



PRICE "LESS" FASHION

Ref. No. CS/S/L-571/2022-23

1<sup>st</sup> June, 2022

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

**Sub: Transcript of the Conference Call held on 26<sup>th</sup> May, 2022**

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and amendment thereof. In reference to our letter dated 23<sup>rd</sup> May, 2022 (Ref. No. CS/S/L-561/2022-23) intimating you about the conference call with Analysts and Investors held on 26<sup>th</sup> May, 2022, please find enclosed the transcript of the aforementioned conference call.

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

CIN- L51909DL2002PLC163727

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



“V-Mart Retail Limited  
Q4 FY2022 Earnings Conference Call”

May 26, 2022



**ANALYST: MR. PERCY PANTHAKI - IIFL SECURITIES**

**MANAGEMENT: MR. LALIT AGARWAL - MANAGING DIRECTOR – V-MART RETAIL LIMITED**  
**MR. ANAND AGARWAL – CHIEF FINANCIAL OFFICER - V-MART RETAIL LIMITED**



*V-Mart Retail Limited  
May 26, 2022*

**Moderator:** Ladies and gentlemen, good day and welcome to V-Mart Retail Limited Q4 and FY2022 Earnings Conference Call 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 hand the conference over to Mr. Percy Panthaki from IIFL Securities. Thank you and over to you, Sir!

**Percy Panthaki:** Good morning everybody for this Q4 and FY2022 Results Call for V-Mart. We have with us from the management Mr. Lalit Agarwal - Managing Director; and Mr. Anand Agarwal – CFO. So without any further ado, I would like to hand over the call to the management to take us through their presentation and after that we will have a Q&A. Over to you, Sir!

**Lalit Agarwal:** Good morning. This is Lalit Agarwal, Managing Director of the company. Thank you all for being here again. We are seeing good times coming in and there is definitely a lot of hue, buzz and cry or a lot of traffic that we are able to see in almost all the cities, all the towns. Most of the mobility is becoming normalized and we are able to see a good chunk of people moving around across cities and across towns and also people doing holidays and we are able to see schools and colleges getting opened up.

Things are coming back to normal people are definitely getting more focused on their work, people are getting little more focused on what they were not able to do. Not relaxing a little bit or not bringing out time for the leisure right now. So, this is the time to work hard. So that is what we see in most of the cities and towns.

Definitely times are much more dynamic with respect to the job market, with respect to the overall inflation; with respect to a lot of lot of external risks which has got involved post the Ukraine War. So, I think even the customers or even the entire market is very, very agile, very, very dynamic, very, very reactive if I would say. So, people are very, very aware of what is going on in the markets, they are definitely taking much more informed call, in terms of the kind of manufacturing that the vendor should do, the way they should procure, the price they should procure, or the way retailers are opening stores and then the consumers are reacting and then the consumers are also not going all out but yes there is a watchful approach that we are seeing from the consumer end.

Largely post the last quarter I think we have got a lot of lot of business back post the Omicron it was the first month of January we saw Omicron dampening this spirit a little bit and that came back little fast in the month of February but yes it did impact almost 35 to 40 days of mobility and movement across cities. But yes, I think largely in the last quarter we



*V-Mart Retail Limited*  
*May 26, 2022*

saw a good festival of Holi and Holi was celebrated very well for the first time in the last two years and we also saw Eid getting celebrated in the month of May and so April was we were able to see some good crowd at the store, we were able to see a lot of movement in the shopping market.

I think things are coming back overall consumption is getting a little impacted because of inflation. There is a pressure of inflation in the markets especially people who earn below Rs.25000 per month they are feeling the pinch of the inflation. There is an additional dent of somewhere between Rs.2000 and Rs.3000 on their pocket which is almost turning out to 10% to 15% of their earnings and that was primarily is what they would have saved or they would have used for their discretionary pieces. So, there is some level of demotivation for those particular lower strata of the customer segment and we are able to watch that, I did visit a lot of markets I did go to some of these towns.

Towns where we are seeing where the GDP per capita income is lower we are seeing a much higher impact there of this particular inflation. The tier ones and metros have seen a better results or we are able to see much more aspirations coming out or much more consumption coming out in that particular cities some of the unlimited stores that we have in Southern India we also saw or got the good result in malls; mall stores are doing good in these particular times.

Overall what we are seeing is the K graph continues the rich is becoming much more richer and the poorer is trying to feel pressurized and becoming more poorer in his thoughts, psychologically that is how situation is, but, yes, looking at the farm income, looking at the way farm income is supposed to grow, looking at the kind of you know harvesting which is coming in the good monsoons that we are listening, we do expect that scenario to change a little bit going forward, but yes, the farmers would be little happy but still to come back to the total consumer base it will take some time.

We have seen a lot of action in the retail markets, we have seen a lot of organized retail penetrating in those particular territories or most of the areas, we have seen a lot of movement coming in right from all the conglomerates of India and some of the good interesting models are also coming not everything is getting so much benefited and not too much of success is being seen but yes still there is a lot of property acquisition which is happening in and even the online continues to do good.

Regional retailers have been fairly growing. Some of the retailers as we said earlier some other details have really mellowed down and they have stopped opening or they have closed some stores but there are a few other retailers who have still continued to open more stores and are still continuing to open primarily in the northern part of India, primarily more in



*V-Mart Retail Limited*  
*May 26, 2022*

Uttar Pradesh, Bihar is what we see some penetration coming in from their side, but largely other retailers that larger retailers are being seen across India whether it is South India or Rajasthan or Gujarat, so we are seeing all kind of retailers coming in and most of the retailers are also sizing between 6000 and 10000 square feet, so that is also a good that this model has got fortified this model has got verified and this is what everyone wants to play on.

I think everyone is feeling the pressure if we compare pre-pandemic level there is a quantitative growth, there is inflation in the product lines that we sell as we are already told. So we are seeing witnessing almost 17% to 18% of higher ASP over the last two years. So that is also impacting the customer to certain extent, the products are looking a little costlier, looking a little pricier, but yes, we are trying to work on our manufacturing side. We also took up the price rise as it is, but yes, we are doing a lot of small, small schemes, promotions on the lower price point products so that we are able to retain the lower customer base and that is what we are trying to understand because if those customers have to shop, their pockets should not get hurt. So, we have done lot of enough work now to try and penetrate into that customer base, we have also seen a additional jump in the average bill size so that is also giving us a sense that people who have some money in the pocket are coming to buy and are coming in good numbers we are also seeing good loyalty chain coming in.

Yes, there are few people who have lost some part of income in the past either last two years of pandemic or even this particular time is struggling to shop or struggling to buy more. So, effectively we still believe the consumption will surely come in, will continue. This period where the media is shouting a large loud voice on inflation and a lot of work so people are anticipating a risk, a risk on their pocket, risk on their incomes. So that is being seen.

People are not going all out to shop and especially the smaller part or the lower part of the strata. So that is how it is but overall, I think the job market as we said is also very, very boiled up, the employee levels are for us we have been able to retain but yes, the pressure of attrition is still there and there is a lot of movement which is happening all in the merchandising, the digital, all of those sides. But, yes, we have continued, our company has got the best place to work award so, we will try and do best whatever we could do to attract talent and retain talent that is how we are looking at it.

Overall, our capex plan continues. We will keep opening up stores. Our confidence on the market remains very good. Unlimited we have been able to do fairly a good acquisition Unlimited has been fairly good both in respect of maintaining its number on the P&L side as well as the revenue, we have still not been able to see a large growth there but yes a lot of



*V-Mart Retail Limited*  
*May 26, 2022*

V-Mart's products have been launched in those stores, we are able to see a change in the customer profile customers are loving those products, lots of products are being loved some of the products that we are also experimenting wherein we are trying to launch it to the market and we are doing a little more higher inventory so that we are able to do all those pilot understanding of that market what will work and what will not work. So, we will continue to do all of that but yes, I will first of all ask Anand to take you through the numbers and then we can talk about the question and answer session. Over to you Anand!

**Anand Agarwal:**

Thank you Lalit and good morning, everybody. It is lovely to be back with everyone after almost a quarter. It has been a very good recovery this quarter and with a fresh new financial year ahead of us we really look forward to an exciting next phase of growth for V-Mart.

First let me take you through some of the key highlights from the quarter and then we can open the house for questions. As far as the quarter is concerned, Q4 traditionally is the smallest quarter for any year and this year also not very different with the slight resurgence of the COVID Omicron variant, there was a slight impact in few markets particularly in Karnataka, Tamil Nadu, Jharkhand, Bihar apart from some isolated areas in other states which led to small disruptions here and there, but the silver lining was that the impact was curtailed in the fag end of Jan to around mid of February sparing the big festive period of Holi in March and as such we could see a good traction in sales as customers also came out in good numbers after not being able to celebrate any festivals or occasions for almost two years.

The other big impact as Lalit also mentioned was the significant increase in raw material prices particularly cotton yarn apart from the inflationary trends in all parts of the value chain. As a result, we were forced to pass on the full increase in cost to the end customer and our pricing increased by almost 15% to 17% if I compare over the last two years. The inflationary pressure on one hand made the disposable income smaller for the customers and also made our products slightly expensive leading to a marginal decrease in quantity but overall, I think we have seen growth because we also see a lot of growth coming in from pulps getting added. Those are comparable V-Mart ASPs for apparel almost viewed by 17% in the quarter while at a company level it might look abnormally high around 26% keeping in mind the base impact of last year and also the addition of the Unlimited business.

On a total level, sales grew by 30% supported by the 73 new stores from South India which contributed 16% to the sales mix for the quarter. The footfalls grew by 10% with average bill size going by 17% for V-Mart stores while at the company level the overall increase as I said was at 26%. This ABS increase should remain marginally higher for the south stores



*V-Mart Retail Limited*  
*May 26, 2022*

for some time fairly we get the full integration of inventory done in any case the pricing will be slightly higher in the South India stores as we try to keep slightly differentiated merchandise and also slightly differentiated pricing to take care of the higher operating cost structures in south.

Now on the margin side with increased raw material pricing the company decided to pass on the full impact onto the customer resulting in almost negligible impact on margins so far. Lower discounting and promotions, as we have also stated in our last few calls the inventory position remains very healthy because we have very less carried forward old inventory and also the EOSS period was not a very strong period because there was a fear of Omicron coming in so there was not a big amount of discounting that was required or we did and as a result the margins remain quite healthy.

Also, as a mix, South India operates at a slightly higher margin profile and therefore the gross margins remain quite healthy at around 34.9% which compared very favorably with a 30% of previous years. The high increase in margins for Q4 is actually not really sustainable in the long-term, as we have always maintained we will pass the gains if any to the customers by using it to offset either the inflationary cost pressures on the sourcing side or reducing the current prices in future. In any case the gross margins of South India at least for some quarters or at least for a couple of years will be 3% to 5% higher versus the rest of India with differentiated product offerings to offset the higher operating cost structures there.

Coming on to the expenses side almost all costs faced significant inflationary pressures and they continue to do so. Rentals in any case are higher from last year going to a) the higher cost of South India rental structures and also reduction in rental concessions which we availed during previous years. All core concessions are now over and the cost structures are now back to normal at all levels in fact with higher inflationary trends. Expenses also include marginal opex investments towards expansion of the online business which has now reached 2% run rate in the revenue share.

As a net summary Q4 ended with EBITDA 50 Crores which was up 50% over last year while for the full year the EBITDA came in at 204 Crores which is up 56%. Ind AS 116 lease related adjustments had a negative impact of 13 Crores for the quarter and 38 Crores for the full year thereby reducing the net profit for the full year to 12 Crores. The board as we already disclosed board has proposed a dividend of 7.5% which is subject to approval by the shareholders in the upcoming AGM.

On the inventory side, we remain quite comfortable while the overall inventory looks marginally higher because we have been upstocking for the upcoming festive season as





*V-Mart Retail Limited*  
*May 26, 2022*

Lalit just mentioned we also celebrated Eid for the first time in South India and April, May, June are big season months for us, so we definitely upstock for that strategically we have also put slightly higher amount of inventory in south, as we are experimenting with new concepts, the stores sizes are large, we have been expanding on the kids portfolio and also expanded the men's range particularly around T-shirts and comfort wear. The inventory days came in at 110 days majorly due to lower operating days and sales in the first half of the year and also lower days of operations for Unlimited stores. We will definitely target within the days of inventory back to around 90 if not lower at least in this financial year but, as I said I think the inventory remains quite healthy also because that we did much more buying in 2020 also in summer of 2021 because of COVID impact so that should help us in any case as a tailgate as far as the current working backwards situation is concerned.

Cash positions definitely remain very healthy. We remain debt free with almost 150 Crores of cash assets. Capex for the full year was at 149 Crores which included the acquisition of 73 stores in south and net addition of 39 stores in the other parts of India. Apart from making marginal investments around the new warehouse which is coming up.

On the online side as, I said earlier we have already reached almost 2% of run rate on the monthly revenue mix which is a very promising sign. Definitely their pressures as far as the customer acquisition costs are concerned they remain inch up higher particularly because of the increasing privacy laws on all social media platforms. We followed a mixed approach we promote a lot of traffic on our own apps while at the same time penetrating marketplaces like Amazon and Myntra and we will continue to invest behind the online initiatives with it as we hope to achieve at least 5% revenue mix in the coming years.

On the Unlimited side I think as Lalit also mentioned we have seen good progress and we are quite happy with the progress. Things are going exactly as the plan in fact better than planned because we are seeing much higher traction on the mall stores in this inflationary trend times and the mall stores are definitely showing significantly larger traction of customer footfall and ASPs and consumption sizes. We have also signed up new properties in south and we have also decided to continue with the Unlimited brand in South which has happened after a much-prolonged market research and foray. The formal decision is yet to be taken but, in all probability, we will definitely want to continue with the Unlimited brand and in fact some of the new stores which we are now planning to open in the next couple of months will be open under the Unlimited brand in south.

On the new stores we continue to build up pipeline for the new store openings. As we have maintained in the past, we will continue to grow at the historical rate of 20% plus on the base and we look forward to better that number. South as I said is doing quite well. We





*V-Mart Retail Limited*  
*May 26, 2022*

have seen good prediction on the monsoons and the feedstock realization should also come in quite strongly.

There is a transit challenge because of the monetary situation as well as the economic downturn especially in the smaller towns, but we expect the larger economy to do well and stabilize in the coming few months and thereby our aspirations for the full year growth number stays intact.

On the capex side we remain committed on the plans for the year and as I said earlier, we are also planning to set up a new warehouse on which work is just about to begin and which should get completed by the end of this financial year and I think that should help significantly in bettering our supply chain and also our online operations.

That is all from my side, I will now request the modulator to open the house for questions and then let us take it from there. Thank you.

**Moderator:**

Thank you very much. We will now begin the question and answer session. The first question is from the line of Aliasgar from Motilal Oswal. Please go ahead.

**Aliasgar Shakir:**

Thanks a lot for the opportunity, Sir. Just first question on if you can share how the LTL growth for V-Mart in fourth quarter was and you did mention that festive season was much better this time. So, if you could just share some detail on 1Q FY2023 has it turned positive impact of COVID inflation looking at all of that, I mean, how we should see the situation in the coming quarter?

**Lalit Agarwal:**

We did report a possible like-for-like in the March quarter, but, yes the base number was quite small at that point of time because we see like from pre-COVID level or even FY2021 so if I look at pre-COVID it was positive by 2% but if I look at from FY2021 which we thought was a better quarter it was negative 3% at that point of time. In the current times I think as I said April was good but still the festival has moved ahead so we have seen Eid sales coming in the month of April versus May in the last year. So overall accumulatively if we see we are still not a positive like for like growth right now. So we will still wait because there are a lot of movement in the festival and the wedding days so we will expect some bit of respite coming in the year after quarter.

**Aliasgar Shakir:**

1Q FY2023 like-to-like we are comparing with 2019?

**Lalit Agarwal:**

Yes, right now for all those practical purposes I am seeing 19% as a base number because 2020 and 2021 were both washed out in April and May.



*V-Mart Retail Limited*  
*May 26, 2022*

**Aliasgar Shakir:** Even for 4Q FY2022 I believe right because otherwise if I see I feel there is a decline from last quarter as well as 4Q FY2020 correct me if I am wrong.

**Lalit Agarwal:** Yes.

**Aliasgar Shakir:** Just few questions on unlimited. I understand we are not in a position to share numbers on the profitability for Unlimited but if you could just share some color at store level portfolio is it positive if I say on the 116 basis and Anand indicated that we are acquiring properties over there. So if you could share some color in terms of what kind of store additions we should expect in the Unlimited portfolio and just last thing there is old inventory that we were carrying for Unlimited has that been phased out are we now largely using V-Mart or else by when should we expect that to happen?

**Lalit Agarwal:** As I told Unlimited numbers have bettered and we did not see a lot of growth coming in from 2019 numbers in Unlimited in the last quarter but yes still we were positive in EBITDA and we did click positive EBITDA it will be difficult for us to share the number actually but we were positive most of our stores were giving a good response there were also few rental discounts that we had received also in the new initial part of the quarter maybe but otherwise also I think we will hit positive EBITDA do not worry about that. On the other side I think we are opening up we are planning to have the zone wise expansion plan similar as the other zones of V-Mart would have so that is between 15% and 20% addition of the base number that they have to target so that is how we are focusing on adding stores in all the zones so that is how south zone has been also given the target so we should expect somewhere between 10 and 12 stores in a year coming from south and third point of about inventory I think we never owned the old inventory we took it on we definitely did not giving back we tried to sell that inventory through on an SOR model that also I think we have been done with that and we now almost 84%-85% of our inventory is the new inventory which is coming from the V-Mart. So it is going to cover so till the last quarter it was about 60%-65% but now it will be around 85% of the inventory.

**Aliasgar Shakir:** Got it excellent and just last question on raw material cost you have taken 15%-17% increase has it absorbed all the price increases or do you think if the raw material prices do not cool off we will have to take any more for the price increase?

**Lalit Agarwal:** Yes, I mean, the last season when we when we planned for our spring summer I think post that also we have seen some price rise which has happened but now looking at the scenario it may not continue to rise so we will not take another price rise we will definitely not want to impact the customer more that is at the end of the price rise story we will want to now work on the back side to try and reduce the cost and try and work on the efficiency so that we are able to give the customer the same product in the similar price now which we



*V-Mart Retail Limited  
May 26, 2022*

already done but I think further going down we should not expect a lot of inflation coming in, in the commodity of cotton.

**Aliasgar Shakir:** Understood and we do not even expect that to have any impact on gross margin right without price increase?

**Lalit Agarwal:** Do not worry we will take care of all of that.

**Aliasgar Shakir:** Thank you so much Sir. This is very helpful.

**Moderator:** Thank you. The next question is from the line of Chanchal Khandelwal from Aditya Birla Capital. Please go ahead.

**Chanchal Khandelwal:** Good morning. Thanks for the opportunity. Lalit Ji if I look at the footfall growth the footfall growth is 10% I am just trying to understand is it the thing to be concerned about this footfall growth is including the Unlimited or this is only for V-Mart?

**Lalit Agarwal:** It is including Unlimited we are definitely seeing a lower footfall as I said there are few customers which we saw which we are realizing that who are below a certain strata of economy. We are not seeing them at all coming in or we are not seeing them in the market also so there is some impact which has happened to his household income level. So that that is one stress which we have and that is something which should come up.

**Chanchal Khandelwal:** I think as we will improve this can come back the only other point to understand is that with competition hitting up is there some footfall which is going to the competition also is it a concern because there are two school of thought one is the all these smaller players have died down in COVID so you should benefit but at the other place there is it should be over scaling up almost 100 stores per year, so any concern in the competition or you think it is just that inflation which is taking up the toll?

**Lalit Agarwal:** Definitely competition is stretching their arm. Every competitor which gets added in the market there will be some footfall which will be attracted, some footfall which will also be generated because there are still a large audience which is shopping on an unorganized market which has not come to the organized market so all of these retailers when they come in they take away some footfall from your existing basket and they also add up some footfalls and finally what happens is the new store always drives a charm for the customer, they will want to come in to go to that new store but it is all about in the later stage how much is, are they able to retain or how much are we able to pull up so that all depends upon your experience the kind of experience that you give the product experience that we provide the prices that you provide and the fashion and the quality that we provide. So it is a long-



*V-Mart Retail Limited*  
*May 26, 2022*

term game concept. There will be definitely whenever some new competitors and that we have been saying ever past and whenever there is a competitor which opens up they will attract some footfalls they will definitely take away some footfall share from our stores, but also give back going later.

**Chanchal Khandelwal:** Just one last question from my side the Unlimited the average selling price is much superior. Now any learning from Unlimited earning brands which is again Unlimited which you are going to get to V-Mart anything which you want to implement in V-Mart for your average selling price going through your margin to improve?

**Lalit Agarwal:** Definitely there is a lot of good things that Unlimited also have and where we have taken up some good things we have already rolled up also in our V-Mart store still we are watching out to for other things like as you said the partner brands so the partner brand business which we thought was not going there but now also if you focus on those they are also a good respite which is coming in good performance which we are seeing from those brands. So we are watching it very closely if there are particular product lines or if there are a particular partner brand which is affordable to our market base and our customer base because our average size here V-Mart is 8000 square feet we also have some stores where we have Kirana offerings and we also have gross merchandise which is the GM merchandise, homemart and all which is there so the space is a big constraint at V-Mart so we do not have too much of space to allow every another brand to get rolled up. So we have a very, very rightly sized model so we do not have that extra ability to add more brands but still we will keep prioritizing and we will keep seeing it together so that we are able to use the benefits of both the stores.

**Chanchal Khandelwal:** Thank you. Wish you all the best.

**Moderator:** Thank you. Next question is from the line of Nihal Jham from Edelweiss Financial Service. Please go ahead.

**Nihal Jham:** Thank you so much and good morning to the management. Sir couple of questions. Lalit ji you recently mentioned that you have obviously been to multiple stores during this quarter while you did allude to the fact that there is an improvement that is expected going forward but even the recently concluded harvest season has seen the benefit of strong prices for farmers along with obviously inflation also continuing. So between these two opposing forces what is the kind of feedback you are getting on ground in terms of is it that the improvement in farm incomes is expected to percolate into higher spending or the inflation will have an overdrawn impact in terms of consumer spends.



*V-Mart Retail Limited*  
*May 26, 2022*

**Lalit Agarwal:**

See I mean definitely as we all understand in India's climatic condition one definitely the harvest income is there right now till now they have not got the money of that harvest income they are still getting the money and maybe they will start consuming it in the June month is what we will expect something coming in but that also in India people have a little inconsistent trust or not a 100% trust over the weather so they will definitely want to retain some part of it because they are already seeing the pressure of inflation which is coming in. So that in India still the farm income and the rural customers even if they get some income they immediately do not come out and spend heavily so we will see still some setup coming in from the inflationary pressure because not everyone is a farmer who comes to our store there are large audience which is also people who work for the entrepreneurs and work for the people who are the employment generator so still I see this inflationary pressure has a huge pressure on their kitchen on their home and then beyond that I also discussed they also have got some EMIs now for the laptop or for the mobile phone that they bought because of the kids education that is another pressure that they have. So still I think there will be some liquidity pressure on those families for the next three to six months that is what my expectation is.

**Nihal Jham:**

Understood that is helpful. The second question was that you have obviously given the ASP out for Unlimited around Rs.600 now the question here was that what is the thought in terms of the ideal ASP you want to bring Unlimited to once you have complete control over the collection and the second question was that going forward is it right to assume that Unlimited will be the brand for the southern five states and for any other state we will look at V-Mart as being the brand or are we going to look at both these brands coming into some states. Just the thought on how these two brands will now play going forward.

**Lalit Agarwal:**

So as of now I did visit a lot of stores in the Southern India and I did also interview a lot of customers we are also still conducting a market research wherein we are trying to understand and do it structurally this is an overall brief that I gave from my store and what I understood that there is a good loyalty of the customer as of now and there are a lot of competitors in the market which is coming up and which is trying to create an impact and this particular brand and this kind of stores have seen a change, three times change because they had mega story in the earlier part of the story and then there is Unlimited with the different version and now they are doing at Unlimited with a different version and it is now I change once again the brand name it is too much of pressure on the team and on the customer to try and understand what exactly is this store try to offer. So that is why we have decided right now and for the period we will continue with the Unlimited brand and we are seeing good traction coming in it is all about the product lines that we have seen and we will try to offer the same but yes as of now South India is what we are trying to contain Unlimited version but no one stops us from thinking even if we have a good opportunity in the same market where V-Mart is operating why not open up that but right now I am not



*V-Mart Retail Limited*  
*May 26, 2022*

committing anything on those lines but there is an opportunity that also can be explored as the question was on if you want to like Chanchal ask me on the brand if you want to promote such kind of brands or smaller brands which are giving much more value for money how do we try to convince the customer who are getting a little more aspirational. So that is the whole thought process that we will build but as of now we are continuing with V-Mart at the rest of India and Unlimited in the southern India.

**Nihal Jham:**

Wish you all the best. Thank you.

**Moderator:**

Thank you. The next question is from the line of Percy Panthaki. Please go ahead.

**Percy Panthaki:**

Sir just wanted to understand what has been the mix effect this quarter on a Y-o-Y basis so basically what I am looking at is your average selling price would have two components one is the price increase itself and second is the mix of the products that sells. So the mix effect is it positive or negative and to what extent.

**Anand Agarwal:**

Yes, you are absolutely right the ASP is definitely a mix of the price impact and as well as the merchandise mix. So if i compare it to last year if you recall the last year ASPs had gone down because the customers had started to slightly downgrade in terms of buying more comfort wear rather than occasion wear and that is a trend reversal that we have seen very clearly right from the beginning of the festive season around Diwali and that is coming in very strongly in the ASP mix as well. So as far as the if I break down the ASP increase of roughly around 26% actually it has three components so one is the price increase that we have taken second has been merchandise mix which has shifted in all parts of the country including in rest of India that is the north part of the country as well as the south part of the country and third is the base impact of the Unlimited merchandise which any case sells at a higher ASP. So the price increase was roughly around 17% on a cumulative basis if I take the full year impact and the balance 7% - 8%, 9% is coming in from a mix of the merchandise as well as the base impact from south.

**Percy Panthaki:**

Understood sir. Secondly can you just tell us what your store addition target for FY2023.

**Lalit Agarwal:**

I think we should definitely look at a healthy store edition we have always maintained roughly around 20% on the base and I think we started around the 370 odd stores so I think we should definitely look at somewhere around 60 of which at least 10 to 12 should come in south because we work on a zonal structure and we have four, five zones now in the country. So every zone has a target to add at least 10 to 12 stores and that is what we should definitely look at.

**Percy Panthaki:**

Right Sir that is all thanks and all the best.



*V-Mart Retail Limited*  
*May 26, 2022*

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

**Bharat:** Thanks for the opportunity Sir I had a question on your capex like it would be better if you could provide us the capex breakup for FY2022 and also for FY2023 and how much have we spent on our warehouse and what is remaining on the warehouse and the other break up for the capex I will ask the other questions later.

**Lalit Agarwal:** In FY2022 roughly the 149 Crores of capex that we have done includes three components so one is the acquisition of 73 stores of which roughly around 57-58 Crores was in terms of the store cutouts for Unlimited excluding the security deposit sector and then there were 39 stores that we added in north which added another roughly around 40-45 Crores and then there were some store refurbishments of around 10-12 Crores and the balance amount was towards the land acquisition cost for the new warehouse roughly around 35 odd Crores. For the next year I think the breakup would be in two parts largely one would be around the capex on the new warehouse from which I anticipate the spend in this year should be around 70 Crores to 80 Crores and we should be looking at adding around 60 odd stores so that should take in around 60 Crores of apex on the new stores plus there would be some store refurbishments of around 10 Crores to 15 Crores apart from minus investments in digital space of around 5 Crores to 10 Crores.

**Bharat:** What we see is like that the inventory days are higher so do we see a risk of inventories given that what we say that the demand is lower so is there any inventory risk over there.

**Anand Agarwal:** There definitely will always remain a inventory risk but these are two slightly different embedded things. So the inventory days for previous year are higher because of the ASPD or the average sales per day being lower because the first half of the year was at sub scale because of the COVID impact. On a full year basis I do not anticipate the days of inventory to remain in the high range we have traditionally operated around 85-90 days and that is what we will definitely try to bring it back to there is definitely some amount of risk but I think the kind of artificial intelligence based replenishment systems and the supply chain planning systems that we use I think we should be fairly in a situation to control inventory wherever at a short notice it is required.

**Bharat:** If I may add one more question like it is about the rental expense so how much of our rental concession have we got in FY2022 and these are of 134 Crores is it including the rental concession or it is extruding that we have mentioned in the PPT.

**Lalit Agarwal:** That is excluding the rental concessions this is the net I think the rental concessions in last year should be around 13-14 Crores not more than that because the major concessions came





*V-Mart Retail Limited  
May 26, 2022*

in the previous year in the last year they were hardly any systematic disruptions or announced lockdown so therefore we could not get a lot of concessions and I think the landlords also have become very vary of giving any more concessions.

- Bharat:** That is it from my side thanks for answering the question. Thank you.
- Moderator:** Thank you. The next question is from the line of Tejas Shah from Spark Capital Advisors. Please go ahead.
- Tejas Shah:** Thanks for the opportunity. Couple of questions; first at a different point of time in your commentary spoke about competitive intensity and also some silver lining on customer sentiments there also you mentioned it is a mixed bags for now. So as we look forward to FY2023 between competitive intensity which you mentioned in some pocket it is going down some pocket it is increasing and consumer sentiments also you are hopeful about agri and other drivers there what are you more hopeful about and worried about in FY2023.
- Lalit Agarwal:** Well this is largely about the consumer spending power we are only worried about that because the inflation is throwing big numbers and people are a little worried about that so that is a big worry which is speaking about how will the customer buy and because they just have not gone up their incomes really have not gone up there may be some respite coming in from the farm income which can get translated but still I do not know will it lead to more inflation that is a question that every economist is finding it difficult to answer we do not know when is this cycle going correct and that is the biggest worry that we have right now.
- Tejas Shah:** But theoretically in an inflationary scenario consumers become more value seeking and the kind of cohort we get to do in our positioning also should not we be beneficiary of an inflationary scenario because people down trade and then we recruit more customers from above the pyramid also and obviously we recruit from unorganized as well and then what we do naturally.
- Lalit Agarwal:** We also thought this could be right but right now in this particular scenario there are two things which is happening and if you look at this job market turn and the job market turn is actually people who have been able to earn greater than 40000 or 50000 and who are in the job market they are seeing a great turn and churn and then there we are seeing almost every person is able to earn additional 20% to 30% from this job change and then that is creating a large drive within that particular base of customer who is above 50000 earning group number there I did not see that coming in but yes that is how we are seeing year one story building little better where we are able to have more customer of such base but largely our customer base lies between 15000 to 30000, 35000. So at that level we are seeing some pressures coming in.



*V-Mart Retail Limited*  
*May 26, 2022*

**Tejas Shah:** Lastly any comment or any observation on competition emerging from online value formats like Meesho is they already competing with us in the same cohort or they are still different?

**Lalit Agarwal:** Definitely this is another new competitor which has come in and not that we are able to find lot of people talking about it we did survey in the marketplaces also we did ask questions in bigger cities and bigger towns people are aware about that and people have seen that but still will they buy again from someone who already bought in from those sites we had a question asking them will they buy again from those site and their response was very big I think they did not had a great experience over the quality of the product so I do not know are those sustainable mechanisms there are these kind of win-win which comes in and we will have to just stand by our own principles with our own value systems with our own qualitative offering and we have been over all of these so these are going to come in these are loss making models they will try to bring out all kind of techniques in the market but I think largely customers understand where they need to trust on and there is a cost to service every kind of model which is sustainable.

**Tejas Shah:** Thanks best wishes.

**Moderator:** Thank you. The next question is from the line of Jignesh Kamani from GMO & Company. Please go ahead.

**Jignesh Kamani:** This time there is a write-back of shrinkage close to around 0.6% versus 1.3% to 1.5% shrinkage earlier. So our gross margin and the EBITDA margin is inflated to the minimum 1.5% to 2% because of the reversal of shrinkage?

**Anand Agarwal:** We are passing our rights. So there are two impacts one is definitely there is a reversal of shrinkage provision in the current quarter and we follow a very consistent and time-tested shrinkage provisioning policy. As I said earlier during my opening remarks that we have a very good quality of inventory very healthy inventory because we did not have a lot of old stocks therefore there is no significant additional amount of provisioning which is required and therefore we see a small reversal in the current quarter which obviously will lead to a small improvement in the gross margin having said that also because we did a lower amount of discounting and promotions because the market did not require that that also contributed to the positive upside on the margins. The third part on the margin also as I said earlier was the mix impact coming in from the South India stores where the margin structure, the gross margin structure in any case is designed to be 3% to 5% higher and therefore the combined impact of all these three factors gives us an upside on the gross margins.



*V-Mart Retail Limited*  
*May 26, 2022*

**Jignesh Kamani:** Can you quantify the South India impact will continue for next at least one or two year as well. So of the two you can say normalize or say that will continue its trend, can you quantify the impact of this?

**Anand Agarwal:** I will not exactly quantify but I think as you rightly said the first two which is the shrinkage provisioning as well as the lower discounting will get normalized in the coming months the South India impact will get normalized over a period of next one or two years.

**Jignesh Kamani:** Second thing you mentioned that right now inventory is limited because of two in South India we are expecting with multiple SKUs and in North India we are upstocking for the festival. Now since festival is over how is the current inventory level in the North India?

**Anand Agarwal:** The current inventory level is okay I would not say the festival is over as Lalit just mentioned to a few minutes back we are anticipating strong demand in the month of June because the harvest season is just about to get over and the money from the crop realizations should now start coming in. So we have not started to down stock we have not rationalized but yes we are comfortable on the inventory as I speak to you today.

**Jignesh Kamani:** Thanks sir.

**Moderator:** Thank you. Next question is from the line of Prashant Kutty from Sundaram Mutual Fund. Please go ahead.

**Prashant Kutty:** Thank you for the opportunity Sir. Just extending the question in terms of you spoke about effect of rural side of it or the tier two, tier three markets being under pressure in terms of wage growth and all. Just want to understand as you are probably moving into the quarter in terms of maybe the March month or maybe the April months and all are those things kind of changing because you also are seeing that wage growth or probably the rural income is slightly in a better standard at least the narrative is slightly changing in favor of rural so in that sense are we seeing any uptick measures over there in terms of demand that is the first question.

**Lalit Agarwal:** I fear still we have not been able to see a noticeable change in that because in the last month which is April as well as May what we saw is the impact being a little more higher and the impact of inflation is also coming up a little more higher and till the ground so because impact people all had the old inventory and people had the lower price point inventory which they are now and which is over and now people have to sell those higher priced inventory only so I think still there is an impact which is continued and government is trying to bring in some action in terms of bringing down the fuel costs and the tax rates and stuff so there will be some impact which should be seen overall coming up but yes it will



*V-Mart Retail Limited*  
*May 26, 2022*

also depend upon how does the agriculture price remain if that remains bullish we should be able to see that impact coming in.

**Prashant Kutty:**

Just an extension to this one on the other side you also spoke about the urban growth rates are much more better in that sense and the fact that in the market typically we are talking about income levels being impacted we are also seeing a lot of other retail formats actually talking about tier two, tier three markets doing well for them so you really think it is only a function more of about probably wages not kind of coming back or is the competitive intensity kind of in general heightened up because just on the urban part as well it has Unlimited been to your expectations because those are more urban centric or let us say more tier one centric segments so has that been at least in line with your expectation because when we do the math please correct me if I am wrong over here we see that there has been no SSG if I look at a two-year basis despite seeing almost a 8% to 10% kind of increase in price and if you look at the football number also football number also seems to be lower so just asking if not probably V-Mart is Unlimited at least showing those signs.

**Lalit Agarwal:**

Yes, I think we have on entire commentary whatever numbers that we have projected for Unlimited we are doing better than that and though people are achieving their targets and as we also said that especially bigger cities and especially malls have done much better and we are able to see that effect kicking in and there are multiple facts here that there is also a fresh collection which has been launched there is also a different kind of products which are being launched which is more V-martized product so there is also an effect of that plus existing those economies have done better if I was just in Bangalore yesterday there is a huge the whole IT crowd is coming back but there people are now in the market people are now trying to meet one another they are trying to party so things are moving faster in bigger cities metro cities and tier ones versus the tier three and I do not think tier three will remain far away from this so they will also pick up the same thing and it is going to be a contagious effect which will bring us benefits of the consumption.

**Prashant Kutty:**

Thank you.

**Moderator:**

Thank you. The next question is from the name of Shirish Pardeshi from Centrum Capital Limited. Please go ahead.

**Shirish Pardeshi:**

Good morning thanks for the opportunity. Sir indeed it was a very good performance in last seven, eight months we have seen for Unlimited. So I am on slide #10 where you have given the numbers so just wanted to understand what is the Unlimited sales per square feet before acquisition and maybe you want to see the exit of March 2022.



*V-Mart Retail Limited*  
*May 26, 2022*

**Lalit Agarwal:** Where are you I am not able to understand so what is this you are asking Unlimited sales per square feet.

**Shirish Pardeshi:** Yes, you have given on slide #11 sales per square feet in last year was 530 which has moved 5% and which is now 559. I am asking specifically for the Unlimited store before the acquisition in maybe exit March.

**Lalit Agarwal:** Before the acquisition I do not know how to compare that so it will be very difficult for us to compare before that we should because they was pandemic and stuff. So if we look at all of that I think we have done slightly better there in the last quarter no we have not done better we have still not been able to meet pre-pandemic level in the last quarter, we are able to do that now.

**Shirish Pardeshi:** Yes, I got what you are saying if the growth overall for the company is 5% I just wanted to understand how much higher of 560 for Unlimited maybe if you have that number handy or maybe I will take it later.

**Lalit Agarwal:** No I do not have that number handy maybe Anand will come back to you later.

**Shirish Pardeshi:** Second question on the Slide #10 you have given the FY2022 conversion rate at 63 and for the quarter it also remained at 63. I think previous participants did ask this question so what is it that top two, three things because if my memory goes right we used to be in the range of 67%, 68% and the conversion rate has fallen down I am sure you would have some parameters and measures but for my understanding if you can help me what are the top two, three things we are doing for improving the conversion rate.

**Lalit Agarwal:** Yes, I think we are very much comfortable with this conversion rate as I have been speaking also earlier I believe that at least two people come to buy something and they do one invoice but in our V-Mart scenario we have always seen that conversion rate being hovering around 65% but right now especially from South India the way we capture the footfall there and the way conversion is being noted we are seeing around 50% conversion in South India and which I feel is a genuine number which I definitely feel is a genuine number. So I think we are comfortable on the conversion rate side it is more about increasing the footfall that we are worried about and we are trying to work only on that side to try and attract more customers in the store.

**Shirish Pardeshi:** One follow-up which I was wanting to understand Anand ji did say that the margin what we have shown because of the Unlimited franchise and exchange may not remain but when I do my number quickly we have consolidation of about seven, eight months for Unlimited and



*V-Mart Retail Limited  
May 26, 2022*

then hopefully FY2023 is going to be normal what is the worry which Anand ji would have a concern that why the margin should not improve for an overall company.

**Anand Agarwal:**

I do not have a worry I think but I just stand by what our common philosophy is that we are a honest price business and we would want to give back to the customer to attract in with the best possible pricing and not really earn more for increasing our margins so we would want to remain in the 32%-33% gross margin range and this result in the EBITDA. If there is a pressure on expenses we would want to compensate back by higher volumes or higher customers but want to give back as much as possible to the customer so that we maintain or increase our rupee margin rather than percentage margin, but having said that Unlimited margins because of the higher cost base we are constrained to have a higher margin structure which we will also rationalize in the coming years as we start normalizing the operating cost as we open more new source there in the V-Mart the budget and operating structures.

**Shirish Pardeshi:**

Thank you Anand Ji, thank you Lalit Ji. I have more questions I will take offline and all the best to you.

**Moderator:**

Thank you very much. Ladies and gentlemen, we will take that as a last question. I will now hand the conference over to the management for closing comments.

**Lalit Agarwal:**

Thank you everyone, I know these are all testing times and the comparable numbers are very difficult to get reported and to chase, also forecasting is becoming very, very difficult, algorithms are failing, there is no precedence of how what base should they say, what products will work well, which products worked well in the last year versus now what is going to happen there is a change in the customer behavior, there is a change in the customer preferences. So there are a lot of assumptions, there are a lot of algorithmic mix shifts which is happening and that is how we are also being very, very watchful trying to do both from the side of inventory management, customer satisfaction as well as our operational performance getting better. So we are working on all those lines doing a lot of experiments using technology to bring out results, looking at things from a zoomed out level, looking at things from a process entity level, and bettering and then strengthening those looking at our long-range plan and then trying to also transform some of the areas so as to get higher benefits in the coming days that is where we are. Thank you once again for being on the call we will keep reporting you back. Thank you.

**Moderator:**

Thank you very much. On behalf of IIFL Securities Limited that concludes this conference. Thank you for joining us, you may now disconnect your lines. Thank you.