



Ref. No. CS/S/L-692/2023-24

14th August, 2023

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

Sub: Transcript of the Conference Call held on 10th August, 2023

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 4th August, 2023 (Ref. No. CS/S/L-684/2023-24) regarding the intimation of the conference call with Analysts and Investors held on 10th August, 2023, please find enclosed the transcript of the aforementioned conference call.

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

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

Thanking You,

Yours Truly
For V-Mart Retail Limited

Megha Tandon
(Company Secretary & Compliance Officer)

Encl: As above

V-MART RETAIL LTD.

CIN- L51909DL2002PLC163727

Corporate Office : Plot No. 862, Udyog Vihar, Industrial Area Phase V, Gurgaon - 122 016 (Haryana)
Tel. : 0124-4640030, Fax No. : 0124-4640046 Email : info@vmart.co.in Website : www.vmart.co.in
Registered Office : 610-611, Guru Ram Dass Nagar, Main Market, Opp. SBI Bank, Laxmi Nagar, New Delhi - 110092



“V-Mart Retail Limited
Q1 FY '24 Earnings Conference Call”
August 10, 2023



MANAGEMENT: **MR. LALIT AGARWAL – MANAGING DIRECTOR – V-MART RETAIL LIMITED**
MR. ANAND AGARWAL – CHIEF FINANCIAL OFFICER – V-MART RETAIL LIMITED
MS. SUCHI MUKHERJEE – CHIEF EXECUTIVE OFFICER – LIME ROAD

MODERATOR: **MR. NIHAL JHAM – NUVAMA INSTITUTIONAL EQUITIES**



Limited

V-Mart Retail
August 10, 2023

Moderator: Ladies and gentlemen, good day and welcome to the V-Mart Retail Q1 FY24 Earnings Conference Call hosted by Nuvama Institutional Equities. 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, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nihal Jham from Nuvama Institutional Equities. Thank you and over to you, sir.

Nihal Jham: Yes, thank you. Good evening on behalf of Nuvama Institutional Equities. I would like to welcome you all to the Q1 FY24 earnings conference call of V-Mart Retail. From the management today we have Mr. Lalit Agarwal, Managing Director, Mr. Anand Agarwal, Chief Financial Officer, and Ms. Suchi Mukherjee, CEO of LimeRoad. I would now like to hand over the call to Mr. Lalit Agarwal for his opening remarks. Over to you, Lalit Ji.

Lalit Agarwal: Once again, welcoming you all to the call. The market continues to be improving and we are seeing betterment every month, which we have said also in the past call. Month on month, things are getting better. A lot of markets have improved significantly, especially towards the eastern side of India, the northeast, the east, the Bihar, all of those zones which were under deep stress in the last year. We are seeing good improvement coming in. Industry overall has been a little muted this time.

Overall in fashion, most of the brands have reported a little lower footfall and a little lower conversion. So there is some mismatch between what they planned versus what they are able to convert today. So that is largely, we have been able to see that because of some international economic pressure as well as a lot of tourism beginning again. So a lot of these upper middle class or upper class people who used to be the customers for the malls and for the brand, they have also moved out, they are shopping outside India. So some of that has also happened.

Plus, definitely there has been some low on the technology jobs, on white collar jobs, there has been some, I would say some deflation which is coming in there. So largely, both the value retail market, the value retail market overall at the mass level have incrementally shown betterment. They have moved a little positive. We have seen some green shoots. I told you some markets have been very, very good because there was a large impact last year. But otherwise also, we are not seeing too much of degrowth, which we continued seeing last year.

We have seen almost a flattish number across here. There are still certain regions, certain zones, which have not been behaving as per what we thought of, which is especially in Southern India and also especially the Uttar Pradesh belt, which we say continue to be struggling because of the transition of informal economy to the formal economy. So some of those pieces we are still witnessing. There is still some concern.

There has been weather disturbance also during these quarters, so especially in the month of June and July, we've seen a lot of weather disturbance. So there's definitely a lot of impact which



Limited

*V-Mart Retail
August 10, 2023*

gets created when there are weather disturbances which are extreme in nature. And so some changing climate perspectives have come in. Summer has been shortened. This year, the rains have come a little earlier. So we've seen a lot of weather disturbance, especially in the parts of Gujarat, Rajasthan, northern Himachal, Uttarakhand, Uttar Pradesh.

So a lot of these belts have seen a lot of those. But yes, largely, in spite of all of that, things are not as bad as they could have been. And we are seeing a quantity growth coming in the same stores, which is good news. So most of our plans that we undertook in terms of the reduction of the prices, reduction of the ASPs, which has resulted in us selling more pieces from the same store. So that's what we are also seeing.

But definitely there has been some regional festival or what we call the wedding date, there have been some shift which has happened this year also because April didn't see any marriages and then once again May and June had marriages but May marriages brought in some sales, June marriages didn't bring in the sales, also the weather affected there. This time the festival which is a big festival for V-Martian customers, mass customers, which is Eid, which is a Muslim community which comes in and shops.

Normally we believe those are our basic dedicated customers. They should have come in, but we have seen a little lower per capita consumption coming from them. So some of these things have resulted into what the market is, and that is how UP has also behaved. Otherwise, the footfall has gone up. We have seen some good footfall coming in. People are coming in. In the market, people are coming to the store as well. But yes, the purchasing pattern has shifted. They are moving in. They are also trying out other supplies which are being brought in by other retailers.

So there is also the competition which is working, which is bringing in some more sales. So that's also happening. But otherwise, digitally, we are seeing even the e-commerce players, I mean, definitely there is a shift on spending money toward profitability. So that's good news for the digital market. And so a lot of changes have been witnessed in the kind of communication that are being released and that's what we are also witnessing. So that's good news and that creates a better level playing field and that will definitely help overall digitalization and overall market, even everyone including us.

And I think there is definitely more consumption which is also happening in the digital space. I mean, I would not say more because the plan for them has not been met. Most of the digital players had huge plans even in the last quarter, but they have not been able to get those. At LimeRoad, we have seen the revenue growth, we have seen the uplift that we wanted to establish. There is almost a good job which has been done by the team. And then most of the plans, the projects that they undertook have shown good results.

And then our focus definitely right now was to consolidate and set all the areas of processes in LimeRoad up and running so that we get back those old customers and we get back those basic



Limited

*V-Mart Retail
August 10, 2023*

LimeRoad sales. But yes, integration on omni-channel, integration of offline versus offline, I think all of those, Suchi will speak on those. There are some customer segments that we are targeting on those. So I think definitely all of this will bring in a larger chunk of customers who would want to interact with us and we can interact with a lot of those chunk of customers.

On the upcoming side, I think there are now little week period, but there are small, small festivals which will come in, especially in the right now, there is a festival which is a retail consumption festival, which is on the 15th August and then all of those. So that's going on in the market. We are also focusing very highly to try and get some sales in this period, because there is also an inventory that we want to clear up during these times so that the festivity which is going to come in, which is going to be Durga Puja, Diwali, Chhath, all of those gives us more freshness at the store level, which gives a better perspective to the customer.

And so this time the Diwali and the festival is also moving into the third quarter. We'll see a little muted second quarter. We'll see a little muted second quarter and we'll see a little better third quarter which is going to come in large part because of the Diwali and the Pujo and the winter sale. So this time Diwali is also we're calling it a winter Diwali. So that's how it's going in.

Largely you know we expect the customers to come back by quarter three and we expect the consumption also to bounce back by quarter three and increase, because people have gone through a duplicate consumption. We are seeing some green shoots also in the airport. So I don't know whether we can call it a green shoot, because we also had a very low base, but the TFO stores have started doing, are performing better than average. So that's what we are also seeing.

Rates have been quite normal except Uttar Pradesh and maybe parts of Bengal. So there we have seen some stress because the rate is lower by almost 10% and then that may get recovered in the coming period. And that's how the prices of crops, the prices of crops I think wheat is still much higher and then the ASP, the MSP issues are no more there. I think the farmers are getting good income, but the inflationary pressure continues for the consumer and that is still there. But yes, have reduced to a certain degree and then people are also getting used to those inflationary pressures now.

There are still recoveries for unlimited, which is under challenge, and then which is also got hit, especially parts of Telangana, Andhra, have seen a little, I think a little degrowth, and Tamil Nadu has especially been very good, Kerala, Tamil Nadu has been very good and we are able to see some growth in those markets. On our side, on our back-end side, we have been working on improving all our processes, our new warehouse went live, and we've already shifted our whole warehouse into the new warehouse and the new warehouse is up and tuning. There are a lot of speeding challenges. This new warehouse shifting also disturbed our supply chain, resulting in a little trade issue at the store level, also resulting in some sales getting affected in the months of June and July.



Limited

*V-Mart Retail
August 10, 2023*

So there are a disturbance period, which went up to maybe 45 days which. But still, those are weaker times and we took those pieces and now we are up and running, the warehouse is fully on, people are right there, and this is coming up to be good.

Definitely, some automation brings in also some complication. So we have taken a lot of automation in this particular warehouse, which will show results, but it will take 6 months for us to stabilize and then reap into those benefits and rental results, which will definitely result into better tat, which is a turnaround time, better mine to market through the similar customers and better replenishment because that's a very, very important piece.

As things are moving, we have seen, and I was in the market in this time, I have seen so much differentiation between customers, so much differentiation between markets, some of the differentiation between regions, zones and tiers. So there's a customer taste differentiation. There's a trend change which is also happening. There's a fashion change, which is also happening. There's a key change in the fashion element, the way people who wear the kind of silhouette, the people who wear the kind of fashion they wear.

So some of them have started accepting it very fast. Some of them still are in their older fashion pace. So there's a lot of technology, a lot of analytics that is getting involved into understanding all of this. A lot of discussion between the store and a lot of visits to the stores are also happening, on an average of 40 stores in this quarter. So there's a lot of changes that we see between a store to store, and that's the excitement that we have, and that's our strength that we can -- we have, is this understanding these differentiations in the customer personal understanding the differentiation at the store level and creating those kind of products lines whether offline and then adding it with online.

So that's the new piece which we are bringing in, saying that wherever they use diversity, wherever there is a gap in the product lines, how do we try and suffice that with our online presence and try to integrate that with the store team. So as I said, it will take us some pieces on those.

On the changes that we did in the design and the sourcing team, there's good work happening. The team has stabilized the -- I think the outcome is coming in. We are expecting a very good inventory and very good fashion coming up in this autumn/winter season, the fall collection is going to be beautiful. We have started launching some of the autumn collections in the store.

So some of those pieces are on. There's improvement happening every month from this team and then things are sharpening up here also. So our focus has been to try and provide a little more edgy fashion, but more young family fashion. And that's what we are all about, youth and the young family. And we want to focus very, very high on that particular segment because 60% of the customers who shop from us is a woman, and that's my core customers.

And we want to really put all our energy, all our emphasis and all our understanding to try and lure them, and then the young family is the core customer that we are focusing on. And that's



Limited

*V-Mart Retail
August 10, 2023*

what we are trying to turn around because there are a lot of players who are walking down the path of youth to value fashion, and I know there is something which is a buzzword coming up in Tier 1 and Tier 2 towns. But yes, our focus remains and continues to be there.

There may be some customers who may deviate, which is 5% to 10% of our customer, which may deviate to these brands, but we should keep and keep focusing on our strength, which will bring in some additional customers who continue deepening our umbra, and that's what I call [umbra and tele-umbra 0:14:19]. So what's my customer segment, which I target and focus and which I will want to also, which is not my focus customer.

But anyway, there we are, we are confident in the seasons to come in. There are definitely some expenses which have gone up and with some pressure on the cost, which you see and we will want to manage it. And we are on track, and we'll try to manage that as well. But yes, let Anand go with all the details, and then we'll take the questions and answers. Thank you. Go ahead, Anand.

Anand Agarwal:

Thank you, Lalit, and good afternoon, everybody. It's been a slow, but a strong quarter with building the foundation layers for the omnichannel integration, which should now set the pace for a new phase of growth for V-Mart. But before that, before Suchi actually helps us detail that out, but let me first take you through some of the key highlights from this quarter and then we can open the house for questions.

So quarter 1 typically is the onset of the summer season and is marked by a strong wedding calendar. This year has been slightly unusual with a significantly lower mix of wedding rates, leading to slightly lower consumption triggers.

On the sales side, as Lalit just mentioned, the East zone particularly Bihar and Northeast showed remarkable progress, and let it grow, while amongst the laggards I think Anutesh and Telangana were amongst the bottom performers.

Continuing from the last couple of quarters, we also corrected our pricing mix of products to provide more product width at lower price points and improved our value quotient for the value-seeking inflation hit large customer base. The strategy has worked, and we did see 23% higher footfalls and also same-store volumes growing by 3%. While we saw good growth in volumes, but the same was not reflected in value due to the planned drop in apparel ASPs, which went down by 6%.

At an overall level, the sales grew by 15% for V-Mart, 4% for Unlimited year-on-year. And LimeRoad revenues Q3 increased by 47% quarter-on-quarter. The digital business mix, which includes commission revenues from LimeRoad and also sales revenues from the V-Mart product placements on other marketplaces increased to 5% from 3% in the last quarter and is now bound to grow even further.



Limited

V-Mart Retail
August 10, 2023

Working on a low base and correcting inefficiencies, the Tier 4 stores witnessed a 14% sales per square feet growth, while Tier 3 stores, which constitute almost 50% of the store base of the company, remained affected by sales deficiency and, therefore, SPSF.

South market showed challenges with a negative same-store sales growth of negative 11%, largely coming in from AP and PS, while the rest of the states performed relatively better, Tamil Nadu and Kerala leading the pack.

The new stores opened in the South in the last 1 year continued their better performance, with 27% higher sales per square feet in the legacy acquired stores. And that's a good sign that we continue to build on these new stores in the South.

On the margin side, in line with our earlier communication on stabilizing the margins, the gross margin dropped by 1.5% year-on-year to 35.8%. Improvement in the product mix favoring lower margin and lower price point products and sharpening of the value pricing for the customers allowed us to bring the margins back to the pre-COVID levels. We've taken a high price increase in the previous year, which had led to a higher gross margin, which has now been corrected.

And as was discussed in the previous two quarter calls, this is something that we would -- we will stabilize at around 33%, 34%. Some amount of discounting of higher price inventory that we carried from last year on which we also gave some discounts during the end of the savings sales period also impacted the gross margins for the quarter.

Coming to expenses. While the expenses have increased by 46%, they also include the full impact of the newly acquired LimeRoad business. The expenses for the quarter include an amount of around INR53 crores towards the spend on online business, which includes both vmartretail.com as well as limeroad.com. This online spend is majorly on account of marketing costs. Excluding the online contribution on the expenses, the expenses actually grew for the quarter only by 8%.

Marketing investments in the online space are moving as per plan, and our strategy is to provide higher throughput as base of user cost. With the already progressing integration of vmartretail.com with LimeRoad, the marketing spend should also get consolidated. And from the current month leading to higher efficiencies for the combined online business in future.

Moving on to EBITDA. For the V-Mart core business, EBITDA for the quarter was 11.7%, while Unlimited stood at 12.3%. At an entity level, the EBITDA stood at 7.7%, which included a loss of INR25.6 crores from LimeRoad and a INR5 crores loss from V-Mart retail omni marketplace business.

The decrease in EBITDA from previous years has been due to the higher impact of inflation on cost as well as lowering of gross margin to improve value positioning and the decline in SSG, which otherwise could have provided operating leverage apart from the planned losses contributed by LimeRoad. We remain committed to contain the losses from LimeRoad on a full



Limited

V-Mart Retail
August 10, 2023

year basis to 20% of group EBITDA. And quarter 3 onwards, we should see this negative contribution tapering towards breakeven gradually.

On the capex side, we have spent INR56 crores in this quarter, majorly on the new warehouse completion, nine new store openings and some store refurbishments. The new warehouses commenced operations from mid-June. Inventory reduced by almost INR150 crores quarter on quarter, helping improve the working capital cycle. 10% of the overall inventory was from partner brands where the company has lower risk with fixed margins on sales and higher share period. Inventory reduction also helped release almost INR50 crores cash from the operating working capital cycle, helping the overall operations.

Coming to new stores, the company opened nine new stores during this quarter, eight in north and one in south under unlimited brand, and while also closing one unlimited store in Karnataka. The runway for the year is still maintained at 50 plus stores, a large part of which should be open between quarter two and quarter three. With Adhik Maas in quarter two, all festivals have shifted to quarter three this year. Late festivals along with good winter should pave the way for a stronger quarter three this year.

Coming to LimeRoad, LimeRoad has been progressing very strongly and as per plan in the last three months and has been able to significantly improve operating efficiencies [inaudible 0:21:15] and returns, leading to 43% higher NMB from the last quarter. I will request Suchi who's leading the LimeRoad business now to update us on the performance and future plans for LimeRoad. Thank you.

Suchi Mukherjee:

Thank you, Anand. So this is the second full quarter post deal and this quarter has really been about tight alignment of objectives, not just at LimeRoad, but also cross teams, both at LimeRoad and V-Mart. And that is to prepare the platform on which we can unlock structural levers for growth.

I'll talk a little bit about that. The team grew the business 43% on NMV. This is relative to the previous quarter and much better efficiency of marketing, as Anand said, delivering EBITDA, which is as per point on our internal plan. We lost nobody. We didn't want to through this integration. And internally, across levers, across the org, people have started collaborating. It's one thing for Lalit and me to mandate collaboration. But it's a real joy to see people actually wanting to engage with each other. But this is still day one.

We are building deep insights and the deep rights actually to win the hearts and minds of our value-seeking fashion consumer. Last quarter, we said that we would double the count on our category supply, that we would marry our inherent strength in fashion forward women fashion with V-Mart's strength in men and kids. This quarter, we have already launched a design-centric fashion-first value line called LimeRoad Studios for Women.

And within eight days, we were able to identify top sellers from this line, which will now be able to make its way into V-Mart stores. Equally, 80 stores went live, 80 V-Mart stores went



Limited

V-Mart Retail
August 10, 2023

live on LimeRoad, and V-Mart is actually already converting better on LimeRoad than any other marketplace has ever done. So early days, but good to see.

Over the next few quarters, we will continue to double down on LimeRoad and V-Mart's strengths to win on category supply for our consumers. You will see greater research and discoverability, both online and in stores. By the end of this quarter, we expect to launch our first one-click access from stores to the LimeRoad platform. Lalit alluded to that in his speech. You will also see an increase.

Our consumers will also see increased reasons for deep trust on the brand, and we will continue to build a stronger P&L. Some of that is already happening, vmartretail.com's traffic has started to come to LimeRoad. And we fully expect that by the end of this month, the migration will be complete.

Equally, Lalit talked about the warehouse. LimeRoad's quality processes have already moved into the group's new warehouse. So that's all for now, and we will take questions. Thank you.

Moderator: Thank you very much. First question is from the line of Tejash Shah from Spark Capital. Please go ahead.

Tejash Shah: Hi. Good afternoon and thanks for the opportunity. A couple of questions from my side. So the first question pertains to our data on Slide 6. While our Tier 1, Tier 2 and Tier 4 stores are doing well on sales efficiency parameters, Tier 3 stores continue to struggle. So what would explain this trend divergence between the same set of consumers perhaps?

Lalit Agarwal: So Tejash, there are two things that we are seeing. One, definitely, at the rural level, we are seeing certain betterment, which I'm seeing, and this is a green shoot that I see. But the base is so low that you can't calculate that because the base there has a very, very small number of stores, maybe only 48 or some stores in all 53 stores, and then here at the Tier 3, you have got 200 something stores.

So the larger problem still that we are seeing is in Tier 3. Where we are seeing both, there is a problem with the people's capability to handle their monthly budget or their house budget and inflationary pressure and also income levels. So all of those are still hounding them. Plus, we have also seen additional supply of retailers.

So there's a lot of supply that has come into Tier 3, which is also leading into certain diversion of customers at this moment of time because that's also, you're seeing this improving. But overall, we are still seeing pressure here. And largely, our Tier 3 stores that are in Uttar Pradesh. And Uttar Pradesh continued to be under a little pressure, as I said earlier.

Tejash Shah: And Lalit, one of our competitors, they filed on exchange early this quarter that their 1Q numbers were pretty strong. So just wanted to know, are we -- like are we losing competitive edge in some of these markets? Or this is just one-off and too much to read?



Limited

V-Mart Retail
August 10, 2023

Lalit Agarwal:

No. See, as I said earlier, the Northeast, East and the Bihar market and people who have a little larger number of presence there would see a better result coming. Because there is a skewness that competitors have because they are regional in nature and more aligned on certain territories.

There are those kinds of benefits that they have received in the markets which have not performed this time, as we mentioned, Uttar Pradesh, in South India and even the Northern belts because of the rains and stuff. So there is a lower presence of such kind of competitor, maybe whom you are indicating.

Tejash Shah:

Okay. Second question is versus our annual guidance that we had given last quarter of INR50 crores, INR60 crores of loss funding in LimeRoad. We have started on a higher number in 1Q. So where does our annual guidance stand now on this?

Lalit Agarwal:

There's no change in the guidance. We would -- we are sticking to our plans and the plans and we are on plan. There's nothing that is going ahead against the plan. So the plan was that we will invest in the first quarter, bringing customers and then slowly and gradually get more efficiency out of the money spend. So that's the plan that we have. So we would stick to our plans, don't worry about that.

Tejash Shah:

Okay. And then the last one. So this is obviously seasonality as it's sort to play here, but Q-o-Q, our net worth has gone down and debt has gone up. But do you have any target debt number by the end of the year?

Lalit Agarwal:

Anand, would you be able to answer that good question?

Anand Agarwal:

So Tejash, I -- we have a plan in place. So I don't have a target number, but definitely a range in which we would want to operate. We will definitely see some more stress or slightly higher levels of debt at the end of quarter 2, which is the beginning of the festive season. So we will be building up our inventory around that time.

But I think towards the year-end, we should see that almost at a similar level as what we see now or as we saw in last year -- quarter last year end.

Moderator:

Mr. Shah, may I request you to join the queue for any follow-ups. Thank you. The next question is from the line of Sameer Gupta from India Infoline. Please go ahead.

Sameer Gupta:

Hi, good afternoon, sir. Thanks for taking my question. Firstly, on the demand environment. Now broad inflation that continues to be on the higher side. Currently, there is inflation in, let's say, vegetables and there is an expectation that overall food inflation, including wheat price, is also going to be high in the near term.

So, if this was the major problem, which has been impacting low-income consumption, just wondering what would be the trigger in the festive period for this to revive because festive period



Limited

V-Mart Retail
August 10, 2023

happens every year, right? So -- but this inflation issue is not going away, at least in the near term. So I just wanted your thoughts on this?

Lalit Agarwal:

You're right, Sameer, this is definitely something that we are also watching over. And -- but yes, vegetable prices are also very seasonal in nature. And why I'm saying this is also the fact that you have an election coming up in 2024. So there's a lot of work that the government is also planning and thinking. So we are anticipating that a lot of those things should come down, and we should be able to see a little more flat inflationary rate during those times because if something will not rise then how will that come down also.

So we will see some of those going down. But yes, largely because for the last three years, people have not been contributing in festivals, so we believe this festival should be a good festival. Because of the whole year people have started getting back to their jobs and people have started getting their earnings back and there is some growth in the earnings.

There's some growth in the employment levels in India, so there's a lot of infra investment that -- the government is doing a lot of work, a lot of work the money that the government is spending, so there should be more money and more confidence, the feel-good factor has to go up. That's what our analysis says, and that's how we are anticipating our plans.

Sameer Gupta:

That's helpful, sir. Second question is that footfalls are up 27%. And on a per store basis, if I calculate, this would be around 13%, which is a pretty healthy number in my view. So if people are coming on in stores and not buying or buying less, would you say that this is a general demand issue? Or something that we need to fix with merchandise or look and feel, etcetera?

Lalit Agarwal:

So Sameer, there are two issues. Let me explain this because there were some problems that we had and we have been facing for the footfall counting process because it is mostly a manual process. And we've tried to be because while we are analysing what is the problem, where is the customer going, customer is coming and not coming, we found out there were some gaps which we have tried to correct. Still not all the stores have been corrected. There is still some more correction, which has to happen.

So just based on growth, which is more a clerical miss than which has grown because of that. And then there could definitely be some more -- some reduction in conversion because there is additional supply in the market and people who don't get something in our store or who want to experiment or experience us as well. So there could be some conversion, low conversion which will come in also, which I don't deny.

So when people have multiple stores across the street they can move around and shore and go and come back. So that all gets counted as footfall. But people go back and come back, so that doesn't get counted as conversion. So there could be those issues as well.

Sameer Gupta:

Got it, sir. I will come back in the queue for any further follow-ups. Thanks a lot.



Limited

V-Mart Retail
August 10, 2023

Moderator: Thank you. The next question is from the line of Varun Singh from ICICI Securities. Please go ahead.

Varun Singh: Okay. Thank you for the opportunity. Sir, I will just a pickup from the previous analyst Sameer regarding the higher footfall. So I understand it might be representative of clerical mistakes in the base quarter. But still the same-store sales volume is in positive trajectory, plus 3%, whereas SLG is negative 3%.

And of course, we understand that, there has been more impact in unlimited, might also be because of the conscious value position that we would have been executed at the store level. But net-net, you had 20% revenue contribution from unlimited in the rest of the business in V-Mart. My question is like lower average selling price and positive same-store sales volume. Given this context, how should we look for this year's SSG performance or expectation?

Also, given the content, where we expect next quarter to be soft and second half to be much, much more stronger. So how should we -- if you can give some understanding that should help us numerically to understand on the revenue growth expectation that we should model or build into our estimates.

Lalit Agarwal: See Varun, at V-Mart, we definitely are positive. We are bullish. We want to plan for betterment. So we are definitely planning for a like-for-like growth of at least or around 5%. So that's the plan that we have in our mind, and that's what we should see at a value level. Then the growth at the quantum level should go up by 8% or 9%. That's what we think because we are still, the pricing -- the ASP continues to be lower, and we want to maintain that and we've got some great benefits. So, we will want to maintain that ASP which we have done and hence we will further correct it actually wherever required. So, that's how you can even estimate this is also an expectation and we may go off road.

Varun Singh: In that context, sir, because we want to live with a lower ASP or given the price correction that we want to inculcate, EBITDA margin decline in V-Mart has been very, very sharp. So, I mean, now at 11% odd is the margin and this margin looks lower than unlimited EBITDA margin.

So, I am also kind of unable to comprehend that the strategic correction in average selling price and the impact on EBITDA margin of V-Mart which looks relatively lower compared to unlimited. So, how should we think about the EBITDA margin also on these two franchises Lalit sir.

Anand Agarwal: So, the unlimited see the EBITDA is this is post IndAS EBITDA and as you would recollect the IndAS adjustment accounts for the rent to be negated from the numbers, profit numbers. So, unlimited traditionally has had a higher rent percentage as a percentage of sales and therefore optically the post IndAS EBITDA will look higher as compared to V-Mart. On a pre-IndAS basis, it could still be lower than V-Mart core business.



Limited

V-Mart Retail
August 10, 2023

So, your point is correct, but the explanation really is the IndAS adjustment. But on a pre-IndAS basis, unlimited would still be lower than V-Mart.

Varun Singh: And this would be true, I mean, historically over the last several quarters, or this improvement has come off lately?

Anand Agarwal: No, this has remained similar for the last many quarters, or it will always remain the same, till the time you have newer stores and unlimited networks which have the same or similar kind of rent as a percentage of sales.

Varun Singh: Got it, got it understood. And my last question is on LimeRoad. So, we spoke about deep rights to win heart and mind. So, I just wanted to understand what are these rights to win customers heart and mind and what is the reasoning for the V-Mart customer converting much better on LimeRoad? I mean, if we can talk about more the rights to win that we spoke on the call that's the last question from my side, thank you.

Suchi Mukherjee: So, as we outlined last quarter as well, the value fashion consumer, fashion is a very fragmented space. So, for this value fashion customer, there are four pillars that we have. One is to give them supply, and that supply has to be sharply differentiated from whatever else is available.

And we genuinely believe that when we combine our ability with category editorial, spotting of trends, celebs trends, all of that together with V-Mart backend on sourcing, our vendor base, we're able to deliver supply, which is very interesting, very, very well priced.

And without having any real trade off with quality. So, that three parameters just saying and ensuring that are extremely hard and we're able to do it because V-Mart historically has one price and quality. I think we understand fashion and we bring that together. So that's one, that is the supply access.

The second piece is the search and discoverability access. It's hard to discover and I don't think anybody, any woman goes out saying, I'm going buy the cheapest black dress today. They just want really good black dresses. But discoverability and search is broken. It's broken at stores, it's broken online, and you will see a lot of stuff that we will do with technology to enable that, both at the store and online.

And then finally, there is the matter of deep trust online. And most of, if you look at Bain, I think it's the 2020, 2021 study of consumers, you will find that the biggest barrier to consumption online is trust. And the biggest barrier comes from, the number one reason there is trust and quality. So, I think we nailed this and that gives us an incredible right to win. And then when we combine our core capabilities in tech and data we believe that that is our core strength at LimeRoad.

When we're able to do that I think we deliver much, much faster cycles, we're able to convert data from consumers on testing to actually identifying winners and double down on that. I think



Limited

V-Mart Retail
August 10, 2023

that's a very exciting place to be in from a business model perspective. I think those four things are right to win the space. And you will keep hearing us give more and more to our consumers. I think that's the hearts and minds.

Varun Singh: Got it. Yes. Thanks. Thank you very much.

Moderator: Thank you. The next question is from the line of Shirish Pardeshi from Centrum Broking. Please go ahead.

Shirish Pardeshi: Hi, good afternoon, Lalitji, Anandji. Thanks for the opportunity. If I look back post-COVID, I think we started highlighting the problem in the core market and food inflation is not yet subsided. In between, we also wanted to walk the journey of online and now we have LimeRoad in our portfolio.

So, just curious that despite the price increases the recovery has not happened and I was a little excited because in the opening remarks you made that you are trying to do the differentiation at the store level.

Now, we are a value fashion player, and we remain relevant to the consumer mind. But challenges are humongous, and we are trying to fix it. So, I just wanted to read your mind. What are the top three problems you are facing at this time, and what are you trying to fix?

Lalit Agarwal: Shirish, nothing we feel has been broken. There's no issue that we feel is something that is a problem. But definitely, we want to understand better and the challenges in front of us is the behavior of the customer and because of too much of information, because of too much of availability, because of too much of knowledge over social media, people tend to move towards a direction and there are multiple behaviors demonstrated by consumers in a different way and there are some consumers who adopt it immediately.

But there are some clusters of stores or there are some regions or some states which you see are so tightly held with their cultural inheritance and their ways of wearing and their color preferences and their festivities and the consumption around those. So, some of those you will be able to see like I was visiting the towns of Andhra Pradesh and I have seen some towns have evolved and trying to get evolved like of Vijayawada and [inaudible 0:43:03] and Vizag

But there are towns like, smaller towns like Kakinada and smaller towns like Narsingh Patnam. So, we will see those towns where we are still seeing people are not going out of their cluster. Yellow color is a flag color of Telugu [inaudible 0:43:21], people will not wear yellow color. They will not allow yellow to be worn by the kids as well. So, some kind of these kinds of smaller pieces, which are there in people's mind and which relates to consumption, which gives effects to consumption, is what has to got invest to.

How a store which is near the college behaves versus a store which is near the offices behaves. So, there are differentiation that you have at a store level, that's where the opportunity lies and



Limited

*V-Mart Retail
August 10, 2023*

that's where you are able to win over those away from what standardized models are being built because most of the other retailers are built on more standardized format. And we have been always focusing on digital analytical based outcomes so that we are able to cater to these issues as well. And we are learning this more and more and trying to get into this a little more.

Shirish Pardeshi:

That's helpful. I'm more curious because yesterday one of the leading players also reported the number and their numbers are promising and this is not happening one quarter or two quarters over the last 10 quarters the numbers are impressive. So on a lighter note, are we missing that purple fashion because the younger generation is now moving towards the purpose you will have?

Lalit Agarwal:

No, Shirish, I think we have our very clear, we have very clear focal on the customer type and we have always remained with our youth and the young family and the young family is our focal, because as I said in the opening remarks as well that's my 63%, 65% of the customer. That's where my focus is again. I don't want to get into those ultra modern youth through my offline channel.

Definitely our LimeRoad as a channel will help them to get onto the platform and give them those kind of product lines if those are required, because these are some of the stores with some personas, which we are not great at, and we don't want to address those customers, we have never addressed those customers. There may be a slight, slight seepage of our customer base moving into some of those, but we will be able to increase the base and the market that we are addressing, and that's what we are trying to focus on.

Shirish Pardeshi:

Okay. That's helpful. My second and last question to Suchi on slide 10, I'm just seeing the number. The contribution margin in the March quarter was 1%, and now it has gone up to 8%, almost 700 basis point improvement. What is that secret has happened now, and erstwhile when you were running the business? I mean, there are many various reasons how you've done this, but I was just looking for some explanation there?

Suchi Mukherjee:

So, actually that is a lead indicator that we track because that is ultimately linked to our continuing to build a stronger P&L. The way we think about this is really twofold. We think about it in terms of our structure of our P&L and what comprises the P&L. We then also think about it in terms of the structure of what our consumers consume.

So, what ends up happening is that the more we get our leakages -- leakages from GMV to NMV, then leakages in terms of logistics costs, leakages in terms of marketing inefficiency, the more we tighten the leakages, the better this number gets. So, one is this real hardcore data-driven technology first leakage management.

The second is more and more and more, closer and closer alignment and that's the hearts and the minds of the value fashion consumer, really understanding what this is. So if you think about what this consumer is seeking. My view always is that price has to be a wow. Fashion has to be



Limited

*V-Mart Retail
August 10, 2023*

first. A price is with discovery because I don't think any woman says, I will go and buy a black sari for INR200 today.

They'll buy a black sari. And then it's INR200 and it's amazing, it's wow. And the more we work on our supply, the more we are able to cater to that thing, that feeling in that heart, that joy, that dopamine hit. What ends up happening is the more we find acceptance and that acceptance then shows up in terms of operating numbers like conversion rates and things like that, right. And that then flows through.

So those are really, that's really the heart of it. The third piece, which we still have to do a lot of work on is around narrative, storytelling, not a lot of people still know us to do that effectively, etcetera. I think that will come. That's not part of the secret sauce for this quarter, but the first two were.

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

Rishi Mody: Yes. So Anand, you've given the split on inventory, and I'm looking at your Kirana inventories at 60 days, which looks a little high to me for a Kirana business. So I just wanted to understand like, why is it so, if you could give me an explanation?

Anand Agarwal: Rishi, the Kirana inventory is basically centered around two parts. One is, we also carry some amount of Kirana inventory at the warehouse, and that's like a buffer stock.

But overall, at an overall basis, our Kirana business is at around 11%. And if you look at the commence rate inventory size, that would be still lower than that revenue number, revenue percentage. So it is very much in line with what we planned. There is nothing -- there is no overrun on the Kirana inventory.

Rishi Mody: So how much would your store level inventory be in your estimates?

Anand Agarwal: At overall level, store level inventory is around INR1.4 crores. But for Kirana days of inventory, it would be around 50 days.

Rishi Mody: 50 days of inventory at store level?

Anand Agarwal: Yes, yes.

Rishi Mody: And 10 days at the warehouse.

Anand Agarwal: Yes. Yes.

Rishi Mody: So like So, like -- okay, I'm just like is there going to be any write-offs on this inventory, by and large 50 days of inventory...



Limited

*V-Mart Retail
August 10, 2023*

Anand Agarwal: No. So this inventory -- so first of all, there is no perishable inventory here. So this has staples in some parts, but largely, this is non-food and package inventory. These are all fast-moving products, and we typically have had very, very low sinkages as far as Kirana inventory is concerned for the last 20 years. So this is extremely important for us to keep. And we manage costs because of the high value and the volume that we are able to throughput. It's also because that we are also preparing or there is a gifting season which is coming up. So you have slightly higher inventory. The warehouse was under a bit of a disruption because of the transition cycle because of which the warehouse inventory, particularly for Kirana got built up, but no cause of concern.

Lalit Agarwal: Rishi, I want to add here. Largely, if you see Kirana inventory, we have a large amount of inventory, which is Deos, perfumes, lotions, diapers, sanitary pads, chocolates, some of those inventory which we also keep it at the fashion store. And these are inventories, which has a longer shelf life, which is two years, 1.5 years. So that's how this is what majorly includes a lot of these.

Moderator: Thank you. We'll take the next question that is from the line of Lokesh Manik from Vallum Capital. Please go ahead.

Lokesh Manik: My first question was on the -- on LimeRoad. So what would be the ASP out there in LimeRoad, if you can share?

Suchi Mukherjee: Yes, the LimeRoad ASP is around INR600.

Lokesh Manik: INR600.

Suchi Mukherjee: INR600 to INR650, but in that ballpark.

Lokesh Manik: Okay. The reason I was asking this is, so with my understanding of LimeRoad as a concept is correct, please correct me if I'm wrong on that, is you're a little different from other shopping websites like Myntra or Jio, where you are curating a lot of products for men and women.

So I believe women shouldn't limit your number of items in an order. You have an editor who is suggesting you on a theme for a complete style or for a complete look. And if a customer was convinced of that, he will probably or she will probably end up buying the entire look in that particular column.

So in that sense, shouldn't items in order value be a little higher than the order value of INR800 and ASP at INR650. That's 1.5, close to 1.5 which is industrial benchmark, Can you please correct me on that?

Suchi Mukherjee: Yes. So no, absolutely, it should be an aspirationally that is directionally correct. There's a lot of things that need to happen to also enable that. And I think over the course of the next few quarters, we will gradually see some of that happening. There will be two effects. One is the



Limited

*V-Mart Retail
August 10, 2023*

ASP will soften as we give more-and-more delightful price points for high-fashion products on the platform. And we will also see with cross-sell what you're saying, which is basically items per cart increasing. This will all come.

And this should directionally be correct, but we do not model this at present. We model it because we want people to see something. And instinctively most of this still at the moment on the platform, is it impulse purchase. You see something you like it, you take it, you check out and you just leave. People are not and the platform is still not orchestrated well enough to enable deep, deep cross-selling in a way that people can make three decisions in one basket, but that is in the product pipeline.

Moderator:

Thank you. Ladies and gentlemen, that would be our last question for today. I now hand the conference back to the management for their closing remarks. Thank you, and over to you.

Lalit Agarwal:

Yes. Thank you, everyone. There is a lot of work happening at the V-Mart, LimeRoad, and Unlimited level. People are too busy with a lot of projects that they are taking care of and then focusing on. There is definitely higher focus on the cost reduction, there is a higher focus on bettering the product, there is higher focus on increasing the footfall to the store. So we have those things aligned and then we'll continue to work towards all of those. There are definitely some solutions which -- and the numbers which will be visualized in the longer term.

But in the shorter term, the efforts is something that gets visualized and that's what we appreciate here for. And that's what we are focusing on, where we can be strategically aligned and focus on delivering better value to our customers. And that's our key. And that's our core area. And thank you so much for being there, and thank you so much for cooperating and understanding our issues together. Thank you. Have a good day.

Moderator:

Thank you very much. Ladies and gentlemen, on behalf of Nuvama Institutional Equities, that concludes this conference. Thank you all for joining us, and you may now disconnect your lines.