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Dear Sir/Madam,

Sub: Transcript of the Conference Call held on July 23, 2021

With reference to our letter dated July 22, 2021 (Ref. No. CS/S/L-503/2021-22) intimating you about the conference call with Analysts and Investors held on July 23, 2021, please find attached the transcript of the aforesaid conference call.

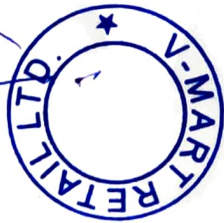
The above information is also be available on the website of the Company: www.vmartretail.com.

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

Thanking you,

Yours Truly
For V-Mart Retail Limited


Anand Agarwal
Chief Financial Officer



Encl: As above

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**“V-Mart Retail Limited Conference Call on Acquisition
of Unlimited Stores”**

July 23, 2021



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

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

MODERATOR: MR. PERCY PANTHAKI – IIFL SECURITIES LIMITED



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Moderator: Ladies and gentlemen good day and welcome to V-Mart Retail Limited Conference Call on the acquisition of the Unlimited Stores hosted by IIFL Securities Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now handover the conference over to Mr. Percy Panthaki from IIFL Securities Limited. Thank you and over to you sir.

Percy Panthaki: Good morning everyone. Welcome to this call on the acquisition of 74 stores of Unlimited from Arvind by V-Mart. We believe that this is a very important milestone in the V-Mart’s life because it gives them access to new markets that they were not presenting and help them become a pan-India player. On the call we have with us Lalit Agarwal, the Managing Director and Anand, the CFO. Without any further ado I’ll hand over the call to Lalit to take us through the rationale for the acquisition and then we’ll open up for Q&A. Over to you Lalit.

Lalit Agarwal: Good morning everyone. Thank you, Percy. Definitely this is a very-very big day and a very important decision for us and definitely a big milestone that we have reached. For us as you all understand V-Mart has largely been a conservative player. We have largely been a retailer who have always been very-very cautious on the kind of approach that we take in terms of our plans. As you all know V-Mart has largely believed in cluster philosophy, cluster-based expansion model and that is how we spread ourself and we grew ourselves in the last 15-17 years of our operation. Every time if you look at our map of India, we’ve always been near to the territory where we have been operating. We started with Gujarat but we started simultaneously with Delhi and then we penetrated hugely into Uttar Pradesh, Bihar, Uttarakhand and then moving our direction towards East which is Bengal, Orissa and North-east now. So, this has really given us a very good density in terms of the cluster-based store expansion in those particular area, catering to that Hindi heartland and the Gangetic plains which is very important to us and that’s what our belief has been. There is a big market which is still there which is operating.

Somewhere we always kept understanding that there is an opportunity and as we know the South India market is always a very-very attractive market in India. This particular market where we have a little more literate population, there we have a little more people who are aligned with their ethics and their culture a little more strongly. We know these people are not so show off oriented. They are very well grounded and more mass population and more aspiring class population lives in this particular geography. This has been very attractive for a lot of organized players since a long time. So, all of this has always been, we have been always actively looking at this market understanding this market.

There have been lot of success models from an organized or a semiorganized frame of mind that we have always been noticing in this particular geography, whether those T. Nagar stores of



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Pothys and Saravana's and those large sized stores which are operating in those markets which are feeding into those masses or there are multiple such formats either in Andhra or also in Kerala and Karnataka. So there has been this success and then we have seen some success also coming in from the organized players like Max and Trends.

We are also always sensing that this is an opportunity but this market was always looked at very differently. We always thought that this is a different India and every time North Indian retailers would not succeed in South Indian retailers would barely succeed in North India. So, there was the whole philosophy and our understanding. We were taking a very cautious approach before getting into it. As you understand our cluster-based philosophy, we have already reached the tip of Orissa. We have stores in Berhampur. So, from there Andhra Pradesh or borders are very less, so that is how we thought that we should now enter into Andhra Pradesh or Telangana and that's how the whole thought came in. But once we want to get into this territory, you grow at one by one to opening up one-on-one stores and where the this particular complicative environment becomes more difficult to bring in that kind of volume, understand that customer base. There were some challenges that we were noticing.

Definitely this is one transaction or one competition that we had by the name of Unlimited which we were definitely in talks for 1.5 years and 2 years. We have looked at this particular asset for almost 2 years. We have been exploring this particular property, their brand, their understanding, their business sentiments, their consumer base, their ways of working, the kind of product lines that they're offering, the locations that they have, so all those things we have been regularly looking at all those and as you all know that we have been very open in always looking forward to any kind of opportunity which comes in. We've always been focused on our key built up model. We've always believed that we could build all this we never wanted to actually buy but we never wanted to buy for a premium but if there is something which is good and somewhere we found that the team of Arvind, who are primarily a brand player, who are primarily a brand house or a fabric company have a very good understanding of fashion, very good understanding of products and very good understanding of fabric. Somewhere the whole culture in the organization was more brand oriented, for them driving value with the ethos of value retail they were also struggling and there were some problems that they're facing and they were trying with those Mega Mart days and then changing it to Unlimited. This particular venture I had multiple rounds of talks with Kulin Lalbhai and the CEO, Shailesh and the earlier CEO, Suresh. So, we were always been in debate and understanding what is good and what is bad, how can we improve it. We found that there is really something which was attracting us, the kind of locations that they had, the kind of team that they had, the kind of business model they built. There was definitely an opportunity wherein we could successfully acquire 74 stores and this time when we talk and we understood that it is coming on our terms, in the way we would open up a new store, the way we look at a new store, the kind of investments that we do for a new store, we just wanted to do it like getting into a new property. That's how we have taken it right now. We will



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be paying almost like 150 crores for those 74 stores. As you all understand, these stores are similarly averaged on around 10000 square feet compared to average size of 8000 square feet of V-Mart. So, it is almost similarly sized. There are some stores which are little over size which we could try and see how to be sized or how to look at those concepts. But otherwise, most of the stores are around 10000 square feet. Most of the stores are on high street. There are a few stores which are outside operating in malls. We will definitely look at all those things, understand there is some differentiation compared to how V-Mart works.

There is some little changes which is there, both in the consumer segment as well as the kind of towns where they are present. Largely they are not present in Tier-III, Tier-IV but they are present also Tier-I, even V-Mart is present in Tier-I. But definitely these are bigger towns, bigger cities like Hyderabad and Bangalore. But yeah, there is a great opportunity because when I look around these cities, I found a lot of youth, lot of young families who had a similar income group who want to aspire, who want to look good, who may not be able to still spend those kinds of money because Unlimited's average selling price is still Rs. 550 and whereas our V-Mart's average selling price is Rs. 305 or 310. So, for V-Mart definitely we are inching up and we are going on our average selling price, for Unlimited still they are on a higher side segment. So, we need to balance out a little bit.

We are seeing a great synergy coming in because we are already present in 19 states and these people are present in 7 states. So combined together we now come up into 25 states, there's always a great integration. There's no city where we are in competition, so there's no town where we are in competition, only state is Gujarat where we are present in Ahmedabad, Mehsana and Gandhi Dham and some other city. But they are not present in those cities but they are only present in Surat. So, it can really become a very good thought process. We will use all their properties. A very good thing is the over the last 3 years the team at Unlimited led by Himanshu, they've been very particular about how to drive value, how to drive out all those non-profitable stores. They've already cleaned up the property. They cleaned up the asset, all those stores which were not functioning not operating well, not profitable have been already exited and they have already come out of those stores. They have come out of all those old inventories; they have come out of those old heavy expense model. They have really made it sleek-slim. From year onwards it will be easier for us to...definitely there is lot of changes required. There'll be a lot of value driven culture which has to come in. There will be change in assortment. There will be change in merchandise. There will be some change in the way the whole story is looked at. Initially what we understand Unlimited has always looked at the store from a brand perspective. They had always relied on private label brands and the whole display and the whole philosophy of the retail was primarily around brand and what we thought and we think, this particular value retail is largely about price, MRP, assortment, style, customer persona. That's the fundamental that we bring in. As our customer centricity is the key thing that we drive and prudence is another value which is very important to us. When we say prudence, we proudly say, prudence is



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something which is required by a customer. We are there because of our customer and we'll deliver what my customer wants and our customers can't pay too much of money.

That is how our whole operation and the way we operate, both our vendor base as well as our product designing or product conceptualization or even our operational parameters have to be very prudent. That's how we feel values could be driven. Once we are able to sustain and drive that value to our customer and when the customer realizes, it is going to be the similar customer's loyalty that we will attract as we are attracting in the Hindi heartland of Uttar Pradesh, Bihar, Jharkhand, Uttarakhand, Madhya Pradesh, Rajasthan. We are very confident that there's a good turnaround story which could come in over the last 1-1.5 years, this team has also really worked very hard on the cost structure. They have also come down, brought down their breakeven point. I think for us it requires only some push and some change in the overall strategy and with a strategy of growth itself is a strategy where the team gets motivated, where there is a scope in the marketing, where there is a scope for the brand and then there will be a change. Definitely we will look forward to the single brand concept. We will be very focused on what we do till today. We have always relied on one brand which is V-Mart. We've always relied on one kind of model which is our value concept, which is our fashion driven value concept model. That's what we will still focus on.

As you understand because of our cluster philosophy we also believe that every store or every 100 km have different audience, different tastes, different culture, different wearing pattern, different philosophy. That is how we have tweaked our store product offering and product assortment and the communication plan. That is how we will take up the South India operation also. We believe there are different cultures within South India. There is different wearing pattern within south India and the team at Unlimited, the team that they have, we also take over that team who already know about this business, already know about this particular geography, about the taste of the customer, about the kind of seasonality which gets effected, about the kind of product which gets sold. There's a huge database, customer loyalty database that we are ready to use. There's a great skilled manpower available at the store which could be used in the right direction, could be brought in with new force and new energy also.

It is a good opportunity for us to also grow stores in this particular territory with the base of 74 stores, a warehouse, office we are really set to go and then conquer the Southern India because there's a lot of penetration which is possible in Tier-II, Tier-III towns in this particular part of the world because still the kind of competition which is available in Tier-II, Tier-III whatever our studies says there's still a lot of scope because the 30% gap that we versus a Max or Reliance Trends or a Pantaloon has, will make a lot of difference for the customer base that we will be catering to. So, we will scorching and searching for those customers who has been analyzed customer, who understood V-Mart brand very rightly. We will take the same effort to try and understand their culture, their requirement, their pain and their value orientation which will



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attract them to buy from our kind of store. It may take some time. We take this asset not only for 1 or 2 or 3 years but we look at it from at least 5-year perspective.

Definitely I would request every analyst, every investor on this call to also have patience with us, give us guidance but don't expect too much of result immediately. That's the expectation that I will tell. We will definitely want to give at least a year for us to settle down, understand and make our strategy reach to the audience and customer will also take some time to understand the brand, the changed brand, the changed offering and so that they could now start trusting more to the new concept till the time it is launched. So, we will definitely be agile in our process. We are committed on our thought process. The team is excited both at V-Mart as well as on Unlimited. It will be very important for us to look at the success of the integration. Definitely there is an integration which is there because we are acquiring the team, we are taking over the team. We are ensuring that we don't lose even a single people out of the whole process. We are ensuring that there's a good collaboration which happen and there are a lot of good resources here which could be also used for our V-Mart overall India business. That's how we are looking at it.

There are there will be a lot of questions and a lot of analysis and a lot of surveys that we will do to come to some conclusion and strategies. But right now, for the next one season until the festival we will want the team to operate the way they're operating. We will just want to help them to just achieve more than what they have done in the year 2019 because last 2 years have been disturbed. So, year 2019 we want to grow from there. That's how we are targeting right now. There's lot which will come and we'll keep talking over it. But yeah, very open to hear few comments and few feedbacks or maybe some questions that you have. I'm ready to answer those. Thank you so much. Open the house for questions please.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Tejas Shah from Spark Capital.

Tejas Shah: I'll first start with the question on which you briefly touched upon. We all, at least I believe that we have seen V-Mart as a very pragmatic, conservative retailer in the country which has survived the test of time. Now philosophically how should we see this acquisition changing our stance on that conservatism because in past also when analysts have asked you these questions and on aggression coming from regional players and you have always said that there's a huge opportunity, there's no need to be in haste. From that perspective or from that philosophical standpoint and now when this acquisition how should we see whether the stance has changed or is it just a part of broader vision where nothing changes on conservatism but it is value which was there to be grabbed and you grabbed it. So just wanted to understand philosophically first.

Lalit Agarwal: Thank you for picking up. My philosophy most of the people on the call must be understanding, I remain very conservative. But I should be watchful of myself that too much of conservatism also doesn't help because ultimately there is a large opportunity in India and Bharat is growing,



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Bharat will grow. That opportunity also we cannot miss out. For us the next 5 years is going to be the big game changer and big game changer for India, for the consumption sector segment in India. We need to get prepared for that. As we have been growing, we have always been growing at 25% at a CAGR level and there is one step up that we need to take. But yeah, I will not call it aggression. It is a very good strategic move. As you all know we have been working towards building our processes, building our organization structure, building the technology on the backbone, so as to grow better and reach to more customer and more population and give them the kind of value and the kind of brand salience that we have always created. It's a part of the strategy. We've always wanted to look up to in today's world. Definitely when there are more value retailers now and every conglomerate wants to get into value retail. Getting right property at the right location in some areas were getting little difficult without your brand image because ultimately being only in the Northern side we were a little regional player. We wanted to get into this and this gives us a very good base. Believe me, the kind of investment that V-Mart would do when it opens a store, we are doing it right now lesser than that. We are not acquiring any legacy; we are not acquiring any old stock. We are only buying their new stock which is salable and which is selling right now. We have taken a very conscious call, very strategic call and still conservatism is there. It is a part of the philosophy. Definitely this is a good asset which was available. It is all about perception, the way you look at it and the perception get built because of the operation in the kind of team, in the kind of value systems, in the kind of approach that they had taken up. So, definitely it is not going to be so easy. It is going to be challenging and we definitely accept and we always accept challenging situations whether going into a smaller town or a virgin city or a virgin area. We have always seen that from V-Mart we have always taken those challenges and we have always met our expectations there. This is how we will do it; we will work to our fullest and we'll try to prove that this is also something that we could do. This becomes a very good initiative for us to get into this particular geography which was very difficult for us to getting then.

Tejas Shah:

Second, Lalit ji you spoke about that this brand has been around in fact if my memory serves me right, it has been there for (+20) years. In fact, one of the first wave of retailers in India. And then it also got reinvented from Mega Mart to Unlimited. There have been multiple interventions by the previous team also was made to revive the format but somehow it did not respond. So, what is your read because you said that you were actually engaging with the idea for almost more than a year. What is your read in terms of what can be done in term to revive the format or is it that the Southern India is slightly different market in terms of regional competition is very high as we understand versus perhaps East India or North India where we operate currently? So, if you can give some sense of why (+20) years of history has not made a difference in terms of because the team was able then also to turn around the format and the competitive landscape in Southern India versus where you operate today?



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Lalit Agarwal:

So Tejas I mean I will need more time to understand that but yeah, as I said in the initial part also and Arvind accepts that they are coming from a brand philosophy, the overall culture in organization, the overall team in the organization, the building in which their offices are, they were all driven through brand concept. That is not something which value retailer could drive. So, there is some change in the thought process. Yes, they've tried this with Unlimited brand for the last 5 years within Unlimited also, they've taken multiple view and there is some change that they started almost 2 years back called Saral and some part of that was successful but because pandemic hit them and it was not possible for them to actually experiment that nicely. I would still give the team a good success rate. I would not want to demotivate them. There is a lot of effort that the team putting. There is definitely some understanding that we have got about value, about the procurement of those particular value products, about the taste of the customer in the mass and the middle-class because that customer has a little different taste which definitely these brand players yet have a difference of opinion on understanding that taste. That's what is something which is key to the team of V-Mart which has been populated by the consumer themselves because consumer has taught us what do they want and you've got that data base which is what we will implement. It is not about any fault. It is only about that particular small fabric, the texture of the fabric which has to be understood and that is the only small difference. Whenever the customer starts feeling that texture the customer is going to come and then crushingly come and I can tell you it is a very well managed store. They have very good store interior; the team is good. I've gone through the stores and I've seen that. It's only about the not the texture, the feeling, the kind of product lines that is to be offered and the kind of value which has to be offered which is very important. As I always keep telling that even 5% or 10% price up for them pinches them. That is what we have to do. Every money, every money asked from the customer has to be proven. It has to be worth the goods. So that's what we will work on. We'll work on all those efficiencies which will drive this particular business to profitability.

Tejas Shah:

And the last one on brand, will you preserve brand as a Southern India brand or will you cross-pollinate, V-Mart can be at a much entry price point level and Unlimited you can play at slightly premium level or both will have a geographic area defined and they won't step into each other's area? How would the brand progress from here, both the brands?

Lalit Agarwal:

No Tejas as of now we are very clear and very focused and we don't want to step up on two boats. We will remain on our boat and we will definitely only focus on V-Mart and we will try and change this brand Unlimited Stores to V-Mart. It may take some time. We will not give a jerk reaction. In the meanwhile, we'll also do some survey, understand what the Unlimited loyalty is, how well are their customer connecting to it. But largely we want to make one nation one brand. We want to only focus on one area. We don't want to defocus. We don't want to have different strategy. There can be strategies at the store in terms offering, in terms of the communication, in terms of the ways of services that is given but not from the product, not from the name itself because name definitely has not given so much of benefit to Unlimited team or



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Arvind Group. So, I don't think that it has been very profitable on from this name. So, there will be some risk and there could be some time and some marketing money which has to be spent but largely it should be customer driven and once the people find the value it will be a mouth publicity which will drive. Even if we will make V-Mart brand much more stronger than it is.

Moderator: The next question is on the line of Shirish Pardeshi from Centrum Capital.

Shirish Pardeshi: The question I want to understand, yes you have tried to explain there is a change of thought in your mind and then you are taking a big risk. I just wanted to harp on what makes you confident? I mean yes, brand is excited, you are getting into newer geography and there is an opportunity which is there but it's a U-turn from our strategy which we have been harping cluster base strategy, getting into new areas. Of course, consumer is evolving and we have been seeing the evolution of consumer in rural markets also. I just wanted to understand what makes you confident I mean yes, there is the opportunity which is good, you have got asset at your terms, that's very good? But more importantly what is it that you found that you will be able to quickly change the wheel while the plane is running and then you will make success out of it?

Lalit Agarwal: So Shirish whether we'll come to this market to excite you, so that how do those Lungis turn into Denims and those Dhotis turn into Churidars and Pajamas. We will definitely explore that's how India is moving. That's how the world is moving. There's definitely, there's lots to be done yet. I still feel that the Northern territory the Eastern territories there's a lot of retailers who was working here compared to this part of the world. They are also evolving. They are getting aware and there is no change in strategy. There's no U-turn, sorry. It is once again falling into our cluster philosophy. It is falling into that mass premium, basic value retailer philosophy. There's no U-turn except the fact that yes, 74 stores on a day we opened, maybe a little different from our strategy but someday we need to take that risk of acquiring more. As we have not done in the last 1.5 years, we have not opened too many stores, 20 stores so backlog was also pending. So, there's something that we have done. I know the organization is very well steered to take up that and we are also adding some additional team. So, believe me Shirish, definitely it is not going to be very easy. As you rightly said on the running wheel, on a running plane how do you change the wheels? So, there is going to be a little difficulty. We will definitely have to strategize it well. We will make that project plan. We will build that and have that breakdown structure and align everyone together so that we are able to carefully do it and it is not that we are changing all the wheels. There are some one or two things that we need to do better which will definitely improve. It is the new season. I mean definitely this particular festival season anyway the old purchase orders which have been raised by this team those products will come. But from the next spring summer '22 onwards we will see some new range coming in. We will definitely start giving customer not a jerk, will not give them a shock but we will slowly and gradually move more into value product provide them some additional stuff give them some good product give them the best of services which V-Mart gives in all our stores and try to become closer to them,



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go closer to them reach to those particular areas where still there are virgin towns where organized players itself are not reached. There is lot of opportunity in those markets where we could go and explore and do our businesses. There may be some stores where we may fail, there may be some areas where we will not be able to succeed and we will take those calls as we take for our existing property or as we take call for our new store that we opened up. Still not all our new stores are so successful but there are mistakes that we do while doing an organic expansion also and similarly we within those 74 stores there may be some store which is not repairable and then we were extremely fail there. We will take that healthily but the base is that this particular ground gives us an entry into this particular world wherein some of the stores that we are acquiring from yes may have to get exited after 2 years if it is not performing as per our standards but tomorrow, we will replace them with new store and new additional properties which is going to be very important. So that's what our thoughts are around and there's no magic that Lalit Agarwal or V-Mart team has but yes, we will try and work with our own basic philosophy and our basic value system that we have.

Shirish Pardeshi:

While I have a follow-up, now you have more to chew on your plate with this acquisition. Does that mean that standalone V-Mart the growth in the number of stores and expansion which we have banking on we'll take a back seat for next 1-1.5 years?

Lalit Agarwal:

That's the beauty Shirish. So, the team right now there has not taken any fame in acquiring these 74 stores. So, the business development team, the project team sitting on that fence right now is on their job. They are still on their plan their business plan of trying to open 40 to 50 stores in this particular. They are moving in their speed this team which is a different team which has been working here and there is a good team which could also grow we would need some guidance if we will integrate both the teams and we will take the right call at the right moment. Definitely from next year onwards the growth plan as we always do, growing at 20%-25% CAGR from our square-feet perspective or revenue perspective is what we will see from a combined entity perspective. If we had 200 stores, we used to grow 50 stores and then we will effort 250 stores we have to grow 55-60 stores. Now when we have 350 stores we will go little more in terms of number of stores. That's how we will do but we will take our time consolidate make this workable, make them profitable and then go for the aggression.

Shirish Pardeshi:

My second and last question on the profitability part, we have seen that V-Mart has been benefited because it was a non-metro markets and the rentals are cheaper. The skill-set manpower is also at a lower end while we see that 45% of the revenues or the stores are coming from the T1 or maybe semi-metros for unlimited. How this marriage is going to work on the numbers in terms of profitability. I mean I'm looking some qualitative understanding because Unlimited has not made any money for us while company. What is it that you have low-hanging medium to short-term leavers which you are banking on and maybe if you can guide how this business is going to turn profitable? I mean what are the timelines which you are looking I mean



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I do accept that you have a backend sourcing and you have a very strong control on the vendor management and that all is I'm considering but if we can highlight some of the things which you think is certainly possible.

Anand Agarwal:

I got the question and I understand the apprehension that the cost structures and the revenue model will need to get tweaked to a certain extent but rest assure that we have spent a lot of time when Lalit said that we have spent almost 1-1.5 years and understanding this I think we have evaluated this opportunity from every angle possible before taking this very thoughtful decision. It is not only in terms of new store expansion; it is also in terms of assessing our own capabilities whether we can chew this new fruit or not. To that extent I think the very low hanging fruit that we are looking at is how we can maximize the efficiency of existing running stores by small simple tweaks which can let's say improve the sales per square-foot even by Rs. 50 or Rs. 100. That alone can make a big difference between the already running profitable store level EBITDA positive stores to a slightly higher level of efficiency. Apart from that I think there are multiple interventions that have already been thought through in terms of how we can change or how we can adapt to certain different forms of assortments or different forms of marketing or different forms of approaching the customer, so that we are able to bring in certain more level of efficiencies. I will not want to really dwell into too much of details but the simple thought that we have kept for ourselves is if we can without disturbing too much of costs but if we can just inch up probably 5% or 10% on the sales per square-foot and sales through foot per store I think that alone is going to be the very-very big difference and looking at the opportunity at hand and looking at our experience in some of the newer markets that we had already got into in the last 2 to 3 years, namely let's say Northeast which was a new virgin market for us and also some parts of let's say Rajasthan and other parts of Madhya Pradesh which were also new territories for us and where we implemented some of these new measures that we have brought up in the last 1.5-2 years which has like value dialup and also the fashion dialup concepts. We are very confident that there are some changes that can be brought about in the medium to long-term. We will not bank or we will not commit that something is going to change in 1 month or 3 months but we'll definitely work towards a long-term plan to make it a very integral part of a one India one V-Mart family and make sure that throughput and the efficiency across the organization remains at optimal level.

Moderator:

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

Percy Panthaki:

I just wanted to understand your thought process on acquisition. We have made this acquisition is the reason that we did not have a footprint in a certain state and this gives us a footprint and that's the rationale? I mean that definitely is the rational but is that the only case in which you would consider an acquisition? So, supposing if you were to get an asset at a reasonable price in your existing geographies would you consider that or would you say that for the existing geographies your philosophy is to grow only via organic growth?



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Lalit Agarwal:

So, as you must remember that I have been always telling whenever the question about inorganic were asked that we will never taking a new thing only four additional square-feet. We will only take up something which is kind of inorganic when we get some additional strength when we get some strategic strength, but then in terms of the understanding of geography or permutation in the geography or a team or the kind of know-how. So we are getting some of those but because of their legacy on textile, fashion, the team that they have developed as you have congratulated Kulin Lalbhai and the team at Unlimited for developing a good team which is a scalable kind of model. It's all about tweaking the taste understanding giving them the input on the mass retail, on the value retail people on the customer segment and then tweaking those seasonality product lines, the kind of product we should offer, the kind of cost at which we should develop those products and then otherwise I think there's a team which is in place. There's a definitely to occasion where there's a lot of service which is given to a good number of customers. A lot of customers are already they are attached with that particular location and that particular store and also there's a relationship with the team has. So, there are a lot of those inputs which has compelled us and in the past 3-4-5 years believe we have got all sorts of proposals that there are all sorts of assets which were available when we never jumped onto something which is not beneficial on to us. We are open with we are looking at it but now we've got a good team we will only focus on this. It was definitely some virgin territory, some states that we had to go in, grab or at a time 74 stores which could have taken the company another 1-1.5 years or 2 years' time. We've got 2 years of that time which we would have lost while opening and we would have also got that particular no testing or the failure cleanliness because even when we would have opened, we'd also closed-down some stores where we would have also done some mistakes. So, all those mistakes are now wiped out and we are getting the cleaned-up property right now which we can just focus and then bring in our value systems and our philosophy to make it better. So that's the whole concept. It is not something that anything which comes to us on that particular area we could have taken at the same cost.

Percy Panthaki:

Secondly just wanted to understand basically you said that you will be rebranding these stores as V-Mart and I also understand that I guess the product portfolio would also change right? Right now, they are selling some of our brands etc. and you would bring in your private labels focus lesser on the brands etc. So, I just wanted to understand two things from this, one is what would be the timelines for these for changing the brand name and changing the portfolio and apart from the regional tastes and preferences difference you will bring the portfolio in line with what is typically a V-Mart portfolio. So, what would be the timelines for these two changes? And secondly how quickly do you think you can bring the store economic in line? So what I mean is first of all, what is the difference in the sales per square-feet between your stores and what percentage difference how much lower it is? Secondly the gross margin I mean the loss which you have right now in these stores will it be by bringing up the gross margin or the gross margin is already satisfactory and you just need to bring up the sales per square-feet and the operating leverage will bring it into profits, so these two things please?



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Lalit Agarwal:

I mean definitely I'm not a palmist or a forecaster who would forecast well, but yes we will definitely inch up towards that and we will never give a jerk as I said, and we don't want to give a jerk so we will take time. We will do those changes primarily in the new season starting next year from calendar year 22 and then these particular 3-4-5 months balanced we will want to just explore understand the internal pieces, work on the integration, work on those new collaboration, set up the processes and then do those kinds of changes. But yes there is the gross profit is in line but largely it is more about the quantity being sold. We are more a volume driven organization, volume driven retailer and we want to sell more volume that is our focus more on value. We will focus more on attracting or selling more to the same customer or getting more customers and getting more cash from those. That's what our strategy will be but how do we drive more volume in this particular time how do we bringing more customer frequency, how do we try and attract the relatives and multiple occasions that they are disclosed in. We will focus more on getting the youth audience in the store because right now we see there is some lost youth audience it is still we could explore getting more of them and we will explore getting more of young families where in their kids where offerings could get increased. So, there's some strategy that we will use so that we are able to attract and give the customer a little more experience, so that we could attract little more customers who have still not been able to explore Unlimited.

Moderator:

The next question is from the line of Resham Jain from DSP Investment Managers.

Resham Jain:

Just one question on the transaction terms, I think what has been mentioned is that there is certain contingent payment also on certain milestones being achieved over the next few years. If we can just give us some more color on that will be helpful.

Lalit Agarwal:

So, there is no additional payment that they want it if there's a success in the brand or in the success of the store. So, what we have agreed is, right now the sale per square-foot is a little low and as V-Mart's almost sale per square-foot per year is around 9000. What we agreed that above a certain amount of sales per square-foot if the 74 stores start performing then for the next 2 years, we will give them 2% of revenue and they'll be some 1% on the revenue on third year, so something around Rs.30 crores if we earn money out of this particular acquisition and this particular brand on this particular type of store in the next 2-3years. That's the philosophy that we have taken up. There's no immediate cost right now. It is all variable and it is only aligned to a particular benchmark when it is achieved.

Resham Jain:

Just another question is on you have highlighted in your beginning commentary because Unlimited has multiple brands within the store because then a lot of customers I have visited several stores in the past. There is a lot of affinity towards some of the brands within Unlimited which have become popular over a period of time despite being a private label over there. How



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will you manage such kind of approach of customers or will you keep some of those brands as well along with the Unlimited within the stores for some time?

Lalit Agarwal:

As of now there are these labels which are available there is a purchase order which has been raised on these labels. As I said we don't want to work on multiple labels and then there is a various strength that they have on those product lines. We learn from those it is more about the product that has been delivered to the customer on those brand names. The moment we are able to deliver a better product or the similar product at a better price wise the customer is going to be sticking to the same and as I have always been telling you that it is more on the store brands that one has to rely on, rather than relying on the product brand. For V-Mart the philosophy and for that customer segment it is more about the store from which you are buying and it is not the label that you're buying. So our belief has always been that the customer should trust the brand, the store brand not the brand and there is a legacy attachment with a label which has been varying day in day out and that will remain for some time. We will also not immediately switch over but over the period we will want to offer what is best coming out of V-Mart and that once again the same trust is going to develop and better trust can be developed for a much wider audience is what we expect.

Moderator:

The next question is from the line of Varshit Shah from Amroc Capital.

Varshit Shah:

Some of my questions have been answered, but for the earlier comment that **(Inaudible) (48:08)** I think they have faced inventory issues; their inventory was much larger than what we used to have. Can you speak on the working capital front how is that different and how will it change post acquiring these stores to the current V-Mart network?

Anand Agarwal:

There is no substantial change in the way we operate. I think from a business model perspective even the current set of stores and the current business operates in a very-very similar kind of structure. There may be some difference in the payable days etc. but I think once we take over these stores, we are going to integrate everything as per the V-Mart way of working. In any case we have not taken over any liabilities as part of this acquisition. So everything starts afresh from day zero and thereby the working capital cycle etc. should not be substantially different from what it is for V-Mart as of now. Because we have taken a very limited control or the investment in the inventory there will not be any substantial difference in the days of inventory for the V-Mart company as a whole and I'm not anticipating any big significant change in the overall way that we manage the working capital and cash flow going forward as well.

Moderator:

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

Lalit Agarwal:

Thank you for everyone for coming on this call at a short notice and we cherish this discussion and we look forward to this discussion again. It is going to be a very-very interesting move that



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we have done and there'll be a lot of involvement which we'll go over in the next 1 year. So wish us all the best and definitely we are going to come out in with good colors flying colors. Thank you so much. Have a great day all the best.

Moderator:

Thank you very much. Ladies and gentlemen on behalf of IIFL Securities Limited that concludes this conference. Thank you all for joining us and you may now disconnect your line.