is what percentage of your business, Karan, any ballpark -?

**Karan Bajaj:** Overall blended to be around 15%.

**Devanshu Bansal:** For first half of the year as well, Jan -

**Karan Bajaj:** Before the annual I am talking about.

**Devanshu Bansal:** You indicated that the premiumization trend is going on well, but our ticket size growth was 2% for full year. Just wanted to check, is this a reasonable level to bake in or this was an aberration and trend should improve from here on?

**Karan Bajaj:** See, it only depends like we have seen growth in this category, if you see the pricing of the air conditioner this year, you will see that there is not much of growth in the pricing. So if at all the premiumization is happening, it is happening in terms of the feature, but not necessarily that it would reflect in the ASPs going up as well drastically. but not necessarily that it would reflect in the ASPs going up as well drastically.

**Devanshu Bansal:** This working capital has increased by about 230-odd crores in FY'24 and we have opened about 33 stores. So this implies about 7 crores per store. So is this the optimal level of inventory that we stock in a new store or there was some comment around stocking up, etc., as well, so your thoughts on that please?

**Karan Bajaj:** Two periods that you actually have to look at in our business or especially with us is that summer quarter before that we start picking up inventories. The 31st March, the number, if you see our inventory levels are around 900-crores plus. That is majorly because there is Rs.400 crores of cooling product, number one. Number two, the second period that you will look at is during Dussehra, Diwali. That is the period when we again start picking up a lot of inventory across

categories. There are two periods where you will see a higher inventory count and the Diwali quarter usually ends up by 31st of December. So you will see a lower inventory number there. But the peak of the seasons would come in October, November, and summer periods, that is March, April. These two quarters you would see higher inventory levels on the books, so is the working capital requirement higher as well.

**Devanshu Bansal:**

Typically, for a new store, what is the inventory that you sort of -?

**Karan Bajaj:**

The two things there. Again, if it is only display per se would be around 2-2.5 crores and usually over the counter product like mobile phones, kitchen appliances, accessories, laptops, would have the backup in the stores. So that would be another 50 lakhs to 70 lakhs of stocks. So that would be around Rs.3 crores of stocks in the store of a new opening.

**Moderator:**

The next question is from the line of Percy from IIFL. Please go ahead.

**Percy:**

Looking at your North cluster sales last year Q4 it was 53 crores, now it is 69 crores, so which is about a 30% kind of growth. Correct me if I am wrong, number of stores itself YoY would have gone up by more than 30%. So why is it that we are not seeing a ramp up in the sales per store?

**Karan Bajaj:**

So very rightly said that you look at 52 crores to 69 crores jump in Q4, that would add up to around 30% approximately in growth, but the new stores that we added up in Q4 versus Q4 on that financial period was on the 30th of March in '24. So we launched six new stores during that period itself on the last two days of the quarter end. So the sale, that you actually see or the growth that you see is from the like-to-like stores only, whereas the new stores were all opened on the 30th of March itself, two days prior to the yearend.

**Percy:**

If I take a quarter-weighted average for the number of days, how many stores were open in Q4 FY'24 in North cluster?

**Karan Bajaj:**

Six stores.

**Percy:**

No, no, no. I am saying total number of stores which are opened in Q4 weighted for the number of days they were opened they would be what 14, 15 stores, right?

**Karan Bajaj:**

So we were operating 14 stores totally in that region before and we have added up six more stores during that period with plus one EBO as well. So out of which the opening of the stores were only there for two days for that quarter in Q4 for six stores.

**Percy:**

And similarly, sir, can you tell me the average number of stores which were operational in the North cluster in Q4 last year?



- Karan Bajaj:** 14 stores.
- Percy:** No, no. In Q4 last year, how many stores did we have in North cluster?
- Karan Bajaj:** In Q4 last year, only 14 stores were operational, 14 and versus this year in Q4 it was 21 stores.
- Percy:** Basically, there has been no store addition -
- Karan Bajaj:** There is no addition of the store. The growth which you would see is for like-for-like stores.
- Percy:** So the SSG growth in the North region is like 25%, 30%?
- Karan Bajaj:** Yes.
- Percy:** So how does this work out in terms of store economics? So supposing if we have to get to let's say pre Ind AS EBITDA margin of let's say 5% to 6% in North cluster, what kind of sales per store do we need given the economics there, given the rental would be maybe a little higher or whatever else, what kind of sales per store will give us a 5% to 6% pre-Ind AS EBITDA margin in North cluster?
- Karan Bajaj:** So North cluster will give us that number upward of 35 crores average per store net of GST.
- Percy:** Because see, the reason why I am a little confused on this is that if we look one or two years ago where North was not there at all, we were making maybe around 5.5% pre-Ind AS margin on the entire Company and at that time our sales per store was about 45 crores.
- Karan Bajaj:** Correct.
- Percy:** So why is it that we will make the same margin in North India at 35 instead of 45? I thought it would be more than 45 given that the rental, etc., would be a little higher.
- Karan Bajaj:** See, the Delhi, the numbers that we were discussing right now, that pertains to most of the stores that we bought out there, especially the higher rental stores. So we have invested a lot in buying our property. The actual rent would not be there in terms of that calculation, and the rental property is fixed.
- Percy:** Secondly, can you give us some idea on what kind of SSG you are targeting for FY'25 at an overall Company level?
- Karan Bajaj:** Sir, including the new stores SSG around the big day, we look at stores which we opened which are operations for our whole financial year. So for those stores, we will look at a comfortable number of 9% to 10%, and including the newer store opening, we will look at because depending

on this quarter, we open the store. So, we will look at a blended growth of around 15%-plus comfortably.

**Percy:** In FY'25 on a full year basis versus full year FY'24, do you see any levers for EBITDA margin expansion, or would it be roughly at the same level as FY'24?

**Karan Bajaj:** Sir, if you see they're already in improvement that has come in place. So you would see a similar line of EBITDA margins coming up because in our industries become very difficult to actually extract higher margins because the cost of rental, manpower, advertising, a lot of things involved, especially now with just like payments, credit card penetration going up, NBFC costs going up. So these are all costs that we actually can't control because they are directly linked to the mode of payments and all. So, I think we would look at a similar number also going forward.

**Percy:** If I look at mobiles category, we all know it is a low margin category, but it is also a high throughput category. So at a gross profit per square feet, the absolute rupees gross profit per square feet, is it inferior to other products or it would be in line with other products?

**Karan Bajaj:** If we look at that absolute number in terms of percentage, it definitely would be lower than large appliance as a category. So what, we look at mobile as a category, we would rather look at the number of rotations of the churn that we would do for that category. So, in that sense this would boil out to a similar percentage.

**Moderator:** Next question is from the line of Manoj Gori from Equirus Securities. Please go ahead.

**Manoj Gori:** If I look at the overall breakup, probably if I derive the revenues for small appliances, mobile phones and large appliances, there seems to be some impact on these small domestic appliances during the 4th Quarter and that by some margin, so probably it should be more than 30% decline. Is that understanding correct, and if yes probably, how do you look at the domestic appliances going forward, any outlook on this?

**Karan Bajaj:** Actually, if you look at the kitchen appliances and the other categories that we have demonstrated when you say other categories, they, majorly, pertain to accessories and other product categories which we were in the midst of revamping in a store-level and we wanted to introduce newer brands and streamline that process because that product category is screen guard, cases, headphones, there is a lot of change of models or attrition there in terms of loss of unsold products. So, we had to take a strong step where we had to revamp that whole category again and start off from scratch, create a model where we have tied up with brands where they take the stocks back after every quarter whatever stocks are left with us so that we don't have the loss of inventory at the end of the year or a dead stock with us. That is why we had stopped the sales for that particular category in a way and now we see that growth coming back again on track for those categories as well. And to an extent like ultra-wet grinders or mixies or rice cookers, in the kitchen appliance category, we see a steep degrowth is because of the utilization

of the product, because now everything is like ready-to-make idli maker so people are now actually picking up ready-to-make rather than cooking or making that dough at home. So that category is where we see a major degrowth, whereas in categories like fans, water heaters, water purifiers, and vacuum cleaners, we see decent growth coming in.

**Manoj Gori:** So probably, the growth rate might differ at least for in the near term for this category?

**Karan Bajaj:** You are absolutely right.

**Manoj Gori:** But it should be back on track somewhere on the expected line somewhere around from second half of FY'25?

**Karan Bajaj:** Hopefully because we have added up new categories as well. Like right now, we're focusing on built-in category as well. Hop chimneys along with microwaves, built-in appliances, and built-in ovens. That is the category that we're expanding because the ASPs are quite high there compared to the traditional microwave, hop and chimneys. In the coming times, we are experimenting with a few of the stores like 7-8 stores right now in this quarter. So, probably in the next coming quarter if we see good results coming in, that will add up to a higher value coming forward.

**Manoj Gori:** My second question would be on the North market. So probably this is the first full summer of probably undisrupted summer that we are witnessing in the North market. How has the overall experience been into this market, probably if you can throw some light on the learning, and how do we see this market ramping up for us in the years ahead, so if you can share your thoughts over here, that would be helpful?

**Karan Bajaj:** Definitely, no complaints on North as a market in terms of the heat wave going on there, definitely supporting us with our sellout. Productivity per store is what we look at, and that is also on track. But then when we look at the market size, that was the reason that we entered that market, right. So when we look at the market size, we would rather now start looking in the future that how do we capitalize on that growth story there, how do we grow more, how do we deepen our store, increase our productivity first, so like the way we do back home in Hyderabad, Andhra, Telangana. So that is the future goal for us now. The numbers are good but then there is nothing that in terms of to be happy what numbers we are delivering, that's a long story for us to grow there, it will take long more time for us to establish ourselves there, but we're quite happy with what is happening in that market today.

**Manoj Gori:** You targeted to achieve that break even by 4th Quarter of FY'24 and you were almost running back. Where do you see yourself by end of FY'25 in terms of margin trajectory into North market?

**Karan Bajaj:** So in terms of growth rate, it will be in line with what you've seen. So we'll see that kind of number coming in, especially now. So right now we are in good summer there. I don't know how long the summer is going to last; it probably might last for a couple of weeks, probably a month. We are ready with the stocks, we're ready with the stores. It all depends on seasonality products doing quite well there, number one. Number two, everything if you look at the average during the other months and during the upcoming Diwali season this year, I think if things are on track, we should be doing decently good growth there in that region.

**Manoj Gori:** And on the margin front, should we see -?

**Karan Bajaj:** Margins will all remain the same more or less, because we'll be adding up of new stores as well for this coming year as well. So expansion in Delhi or that region is going to be heavier than other regions. So our focus is going to be on that region right now. Definitely, you would see a similar margin throughput only until and unless the stores get matured in the next couple of years, they start delivering higher throughput. That is when we would see or the cost coming under control because right now, we're spending a lot more on marketing. So once those things come under control or in line with what we do back home, then you would see a higher EBITDA margin coming from those stores.

**Moderator:** The next question is from the line of Ankit Kedia from Phillip Capital. Please go ahead.

**Ankit Kedia:** Two questions from my side. If you see one of the competitors, Croma over the last one year has expanded that white format aggressively, which is predominantly, reseller for iPhones, and we have other players also know expanding that. Are you seeing a lot of your premium customers move out of your stores and buy from those type of reseller stores of iPhone in the market, is that business model very different than in your core Hyderabad market you could contemplate such a store format yourself and retain those customers and expand in that iPhone category?

**Karan Bajaj:** We also do have some exclusive stores for Apple, especially, in our Tier-2-3 towns, and if given the right opportunity, right chance, we would like to expand that exclusive brand outlet format as well, but always running an exclusive brand format store is limited to a particular product range or a brand, right, and the limitation in terms of how much you can deliver out of a store. There is an advantage that your brand exclusives is a disadvantage that the store sizes are smaller or the throughputs are lesser, you're limited to certain category of product whereas the multi-brand should give you a leeway of selling multiple range of products and a higher range of products with the larger store format. So exploring an opportunity is always open with us. We already have that format with us and that's doing quite well for us. So given through that is all decided by the brand, especially with Apple. So they tell us where to open or they tell us which market to look at next. And then definitely, initially for those, the cost is a little higher because the investment goes from the retailer first and then Apple has a contract of reimbursing it over a few quarters. So the business for Apple anyways with us in our multi brand store is also increasing. At the same time, what we have proposed is to renovate few of the zones of Apple in

our existing stores and make the display area larger so that customers can experience a wider product range from Apple and, at more reach with the similar concept of what an exclusive Apple Store would have. So that again is in pipeline. Given an opportunity with any brand or any product category, we would like to expand with them in either of the formats, either give them a higher space area as per the throughput in our multi-brand stores or come out with an exclusive brand outlet opportunity. But then the exclusive brand opportunity would be more through the manufacturer or the OEM to decide and then move forward rather than the retailer himself.

**Ankit Kedia:**

When you say in tier-2-Tier 3 -markets you have already done that. So these are like the EBOs what we have and these are also MBOs and with a larger share given to Apple for you in those markets because I am talking from a Telangana perspective to maintain your market share right in that state, will that be an important for you to not let the other players get that real estate also in a mall or next to you selling the same products and accessories?

**Karan Bajaj:**

Very, very truly said. So a few of the key areas our markets where we already have our MBO stores where we feel that the productivity of this particular category is going up, if Apple or any other brand feels that there is a requirement of an exclusive brand outlet, then obviously we would be the preferred partner or if we get an opportunity, we don't leave it. We have stores beside our multi-brand stores also or stores on standalone area where we don't have a multi brand store but an exclusive store for a few of the brands. It works both ways. as you correctly said, the emphasize is not to open an exclusive brand outlet to the retail in our share, but at the same time, we have an opportunity to grow in our multi-brand outlets as well, especially for mobile phone because it is a very dynamic category and a very big category. I would compare it to like ocean compared to other category, which would be much smaller than size. There is a demand, and the supply makes a lot of difference. We got to keep a lot of other things under check for selling mobile phones than just having a presence there.

**Ankit Kedia:**

Second question is on your FY'25 store opening. Do you see in Telangana and Andhra market, are there enough spaces in Tier-2, Tier-3 cities for you to continue to expand? And do you think there a smaller store format between two cities can also be worked out like a hub-and-spoke model where you can open up 4,000, 5,000 square feet store if a customer wants, give a two-day delivery kind of a thing while you cherish giving a same day delivery for ACs and others but predominantly in a smaller city while you can have a store but a smaller store with a two-day fulfillment kind of a thing?

**Karan Bajaj:**

Absolutely right again. Given an opportunity there, if the market size demands a little smaller size store, we would do that, obviously, we would not open a really big store. But if you look at our Tier-3-4 town stores that we open lately or we are opening right now and expanding because the market is still untouched in few of the areas in Andhra and Telangana both. So there we limit ourselves to something between 6,000, 7,000 also. So not necessarily, but 4,000, 5,000 would be a little smaller for us, but 6,000, 7,000 is what we would look at rather than doing a 10,000, 15,000 square feet store.

**Ankit Kedia:** So let me put it the other way. If I look at three years out, right where you are opening around high team stores in these two states, do you think that growth can continue for three years for you to open these stores and you can pilot with that 6-7 special store format, see the experience today and then probably expand three years out?

**Karan Bajaj:** See, that can be done. Again, we do not want to lock ourselves into a certain format of stores. If given an opportunity, the market grows, that store particularly delivers a higher number, probably, we might do a second store in the same city, like for example, after five years of operation in Guntur City in Andhra Pradesh, we opened two more stores at the same time in that city. Now we have three stores. But our competition has eight stores in that region in the same city periphery. So when I look at my overall number, especially coming in from Andhra, today, my Andhra stores delivered approximately 800 crores plus of business, right? But if I look at my direct competitors there, which is Sono Vision, Digital Vision these are all guys which are upwards of 700, 800, 1,000, 1,500 crore business. We see a great opportunity. Our store count is less than half in terms of bigger partners like Reliance, also, Sono Vision has 60 plus stores, we are still operating with 38, 39 stores in that region. So we still see that there is a huge opportunity for us to go especially with the underpenetrated mobile phone as a category there. So today if you look at our product mix in that region especially on mobile phones, it is still a little underpenetrated compared to our other city stores. So we feel that there is a huge opportunity for mobile as a category to grow in our store for large appliances to grow in our store, for air conditioners to grow in our store, especially with the new store opening that we're doing there right now.

**Ankit Kedia:** Last question is on the warehousing in Delhi. When we started Delhi, the idea was initially you need to keep a lot of inventory in Delhi, because we have lesser numbers of stores and as the number of stores increase we get that leverage out. So today where you have 15 stores in Delhi NCR region, how does that throughput play out and are you happy with that warehouse capacity and has the inventory remained the same or only the store level inventory happening in the Delhi market and is that playing out according to the plan?

**Karan Bajaj:** Yes, that is on track. So we already have like 14 stores in pipeline today in Delhi NCR region for the next 12 months, right? So we opened six on the 30th of March in Q4 FY'24 and then we got another 14 stores in the pipeline which we will open in the next 8 to 12 months, right? So when we know that something is opening up and something is going to come up in the next couple of months, we would rather look at our warehousing to be ready to take up those stores as well in the future. So that's how we planned and we have got three warehouses now. So now once we expand further downward in Haryana or towards Gurgaon, we probably come up with one more warehouse in that region because right now we would be doing Delhi City, UP and then Haryana and then penetrate further down in these regions. So then we would eventually need bigger warehouse in that region. So as per time, we would definitely expand and grow. Right now it is in sync with what we would need, and this being summer season anyways, we stocked up more and we filled up stocks in the warehousing required for the summer period.

**Moderator:** The next question is from the line of Piyush Gandhi from Cognizant Capital. Please go ahead.  
Yes.

**Piyush Gandhi:** I just wanted to know what are our plans in terms of new store opening for the year? You mentioned 14 in NCR. How many are we planning overall?

**Karan Bajaj:** So we would be doing around 30-plus stores in this financial year, out of which we have already opened six in the first quarter itself and then another five are getting ready which are due opening in the next 30 to 40 days. So probably this first quarter itself, you will see the opening of first ten stores out of the 30 store count that we planned for this financial year.

**Piyush Gandhi:** I just wanted to maybe get a sense from you. As the density of our own stores in South region increases, are you seeing any signs of cannibalizing?

**Karan Bajaj:** Oh, yes, definitely. In fact, we try to cannibalize our own stores because what happens is especially for the peak days or the bigger days, because our competition works in clusters, so usually you don't want to lose out a lot of sales from your top performing stores or growing stores, right? So you then try to cannibalize your own stores a little bit because then you tap into a new geography, new market in that same periphery and try to create a new customer base along with cannibalizing your own customer base from your existing stores nearby. Strategically, we will do it.

**Piyush Gandhi:** Yes, I understand that overall throughput increases, but what it also causes is that perstore sales goes down and also the return on capital employed also starts reducing. So any sense on how do you handle -?

**Karan Bajaj:** This is a calculation on how and when we do it. It is not necessary that we start doing it, try to cannibalize the store, which is at 30-40 crores on an average. So whenever we try to do it is there for all the stores which are 100 crore plus for us for example. That way.

**Piyush Gandhi:** Any sense on how is the return profile for our Tier-2, Tier-3 stores like the experience of new stores that we have opened in last 2-3 years, how has it been, are they at par with the Company average or are we diluting a little bit there, any sense on those?

**Karan Bajaj:** So definitely yes, the throughput would be a little lower than your metro cities, because of your premium product selling there or your high end not selling in the larger number there in terms of the volumes are there, but the value or ASPs would be little lower comparatively, right, number one. Number two, so in line with what growth we would look at those coming in year one, year two, year three whereas the base for that particular store. If I open a store in Hyderabad, I would look at 30, 35 crores in year one then eventually go to 45, 50 crores in year two and then averaging around 60 crores in year three onwards, right, for a Hyderabad metro store. But if I look at a store in a Tier-two or a Tier-three town, I would start looking at 25, 30 crores in year

one, then 35 crores in year two, then stabilize it by 40 crores in year three onwards. So that is the throughput that I would look at there, because the incremental growth coming in would not be higher than 15%, 20% for the first few years and then eventually stabilizing at around 35, 40 crores on an average once you start maturing from there on.

**Moderator:** The next question is from the line of Gautam Goyal from HC MR Private Limited. Please go ahead.

**Gautam Goyal:** My question is basically like, could you please explain us more on the store unit economics, so like what is the CAPEX investment, working capital you've already mentioned that you probably do around 2.5 to 3 crores but like what's the CAPEX investment and what is the payback period and like a break even for us in the store?

**Karan Bajaj:** How we would do the math is we say approximately for taking a 10,000 square feet store, we will look at a CAPEX investment around Rs.2,500 a square feet. So that would be around 2.5 crores for making up the store and then another 2.5 crores of inventory. And this inventory would be majorly for the displays of stock and then a little bit towards the backup stock for over the counter product delivery from the same store. And then in different seasons, that is two big seasons in a year, then we will look at this number going up a little higher for the backup inventory, especially for summer if it's cooling products and for all the product mix during the Dussehra, Diwali period in October, November quarter. That is how we look at. Around 2.5 crores of inventory and 2.5 crores of CAPEX, around 5 crores is what we look at as our store cost initially when we set up a new store of a 10,000 square feet area.

**Gautam Goyal:** So what is the breakeven for that, like any breakeven or payback period that we can say?

**Karan Bajaj:** As for existing market with the brand you already known or if you're opening a store in AP, Telangana, Hyderabad, so what we would look at is the breakeven would be around 12 to 14 months because we are as much established here, there is no additional cost here, stuff like that. Whereas if I look at Delhi NCR market, which is quite new to us, which is a year and a half, two years approximately. So that region would give us that turnaround in 20 to 24 months.

**Gautam Goyal:** What would be our growth expansion for like the next years like, so are we exploring new spaces, new cities, new states or like we are contented by the fact that we will just grow more in Hyderabad, Telangana, Andhra Pradesh and Delhi NCR region?

**Karan Bajaj:** We're quite new in Delhi NCR and then there's a lot of huge periphery available in Delhi NCR, right? So, we're talking about the whole of GT Karnal Road up till Chandigarh, Panchkula and then eventually Punjab. We're talking about Western UP right now where we already have stores in say, Ghaziabad and Noida, then we expanded to Greater Noida in the coming times and from there up to whole of UP is available for you, then you're talking about AP, Telangana as a periphery, you're talking about borders of AP, Telangana that are available probably, Odisha in



the next coming years. So that way, the geography that we're present in, we would like to explore two of these regions nearby, especially strengthening ourselves more up north because that is more of a bigger market size than what we would do down south here in the neighboring states like Odisha for us.

**Gautam Goyal:** So, like basically we're saturated in like states like Andhra Pradesh and Telangana. So we're not like majorly focusing on expanding there. We are focusing on the north market, right, am I correct?

**Karan Bajaj:** Right now, it will be more of 50:50 mix up North and down South, because there are a lot of markets that we don't even have a store here. AP, Telangana expansion will go on and then with that what happens is that organically every year, whichever city you've already entered in the past, you would see a new market developing in the same city. So organically, also you need to expand in those territory because then you start losing out to your competition, or you don't get the benefit of inventories, marketing and all. So, there's no point of view opening a new territory when we have not captured our own territory completely first.

**Gautam Goyal:** From the revenue point of view, what is the split between the financing and direct purchases in the urban metro cities and in the Tier-2, Tier-3 towns?

**Karan Bajaj:** So the total blended would be around 65%:35%, 65% being through credit card, payment financing or the financing activities on the floor versus 35% through UPI, direct payments and cash payments. So that is the major split across metro as well as upcountry market, there will be a difference of 1% or 2% here or there.

**Gautam Goyal:** And this is for Tier-2 like this number for financing I guess would increase a bit for the Tier-2 or Tier-3 stores?

**Karan Bajaj:** Similar line only. So there what happened in fact South and Western India anyways Tier-2-3 towns also quite strong with NBFCs whereas you talk about the East or pure pocket up north, then the transactions on NBFCs would be little lower because the penetration there on debit card, credit card or other financing activities would be higher there.

**Moderator:** The next question is from the line of Arnav Shah, who is a retail investor. Please go ahead.

**Arnav Shah:** So I notice that the Company's product mix is, the revenue from mobile phones has increased from 37%, 38% to 43%. So, could you give guidance on the future product mix?

**Karan Bajaj:** The product mix for mobiles or these other categories more or less remain the same tune. We will not see a drastic jump here. But then as I told you that earlier in the call, also like few of our markets like in Andhra, also if you look at the penetration there for mobile phone is still a little

lower. I would look at that going up by one or two more per cent in the coming time, but it will not drastically change from here on going forward.

**Arnav Shah:** In extension to that question, could you guide us on the gross margins that you enjoy in each of the segments between mobile phones and large appliances and small appliances?

**Karan Bajaj:** I will give you a broader number. So for blended number, it would be what you see on a balance sheet around 15% and the lowest I would tell you would be around 7% to 8% for IT, mobile as a category and the larger appliances would be upwards of say 17%, 18%. That would be the average out. The blended would be around 15% for all product categories.

**Moderator:** Ladies and gentlemen, we will take that as a last question. I would now like to hand the conference over to the management for closing comments.

**Karan Bajaj:** I would like to thank all of you for joining into the call. I hope that we were able to answer all your questions and for any further enquiries you may get in touch with us or our IR partners, SGA, we will be happy to address your queries. Thank you once again, everybody.

**Moderator:** On behalf of Electronics Mart India Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.