



Ref. No. CS/S/L-801/2024-25

12<sup>th</sup> August, 2024

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**Sub: Transcript of the Conference Call held on 6<sup>th</sup> August, 2024**

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and amendment thereof. In reference to our letter dated 1<sup>st</sup> August, 2024 (Ref. No. CS/S/L-790/2024-25) regarding the intimation of the conference call with Analysts and Investors held on 6<sup>th</sup> August, 2024, please find enclosed the transcript of the aforementioned conference call.

The above information is also available on the Company's website: [www.vmart.co.in](http://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.**

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**“V-Mart Retail Limited  
Q1 FY '25 Earnings Conference Call”**

**August 06, 2024**



**MANAGEMENT:**

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

**MR. ANAND AGARWAL – CHIEF FINANCIAL  
OFFICER – V-MART RETAIL LIMITED**

**MODERATOR:**

**MR. TEJAS SHAH – SPARK INSTITUTIONAL  
EQUITIES PRIVATE LIMITED (AVENDUS SPARK)**



**Moderator:** Ladies and gentlemen, good day, and welcome to V-Mart Retail Q1 FY '25 Earnings Conference Call, hosted by Avendus Spark. 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 star then zero on your phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Tejas Shah from Spark Institutional Equities Private Limited. Thank you, and over to you, sir.

**Tejas Shah:** Thank you, Sagar. On behalf of Avendus Spark, it's our pleasure to host the Q1 FY '25 Earnings Conference Call of V-Mart Retail Limited. From the management side, we have today, Mr. Lalit Agarwal, Managing Director and Mr. Anand Agarwal, Chief Financial Officer.

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

**Lalit Agarwal:** Good afternoon, ladies and gentlemen. Thank you, Tejas. Great to see you guys once again in the call. Very, very happening quarter in terms of political scenario in the country, in terms of the consumption or the change in the consumer behavior. So what we have noticed in this quarter, which is April to June, is the biggest festival in the world democracy, is the Indian election. A lot of hue and cry, lot of election rally and lot of media exposure to a lot of discussions for the situation, which was largely around politics, and we all know about that.

So it definitely impacts the businesses also, especially the smaller districts and smaller towns. And it also curtail some amount of movement and some amount of law and order situations in that particular town or city, wherever these kind of events happen or wherever these kind of rallies or wherever these kind of big, large leader comes in and they attend those functions.

So, there were, on an average, almost three to three and a half days of disturbance that we had across our towns, wherever we operate stores in the country. So, but yes, largely, this is also definitely has been a big driver of economy, we believe, because there's been a lot of spending by the whole machinery, whether the government machinery or the political party machinery and the candidates themselves.

So, some spending, definitely, it's not big spending for the consumer, but definitely, it is good to trickle the economy and then put inertia to the economic wheel. So, that's what I believe in, because there was a hidden consumption demand. There were people who were trying to consume, but yes, it gave some amount of inertia there to try and push it a little bit.

We saw some betterment. We've seen some betterment coming in from the rural areas and the urban markets. We are getting, definitely, mixed response from other companies and other players and competitors as well. So, what we are also noticing is certain companies haven't still recovered or are still looking at this as a low time, but I see some green shoots. There are definitely some green shoots, not too much, because when we go to the hinterland, when we go to the towns, the problem that used to exist is already there.



Definitely, there is some lows on the basic staple inflation, especially from the oil side or oil prices side. So, some part of that I am seeing a little low, which is definitely leaving some money for the normal household to spend on other items. But still the inflation rate continues around 5%, still on the high base, so that is still a problem to an Indian consumer into a normal household, which is earning between INR 20,000 and INR 35,000. So that's the normal household which we study and we try to study.

So the market seems to become a little better, employment status looks a little better on the ground level. People are confident that there is definitely going to be a bigger, better employment, because states are trying to open consumer and open the large amount of masses by giving a lot of good promises and newer ones and newer benefits and newer plan even before election. And now after election as well because of the kind of results that we have got, which is also bringing in some kind of complemented overall market, which is what we required, which is not going to provide in the future development.

So I think that's a good news that we are in. The confidence index of the consumer is getting better. They believe that they will not be spared in the coming future. They will definitely get more employment and their ability to earn and earn more is definitely really sustained. Even on the skills part or even on the employment part a lot of work has happened. So some of those good news.

On the competition side, I think the competitors have been very good, a lot of competitive activity has been seen, almost always we see the activity. Still, people who are able to give good experience to the consumer and provide good quality and provide good variety and great experiences are able to sustain and then definitely are able to grow much beyond what is required.

So, we are seeing those good positive signs in the market. The market definitely is there. It is all about how much market share can you acquire versus other set of competitors who are also struggling. And largely, we have seen some struggle coming in also from the premium segment of the market or the upper middle segment of the market, where the prices of the premium brands operate. So, we are seeing some pressure there. We are also seeing pressures on so-called value retailers who are still on the little higher of the market segment. They are also on the report of struggles. But I think these are all temporary phenomenon. People will get back to the basic demand and they will come back to their phase.

On the other side, I think for V-Mart I think we have been trying to focus on our basic fundamentals. We have focused on all agri generated markets and then largely impacted by agri, but yes, we definitely believe that the consumers are aspirational now, and they will want to consume more consume better. They are much more aware of the audience and we believe and we understand and we recognize that these consumers are no more the traditional consumers. They are definitely a little more learned consumer demanding a little better fashion, demanding a little higher fashion, demanding the latest collection, which is coming in. So, some of those pieces we are seeing, definitely, consumers are appreciating all good things that the brand does or what we have been doing.



We have been sticking for the last two years, we have been continuously working on our internal processes and our internal parameters on our internal understanding on the consumer or even technology or even the way we source and the way we procure and the way we design and then the kind of quality that we want to provide to the consumers and the experience and the betterment of experience that we want to provide, some of those initiatives, which we were struggling in the last year are showing some results.

We still believe that most of our efforts have not still been completely rolled out. We still believe we're only at least to 50% of what we could have done. But still, there is lot more that we have in plans that we will want to better and give this experience to the consumer. Now consumers are ultimately worried about the product that they get, the prices that they get and the experience that they have when they are shopping at the stores or when they go back into the home and post sales experience or they connect with the brands and go back home or they are not coming in the stores. How do you do that?

So, in that respect, our omni team has also really worked a lot, the Limeroad team including the offline team. They have really worked on very, very nicely on a product called One Click which is actually giving a great omni experience to the consumer, giving more satisfaction to the consumer. We definitely have a much better communication tool. We have integrated some communication tool. We have now 100% digital building done at the store, integrating the customer or getting integrated with the customer-on the WhatsApp account. So that is also giving a lot of personalization to the consumer and then definitely talking to them over a period.

So, some of these pieces and then also reaching them out on the digital medium, trying to create those full factors. So, whatever we got is the brand trust, whatever the understanding, the trust on V-Mart, the trust of our customers on us giving in the past and even today, Yes, I definitely showed up whatever we did, whatever we were doing wrong and wherever we corrected, we got great response. We got really good trust and good feedback from the consumers.

Consumers came out in huge numbers and then they really turned up and give us the confidence of that whatever we are doing is on the right direction, both in terms of the fashion element because that was a big, big change that we brought in, in terms of focusing more on the Gen Z collection, focusing a little bit more on the fashion and the changing fashion needs of the consumer and understanding those and implementing those at an agile way in the store. So, some of those areas. And our special focus on quality, which we have been narrating for the last two, three quarters has also shown a good result. So quality, customer is recognizing and customer is appreciating the quality effort that we have taken.

So, all of these areas given together has really given us a good input. So that's the area that we want to really focus on. We believe that our doing is going to definitely give us outcome, and that is the potential that we look at in the market. The market is definitely very large. Market is too large, and we all understand and we've seen and we know that this market is becoming larger and larger as India is growing and as the position of India position is very good.

What we see in this value retail market, definitely, there are more players walking into this market. But in that same rate or more than that rate is the per capita income growing or is the



per capita consumption growing at the fashion level and there is definitely some shift which is happening from unorganized to organized and which is bound to happen more and more. So that part has to remain. So, it is more about we acquiring our market share, the market is definitely here. So that's the plan.

We definitely want to focus on both the market, Our approach on pricing at unlimited market in Southern India also has given us a lot of confidence. The customer has really understood what we are offering and we are getting a lot of new set of customers and repeat customers from there. So good input coming in both from the existing stores and from new stores that we have opened up, we are really getting very good benefits from there also. So that's the part we are all into.

We have also tested on one new concept in a town called Hubli in Karnataka, with the LimeRoad branded stores and that we have just tried to pilot one store in trying to bring a little more elevated fashion, a little more lighter density of inventory per square feet, which is giving a little more premium look in the country and putting the prices at the same level or even at the lower level, trying to create a niche experience for the new generation customers. So we are trying to do because we saw some brands really getting good response and that gives us confidence that the consumer need and the consumer approach towards buying great fashion is coming in not only from quantity but comes in from more of the way in which you are showing at the time and the way which you show up the trend.

So there is definitely, we believe that there is some amount of baggage that the brands that having, there has been unlimited or V-Mart. So we are trying to experiment that with our new brand, which is a LimeRoad brand, which is more digital, which is more nearer to the audience daily. So that's where we tested with one store until now we are learning and in that from the learning stage, you definitely want to experiment more with four, five more stores in this particular year, so that we get the confidence on this particular new initiative and then we will try to allocate the amount of budget next year but that still we are under discussion.

So that's what we have. Definitely, there has been some areas where we've really worked hard in terms of people, in getting people's motivation in terms of getting their base salary, trying to retain them, and working on attrition. That's one of the newer area that we have worked on. And that some of those stores or some of the markets where we used to have higher attrition, really attrition rates have come down. Those things also is really helping us in achieving the sale and there's very good incentive plan that we rolled out for the team. So some of those things is giving a lot of motivation also to the consumer.

One more thing, all those stores, which we always said that we can open before COVID and after COVID, some of those stores also started good showing us, good response. We believe and feel that some of those stores are getting rediscovered or are getting discovered for the first time because they never got a discovery time either after COVID and before COVID and around COVID. So that's the change that we are seeing in our market, consumer are appreciating. We'll definitely talk over this more, let me hand it over to Anand so that he can give you a detailed review on the results. Over to you, Anand.



**Anand Agarwal:**

Thank you, Lalit, and good afternoon, everybody. As Lalit mentioned, it's been a good quarter with the impact of few changes that we have been doing over the last two years starting to become slightly visible. Let me first take you through some of the key highlights from the quarter and then we can open the house for questions.

So quarter one typically is the onset of the summer season and is marked by strong wedding calendar. This year was slightly unusual with no wedding days. But despite that, we have seen good improvement in our like-to-like sales as well as the sales per square feet. On the sales front, we are seeing much better footfalls and improvement in total number of invoices cut which is a strong reflection of the improved efficiency measures being taken by the company since the last two years.

At an overall level, the sales grew by 20% for V-Mart and 5% for Unlimited year-on-year. The Unlimited sales growth was impacted in the quarter, marginally due to the closure of 15 stores since last year. Normalizing these store closures, the Unlimited stores would have also grown by 18%, which is closer to the overall V-Mart sales growth numbers. The new stores opened in South under the Unlimited brand continued to deliver higher sales and profitability versus the relative legacy stores in South. In the last three years since acquiring the Unlimited brand, we have closed 19 stores and opened 23 stores in South, taking the net Unlimited store count today to 78.

At an overall level, while all states saw good growth during the quarter, but in particular, UP, Bihar, Uttarakhand, Rajasthan, West Bengal and Karnataka saw relatively better traction in footfall as well as sales growth. Another heartening fact evident is the sales, higher sales growth visible in Tier 2, and Tier 3 towns as well as Tier 4 towns, geographies, which form the biggest base for the typical V-Mart customer profile.

The apparel ASP degrew by 3%, largely due to the product mix change as a fallout of zero weddings during the quarter in north. While in south, the ASP degrowth was a fallout of the strategic shift towards sharper and more value-driven product pricing that we have been trying to incorporate in the last two years. The price correction exercise, which was initiated last year is already over and we should see ASPs stabilize at these levels in the quarters to come. But for any product mix changes due to shift in weather or any festive calendar shift.

The stabilization of the new warehouse in the last five, six months has also helped improve the supply chain efficiencies, which should see even further betterment in the months to come. In line with our strategy on making the LimeRoad business sustainable, we cut down on the marketing spend, which impacted the top line growth, which reduced by 33% year-on-year to INR 12 crores from INR 17 crores last year.

Coming to margins, the gross margin for the offline business remained healthy, while the decrease in the revenues for LimeRoad business segment, which 100% flows in as margin optically reduced the overall gross margin by 60 basis points at company level. On a full year basis, the gross margins from offline business would remain at similar levels of last year as we continue to drive giving higher value to our customers and focusing on growth through volumes.





Coming to expenses. While the overall expenses have decreased by 7%, the major shift is due to the reduction in marketing by 59%, which largely has come in from the reduced spend in the LimeRoad business and also a very significant and strategic planned reduction in marketing spend in the off-line business, which Lalit also talked about that the increase in the customer trust portion has definitely worked wonders for us. And that reduction in the off-line marketing spend in the V-Mart business and Unlimited business is also close to 44%.

The marketing spend will remain reduced on both the segments, online as well as offline as we create better synergies through cross-promotion opportunities on the digital front for our unified omni customer base without impacting sales growth at an overall level. Despite this low marketing spend, we have definitely improved our customer connect. Our NPS scores, which we have started to track since the last almost eight, nine months has averaged at greater than 60 consistently. We've had more than five lakh Google reviews averaging 4.4 plus, and that is a strong testimony to the value proposition and the brand trust that the company is able to generate.

Coming to manpower cost. The manpower cost was up by 17% on the back of the annual increments slightly higher ESOP expenditure and also increased incentive payouts in line with the sales growth. And as Lalit mentioned, I think we have been trying to curtail attrition, which should effectively yield into better top line growth and more efficiency going forward. There is definitely a higher focus on employee reward and motivation to positively influence efficiency, which will drive our overall profitability and growth.

On the other expenses side, we saw a decline of 5% year-on-year due to some store lease renewals which were earlier part of rental expense being short-term leases till last year.

But post renewals have moved to interest and depreciation lines as part of the IndAs 116 adjustments. The other savings is on account of reduction in the LimeRoad logistics cost which is in line with reduction in top line for the online business. Moving on to EBITDA for the V-Mart core business, EBITDA for the quarter was 13.4% with unlimited at 18%. At the entity level, the EBITDA stood at 12.6% which includes a loss of INR 10 crores coming in from LimeRoad which is 60% lower YoY. The EBITDA improvement has been a fallout of 60% reduction in loss from LimeRoad healthy like-to-like growth as well as positive impact from the closure of loss-making stores in the last year.

On the capex side, we spent INR 26 crores during the quarter or paid out INR 26 crores majorly on new store openings and store refurbishments. Inventory reduced by INR 144 crores quarter-on-quarter helping improve the working capital cycle and also it will help in improving freshness for the upcoming festive season even more.

Free cash flow for the quarter stood at INR 43 crores. During the quarter, the company opened seven new stores, five in North and two in South under Unlimited brand and closed three Unlimited stores. The runway for the year is still maintained at 50-odd stores, a large part of which will be open between quarter 2 and quarter 3. Most of the unprofitable store closures have already been completed now. There may be the regular three, four closure which may still happen in the usual course, but nothing significant.





Coming to the last part on LimeRoad, LimeRoad continues its improvement journey with 60% reduction in losses year-on-year. This is the fifth straight quarter of continuous improvement in EBITDA losses for LimeRoad. The strategy on LimeRoad remains the same, extend LimeRoad as the fashion forward omni arm of V-Mart and facilitate very easy order placement process by V-Mart customers through the LimeRoad app initially for missing sizes or missing color in offline stores, but eventually extending it to offering a bigger catalog of products which can be offered beyond off-line retail. So getting into more and more mix of omni share.

This is a long-term strategy and we remain committed to enhance this offering with minimal loss funding or marginal profitability in the quarters to come. The losses in this business should continue to keep coming down quarter-on-quarter. LimeRoad will remain an important, but financially a small non-material digital business platform for V-Mart. So that is all from my side, and I request the moderator to open the house for questions.

**Moderator:** Thank you very much. We will now begin the question and answer session. The question is from the line of Shirish Pardeshi from Centrum Broking. Please go ahead.

**Shirish Pardeshi:** Hi good evening Lalitji and Anandji and hearty congratulations for good set of numbers. I think in the beginning if I may ask the footfall growth which we have reported in the quarter, which is 36% which is very strong. However, I look back it is still lower than the pre-COVID level. Just I was more curious if you think Tier 3, Tier 4 markets are firing well and you've reported a 11% growth in Tier 3 and 19% growth in Tier 4. What percentage of this footfall recovery has happened or maybe if you can split in Tier 3, Tier 4 specifically if you can break down 18 million what kind of footfall is there?

**Lalit Agarwal:** Definitely we have seen better footfall. We were still unable to compare it with earlier 5 years before footfall, but still I don't think that the footfall is lower than the earlier footfalls. There was definitely always some reporting error that we used to have on footfall, but otherwise what we have noticed is there's a good amount of substantial growth in footfall. And also you have to understand that, see that within the market, the market has also broadened a lot and there's a lot of retail and a lot of brands which has got opened and lot of stores have got opened. So it is more about qualitative customers.

It is not about the customer who just coming in. That is more about quality customer which is coming in and it is there. So no, it is a little better.

**Shirish Pardeshi:** No, the reason I'm asking in the beginning Lalitji you mentioned that there is a change in consumer behavior. So I was more curious if the profile of customers has completely changed because we have taken a pricing action if that footfall is going to be sticky?

**Lalit Agarwal:** See definitely what we are seeing is we are showing element of trust. Consumers are always around us and this is such a wildfire that spread in this market if you do have certain good things and what we believe we have to continue definitely doing good things, sustain them, retain them and bring it more betterment in what we are delivering what we are doing. Footfall, I don't think it's a concern because if you understand all this Shirish this year you must have seen a reduction in advertising expense also.



And we have not pushed in customers. We have not asked or push on certain promotion or certain discounts or certain advertising that you have tried to bring in customers. So this is a natural footfall which has got created. So in spite we actually did not do any advertisement this first quarter and it is just whatever that we are seeing on the advertising expense is largely from the LimeRoad side and the other pieces are also on for the branding which is at the store branding and the store front end branding and stuff.

But we've not done any advertisements, these results are great results giving us more confidence that whatever initiatives and whatever betterment that we have done are all bringing in from result and getting customer the confidence to the customer where they are spreading the word, they are becoming our brand ambassador and we have also started tracking some NPS scores in stuff, we are getting great reviews and great inputs, we are great on Google. So all of those are really helping us a lot.

**Shirish Pardeshi:**

No, I'm still harping on this number because even ASPs has dropped. So and we also heard the player V2 Retail is also reported a very strong set of number. So if the market which is down trading and lower price point is going to drive the volume, is this the strategy which you will also follow or there is a change in strategy in our core footfall which we have lost in between has come back?

**Lalit Agarwal:**

There is no change in strategy. We had taken a price hike two years back. We reduced our prices last year. This year we have not cut down any more prices. It is only at Unlimited where we have cut down the prices because we wanted to attract new customers. But at V-Mart level there is no cut down of prices. We have retained our ASP and we have no plans to cut down our prices. We still believe quality, good fashion and right pricing is what we are focusing on. We are not driving or cutting down the prices and then driving customers. There's no such strategy.

**Shirish Pardeshi:**

Okay. That's helpful. My second and last question on the margins. After many years, we have delivered a very strong margin. So Anand my question is that two questions rather here. This LimeRoad what you have done INR 10.3 crores. Is this going to be a steady or we will think the losses will come down? And how much confident you are that because in a weak quarter we have delivered a good margin. So if quarter 2, quarter 3 is going to be a good jump in the festive season and marriage, do you think margin expansion can happen from here?

**Anand Agarwal:**

Yes, Shirish on the LimeRoad side we should definitely see quarter-on-quarter further reduction in the EBITDA loss, it may not be very substantial maybe 20%, 30%. The reduction in loss is something that I would definitely want to visualize and achieve. It's a strong work after already cutting in a lot, already improving the efficiency significantly in the last one year. So it's going to be uphill task, but that is what the team is committed to deliver.

On the main offline business, in terms of margin expansion quarter 1 is a good quarter. Quarter 1 is not a weak quarter. Quarter 1 is always is a good quarter. Quarter 3 is the best quarter followed by quarter 1, quarter 2 is typically a weak quarter for us with Monsoon and with end-of-season sales which is not a very festive period also.



So quarter 2 typically is a loss-making quarter, and we should not see any margin expansion or any improvement there, but definitely we should see betterment coming in from quarter 3 again. There should also be some betterment in terms of top line in quarter 2 and definitely in quarter 3.

Otherwise, we are not looking at margin expansion in percentage terms. We will as we've always stated we would want to look at retaining the margin percentage, but improving the rupee margin throughput through higher volumes and through higher top line growth.

**Shirish Pardeshi:** No, the reason I'm asking because if I look at manpower cost has grown 17%, power fuel has grown 8%, so what are the source of these margin drivers?

**Anand Agarwal:** The source primarily is going to come in from lower discounting also some like-to-like. We have seen good like-to-like coming in this quarter and we should continue to look at improved like-to-like through improved efficiencies that we've been talking about of all the work that has been going on in the background.

And that is something the results of which we have already seen in quarter 1 and we are also seeing a similar kind of trajectory building up in quarter 2 and probably also going forward. So the HR cost increase is partially an investment and partially also a correction, but we are quite hopeful and optimistic that we will be able to contain this inflationary rise or compensate this with adequate amount of margin delivery through like-to-like as well as lower discounting through improvement in the freshness index of the inventory.

**Shirish Pardeshi:** Okay. Thank you. It's helpful and all the best to you.

**Moderator:** Thank you. The next question is from the line of Sameer Gupta from India Infoline. Please go ahead.

**Sameer Gupta:** Hi Sir. Thanks. Good evening and thanks for taking my question. So firstly sir on the store addition targets and during the call earlier, you mentioned that you will be looking to add 50 stores during the year. Now we've added around four stores. So that's a very large pipeline of stores that you're guiding for. So just a clarification is this firstly a gross or a net number and how many more store closures do you envisage at least in this year?

**Lalit Agarwal:** See this is definitely a gross number. We are focusing on gross numbers. There is definitely a delay in store openings, but we are strategizing that we would want to open more number of stores just before the festivals so that we get a good run up and most of the stores that we have opened in the past during the festival period definitely gives us a better outcome even throughout the year.

But yes you would get a good number of store count getting opened in this particular quarter as well the next quarter. So we will focus on those and we have closed down some stores. There are still some three, four more stores that we may close down in the year. So that's where we are.

**Sameer Gupta:** Great sir. That's very helpful. Secondly on the margin. So you've done a very healthy margin, I guess it's around 7% pre-Ind-AS based on the offline stores this quarter, which is quite healthy



in recent times. However, we have reduced ad spends and we have not added a lot of stores in the last one year. We have closed down loss-making stores also.

So in light of all this information when you resume the store addition aggressiveness would you not say that the margin will have some level of downside from here on? And this is adjusted for seasonality between the quarters. Would you agree with this assessment?

**Lalit Agarwal:** Sameer for us until now the experience has been that definitely there are costs, all the costs do not go into capex, and there are some costs which do flow into the P&L. So there's some element, but otherwise new stores normally deliver higher margins. The new stores in the first year of operations will deliver higher margin, not necessarily lower margins. So I don't think this is completely true.

**Sameer Gupta:** Okay. I would have imagined that it takes some time to ramp up. So anyway maybe my understanding is incorrect.

**Lalit Agarwal:** You may connect Anand one-on-one you will understand and most of the time the stores that we opened up are designed in such a way from the first year of operation itself right from the second month it should try and deliver the targeted EBITDA margin. So that's the way we plan our stores, but almost 80% of the stores are getting to that level there are 20% of the stores which do not get into that levels in the process it also happens..

**Sameer Gupta:** Great sir. I'll get this clarified. So lastly sir I understand you have mentioned a lot of efficiency measures that you have taken which is now showing in this like-to-like sales improvement, but if you could just list down top three, four, five kind of initiatives that you have taken, it would be very helpful. A little bit more on specifics?

**Lalit Agarwal:** There's no specific Sameer. Retail is all about detail and you need to actually tighten at least 150 to 200 screws at multiple areas to try and get some benefit, but anyway the majority of those are ultimately what consumer is interested in these products. So more around product, we have been really working hard on the product on the design part, on the whole assortment part and the whole qualitative part on the pricing part.

So some of those areas which we were working, you remember we had hired a consultant two years back, one and a half years back and then there's a lot of work that they did. A lot of changes they proposed. Last year we started to implement those changes. Due to change management some of those got disagreed and moved, not everything got implemented immediately.

But otherwise there were also last year that you remember we have moved our warehouse to a new property in new warehouse. Now a new warehouse is ready, some of those initiatives that we implemented in the new warehouse on the automation side, some of those pieces came in. Supply chain management technology or supply chain management some forecasting rules, some allocation rules, some of those which creates a better understanding of consumer persona which gives us a real clear edge and the seasonality on the customer type of the market.

So some of those pieces which is driven through technology and driven through the automation processes that we implemented at the warehouse, bettered our turnaround time at the stores,



reduced our inventory, increase our freshness. So our freshness increased itself gave the customer more fresher variety. So all those things actually brought and then people and definitely people is one key element which really has given a lot of support.

And then their motivation, definitely brought in good input and lot more to be done, lot more has been done in the process in multiple regions, but lot more are still to be done and then results are still awaited.

**Sameer Gupta:** Got it sir. This is very, very helpful. Thanks for taking all the questions answering them and I will come back in the queue for any follow-up sir.

**Lalit Agarwal:** Thank you.

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

**Rishi Mody:** Yes. So just on the employee cost side. How much of this employee cost would you see is a non-recurring nature, maybe some one time retention bonus or something?

**Anand Agarwal:** So Rishi I would not want to call it out as one time changes. I think what we have, what we are trying to do is something slightly more sustainable. I would like to see at least the current cost is there in quarter 1 to get replicated. This is some part of this or a large part of this is also variable cost. So if we achieve we provide for more and we pay more. So thereby it's not a fixed cost increment. It's also very largely linked to a variable kind of incentive as even our ESOP cost is also linked to performance.

So a large part of the changes that you see in this quarter in terms of increase is coming in from variable increase. And that is what we would like to continue. There is no significant one time change that should be there in the quarter cost.

**Rishi Mody:** And just on this LimeRoad employee cost, you've seen a decent decline coming into Q4 on LimeRoad, but Q1 we are seeing a sequential jump of almost 250% odd. So just is there an ESOP cost line there because I am under the impression that a lot of the senior management of LimeRoad is no more with us?

**Anand Agarwal:** Our cost has also come down. It's not gone up. In fact, the LimeRoad quarter 1 cost has come down by 14%.

**Rishi Mody:** Not on a year-on-year basis on a Q-o-Q basis if I'm looking at Q4 numbers, I have 27 million as the cost.

**Anand Agarwal:** That is an adjustment because of the ESOP structure, but otherwise, at an overall basis there has been a marginal reduction in LimeRoad employee cost. Maybe the comparison that we are seeing from quarter 4 to quarter 1 may not strictly or truly reflect the two changes but at an overall level the actual employee cost at LimeRoad has marginally come down not substantially but marginally come down.



**Lalit Agarwal:**

So Rishi just answering your question on that. The management cost, the management which went out at the LimeRoad, where cost of ESOP was actually not accounted because the kind of performance that they were delivering, actually those ESOPs who are not able to be, it was lot of cost to the company. So, it actually never got executed. So that is why it is not turning out.

**Rishi Mody:**

Got it, sir. Just Lalitji you wanted to understand this LimeRoad physical store format. You mentioned some comments in the opening remarks that you're trying more Gen Z kind of an offering here but I think it's been operational for maybe a month or two but what are your learnings in terms of what data telling you out there if you could just versus say an Unlimited what the difference there in the South India market for LimeRoad versus Unlimited, if you could I'll leave with that.

**Lalit Agarwal:**

Definitely, it's a new testing for us. We've been trying it with multiple experiments in terms of the renewal in terms of the product lines, in terms of design, in terms of the basic belief of what the customer is, who the customers are. A little bit of change in the internal ambience. So we've got Hubli, we are Tier 3 town, we did not go for a tier 1 town for all of those. But still, the response that we're getting is encouraging better than Unlimited store that we would have opened as of now. It has been 18, 19 days since we have opened. We have very immature time for us to really respond on those.

But we look at a lot of positivity, a lot of learning is coming out and it is also driving a lot of omnichannel mindset and we saw a lot of existing customers of Lime Road who were shopping online. A lot of that came in so we saw a good amount of customers who were shopping online is coming to offline. The trust over the brand was there and then has been solidified. So, good learning coming in. We are yet to get all the analytics. So, we'll definitely update you.

**Rishi Mody:**

And the team that's going to be running this experiment, it's separate from the V-Mart backend team or is there a bifurcation or is the same team who will be managing the operations the inventory all that stuff?

**Lalit Agarwal:**

There's a part of team, which is different but most of the teams is common. So, part of the team which is on the backend side on the whole design and the procurement and the buying. So, that particular team is a little different. But other than that most of the team is common. Most of the internal team members only elevated themselves created a new style, new thought process and new design and took on the challenge. And kudos to the entire team who really made it happen.

**Rishi Mody:**

All right, sir. Thank you. That's it from my end.

**Moderator:**

The next question is from the line of Kunal Bhatia from Dalal & Broacha Stock Broking Limited. Please go ahead. Mr. Bhatia, your line is unmuted please proceed with your question. As there is no response from the line of the current participant. We'll move on to our next question. Our next question is from the line of Sabyasachi Mukerji from Bajaj Finserv Asset Management Company. Please go ahead.

**Sabyasachi Mukerji:**

Hi. Thanks for the opportunity. Good to see some great numbers after a long time Lalitji and Anandji. My first question –is that if I look at the conversions, I think it is at probably at historical



lows below 50%. It slipped below 50% last quarter, 49% and slipped further to 47% this quarter. While the footfalls have surged sharply but how should one read this data point about conversions? If you can help us?

**Lalit Agarwal:**

Yes. Hi. Sabyasachi. Good point. And see we've always meriting the fact that there is a different methodology and the little more compliance over footfall reported that we have executed because we believe and we all know that most of the shoppers come in a couple or three people together and buy and become one or two people. It doesn't go more than one way.

So normally, the conversion rate should not be greater than 50%. This is what my internal belief is. And that is what we are forcing, I think because this is still a manual process. But still, I would also say that because of more retailing around our stores because of more retailing in the same market people want to definitely go back, go back from our store check other stores come back and then buy. So there is some amount of discovery which consumers are making while traveling multiple stores also. They don't end up shopping the first store that they get into.

So some of these pieces, we also saw a lot of customers going back and coming back to buy and then going back once and then coming back again to buy. So some of those things we saw, which definitely for us largely we believe in taking up the growth in cash number and how much cash number has the growth and how is our average bill size moving. So that's the major indicator that we will have to focus on.

And that is what we are doing. We still believe that better service quality at the store level. We have also somewhere brought down our convincing attitude where we used to convince customers, talk to them more, pressurize them more. We don't want to do that. We want a full factor to get created. So that's what we are also trying to do so that the customer comes back by their own if they like the product, if they like the prices, if they like the services. So that's the kind of model that we are getting into. So that we don't force or empower the consumer with our employees more. So that's the whole process that we are getting into.

**Sabyasachi Mukerji:**

Got it. I understand the fact that probably five years back there was not more options to the markets that we operate in. And now there are several other options and people are checking out other options. I was also wondering does the freshness index of the stores, does it also matter if let's say a store for us gets refurbished or refreshed does it pull more customers?

**Lalit Agarwal:**

It does. If the store looks better it definitely pulls in more number of consumers. Even we tried experimenting with new consumers. This year, we also tried to focus more on digital advertising. We tried to bring in customers because we never did a lot of print ads or a lot of those outdoor advertisements.

So we tried to focus more on some organic kind of content, which also brought in a lot of new consumers. A lot of new customers who wanted to first check in, come in, check in and then go. And then definitely none of these developments that we did in terms of facade opening or renovation and re-engineering of the front view of the store. So some of those things definitely attracted a lot of new consumers.





- Sabyasachi Mukerji:** Got it. Lalitji, the other question that I had is, in your opening remarks, did I hear you right that you mentioned that some of the national players' value formats are also seeing some sluggishness when you are talking about the competitive intensity? Did I hear you right?
- Lalit Agarwal:** Yes. Sabya, I'm right. There is some pain with a couple of retailers also. They have not been going in line with what they have done. And not necessarily everyone is getting a lot of growth. So there is some pain in the market also, which we are seeing. So this is what I wanted to explain. It is just not driven by market. It is also initiatives and efficiency that a brand brings in or the better value creation that a brand does for the consumer.
- Sabyasachi Mukerji:** Got it. That's very clear. Thanks, Lalitji. Wish you all the best from my side.
- Lalit Agarwal:** Thank you, Sabyaji.
- Moderator:** Thank you. The next question is from the line of Nikunj Gala from Sundaram Asset Management Company. Please go ahead.
- Nikunj Gala:** Yes. Thank you, everyone. Firstly, I just want to understand on the working capital side. Sorry, if I repeat this question, but there was a significant improvement specifically on the inventory side. So how one should consider from the going forward perspective, what is the steady state in a working capital cycle one should assume here in the V-Mart case?
- Lalit Agarwal:** So Nikunj, definitely we are working on basic fundamentals. And basic fundamentals are trying to reduce the inventory, track the efficiency of inventory, and have the base of inventory under control. Those are one of the basic parameters and then definitely have a better cash flow because that is also very, very important and has a positive cash flow.
- I think the team really work well and that's everything about creating efficiency. And it is also about freshness. So all of those together, most of our capital investments we don't have those kind of purposes also. And the inventory management has been also very, very tight and very good, that is also beginning from these.
- So we should expect a little more betterment from our side, but it will also only be seasonal in nature because if you look at Q2 numbers, it will show a little more there, because the working capital will grow there, because that is the inventory filling season and we will fill more inventory. So the inventory levels will go up. So it's more seasonal also, quarter-on-quarter for that division. But yes, you'll see improvement every quarter.
- Nikunj Gala:** Sure. Thank you. And secondly, from the product assortment side, since you mentioned and we also understand that there is a lot of competition coming in. So, how are we approaching the product assortment at the store level? What are the kind of a fresh inventory we have or say 2022 inventory would be there in any of the store? What kind of strategy we have on the product assortment side?
- Lalit Agarwal:** So, Nikunj, we've really worked very highly on the whole freshness index. And the freshness is the inventory freshness and that has been key to us. And that is also resulted due to some margin



losses because we've also come on inventory prior to liquidate inventory at a discount. So, our freshness index has bettered by almost 10%.

So that's something that we really have worked on very hard. We would also see higher shrinkage numbers that is very reported because our provision policies and the provisioning that we are doing on the inventories have also been very steep. So we are trying to really work very heavily because we now understand risk.

There is a lot of change which is revenue fashion business. And there's a lot of change in the assortment that we sell earlier having brand versus what is selling today. A lot of fabric change, a lot of pattern and putting sale. So some of these things is making this business a more agile-driven.

So we are trying to get into more agility. And we are trying to make this assortment look much more better and much more fresher. So that's the area of what we are doing. We still have not reached the desired goal where we could, but we are working all towards it.

**Nikunj Gala:** Sure. And just lastly, since there is a lot of hopes going into festive and the Q2 to be a better one. Have you seen any similar kind of a trajectory in the last 1, 1.5 months? Or if you can comment on that? That will be my last question. thank you.

**Lalit Agarwal:** Nikunj, we believe the betterment that we are trying to bringing should continue our performance or we should continue with our performing. And that's what we continue to do. We still believe there's a lot of opportunity. We haven't still done. The glass in half full is what I always say. There's a lot more to fill the glass, there's lots more work to be done.

If we are able to do, stick more out, do all of those things. It is definitely bringing more competitions, more variety, and more chain management which is required. So all of those are driven, we should definitely get those benefits. And then we should definitely come up.

**Nikunj Gala:** Okay. Thank you, sir for your inputs. Thank you.

**Moderator:** Thank you. The next question is from the line of Raunak Khetan from Ishanika Securities. Please go ahead.

**Raunak Khetan:** Thank you for the opportunity. I have noticed that strategy is very much focused around Tier 3 locations. So I just wanted to understand what is our right to win strategy against the traditional mom-and-pop stores? So apart from having an extensive inventory base, what is our strategy in terms of non-apparel sales, so expanding the SKU so that a consumer visits and get almost everything at the store.

So apart from the appeals, what is the kind of base which we want to offer? Number one. Number two, is the kind of loyalty program, which we are running specifically for Tier 3 locations. I mean, are we running a loyalty program? And what is the kind of involvement in it? That's about it.



**Lalit Agarwal:**

Yes, Raunak, so very fundamental questions. We have been meriting these questions and answering them for the last one decade, but anyway, I'll do it again. So our model is definitely not a unique model anymore now, because it was unique 10 years back. But now a lot of players are trying to play in that model.

The mom-and-pops technically, you understand the bazaars, which runs in small town. Those are 800 to 1,000 square feet, or 1,500 square feet, there's a counter in front of that, the mom-and-pop has their own small variety, small process their ability to purchase and buy, outsource from the market of dry fruit manufacturing is very low, the cost of purchase is very high. Their ability to sell the consumer, give the quality confidence and have that quality mindset is also very low.

So all of those included the experience of the consumer who goes into a mom-and-pop store is largely through because of relationship, but it is not more because we get a great variety. But there are areas, there are products, which are more regional, more seasonal in nature, where the local pace is very important. And all the areas, mom-and-pop do act as a great retailer, and they are very successful retailer in those kind of areas, like for example, saree, mom-and-pop retailers are very good in those areas. So we are still not better, no one is better in that area.

So there are areas where mom-and-pop have excel, but other than that, mom-and-pops are not able to create that kind of largeness, that kind of variety, that kind of transparency, that kind of quality, trust and that kind of product. So they have a very small team, they're not able to showcase so much of products. They're not able to replenish and replace their products very fast. And the pricing is also, most of the time our selling price is their cost price. So they're not able to convert that also.

And other than that, I think for us, it is very, very important to believe in quality, believe also in agility of fashion, because internationally, whatever is running and whatever you selling Los Angeles or Milan or Turkey, in Istanbul. So the gap is becoming so narrow, it's getting good very fast. So one has to be very, very tight on these as I'm talking, I'm right now Istanbul in certain exhibitions. We are following those market trends. We are going out in the market to understand what's happening in all of these markets. So all of this is very, very important, which is not possible for a small retailer. So I think that is where we are really looking at. I forgot your last question, what was that, your second question?

**Raunak Khetan:**

Sir, my last question was around, do we have a loyalty program in place. So the repeat consumers who are...

**Lalit Agarwal:**

We got database for more than 40 million customers, and we don't operate a loyalty point-based program. But we have their mobile number, we have their communication process. We are proper process of analytics and driving customized loyalty program or customized solutions for them, customized offers for them.

So there's a lot of analytics based customer communication program that we run, which brings loyalty to the consumer, almost 70% of sales coming in V-Mart is from the same customers who



are repeated . So 70% of sales of V-Mart is from loyal customers only. So that works for us and that is what the customer is very, very happy about.

**Raunak Khetan:** All right. That's about it. Thank you.

**Lalit Agarwal:** Thank you.

**Moderator:** Thank you. The next question is from the line of Ali Asgar Shakir from Motilal Oswal Mutual Fund. Please go ahead.

**Ali Asgar Shakir:** Okay. Thanks for the opportunity. First question, sir, is on the margin. So obviously, you gave a lot of insight in terms of margin. I just wanted to understand a little I mean, to your point of view. Sir, we were doing 8%, 8.5% kind of EBITDA margin. I'm seeing on pre-IndAS basis, pre-COVID on a steady-state basis.

Now that you mentioned that LimeRoad is loss reduction phase, and we are also seeing through the SSG. Just wanted to understand by when should we reach that kind of margin level, I mean, FY '26 will be the year when we should be able to reach, and also LimeRoad should break even by then?

**Anand Agarwal:** Ali, I think the margin is an outcome of how well we are able to grow our SSG and come back to the pre-COVID sales traffic levels. We discussed this also in the past. And I think we did guide towards growing at two consecutive years of around 10% SSG or high single-digit SSG to reach that level by then we should be able to get back to the pre-COVID EBITDA margin level of around 8.5%. We are actively on track of that, and we are definitely wanting to reach there sooner than later. Definitely, next year is something by the end of which we should exit the year somewhere around that, if not for the full year.

As far as the LimeRoad part is concerned, we did mention earlier that we will be reducing our losses quarter-on-quarter like we've been doing for the last five quarters straight. I am not 100% sure that we will be able to reach profitability for the full year by next year, but we will definitely want to bring the LimeRoad losses down to almost negligible levels.

They've already started to improve every quarter, and there is some line of visibility where we are able to see better contribution of V-Mart customers contributing into LimeRoad sales and vice versa. And as the base increases, we will be able to reduce our operating costs, particularly the marketing cost, which will help us end the losses there.

It's an investment, also, I must point out, LimeRoad is not just about a loss-making entity or a loss-making platform. It's an extension of what we eventually want also to provide to our customers in a digital format and it will definitely be very important in the years to come.

If we did not even had LimeRoad today, we would still be incurring some amount of that cost already in our P&L by way of presence on other marketplaces or our own offering earlier, which was vmartretail.com, where also we were incurring some amount of losses, but we were not disclosing it or calling it out very, very distinctly because segment disclosure at that point was not required. But it is an important investment, but still a non-material number as of now.



**Ali Asgar Shakir:** Got it. So this year, INR 40 crores, you mentioned, right? If I'm not mistaken, should be the losses in LimeRoad. So any color you can provide how much we can expect it to go down? You mentioned 20% quarter-on-quarter, but for a full year point of view, if you could give us some sense.

**Anand Agarwal:** So we'll definitely look at reducing the first quarter EBITDA loss is around INR 10 crores. So I don't think the full year number is going to be around that number. So I don't want to call out a number. But definitely, it will be less than 50% of what we did last year. So we will definitely want to improve the quarter-on-quarter performance in terms of losses, but the full year number should definitely be lesser.

**Ali Asgar Shakir:** Understood. Very useful. And second question, just to clarify, you provided some insight in terms of how the SSGs are trending. But if I understood correctly, Lalitji, you mentioned that we also got this quarter some benefit because of the election-led spending. So just wanted to understand, I mean, post the quarter, is the, SSGs tracking at the same level?

And I don't know it's a little too early, but how are you seeing any early signs of festive trends? I mean we did a very strong SSG. So I just wanted to get some insight whether we can expect this table of run rate to continue in the coming quarters.

**Anand Agarwal:** So, I told this in earlier comment also. See the good efforts that we have been focusing on continues, and we continue to get similar, almost similar kind of response. So we are hopeful planning more growth than the past, but we don't know what comes in. Let's wait for the actual confirmation in time from the customer because the festival this year is also shifting this time little into the second quarter, from 3rd quarter. So there will be some changes that will also look in the second quarter towards the end of September and then followed by the Diwali because then it is going to be largely the winter period.

**Ali Asgar Shakir:** Got it, sir. This is very useful. Thank you so much.

**Anand Agarwal:** Thank you.

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

**Lalit Agarwal:** So thank you. We had a great discussion, a lot of interaction, a lot of shares. Please continue to support us. Please continue to be there. And still giving us some insight if anyone went to our stores or anyone goes on to the online channel of LimeRoad. Please do keep giving us continuous feedback on improving what we can do and what we can do in terms of also understanding the market, the economy and also the consumer service. So thank you so much for being there. All the best.

**Anand Agarwal:** Thank you, everybody.

**Moderator:** Thank you. On behalf of V-Mart Retail, that concludes this conference. Thank you for joining us. You may now disconnect your lines.