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20th October, 2022

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Sub: Transcript of the Conference Call held on 18th October, 2022

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 17th October, 2022 (Ref. No. CS/S/L-605/2022-23) regarding the intimation of the conference call with Analysts and Investors held on 18th October, 2022, 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

Anand Agarwal
(Chief Financial Officer)

Encl: As above

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“V-Mart Retail Limited Conference Call on Acquisition
of LimeRoad Business”

October 18, 2022



**MANAGEMENT: MR. LALIT AGARWAL – MANAGING DIRECTOR, V-
MART RETAIL LIMITED**

**MR. ANAND AGARWAL – CFO, V-MART RETAIL
LIMITED**

**MODERATOR: MR. ANKIT KEDIA – PHILLIPCAPITAL (INDIA)
PRIVATE LIMITED**



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Moderator: Ladies and gentlemen good day and welcome to the Conference Call on V-Mart Acquisition of LimeRoad business hosted by PhillipCapital (India) Private 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 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. Ankit Kedia from PhillipCapital (India) Private Limited. Thank you and over to you sir.

Ankit Kedia: Thank you Vivian. Good afternoon, everyone. Welcome to the V-Mart Retail conference call to discuss the acquisition of LimeRoad business. On the call we have with us Mr. Lalit Agarwal – Managing Director and Anand Agarwal – Chief Financial Officer. Without any further delay I would like to hand over the call to Lalit Ji to take us through the rationale for the acquisition and then we will open the floor for Q&A. Over to you Lalit Ji.

Lalit Agarwal: Good afternoon and good evening, everyone. Thank you for coming on the call on a simple request, we just made an announcement yesterday and we wanted to appraise and apprise everyone about the little bit details on the acquisition. We know this is a small size acquisition but still more clarity can be offered to them. This call is only for this acquisition and this particular online piece. But other than that, I will not be able to answer any kind of current market situation and current market response and performance question.

We announced this deal and we all know that we have been speaking about it and a lot of the questions in the earlier calls from most of the analysts and the investors have been what are we doing towards omni retail, what are we doing towards online, how is it working, what are you seeing as a threat? So, to try and answer all of this and we were thinking and we were trying to build on our own model and what we were doing is for the last 3 years we were trying to do a lot of activities. We have launched this portal almost 2.5 years back vmartretail.com. We built this team. We were focusing on bringing the sales up. But somewhere I realized that something was missing and something very-very good was not being able to do. We were not able to create the right technology, we were not able to create the right team. We were still not able to acquire those kind of digital customers and convert customers who are there on the digital platforms.

So, some of those things we thought and we understood that this is something which needs a little more of digital culture, little more of digital understanding which is largely with startup world in India and which is there which people have demonstrated their true understanding of digital commerce. That is where we were trying to look for some opportunities outside and how could we acquire people, how could we look at things and then we came across this particular asset which we thought was a great effect which we understood well. We understood the promoters, we understood the culture, we understood the value systems, we understood their numbers.



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We saw this marketplace as a real good technology and good team which understood the consumer which is fashion led consumer and which has done over the last one decade which has really done a remarkable job in terms of their creativity, their content, their engagement activities, their product lines, their communications, their logistics and supply chain work that they've done. So, some of these ideas they really crafted and curated this particular model towards fashion. As you all know that V-Mart has been very highly focused on the value fashion where we definitely want to regularly keep providing those trendiest fashion to our consumer base in our market. That has been our approach and that is what we are known for and that is what we have been regularly saying.

Just to add on to that we thought this portal, this particular channel is very interesting and it will definitely add more fashion quotient in our overall strategy, in our overall look and feel, in our overall customer aspirations. What we wanted to target is we wanted to target this millennial population which is a digital first customer which is actually growing and which is becoming larger and larger. This digital first customer we all understand that they have their own symptoms their own syndromes. They want to shop from the particular place and they want to look different. They want to be seen different in a different zone and a different geography and different product line and a different brand. That is what we are trying to target from this particular acquisition that how do we track this particular digital first customer. These are customers who are still coming to us. There are a lot of them who may not be coming to us, who are still not looking us as their brand. So how do we bring those customers and that is what the strength of this particular team is and this particular brand is. They have been regularly attracting this particular audience. Within this audience also they have been attracting the women audience which is the great, which is the toughest not to crack. They have the women audience; the women folks have been the difficult folks in fashion industry. The fashion quotient changes very fast. The speed at which the fashion changes is also very high, whether it is ethnic fashion or it is western fashion. Somewhere what we understood in the whole process of marketplace in women's fashion which we saw in the women's wear segment if you all remember every time, I keep talking about it, large portion of India wears traditional wear or ethnic wear and within traditional and ethnic wear there is a huge amount of diversity across the states and across regional geography. That is where you need so many designs and so many styles and there is a localization need and there is a local trade which is required.

So here when we look at our V-Mart's own fundamental processes and fundamental customer segment and our own share of mix, we see this as a big bottleneck and somewhere we are not able to cater to that. That is why women wear as a percentage of sales mix is very low in our particular performance. So, we believe that in women wear we need more minds to create product, we need more vendors who could create multiple designs, we need more curated fashion for those regions and for those geographies where those kind of products are there. That is where in my store, in our store we've got a limitation of space, we have a limitation of design, we buy



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out inventory. There's high chances of the inventory getting sold in the right place or not getting dispatched at the right place. So, there are the risk on the women's wear fashion that we anticipated and we saw and that is why we could not take so many chances and so much of risk to provide product across the stores. In the marketplace what happens when you have multiple vendors on boarded on a portal, there are multiple product lines that you get listed and these product lines are now available to multiple stores in multiple geographies or multiple geographies to multiple customers. All of these customers can choose their own pattern, their own color chart, their own style, their own vendor base, their own dialect or their own taste. That is very important where we could definitely provide diversity in fashion which is more attuned to the women audience. That is one particular point but otherwise other than that we always have believed that is why we are not 100% private label. We always have given a space to a market label also where we believe products which are good quality, good fashion and good prices are always accepted by my customer and we always believe in this theory that good product is important to offer to the customer. That is why with the same approach we believe even the marketplace where vendor owns the inventory or vendor can unleash those inventory, this can be an additional benefit to both our V-Mart customer who is present in the offline space who is not there in the offline but there in the home or is not able to come to the store to take the deliveries and pick the product can actually order them online, can use those product lines also as the endless aisle and all the V-Mart products and all the V-Mart customers can actually go on this LimeRoad portal as a single digital arm for both V-Mart as well as Unlimited customers. That's the plan that we have that our vmartretail.com will get merged into the limeroad.com and limeroad.com becomes our digital arm for both the brands that we have, Unlimited in Southern India and V-Mart in the rest of India. That's the whole model that we are trying to build. Here we definitely love the team, which is there working, Suchi Mukherji, who has founded this company and I'm so impressed by her understanding of consumer, her understanding of market, her understanding of creativity content product and the team and the way she handles. She's a great leader. I really believe that she could really take this journey forward and take this understanding of her own understanding over consumer in India and the understanding of digital space and the understanding of fashion and work along with V-Mart's team so that we could actually synergize and create the real omni world, most powerful omni channel retailer. That's what we want to create ourselves as and that's what we are trying to aim at. Definitely the team below her, there's a co-founder Ankush, who is also a great resource who understands supply chain and business very well and the entire team. There is a good amount of digital team, tech team and we definitely have been chasing the technology and the digitalization space.

This also gives us a lot of input and a lot of benefit on overall improvement on our technology, overall improvement on our digitalization which gives us more power on our analytics, gives us more power on our digitalizing the entire process as well. Those are how the second phase works. But the first phase is how do we convert this channel to an omni channel, how do we bring the customers on the same platform. Definitely there are confusions over the brand V-Mart,



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Unlimited and now a new LimeRoad. But yes, we don't want to lose over the asset of LimeRoad brand. LimeRoad has its own big customer base, almost 17 million customers are registered with LimeRoad. That's a very important asset in the digital space. We know how much e-commerce companies have spent over the years over the acquisition of a single customer where Rs. 800 to 1000 getting spent on acquisition of one customer. So, 17 million customers is a big number and big asset which we want to really use. And added with that we've got 30 million customers who are already in V-Mart store and registered with us. I think we can really offer a new perspective to even our customer and the LimeRoad customer. Plus, there's a large opportunity to acquire new customers because a lot of shift has happened since COVID and post-COVID. These new generation, new millennials and this Z generation kids they all want to shop online and want to have the best fashion.

So, I think there's a huge opportunity, we will as a team do lot of synergies because there is a lot of opportunity over kids wear, men's wear which they are still not doing good. There's a huge opportunity to uplift the kids wear and men's wear category in the LimeRoad segment, bring about those kind of product on the Rs 800-900 crores of inventory that V-Mart has. All those inventory get listed, get live on the LimeRoad portal that can really uplift the LimeRoad's expectations. There is definitely a great demand that we have seen of V-Mart's product on the market places because Myntra and Amazon and Flipkart, all the three portals have really given us very good response. Myntra specially has given a very good response which shows our acceptability of products in the digital space in the e-commerce world. This is a great opportunity which I believe which we will focus on. The numbers that they have are also better than the market numbers, the benchmark of market which we see which you have known those people who have filed their DRHP or people who have come with a public issue, they have their numbers in the market and we compare those numbers with their numbers. Most of the numbers, most of the either marketing returns or the logistic cost or the operational cost. All of those numbers they call CM 1 and CM 3, so all of those numbers are better or similar to the best of the marketplaces. We are very confident on the number, the same mindset that V-Mart has over the cost control, over the efficiency generation point of view I think the same value systems exist in the LimeRoad team under Suchi and the same efficiency is being seen there. We saw some of those very good collaboration points, those common value systems, those common DNA which actually drives efficient and profitable model so that's the opportunity. They were CM 3 profitable before COVID, there could be... we will definitely target to become profitable with the synergies that V-Mart can bring in, both in terms of quality products where the quality is an important parameter for e-commerce space. Most of the customers, consumers who have gone on e-commerce and purchased from e-commerce have not shown great confidence over quality because they are still a marketplace without any control over the quality. At V-Mart we have a huge control over quality. We could really beat this particular market on the quality parameters, aided by fresh fashion and aided by our private labels which is our strength and the designer strength that we have. We actually test this market very nicely.



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These are the fundamental areas, our investment that we have done. Let me just clarify over the investment if you want. What we have done is we have taken over the liabilities of LimeRoad, whatever today's liabilities that they had we did not pay anything on the value part, we took over the liabilities, almost Rs 67 crores of liability is either paid by us or by them. Those are the two things. Plus, over the next 2-3 years we believe we need to invest. We need to invest, we need to invest to upscale the business, to acquire more customers and to bring the platform to a certain level where they could start creating profitability. Largely we would target between 2 to 3 years for that moment to get achieved. Till that time, we will need to invest and we definitely have to be mindful of how much can we invest. We would not want to compromise with our organic growth in V-Mart on our opening of source and we also not want to take too much of debt. We would want to invest something between 15% to 20% of our EBITDA which is at the upper cap, that is an upper cap that we will invest in the business to promote digital sales. This is purely because we want to be relevant in 2025. We want to acquire those digital customers. We want to build this omni-channel which is the future of retail. So, people who look long term have to definitely act towards long term.

That's our understanding and we all know that we don't care too much about our current status but we do definitely care about our future and we want to protect and preserve our future. That's the overall thesis of our acquisition. Suchi will be acting as the CEO of the online and the omni-channel, LimeRoad for us, Ankush will be the COO. So, we will have the complete team. We will make sure that we don't lose up to anything. We have given a very good incentive and ESOP plan to the senior team and we will definitely want them to achieve that and be happy.

We will definitely need more guidance from all of you in terms of how do we really make it successful. We did one acquisition of the Unlimited in South India where we still believe that yes, 70% of the integration thought process is that we had we have done those. Still, we don't believe that we have done better and 100% of what we could have done. There are lot of opportunities and lot of learning that we will have. We will want to definitely make this integration also successful because this integration requires a different mindset because the culture at a startup organization is little different than the culture maybe in a 20-year-old company. So, there will be a slight difference. There will be the technology team, the digital team which have a little differentiated thought process, more younger team which may have differentiated processes. But we are very open to listen to ideas, implement some of those ideas and you all have to have the confidence that we will try and learn and do whatever we can.

I would rest my talk yet as I would open the house for the questions and then maybe I don't know whether Anand wants to speak but maybe we will take the questions and go ahead. Please open the house for the questions. Thank you.



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- Moderator:** Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Tejas Shah from Spark Capital.
- Tejas Shah:** Lalit Ji, a first question pertains to some details on the transaction itself. Who are the existing investors in LimeRoad who are exiting and who will get the proceed that we are paying to?
- Lalit Agarwal:** So Tejas, we are not paying any proceed to the investors. We are 100%, we have taken over the liability only and we are paying for the liabilities. No investors will get paid anything from our side.
- Tejas Shah:** The 67 crores is total liability only, is it?
- Lalit Agarwal:** Yes. Some part of that has to go to LimeRoad in their account and they will pay and some part of it will be taken over by us and we will take pay.
- Tejas Shah:** Usually in online business, so we are also learning as more online businesses are coming our way. But just wanted to understand in online business liabilities accrues on which account because this was a marketplace model, right?
- Lalit Agarwal:** Yes. Liabilities are on account of the sellers. Liabilities are on account of the infrastructure cost, on the employee cost and maybe some other statutory liabilities as well. So, marketing cost, so most of these liabilities are because on the P&L what do they have.. they have the logistic or delivery partners, they have the vendors who have supplied the product, they have the Cloud and the technology people and then the social media marketing like Facebook, Google and stuff and then the employee cost.
- Tejas Shah:** Lalit Ji you also mentioned that this due diligence or this integration will be different than what we have done at the past in terms of Unlimited and before that also smaller integrations perhaps. So, how does this due diligence happen? So, is this a technical code evaluation which has happened and just wanted to understand LimeRoad better? What is the mix between their engineering team and business team mix in the core team which we have acquired for.
- Lalit Agarwal:** So, maybe, Tejas we will give you more details going forward. But largely there's a good number of almost on the senior side, there will be more than 30% or 40% of the people who are on the engineering and the technical and the technology side, and then there's a large amount of big amount of operational team as well.
- Tejas Shah:** Last one, I'll come back in queue after this. Usually, we have seen it in past that in retail space the attempt to actually for online retail, offline retail is to create an online platform be it on Abfr or even in Arvind. It has not met with much success despite putting very-very honest effort in capital also. And I'm sure you would have evaluated all this knowing you, the failure stories



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also, so what do you think we can do differently to buck the trend here and then do better than at least what history suggests that the success rate is very low on turning it around.

Lalit Agarwal:

Tejas, we are hardcore executors. We don't understand and we believe every day is important and every day learning is important. Someone might have failed; someone might have not performed well. We might also fail. There are chances and that is what we have done. We also launched 3 years back, we made teams and stuff. I would not call myself too successful on that front. We also failed there. Even if we do organically, we could fail. If we do inorganically, we could succeed to much more heights. We may not succeed; we may completely fail. So, there may be chances, I don't know. We will try to do a lot of things, lot of good things. Try to synergize, use individual capabilities, their individual strengths and then collaborate and try and see what we can do. Because this is the future. We definitely want to win over this. So, this is not an option. We have to definitely win over this. So that's how I look at it.

Moderator:

The next question is from the line of Nihal Jham from Nuvama.

Nihal Jham:

Sir, I just want to take three questions. First was that will LimeRoad continue to be a separate business that we will drive, or the main purpose of this acquisition is to eventually drive the omni or the e-commerce type of V-Mart? How should we look at it?

Lalit Agarwal:

So, Nihal this is definitely an omni channel strategy. We want to create an omni channel strategy but still we'll have a different unit because this unit has a different culture, a different mindset and a little different kind of business. So, we will have a different segment and different units within our organization, within our company. It will be in the same company, but we will always look at it differently. Have a different P&L, try to have different KPIs and a different team. But there are lot of collaboration teams that will get created so that individually they help each other and create that channel. There will be some uniqueness that you will have in LimeRoad which is subject to marketplace. So, there will be those kinds of products and those kinds of vendors who would only be selling on marketplace and not to V-Mart stores but there may be a lot of common products as well. But yes, for the financial purposes we will also try to do segmental reporting or differentiated MIS.

Nihal Jham:

So, once you list the entire V-Mart inventory as you said of 800-900 crores, what would be the ballpark mix of the inventory between V-Mart and non-V-Mart.

Lalit Agarwal:

Can you clarify the question? Maybe Anand can answer.

Nihal Jham:

I was saying that LimeRoad has certain number of SKUs that are already listed.

Anand Agarwal:

So, the inventory mix we are not targeting any specific inventory mix. The only difference is going to be that we will also put in the catalog of V-Mart inventory. There is already a much-



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much larger catalog of inventory which is on, let's say as marketplace sellers, thousands of vendors have already listed their inventory and that number will keep on growing. But what Lalit had said in the opening remarks more importantly was that even the V-Mart inventory, which is our bought-out inventory will also be available. As a mix we are not targeting that this should be 10% or 15% to 25%. I think we will keep on growing the catalog because in a marketplace and our omni channel play that we are targeting, the bigger the size of the catalog, bigger the size of the options which are available for the end customer, that is the true success with which we can drive repeat behavior of customer sales.

Nihal Jham:

Sure, that's helpful. Just one last question that if we look at the online apparel space at this point in time, obviously the GMV is more or less lying with the top 2-3 players. So, from that perspective, what is the kind of proposition you want to build for a LimeRoad that ends up eventually getting users to transact and build the GMV from here on

Lalit Agarwal:

Largely, there is already a set of customers who love LimeRoad. There will be always an opportunity for niche fashion segment consumer because we are working at a mass level, at a massed mass level. There are players who are working in premium level, who are working on the premium product lines which are like around Rs. 1000 and Rs. 1000 plus product lines. So, our customer segment we are target group that we are targeted at V-Mart. That's the opportunity for us, and the customer of V-Mart, that's also the opportunity to us. So, now this particular customer who is right now shopping at V-Mart, who knows V-Mart, who has a relationship here, there is such customer who also don't know V-Mart but are of similar kind who stays in certain rural areas or urban areas but would get aspirational to get into those platforms. I think for them, all of them creating that kind of trust which comes along with V-Mart and our product lines and our quality products and then the kind offerings and the marketing that we could do, we really don't want to say that we want to fight those biggies of the world. There's nothing that we want to fight. We want to create our own niche space and we want to just work on those space. We are not in the rat race of that ecommerce market share.

Moderator:

The next question is on the line of Percy Panthaki from IIFL.

Percy Panthaki:

Just wanted to figure out one thing that in FY21 of course there was COVID and definitely there was a decline in sale for many of the players. I can understand that. But FY22 also saw a decline and the business is now much smaller than what it used to be. So, what is the reason for this decline on an already low base? And probably linked to that is a question that you mentioned that you are very impressed with the way the business is being run, with the promoter, with the operating metrics, etc. Why is it that such a decent business is being sold at zero equity value? Why are the promoters okay with parting with their hard work, sweat and blood for a zero-equity value?



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Lalit Agarwal: See, you have to understand this very nicely because they had a cash issue, and they had a cash crunch from the last two years. And overall, this whole startup market, and we all understand in the startup market, overall cash has got dried. And overall, if you look at the ecommerce market, even in the ecommerce market, the way the last questions were also there, there is a kind of monopoly or there is a kind of two or three market players who have taken over majority of the share. So, largely the investor circle, that startup investor circle, they have lost confidence over an ecommerce model as well. This is all my reading; it is only a common sensical reading that I'm trying to do. So, they did not get funded and because they did not get funded, they were not able to attract and pay their vendors and attract customers. So, their ability to pay vendors on time, ability to pay on the social media platforms to acquire customers because they have only one channel to acquire customers, they had that drop in their revenue and that is the reason that they...the team is so passionate. The team there is so passionate, they wanted to build a business. They saw an opportunity in building the business. It was not easy for Suchi to convince their investors, it was not easy for Suchi to convince herself also, and I really have tried and I really thank and have gratitude towards the whole team and even the investors who actually look forward to save this concept, save this particular team and then give them the opportunity to work forward and build a business in omnichannel. That's a visionary thought process. It is not a desperate thought process is what I would call for. I really want to thank and then appreciate the thoughts of investors and the promoters who actually did this because they saw a future and the future is very live. The future is not only online, future is not only offline, it is an omnichannel future and which they could only fulfill by aligning with us. So, that's the future that they are working towards, and they definitely will get rewarded once they are able to achieve those numbers and once, we are able to achieve our goals. So, we will definitely together achieve those goals and the promoters and the team, they will definitely get rewarded with good incentive plans.

Percy Panthaki: Next question is can you basically tell us out of these investments that you want to make, apart from whatever 67 crores you are paying, in addition to that, there are some investments also. Part of those will be parked in the balance sheet and part of them will come to the P&L. So, what I wanted to understand is at the P&L level, those investments, can you give some kind of guidance as to how much they will suppress the EBITDA or the profit of the company?

Lalit Agarwal: Primarily, if I tell you that there will be a 15% to 20% kind of payout from our EBITDA line, so you could assume if 10% is our EBITDA, then 1.5% will be reduced if we really invest in that particular area. So, that kind of investment we need to do from our EBITDA, from our cash flow so that we build our feature.

Percy Panthaki: Okay. And all of that will go into the P&L only is what I'm asking.

Lalit Agarwal: Primarily yes, there's nothing on the CAPEX side.



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- Percy Panthaki:** Okay. And finally, I understand that you want to do an omni play, etc. The future is there, all that I understand. But what I just wanted to understand is why do you need your own digital asset for that? Why can't you use third party aggregators, Myntra, Nykaa, Amazon to sort of have an omni channel...
- Lalit Agarwal:** Percy, we are a retailer, we are not a brand, we are not a product manufacturer. We are a retailer, and my retail shop is important to me. My retail platform is also important to me. It's all about my brand, my customer and my customer how can I allow him to go to another customer, another platform or another shop? So, that's the whole approach. If I am a retailer, I need to behave like a retailer, whether I am physical or I am digital.
- Percy Panthaki:** Okay, I'll discuss this more offline. Thank you very much.
- Lalit Agarwal:** Definitely this is a good debate that we should have.
- Moderator:** The next question is from the line of Shirish Pardeshi from Centrum Broking.
- Shirish Pardeshi:** Two things, just clarification on slide #11 you have mentioned that if the contribution margin for LimeRoad is at 32% and you have said it has delivered positive contribution of 9% in FY22 after adjusting customer acquisition cost. So, can you little clarify that how we should look at this?
- Anand Agarwal:** Shirish, so the CM1 in the digital world stands for the gross margin which is basically arrived after deducting the cost of goods sold and the logistics cost. And 32% is a very good margin I believe in the marketplace and the ecommerce industry. It's one of the best numbers that we have seen, at least from a benchmark perspective, and it has been consistent. It's not like it's been only in FY22, I think for the last ten years data that we saw, and which has been diligence, it's been a consistent number in the range of 32%-34%. And that gives us a lot of comfort that this is something which is very sustainable. On the CM3, CM3 is calculated in the online world as the contribution margin which is set off after all the operating cost before just the fixed cost. So, beneath the CM3, is the EBITDA line so the fixed costs are something like server costs or administrative overheads or people cost, etc. The CM3 also has been absolutely consistent at a positive level for the last many-many years and that also gives us the comfort that this business, given the right kind of support and financial stability, can scale up well. And that is where our comfort also comes in that we are suggesting that we will be able to grow this business sustainably only with a minimal amount of cash investments in the future, which we are capping at 15% to 20% of our go-forward EBITDA line.
- Shirish Pardeshi:** So, you mean to say that if I understand correctly, your advertising and employee cost is such high that's why this business was generating negative EBITDA?



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Anand Agarwal: I will not say, it's also a matter of scale. For the last 2 years, definitely, see there are phases in which the business, online businesses have grown up. There is a buildup phase, there is a stable phase. Their best phase was around the years 2019, '18 and '19, where they were able to scale up to 700 crores of GMV and an exit rate of around 900 crores of GMV and at that level also they were CM3 positive at around 8%-9% and just about to get EBITDA positive. It's a function of scale versus what is the future outlook. For the last 2 years because they were in a cash crunch, their sales level had dropped down. They have also conserved a lot of cash, reduced a lot of expenditures. It's not just about because the sales were low, there is EBITDA loss but it's more a function of how well we are able to address the stability issue and that is where we come in and bring in that added capital to make this business grow.

Shirish Pardeshi: Another clarification on the exchange filing what you did yesterday. You mentioned that you are acquiring assets worth around 14.61 crores. What are these assets?

Anand Agarwal: These assets are typically in the form of tax credits in terms of GST etc. which are currently non-monetizable because we already have enough of those receivables. Therefore, from a cash flow perspective, there will be a cash outflow of roughly around 67. That is the entire liabilities or the purchase consideration that we are taking over.

Shirish Pardeshi: And my last question on the fundamental thing. In the past when we look at the history of LimeRoad, they were trying to build lot many other things and they have not been successful off late, about 4-5 years before they were trying to build in brick-and-mortar business which they tried to open up offline stores in Surat, Gujarat's area. Do you think you will I mean; this question is directly to Lalit Ji because you have said that the existing management will continue to do the business. So, such kind of ambitious adventures will still be trying or we will have the clear understanding that we will try the omni-channel strategy?

Lalit Agarwal: Shirish, definitely start up world, youth world will always want to have multiple experiments and innovations and creativity and they should be allowed to do and empower to do some of those and we will also want to be little adventurous when we think about all of those but not to that level because they are already getting some results strengths and definitely they had multiple plans and multiple things that they would have done in the past and there are mistakes that people do. I don't think those were also mistakes. There were certain plans and their plans was backed up by certain promises but which didn't happen. But anyway, I think the team is great, I'm very confident they are very mature and they are very technically skillful and capable. So, you understand that now they're not only going to be ever alone, we are all there together, we are all there to mentor each other and talk to each other and collaborate and take decisions and take right decisions though. We are very happy to have this team and we will definitely want to do and become little more younger as an organization with them.



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Shirish Pardeshi: Precisely, Mr. Lalit ji when you gave the interview in the media today, I think you said that we want to reach to 50 crores GMV. I think that's precisely I want to understand how we are going to walk that journey or is it that existing business you're confident enough that with the V-Mart inventory listing on the LimeRoad, we will be able to track more customers and the digital savvy customers with V-Mart....

Lalit Agarwal: This team Shirish have seen a good growth, they have seen a good business, they know how to do their business, they have the capabilities themselves to also run and take their business to that level, once given a support from our side, given those kinds of money and plus added with the advantage of the 400 stores and added with such inventory; definitely there is a potential and I was talking about potential. I still talk and will tell that there's a potential and that's the goal that we need to target, we should target. We have just signed the agreement. We are yet to sit down with the teams to try and analyze. I'm commenting a little more in advance but this is definitely doable and I'm not saying that this is what we are targeting and goal is but yes this is a potential that we have and we will definitely look forward maybe 12 months, maybe 18 months but yes, that is something which is doable.

Moderator: The next question is from the line of Rishabh Duggal from CD Equisearch.

Rishabh Duggal: I want to understand what would be your criteria or checklist for acquisitions in future?

Lalit Agarwal: Rishabh there is no criteria. We are not a model built for inorganic man. We are just looking at these opportunities. Wherever we feel that the building up cost is lower or equal to the buying cost, we would invest. That's the only criteria that we believe. That whatever amount of money we put in manufacturing, in that money or in some lower amount of money if we get anything, we would definitely acquire that and will increase our speed. That's the whole model that we are focused on.

Rishabh Duggal: I just want to understand that in terms of factor, since this acquisition came to me as a surprise. So, what would be the factors that you will see? Whether it would be brick-and-mortar or online or whether you will focus on a certain kind of geographical presence or targeted customer? In these terms if you could answer?

Lalit Agarwal: Rishabh there is no plan. There is no plan as of now and we don't wish to acquire anymore. We are done with our acquisition right now and we are happy.

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

Aliasgar Shakir: My question is on the marketplace versus V-Mart products. This particular company, LimeRoad, should it be selling exclusive V-Mart products over time and moving out from the marketplace or you expect it to continue to also remain a marketplace company?



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Lalit Agarwal:

Ali, we will want them to continue the way they are, we will want to find an opportunity in this model. As you understand that when we took over Unlimited, there was a business which was a partner brand business where they took some inventory of partner brands on S-O-R which we continued which we looked, we reviewed, we made it better and we continued with that. Today also almost 20%-22% of the sales comes in Unlimited from partner brand and that is the model that we would adopt and we will learn and we will adhere and that's the new opportunity that we could see. Because even now as I said in the past that V-Mart's model is not 100% private label. V-Mart is not a product company. It is a retailer and for a retailer we will accept these kinds of fundamentals and we will want to sell this kind of product as well and we will continue with the marketplace. We will find good opportunities and a good new model within this particular model.

Aliasgar Shakir:

Your initial remark about having 17 million loyal customers that LimeRoad had. I think that gave us a glimpse that LimeRoad is more focused to its own loyal customer base particularly the women customer base where they have fared pretty well versus us. But I was thinking that a marketplace when you compare their direct competitors to Myntra and the others and you mentioned that they are basically the LimeRoad is more value conscious whereas the other apparel marketplaces are more premium focused in them. But size is certainly a big factor and there's a lot of very high customer acquisition cost here. They continue to provide very high promotion and therefore the average pricing of a product over there also is not very high. Correct me if I'm wrong. In fact, you have very large portfolio of products...

Lalit Agarwal:

Ali let me stop you. There is something which they have been doing because they were running a constraint business till now. In the last 2 years they had issues with their cash flows and stuff and there's a future that we will together build and that's the point that I'm trying to talk on. That's where we will steer our ways and that's the original version of LimeRoad which it will become. That's the area that I'm trying to focus on. Let's look at what we could make out of from here.

Moderator:

The next question is from the line of Avi Mehta from Macquarie.

Avi Mehta:

Just on the acquisition. If I understand you correctly, one of the key resources that you pointed out which we are taking in, is the employee and I was not very clear on what steps are we taking to ensure retention of the talent pool? Secondly the culture might be and please correct me if I'm wrong but it seems that the culture would have a very wide variation. Would love to hear your thoughts on how do you plan to kind of tackle these two specific issues?

Lalit Agarwal:

Avi you said it right and that's the biggest area of our focus and that's the biggest area of my individual areas where I need to give them the comfort, create that kind of environment and not only me but I think Suchi is along with us. She is there, she is there as a leader, she has been running this show and she will be running this show. I think we should not impact and we should not create any disturbance in their culture, in their life, in their way of working and the way they



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work. We should definitely learn more from them and try to adopt here. That's the approach that we take in. On the retention, I think she's created a passionate and a committed team. They are emotionally bonded together as a team and I can see that as a family and they are very adhered and glued to each of them. I think beyond that, it's the opportunity which will make them retained. The opportunity of making such a large online omni-platform and where they could actually operate the way they want to operate. They could actually take bets on certain product lines, they could use warehouses, they could use stores, they could use these digital customers who are in the offline space and they could also use the 9,500 V-Martians and V-Mart employees who could really support their efforts. I think there's a lot of opportunity for them plus they definitely would be incentivized and motivated so that they are retained and there is a retention plan by which they will be retained.

Avi Mehta: Would you use your own stocks as retention policy?

Lalit Agarwal: Yes, we are issuing ESOPs to the senior teams.

Avi Mehta: Secondly just a follow up on, a bit clarification I mixed the CAPEX amount because there'll be some amount required to integrate the underlying databases, customer data because that obviously is the most important resource as we speak. Did you share out any CAPEX numbers for that or it's not material?

Lalit Agarwal: Mostly it will be OPEX, it will be largely people cost and focus and not too much of CAPEX. We are still working on all of those, Avi you will have to give us some time. We have just signed agreement yesterday.

Moderator: Thank you. Ladies and gentlemen, due to time constraints that was the last question. I would now like to hand the conference over to the management for closing comments.

Lalit Agarwal: Thank you so much. I know you guys trust us a lot and you guys believe in us and we'll definitely be what we are. We are known as a conservative organization. Lalit Agarwal is not used to such kind of large decisions and big decisions but yes, I definitely want myself to change a little bit, change my own thought process, invest in future, think something which is not thought of and definitely be strategic more and ensure that our future remains visible and future remains much more promising. So that's what we are working on. We'll always need your co-operations and your good wishes. Thank you so much. Have a good day. Bye.

Moderator: Thank you. On behalf of PhillipCapital (India) Private Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.