29th October, 2024

BSE Ltd.	**National Stock Exchange of India Ltd.**
Corporate Relation Department,	**Listing Department**
Listing Department,	**Exchange Plaza, C-1, Block- G,**
Rotunda Building, PJ Towers,	**Bandra Kurla Complex**
Dalal Street, Mumbai – 400 023.	**Bandra (East) Mumbai–400 051**
Scrip Code: 532867	**NSE Symbol: V2RETAIL**

Sub: Transcript of Earnings Call Q2 & H1 FY 2024-25 - Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Pursuant to Regulation 30 read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI Listing Regulations), please find enclosed the transcript for the conference call with the Analysts/ Investors for the Q2 & H1 FY 2024-25 Financial Results of the Company conducted through digital means on Friday, October 25, 2024 at 12:00 Noon IST.

The transcript shall also be uploaded on the website of the Company. You are requested to kindly take the above on record.

Thanking you,
YOURS FAITHFULLY,
FOR V2 RETAIL LIMITED

SHIVAM AGGARWAL

Digitally signed by SHIVAM AGGARWAL
DN: c=IN, postalCode=110094, st=DELHI, street=NORTH EAST DELHI, l=NORTH EAST DELHI, o=Personal, serialNumber=3e8894d34adc5ec70046a4e579ac34acd476836a6caa13e0b6f28c5c680199a5, pseudonym=9b2658f058514165af30f7e2c7406195, 2.5.4.20=ae587f20766a68fcc8818bf936643753a1d720dacc0b8d204c24f01473966aa0, email=CSSHIVAM1994@GMAIL.COM, cn=SHIVAM AGGARWAL
Date: 2024.10.29 16:30:54 +05'30'

SHIVAM AGGARWAL
COMPANY SECRETARY & COMPLIANCE OFFICER

Encl.: As above

"V2 Retail Limited Q2 & H1 FY-25 Earnings Conference Call"

October 25, 2024

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the Company's website will prevail

MANAGEMENT: MR. AKASH AGARWAL – WHOLE-TIME DIRECTOR, V2 RETAIL LIMITED

Moderator: Ladies and Gentlemen good day and welcome to V2 Retail Limited Q2 and H1 FY25 Earnings Conference Call.

As a reminder, all participants' 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.

Before we begin a brief disclaimer, the presentation which V2 Retail Limited has uploaded on the Stock Exchange and their website, including the discussions during this call, contains or may contain forward-looking statements concerning V2 Retail Limited business prospects and profitability which are subject to several risks and uncertainties and the actual result could materially differ from those in such forward-looking statements.

I now hand the conference over to Mr. Akash Agarwal – Whole-Time Director, V2 Retail thank you and over to you sir.

Akash Agarwal: Thank you. Good afternoon, everyone. A very warm welcome to our Quarter 2 and first 6 months Earnings Conference Call. I hope everyone has had an opportunity to look at our results. The "Presentation and Press Release" have been uploaded on the Stock Exchange and our Company's website.

Building on the momentum of a record FY24 performance, we are pleased to report a strong first half performance in FY25. Our outstanding results underscore the effectiveness of our strategic initiatives. The performance demonstrates our commitment to sustainable growth, customer delight and operational excellence. We are confident in our ability to maintain this trajectory, driving continued success and value creation for our stakeholders.

Our team of designers, merchandisers and inventory manager drives our competitive advantage distinguishing us from the competition. Their specialized knowledge enables us to design on trend products, that captivate customers, curate assortments that anticipate market shifts and optimize inventory for efficiency and sustainability. This expertise fuels our ability to stay ahead of fashion trends, meet customer needs with precision and minimize waste and maximize value. Our team's expertise is the backbone of our success, empowering us to deliver exceptional products, experiences and value to our customers.

Let me start with some key updates:

We are thrilled to start the current financial year with record half yearly sales during the first half of FY25 and a 2551% increase in year-on-year PAT.

The Company added 22 net stores during the first half of the year, taking our total store count to 139 stores. We have added another 5 stores during the current quarter taking the current store count to 144 stores. The store addition momentum will continue as we have a very healthy pipeline of upcoming stores. We have seen robust demand in the ongoing Festive Season, and we are very hopeful that the ensuing wedding season and the winter season will further strengthen our position in the areas we operate. The growth across all our stores have been encouraging, translating into a robust SSSG of 36% in the first 6 months of this year. We have been able to consistently deliver high double-digit SSSG for the last few quarters due to our customer centric and product first approach. The volume growth has been 49% in the first 6 months of the year. The full price sales contributed 91% in the first 6 months of the year compared to 85% in the last year first 6 months. We believe that our sustainable and scalable business model would help us to improve our ROCE and ROE going forward.

Now I will highlight some performance highlights for the first half of this year:

Revenue from operations stood at 795 crores, registering a growth of 61% on a year-on-year basis. Gross margin stood at 28.2% compared to 29.4% last year. EBITDA for the quarter stood at 88.5 crores as compared to 55 crores in the same 6-month period last year, registering a growth of 60%. EBITDA margin stood at 11.1% as compared to 11.2% last year. PAT stood at 14.4 crores as compared to 50 lakhs in the corresponding period last year.

Now performance highlights for the quarter:

Revenue for the quarter stood at 380 crores, registering a growth of 64% on a year-on-year basis. The gross margin stood at 27.3% as compared to 28.1% in the corresponding quarter last year. EBITDA for the quarter stood at 33.1 crores as compared to 19.9 crores last year, registering a growth of 60%. EBITDA margin stood at 8.7% as compared to 8.6% in the corresponding quarter last year. With this now I leave the floor open for questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question comes from Abhishek from ABC Capital.

Abhishek: Just wanted to know what was the cause for the loss in this quarter, like was it a conscious decision in order to get higher volume and will it happen in future going forward?

Akash Agarwal: So, it is historically a cyclical business. So, historically Q1 and Q3 are our strong quarters. But I think because our base has increased, now all four quarters are EBITDA positive which was never the case. So, we will continue to deliver EBITDA positive in all four quarters. But if you talk about PAT numbers yes, it's a cyclical business where the festive season is during Q3. So, that's usually our best quarter. Then it's followed by Q1 and Q2 is a bit muted and then it's Q4.

Abhishek: And the investor presentation showed that two stores were closed, what was the cause?

Akash Agarwal: So, one store was not profitable. We always take into contingency that if you open 100 stores we might have to shut down 4-5 stores and one store we had to relocate because we found a better flow plate and a better location in the same city.

Moderator: The next question comes from Palash Kawale from Nuvama Wealth.

Palash Kawale: My first question is on employee cost. So, our employee cost was slightly elevated in the quarter. So, if I look at the historical trends from Q1 to Q2, there's not much difference in employee cost. But this time we were slightly elevated. So, any particular reason or just store additions?

Akash Agarwal: So, like we are planning to open another 20 stores in the third quarter. So, what happens is there's a lot of recruitment that happens prior to the stores being opened. For example, there are 10 store managers already getting training in a lot of our old stores. So, there will be a slight increase in cost because of the new store openings.

Palash Kawale: So, what is the total number store that you plan to open in H2?

Akash Agarwal: It should be around 40 stores.

Palash Kawale: If I look at the size of the opportunity or potential number of towns or cities in the country, how do you see that long term opportunity or what is the particular deciding factor that you take into consideration if you want to enter a new town?

Akash Agarwal: I think it's too early to have that conversation because until unless we reach 3000-4000 stores there is enough potential because we look at any constituency that has a population of more than 5 lakh and there are a lot of Tier-I and Tier-II towns where we can have multiple stores. For example, now in Bhuvaneshwar we have 5 stores, in Patna we have 6 stores. There is a lot of scope still left. I think that conversation is once we reach thousands of stores.

Moderator: The next question is from Yash from Stallion Asset.

Yash: I just want to understand how the festive season has been like, we have already been about three weeks through October. How are you assessing the demand right now?

Akash Agarwal: I would say even in the first half of the year because we had such a good SSG last year 31%. We had projected only 15% SSSG but we performed very well and we exceeded our own expectations and we got a 34% and we have seen that momentum carry on to October as well. But a lot depends on November and December and the winter and the wedding season. But I would say, we are still doing high double digit SSSG and we have seen the footfalls also increase quite a bit. So, it's been better than what we predicted.

Yash: And as you said October come in your third quarter typically is the strongest quarter for the Company. If I look at the December 23 quarter you had grown by almost 62% quarter-on-quarter. Before that December ‘22 quarter you had grown up with 25% quarter-on-quarter. So, do you think then this quarter as well we could see, I'm not talking about exact numbers but I'm just saying that directionally you would see, 25%-30%-40% on something along those lines like a very big jump on a quarter-on-quarter basis?

Akash Agarwal: If you talk about, yes total revenues, the revenue growth should be more than 30%-35%.

Yash: On a quarter-on-quarter basis you are saying?

Akash Agarwal: Yes.

Moderator: The next question is from Ankush Agarwal from Surge Capital.

Ankush Agarwal: The first question is around profitability. So, how do you see profitability going into third quarter and for the full year, given that gross margin is something that we have seen consistently reduce a percentage or so of every quarter? And I do understand that reducing the gross profit margin but having higher operating leverage in the EBITDA margin is doable. But at what point do you believe this gross margin will stabilize and at what level?

Akash Agarwal: We have always mentioned that instead of focusing on gross margin percentage, we always focus on EBITDA percentage. So, if you look at the first 6 months, last year our EBITDA pre-Ind- AS was 16.7 crores and this year it's 40 crores which is almost a 140% jump. I think if you look at EBITDA, we have been exceptional and going forward we always guide that we want to reach 10% pre-IndAS EBITDA levels in the next 2 to 3 years.

Ankush Agarwal: Any idea on how much you will be able to reach this year FY25?

Akash Agarwal: This year our EBITDA guidance is about 120 crores, pre-IndAS.

Ankush Agarwal: The second question is around store addition. So, for the last two-three quarters we have consistently seen, you are exceeding your store guidance. Now this quarter you are saying that you are going to add another 40 stores in H2. So, you would be exceeding your earlier guidance of 50 stores in FY25. I wanted to understand at what point of time do you think that you will curtail the store expansion? Because beyond a certain point aggressive store expansion will obviously put constraint on operating leverage, your cash flow and working capital requirements. And over time the SSG itself is going to taper off from the current high level. So, that itself would not allow lots of operating leverage on existing stores to put more new stores. So, at what point do you think you will curtail this aggression because given the guidance of H2, you will probably close FY25 with around 50% store growth?

Akash Agarwal: Yes, but if you look at the last 4 years it was a period of consolidation and there wasn't much growth and we did not add a lot of stores. We were focusing on strengthening our model. We were focusing on strengthening our product and now we see the results of the hard work that we put in the last 4 years. So, now we feel like if we get a ROE of around 20% then we can easily open 50-60 stores in a year. I don't think it's a very ambitious number and that is why if we get a good location and even the new stores, the base is much higher now. So, 2 years back the new stores used to do Rs. 600 per square feet per month but now even the new stores have a base of Rs. 900 per square feet per month. So, we don't want to keep money in the bank when we have the management bandwidth and the merchandising bandwidth to be able to open 50-60 new stores with internal accruals because we are not leveraging our business in order to open these stores. I think it's a very realistic and a target that we can easily achieve without compromising on business metrics.

Moderator: The next question is from Varun Singh from AAA PMS.

Varun Singh: My first question is on the productivity improvement revenue per square feet number is quite good for us right now. But on this front like how do you look at how much scope is left for improving this number further from the current level of maybe Rs. 900,000? That's my first question.

Akash Agarwal: If you talk about scope, we have like I think more than 20 stores that do more than Rs. 1,400 per square feet of sale also. So, I think the day we feel that each and every option or the whole assortment in our store is best in class, best in the world that day we will be able to tell you this is the potential that the maximum per square feet sale that a store can do. But I don't think we will ever reach a day where we feel we can't do anything better in our assortment. So, like I said, even with the 31% SSSG last year, we are showing a 34% SSSG this year. So, there are a lot of stores that are already doing Rs. 1,400 per square feet. They are also growing at 20%-25%. I don't think there's a gap to this number. But yes, our first target was to reach Rs. 1,000 per square feet of sale which we will do. I think we will exceed that this year. And our next immediate target would be Rs. 1,200 per square feet of sale per month. But if you talk about potential, if your product is world class and if you sell products at the margin that we sell which is best in the industry, it's only a 55% markup and we are selling 91% of our products at full price then the sky is the limit. There's immense potential.

Varun Singh: On Rs. 1,400, 25% SSG if we are able to do it so then like 1,750 is the number and if we do into 12 so that Rs. 20,000 odds per square feet annual. That number is quite good. And secondly on the product development front, what are the key markers for us with regards to what are we doing currently to keep the team at the best in class, if you can maybe want to highlight anything on that front.

Akash Agarwal: Every product has four main attributes. It's the design, the fabric, the color, the fit. So, it's getting all four correct. So, even if you get three of those right and one wrong then the product doesn't sell. So, in terms of product development, it's all about research, it's all about who your inspiration brands are, what kind of fashion you are following, what kind of brand identity you are trying to create. So, like it's very hard to put into simple words but there are N number of processes that the team has to go through. Whether it's using some paid tools in order to get what colors forecast is there for the next season, what kind of fits are going to sell in the next season, what kind of new fabrics are going to sell in the next season. So, it's a mixture of using data, leveraging data in order to see historical trends as well as forecasting future trends and creating assortment with the best blend of both of that.

Varun Singh: So, that's about the product development and about the team?

Akash Agarwal: We have almost a 40-to-50-member team and all the crucial people have been given retention bonuses and they are all linked to the profitability of the Company. They all have incentives also that is linked to their targets. So, it's a healthy situation to be in.

Varun Singh: Actually, what I meant was like maybe how many foreign trips etc. that the team would be doing or like what are the activities that they are doing to which is leading to this fantastic revenue per square feet numbers, etc. So, I was I just wanted to maybe….

Akash Agarwal: I don't know the exact number of trips but the team travels.

Varun Singh: Not exactly I mean but anything on that front.

Akash Agarwal: So, there's both international and national brands that we follow and there's a lot of international I would say sourcing in terms of accessories and fabrics, which is very important to create the latest fashion. So, when I say research, it has to be done internationally and domestic both and all the division heads, they travel they see what's going on, what's the new trend and that's how we design our new season.

Varun Singh: In any of our location is there a Zudio store nearby and if yes how has been the performance of the store in that location? That's my last question.

Akash Agarwal: I think we share almost 20 stores where a Zudio is within a 3–4-kilometer radius next to our store. But we haven't seen any sort of significant impact due to Zudio opening because our ASP is Rs. 260-270 whereas Zudio's ASP exceeds 500. So, the customer class is different. There might be an overlap but it's very small overlap and India is a big market where more than 80% is still an unorganized retail. So, it can easily accommodate 4-5 big national level players. But of course, it of course depends on who's executing their plans well and what kind of a niche are you targeting and what where do you position your brand.

Varun Singh: For these 20 stores our revenue per square feet would be more than Rs. 1.000 per month?

Akash Agarwal: I would have to take out the average. But now the Company average is more than 1,000. So, yes, I think it will be more than 1,000.

Moderator: The next question is from Chintan Shah from JM Financial Family Office.

Chintan Shah: I just had one question. If you see right now the scenario, everybody is looking to add capacity or add stores and within our segment or slightly originally in the premium segment. So, I just wanted to understand this is not from the next three to four quarter perspective but slightly medium term. What's giving us confidence that considering the end customer we cater to which is sensitive to macroeconomic factor. So, what's giving us the confidence that we add such stores and beyond three-four quarters as well? Basically, such demand trend will continue and we won't see a situation of something like that happened in FY18-19. We started adding stores and gradually we saw store numbers declining and then something or other that helps us and then we get impacted. So, this time just wanted to understand what is giving us the confidence that we won't face a similar situation across the industry and for us as well.

Akash Agarwal: So, the biggest change I would say is the business model itself and we completely reinvented ourselves. So, in FY18-‘19 were essentially doing a commodity business where there was no product differentiation, there was no competitive advantage. You could find the same designs or similar products in other stores. So, there was no brand identity. So, now the work that we have put in the last 4 years, now it's a completely different business model. So, it's a product first approach. And if you talk about value fashion and fast fashion, it's a global phenomenon for the last 10 years, if you look at brands like Shein, if you look at brands like Pretty Little Liars, Primark, so this is a segment which is not cyclical as a sector. There will always be value conscious customers and in India the middle class is booming. So, there would never be a time where we would not have a customer base. The customers that we're targeting is anyone who earns between Rs. 10,000 a month to almost Rs. 70,000-80,000 a month. So, that covers almost 80% of India. So, if you talk about the business model then like this because the Gen Zs have a very different shopping habit where they are looking for affordability and the frequency of purchases have also increased. So, it plays into our strengths and the confidence comes from the fact that we have been able to increase our per square feet sale from I think it was 680, 2 years back and now this year we will do more than 1,000. So, it shows that the acceptability of the product is there and the customer is actually seeing the value that they are getting and they know that the kind of quality that they are getting in V2, it's an unmatched price. So, everybody understands value and especially India there are a lot of value conscious customers. So, that's what gives us confidence that it's the result and it's the footfall growth, it's the revenue growth, it's profit growth. And the best thing about this business is the same bandwidth can handle 100 more stores because you essentially have to just plan the same number of options. So, we want to leverage our existing team, the foundation that we have laid and that's why we want to expand now because the last 4 years were a period of consolidation, and it was a period of reinventing ourselves. It was a period of working on increasing our per square feet sale and working on the product and we feel we have been able to do a good job in that and that is why we feel now we want to increase our footprint.

Chintan Shah: Just one follow up on that. So, if we see all the other organized players also, even they are trying to do is getting more into private label sales. That is what they are trying to. My biggest concern is as they increase the store count over next 2 years basically, then does that value proposition or the increased competitive intensity could hamper our SSSG growth? And as we put more stores actually the numbers that we're looking at probably that could be lower and that could impact our overall financials.

Akash Agarwal: It's not about who does private labels or who does product development. Even if you look at the best brands in the world like if you compare Zara to any other brand, it's not like Zara has a different process. Everybody does product development but it's how you do it. And at the end of the day, it's the assortment that you put in your stores. So, we feel, and the numbers say that the assortment that we have is much superior to our peers. So, it's not that anyone who increases their private label contribution or product development is going to get an SSG or it's going to grow their throughput because like it depends how you are executing it. Because like I said even a brand who does Rs. 1200 per square feet of sale does the same process. And a brand who does Rs. 700 per square feet of sale does the same process. So, the secret sauce is not the process but the result of the output or the assortment that you get out of it.

Chintan Shah: And just one last question from my side that is on margins, this quarter when we had such a strong SSSG growth plus ASPs increased plus discounting discounted sales has been lower. Such a quarter where margins have actually been flat. Now from a next couple of years perspective when you are adding so many stores that obviously cost is going to come in and the current existing stores if I see the margins have been similar. So, while you are guiding for 10% pre-IndAS EBITDA margins, how do we reach there basically? What will drive this margin expansion?

Akash Agarwal: So, most of our costs are fixed cost. It's the fixed cost business where variable cost is a very small proportion of total cost. So, even if we increase our sales by 10%, you are essentially increasing profitability by 18%-19%. So, even in the future we are guiding for an SSSG of 10%. So, if you do the math within 2 years, we will reach an EBITDA percentage of 10% pre-IndAS.

Chintan Shah: Would not that should be impacted by the cost it will come in from the new stores?

Akash Agarwal: No, the cost would not exceed Rs. 200 per square feet per month even if you are opening new stores.

Moderator: The next question is from Harsh from Nepean Capital.

Harsh: While all my rest of the questions have been answered, the only question I had was on the store closure going ahead. So, with nearly 9 stores being closed in FY24 and 2 stores being closed in the current quarter what is our target store closure for going ahead?

Akash Agarwal: So, currently we don't have any stores that are below the line where we decide to close the store. But like I said we are opening so many new stores. So, there's always a contingency and we always take that into account that we might have to shut down 2%-3% of the stores. So, the store closure cost is about Rs. 300 per square feet because most of the fixed assets and other things can be used in the other store. So, it's a part of business and whenever we open stores we know there might be a chance that we might have to shut it down. That's about the closure rate should be about 3% to 4%.

Harsh: I couldn't really understand the contraction in our gross margins, the ASPs have improved, and the earlier participant also said that the discount rates have also gone down. But despite that the gross margins have remained slightly lower. So, the reason for that.

Akash Agarwal: We focused a lot on marketing and our marketing cost is a part of our COGS. That is why it is reflected in the gross margin. So, we have been running a lot of schemes and offers for our customers to increase the average bill value and to increase the conversion and we have seen good results of that. Going forward also like I said we don't want to target a gross margin percentage number. As long as our absolute EBITDA and EBITDA percentage increases, we don't want to focus on just gross margin percentage. At the end of the day what matters is if your sales are increasing 20% and your gross margin is decreasing only 5%, so, it's still better for our business.

Moderator: The next question comes from Yash Sonthalia from Buoyant Capital.

Yash Sonthalia: My first question is, as earlier participants also mentioned like we are upgrading our guidance of store opening, so will we be able to open those stores from the internal accrual or our debt on the balance sheet will increase for the year?

Akash Agarwal: No, it will be through internal accruals and even that the debt that we have on our books is essentially for bill discounting. So, our vendors have a facility where they can take payments and they can discount their bills whenever they want. So, we have a CC limit from the bank, and we use it because we want to be one of the best pay masters in the industry and we want to give that facility to our vendors.

Yash Sonthalia: And second question like everyone was mentioning, the competition in the market is increasing. So, many of your peers are opening more and more store like you. So, do you think this will increase your cost of acquisition of customers, like in this quarter the advertisement cost increased due to which the gross margin has declined? So, do you think structurally your employee cost or maybe your marketing cost will increase?

Akash Agarwal: No, I don't think it will increase but rather I would say as we are opening more stores, we will be able to leverage our head office and DC costs. So, going forward I think the cost per square feet will come down when we open more stores.

Yash Sonthalia: And we were doing some improvement on the inventory side in our warehousing and stock keeping units. So, where are we on that?

Akash Agarwal: What kind of improvement?

Yash Sonthalia: So, the backup stock we were trying to reduce from 30 days to 15-20 days with more orders coming on time.

Akash Agarwal: So, we have been able to increase the on-time delivery from almost 40% to 80% in the last 7-8 months by educating our vendors, by improving our T&A, by hiring a lot of QCs at the source city. And the inventory change that you are talking about, it will start to be in effect from Quarter 4.

Yash Sonthalia: What are our expectations or the ballpark number of inventory days for the upcoming years?

Akash Agarwal: We should be able to reduce it by 10 days from the last 18 months historical numbers.

Moderator: The next question is from Tejas Shah from Avendus Spark Institutional Equities.

Tejas Shah: First question is, when you see the numbers, it is largely that you have kind of countered the overall slowdown and at the same time your number also confirms the feedback that you are getting from FMCG companies that there is some uptick at the mass end of the pyramid. So, just wanted to know when you double click on your growth based by Tier-II, Tier-III and then metro wise what are the consumer trends that you are reading at overall level?

Akash Agarwal: I would say the macroeconomic factors are still a bit negative. Even if you look at the results that have come out in consumer durables and FMCG companies it's not that promising. So, I would say the growth that we are showing now is down to our own strength and the changes that we have made. So, even if you compare it with our peers, we have been much ahead. So, that macroeconomic push is still pending where the overall demand has seen an uptick. So, when we see that then the numbers will be even better because overall rural and Tier-III, it has been a bit of a slowdown in the last 18 months.

Tejas Shah: And just to expand that point, are you also seeing that your metro or Tier-I store would have not done as well as your Tier-II-III-IV stores?

Akash Agarwal: No in fact, we have almost 5 stores in Delhi now and 3 of those stores do better than national average. So, even if you have a Tier, I store the strategy around the location matters a lot. So, even in Delhi, we are located in a location called Mahipalpur, Kapashera. So, you have to be in a location where there are a lot of migrant population and there is a lot of lower middle-class, middle class customer. So, like I said the customers that we cater to is 80% of India. So, even in Tier-I there are people who are servicing the upper class. So, if we open a store there then it does well.

Tejas Shah: Second question just to get some sense on the nature of expansion that we are planning, are we focusing on deepening our presence in existing markets or are we entering new states, new markets? And additionally, if you have to just give a ballpark what percentage of expansion will be in existing states or markets versus the new one?

Akash Agarwal: I think 80% of the expansion would be in existing clusters or states that we are already presented. But yes, we are testing new markets also because the next 2-3 years we want to be a national level retailer but only 1 or 2 stores there to test the water check the local trend and strengthen our model in that particular state and then we will expand in that state. But I think around 80%-85% will be in existing clusters and states that we are present in.

Tejas Shah: Usually what is the thumb rule that we should work with, for 50 more stores how much of DC area you will need to add, or will you need a separate altogether a new warehouse to support this expansion?

Akash Agarwal: So, the figure is around like 15% you always need as a warehouse space of your total retail area. So, if you are opening 50 more stores at 5 lakh square feet, we would need about 75,000 to 1 lakh square feet extra for that.

Tejas Shah: This will be brownfield or you will kind of zero down on a new location?

Akash Agarwal: So, currently we are servicing everything for Farooq Nagar. So, we have taken another DC that can support us for another I think 80-90 stores. So, like the kind of expansion plan that we have, maybe in the future we will have regional DCs where we have South DC, East DC and a North DC.

Moderator: The next question comes from Rahul M, a retail investor.

Rahul M: I had a couple of questions. First it is around increased manufacturing facility that you have, I think in the last call you had mentioned that there is a 10% to 15% cost advantage that you get for the apparel which is manufactured in-house versus what you source. I was wondering whether there is any plan to expand the capacity of that subsidiary or if it doesn't make much business sense whether you are going to halve it off and free up some capital?

Akash Agarwal: So, plans to expand the manufacturing facilities and the whole idea behind it was to get the kind of efficiency where we can negotiate with our vendors better. So, now we have transparent costs of making each and every garment and it has really helped us in getting contract manufacturing also done. So, now last year our own manufacturing constituted 20%. It's already down to 15% and it will keep going down in the future. So, we have been able to achieve the goal behind why we opened those and now we have been getting that benefit of cost by showing the kind of efficiency that we show in our own factory and tying up with good manufacturers.

Rahul M: And another question is that although last 2 years have been amazing from execution standpoint. But I think almost sky is the limit. You also mentioned earlier in the call that (+1000) stores can be reached with that as well. So, as you expand are there any special initiatives that the Company is taking to expand the management capacity or any people or HR practices to bring down the retail store attrition or maybe run a loyalty program for the repeat customers and so on?

Akash Agarwal: So, there's a lot of things always happening and there's a lot of hiring also happening. There's a lot of retention things that have happened. Like I said there are a lot of retention bonuses also. There's a lot of team building activity and the kind of training and the career paths that we have in our Company, I think that is why it's one of the best in the industry because we have a lot of examples where the sales person sees that like our retail head was a salesperson and he started from this low level and now he's a retail head. So, there are a lot of examples within the Company that motivates others in a way that they see that they can have a similar career path because there are a lot of internal appraisals that happen and I think that's good for any Company.

Moderator: The next question comes from Shreyansh Jain from Swan Investments.

Shreyansh Jain: You mentioned that your cost per square foot is about 200 bucks a month. Now if I were to think about the total store area at the end of FY25, so my sense is we will end at about 18 lakh square feet. And if I take Rs. 1,000 square feet of sale so we will do about 1,800 odd crores and like we're saying we do gross margins of 25%. So, I'm just trying to understand when you are saying 120 crores of EBITDA for the year. Math doesn't add up because you do Rs. 200 a square foot, so that's 2,400 cost, 2,400 per square foot into 12 probably. So, into 18 lakh square feet. So, that's about 430 crores of cost and you are going to do in gross margins of about 450- 500 crores. So, you actually end up with about 3% to 4% EBITDA margin. I'm just trying to understand how are we getting 120 crores of EBITDA. Can you help me understand?

Akash Agarwal: Because the gross margin that you are taking is 25 whereas the actual gross margin is 28. That's where the error is.

Shreyansh Jain: But you also mentioned that Q2 and Q4 is slightly weaker for you, so blended you think you can end the year at 28%?

Akash Agarwal: Yes, because Q3 is good. Q3 is usually 30% gross margin.

Shreyansh Jain: And in this Rs. 200 square foot a month you don't see any, so this is after considering inflation and new store expenses and all of that?

Akash Agarwal: Yes. As we open stores it should come down to 190 because we will be leveraging. Like I said there's a lot of hiring that has already happened at the head office and the store level in order to service the new stores. So, once we open these 50 stores, I think this number should come down to 190.

Shreyansh Jain: And this 190 what is your guidance for the next 2-3 years? What kind of leverage do we have in this number?

Akash Agarwal: I think it should remain at 190. So, whatever inflation we get will be set off with the leverage of additional area.

Moderator: The next question comes from Nitesh Kumar, who's an individual investor.

Nitesh Kumar: My question is for the employment front, like employment generation. Could you give me an average number of persons employed on a single store?

Akash Agarwal: It's about 35 people per store 10,000 square feet.

Nitesh Kumar: What is the approach of management like increasing the employment of in a single store or like automation near future?

Akash Agarwal: I don't understand your question. Sorry.

Nitesh Kumar: Like the management approach for increasing the number of employees or decreasing near future?

Akash Agarwal: So, I think we have been very efficient. We are focused on creating a process at the store level where we don't need a lot of salespeople at the floor to attend to the customer. Because now Each and every garment in our store is hanging. So, there's no stacking at the store where you need staff in order to set the garments back. So, that is why we have been able to run such big stores with only 30-35 manpower and I think essential manpower only now which is cashiers and the guard and the housekeeping. So, there's I don't think there's scope to reduce this further.

Moderator: The next question comes from Semanto Saini, an individual investor.

Semanto Saini: I just wanted to know that can you share the cost spend on advertisement for this quarter? Are we sharing that?

Akash Agarwal: The cost of advertisement would be less than I would say 0.5%. But when I say marketing cost, so we give a lot of gifts to customers whereas we have a lot of bill busters running at the store level where for example we were giving a bedsheet only for Rs. 99 and that bed sheet costs us almost Rs. 160-170. So, we tell the customer that if you buy for more than 1,500 or 2,000 then you can get a bed sheet at that price where the market price of that bed sheet would be 300- 400. So, instead of advertising costs it's a lot of marketing costs in terms of kind and gifts to customers. So, that would be about 1.5%.

Semanto Saini: And with the increase in the competition, so how are you seeing the marketing cost or the advertisement cost, like it would be the same in the coming quarters or would increase and by how many basis points? If you can clarify that.

Akash Agarwal: It should be the same I think because like I said our markup is only 55%. We're already giving a lot of value to the customer, and we are passing on a lot of benefit to the customer and the customer sees that. So, our product is our brand ambassador and that's the best marketing tool, the kind of variety and the assortment we sell and the price that we sell at. So, our marketing cost will always be around 1.5% including the gifts and the offers that we give at the stores.

Semanto Saini: What is the average cost of store opening a new store?

Akash Agarwal: The CAPEX required is Rs. 1,000 per square feet. So, for a 10,000 square feet store it's 1 crore.

Semanto Saini: What would the average square feet size for a showroom?

Akash Agarwal: Average what?

Semanto Saini: Square feet like what would the size of a showroom?

Akash Agarwal: The average store size is 10,000 square feet.

Moderator: The next question comes from Abhishek from ABC Capital.

Abhishek: What kind of PAT number are we targeting internally this year?

Akash Agarwal: We targeted pre-IndAS EBITDA of 120 crores. I think PAT is 55% of that. So, it should be about 60-65 crores.

Moderator: The next question is from Paramjit Singh, an individual investor.

Paramjit Singh: Mr. Akash I am a pretty old shareholder. I want to understand if you open a store now how long does it take to reach per square feet sales of 1,000 vis-à-vis a situation 2 years ago?

Akash Agarwal: So, 2 years back our Company average was 680 and new stores did Rs. 550 to 600 per square feet per month. And now the Company average is more than 1,000 and new stores the base is around Rs. 900 per square feet and historically we have seen it takes about 18 to 24 months for a store to mature. So, when we see the cohort, we see that the stores that we opened in the last 3 years are growing at a faster rate than the mature stores. So, it takes about 2 years for them to come close to those stores.

Paramjit Singh: So, you mean if you open a store now it will take 2 years to give you per square feet sales of Rs. 1,000 per month?

Akash Agarwal: No what I mean is, so going forward like I said, so this year we will do more than 1,000 and going forward next 2 years our target is Rs. 1,200 per month per square feet sale. So, the maturity period is 2 years. It depends on the Company base. So, when the Company base becomes 1,200 then it will take 2 years for those new stores to do 1,200. But now the stores that we opened 2 years back they have reached a 1,000 after 2 years this year.

Paramjit Singh: And one more question from my side. I want to understand, do you have any plans for fundraise, QIP? I mean your competitor Zudio opens 200 stores every year last fiscal year and maybe this fiscal year as well. So, if you have everything set, processes defined, groundwork done over the last 4 years, why not accelerate more and open 200 stores in a year with some QIP fundraiser and all that? Are you thinking on those lines?

Akash Agarwal: No, we're not thinking on those lines because of course like when you grow at that pace it comes with an added bit of risk. And we feel we have only implemented maybe 20%-25% of the vision that we have for our assortment. This is just the beginning. So, I think if we reach that magic number of Rs. 1,200 per square peak per month and ROE of 25% then we might think on those lines and currently we feel we're still undervalued. I think maybe in a couple of years this would change.

Paramjit Singh: One more thing, one of your competitors also got into beauty segment, I mean Zudio Beauty and all they have opened. So, in the longer term do you see this value conscious market will also expand for you beyond apparels and maybe some more categories as well? How do you foresee the future for V2 Retail?

Akash Agarwal: See we can't predict the future but right now we don't have any plans to dilute our focus in any other category or even premiumization or any other brand. We want to focus on this, increase the footprint because there's immense potential just in this model. Maybe in the future when we feel this is getting saturated and we have the bandwidth to expand into other categories or models, we would think about it. But right now, there are no plans.

Moderator: Our next question is from Kushal Goenka, an individual investor.

Kushal Goenka: What kind of post IndAS EBITDA number that we are looking for FY25?

Akash Agarwal: Even the projections that we make we don't do post-IndAS because pre-IndAS only makes sense to us. So, even the investors and internal targets, everything is pre-IndAS, all the reports are pre-IndAS. So, we don't even make the number for post-IndAS.

Kushal Goenka: And second question would be since Q2, do you think from next year like FY26, Q2 we can see a positive PAT because since we are growing and if we get the operating leverage, so can you see a positive PAT from Q2 next year?

Akash Agarwal: Yes, definitely can be. But the first target was to be EBITDA positive and for all four quarters which we will achieve this year. But then the next target would be PAT positive in all the four quarters. So, hopefully by next year we can do that as well.

Moderator: The next question is from Manav, an individual investor.

Manav: Can you give the store addition for the H2, how many store are you going to add in the H2 of this year?

Akash Agarwal: So, I already mentioned it, we would add around 40 stores in H2.

Manav: And so can you give the sales driven guidance and the same store sales growth guidance for this year?

Akash Agarwal: So, first 6 months it was 34% and I think for H2 our target is around 15% to 20%.

Moderator: The next question comes from Bhagyavanth Reddy, an individual investor.

Bhagyavanth Reddy: I just wanted to know the current ratio of stores that are profitable and that are burning. So, how many stores are profitable and how many are in loss right now?

Akash Agarwal: So, we don't have a single store right now which is a loss. I think it's the first time in the Company history.

Bhagyavanth Reddy: I had another question on our manufacturing. All our manufacturing is done in India or some part of it is overseas?

Akash Agarwal: It's a very insignificant amount., like most of it is from India. But we are exploring Bangladesh as an alternate.

Moderator: The next question is from Vinayak Kariwal from Xponent Tribe.

Vinayak Kariwal: You mentioned that you were basically doing commodity in '18 and '19 and now you have your brand identity. I wanted to know what the unique selling is proposition? So, if we imagine a Style Baazar or various other value retailers compared to a V2 standing there, why will a customer enter a V2 and not the other players? Will it be the unique pricing of the product or the store experience? So, what's the focus you have there?

Akash Agarwal: So, historically people used to follow brands or buy brands because they found something different or they found the latest trend or whatever that celebrity is wearing or whatever the fashion influences are wearing, they always found it found that product in that brand and that's why they were willing to pay higher for that particular assortment. But now like I said because of fast passion and because now the cost of making the garment is not a lot but the brand markup is almost 500% to 600%. So, we want to bridge that gap where our markup is only 155%. So, the cost to MRP multiple there's a huge difference. So, we were just taking feedback from our customers and one of the customers said I bought a Levi's t-shirt for Rs. 2,200 and I'm getting a better t-shirt in V2 for Rs. 300. So, when people thought about brands earlier, they thought because it's at a higher price it means it is a better product which is not true. It is a higher price because it has a higher markup. So, when you say why would a customer walk into V2 because they will be able to find the latest fashion, the best fabrics, the best colors, the best fits and they would get that product at a 55% markup. So, that's the unique selling proposition or that's the value proposition. But like I said we have only been able to implement maybe 20%-25% of the product assortment that we want to have. And the day we reach 100% like I said the sky is the limit and it will be amazing, whoever is able to do that actually in India.

Vinayak Kariwal: So, you think if a store near you could do a lesser markup or provide a higher value proposition maybe your competitive advantages would suffer?

Akash Agarwal: So, it's not just about the markup. Like I said again it's assortment as well. Anyone can sell at a lower price but you cannot talk about assortment in words. If you actually visit a store versus our competitors then you will see the difference and numbers say and numbers talk. So, everyone can say that their assortment is better than the other but at the end of the day it's the customer who decides. And like Zudio has N number of competitors from Aditya Birla, Style Up, there's

Style Union, there are N number of competitors. But if you walk into Zudio it will always have 5X the customer than any other closest competitor. So, until unless you visit the store and see the product, it's very hard to put into words that what the customer is getting different because it's not like they have different margin strategies or Zudio is selling at a much lower price than its competitor. But it's the assortment, like I said four attributes of a product. You have to get all four correct. And you have to do that for 3,200 designs. So, at any given point of time at any of our stores there are 3,200 designs and 3,200 SKUs. So, it's all about assortment.

Moderator: Thank you. Ladies and gentlemen, we would take that as our last question for today. I would now like to hand the conference over to Mr. Akash Agarwal for closing comments.

Akash Agarwal: Thank you everyone for joining on the call. We hope we have been able to answer your queries. For any further information we request you to get in touch with Marathon Capital, our Investor Relations Advisor. Wish you all a very Happy Deepawali and New Year. Thank you.

Moderator: Thank you. On behalf of V2 Retail Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.