Ref. No. CS/S/L-768/2024-25 **20th May, 2024**

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

Sub: Transcript of the Conference Call held on 15th May, 2024

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and amendment thereof. In reference to our letter dated 6th May, 2024 (Ref. No. CS/S/L-759/2024-25) regarding the intimation of the conference call with Analysts and Investors held on 15th May, 2024, please find enclosed the transcript of the aforementioned conference call.

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

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

Thanking You,

Yours Truly
For V-Mart Retail Limited

MEGHA TANDON
Digitally signed by MEGHA TANDON
Date: 2024.05.20 10:36:02 +05'30'

Megha Tandon
(Company Secretary & Compliance Officer)

Encl: As above

"V-Mart Retail Limited Q4 FY 2024 Earnings Conference Call"

May 15, 2024

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

MODERATOR: **MR. VARUN SINGH – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to V-Mart Retail Q4 FY '24 Earnings Conference Call hosted by ICICI Securities.

As a reminder, all participant lines will be in the listen-only more. 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 phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Varun Singh. Thank you and over to you, sir.

Varun Singh: Thank you, Neha. On behalf of ICICI Securities, it's our pleasure to host Q4 Earnings Conference Call of V-Mart Retail Limited.

From the Management side we have today Mr. Lalit Agarwal – Managing Director, and Mr. Anand Agarwal – Chief Financial Officer.

I will now hand over the call to the Management for their "Opening Remarks," post which we will have the floor open for Q&A session.

Over to you, Lalit sir.

Lalit Agarwal: Thank you for being on the call.

Things are looking a little brighter. A lot of mobility is being seen in the market. So, there is a lot of action in the market, a lot of movement of political parties, election hoardings, lot of gossip in the market, lot of media watch. So, some real good actions coming in, real politics getting discussed at the ground level. But yes, definitely it is also bringing up some confidence boosting measure for the consumers. And the customers seem to be looking a little more confident.

We are seeing some betterment in terms of the way we would look at consumption or the way we would look at their future income also. And when we speak to a lot of consumers, the potential or the propensity for them to consume more looks a little more better.

Definitely there are few things that we are seeing and observing in the consumer sentiment. A lot of GenZ thought is coming in, a lot of youth consumers are being promoted. Even the government is also very, very clear on the fact that there is a big percentage of voting population which is youth, so a lot of programs and a lot of initiatives for the youth is getting discussed. So, the youth is being pampered a little more, youth is being pampered both by the administration, as well as by the market or by the consumers or by the companies. So, I think a lot of initiatives are being launched for targeting the youth. So, we are seeing some better consumption from youth also coming in.

Plus, we are seeing some change in consumption pattern also. Like what we witnessed is that people are spending, people are coming out to spend but they are still spending on little lower price point products compared to the higher price point products that they used to. So, there is some change that we are witnessing. And we are also seeing some change in what we call the exclusives and premiums or the brand businesses being a little more muted, a little more lower versus the lower price point products. So, there are some of those changes which are clearly being witnessed across the market and that is something which is setting the base expectation of the customer at a lower level saying that, okay, I will need this T-shirt, or I want the shirt, but I will only need it at this kind of price. So, that's the kind of mindset of fast fashion that the consumer is trying to focus on, but definitely not leaving aside the quality aspect.

Inflation has also been very, very controlled in this particular quarter and we have seen good response, so prices have really gone down or have remained muted for even food and the staple products which used to be higher in the entire two-year period. So, there is some respite and there is also some confidence which gets generated because of that. The rabbi crop we know will bring in good results and is definitely going to create a better impact on the rural market and the farming sector and the farming dependent self-employed sector also. So, we are very confident on that fact that the agriculture income should also bring in some kind of higher mobility in the consumption space as well.

The weather seems to be quite okay. We are hearing that the monsoon is going to be good, so we do not expect any kind of disturbance in the monsoon. So, that is once again going to be a good news, because earlier two years we have seen bad monsoon or little weaker monsoon in Uttar Pradesh and Bihar which had impacted some part of the consumption also in these states in the past that we have seen.

Overall, geography wise we see some good response coming in, some triggers started coming in even from markets of Uttar Pradesh where it was very muted for the last one year. We are seeing some betterment in the months of March and April; April has been a little better. We are seeing some betterment also in the states like Madhya Pradesh, Rajasthan which has been reeling under pressure for the last six-eight months. So, some triggers are being seen. These are very early indicators, so we cannot really tell you, but these are some indicators.

Southern India also, we are seeing on the high price point the ticket items it is going low, but in the low price point ticket item it is definitely being accepted more and consumers are coming in. So, consumers at the base of the pyramid or the lower part of the pyramid, they are definitely coming back now. We are seeing better footfall in the market. We are definitely expecting the festive which went in the month of March as well as in the month of April, we saw some good footfall coming in. We saw lot of customers who were earlier in the midst not coming in, some of those customers returning back. We also saw a good sales which is coming from repeat customers. So, that particular site is good, definitely new customers' rate of growth has not been too.

But yes, I think there are also enough competition which is now in the market, definitely lot of stores have opened up. So, that competition spree continues, we keep hearing about stores which have been opened by the competitors. And definitely we are watching them very closely. There are competitors who are performing a little better than market, and we are aware of all of those performance. But yes, there are fundamental certain levers that people might be compromising on, which could be a little shorter-term approach versus the longer-term approach. Those are some of the debates that we are doing also internally, trying to understand what are those different tactics and different philosophy that the competitor is using to attract the consumer and give them more value and give them a better fashion. So, trying to learn a lot of those.

So, for us, we have been focusing very, very heavily as on lot of those strategies of internal development and internal betterment, internal process improvement. So, some of those have started showing some results, the integration, the collaboration between the team, integrating all the departments into delivering the best experience for the customer right from the product forecasting, designing to buying to actual visual merchandising, supply chain, and then talking about that in the marketing piece. So, all of these integrations was becoming a little difficult, so those are pieces which are coming aligned. We are able to see some of those impacts.

We also have experimented largely with the GenZ merchandise. We created a small team and we have started focusing on experimenting certain lines of product which we have experimented in few limited stores. The response of those particular lines has been very good, so we feel we may expand that a little more and we will take it forward and do it a little more bigger and focus more on that particular audience which we may be losing right now. So, some of those places have really come aligned very well. We are very confident on some of these facts. So, we are trying to really focus on our internal capability, which is scalable, which is replicable, and which is sustainable.

So, those are certain things that we are trying to do, not putting any kind of steroids in the overall process so that we get certain growth just by giving more value to the customer or giving more discount to the customers. We are not acting on any of such thought processes of reducing the gross margins, working on trying to just give more value by reducing the gross margin. So, those are not the things that are sustainable, so we are trying to focus on fundamental things which gives them better experience and supply chain management to the consumer, give them great designs.

We are definitely working lot on quality; quality parameters have been improved massively in the company. A lot of work is happening on quality parameters, quality inspections. And a lot of rejections are also happening for the vendors so that is also causing a little bit of supply chain problems in the midst which caused a little bit of stress. But yes, those are fundamentally good for the long-term future, so some of those pieces are being worked out. We have also cut down bad stores which were bleeding, and which were taking away a lot of our EBITDA. So, as I also told you in the last call, there were few stores that we had flagged out, out of which we closed down almost 25 stores in the complete full financial year. And we did a lot of aggressive close down in the last quarter as well.

So, we will definitely want to continue that spree. For the time being, we have taken action on a lot of those. There are few more that we are working on. If they do not turn up, we may plan to or we may not shy away from closing them down as well because we are very, very clear that anything which is leading and anything which is causing a damage to the cash flow in the organization has to be either repaired immediately, improved, or they get the brunt of closing it down. So, some of those pieces we are working on, we will continue with our expansion plan. We are not being very, very aggressive, but we are being very, very mindful and analytical on our approach in terms of trying to open up the stores which can retain and sustain the ROE that we expect and the ROCE that we expect. So, a lot of those work is happening, being very, very selective in our approach, because the market is getting a little bit corrupted in terms of people, our competitors are trying to give a little more higher rentals and give more favorable terms to the consumers. So, some of those pieces are definitely being worked on.

Apart from that, I think we are focusing on our products very, very highly. We are focusing on those design integrations, better youth designs, some of those what we call the forward fashion, and trying to bring them a little more faster to our market. We see some of those adoptions coming in even from Tier-3 towns very fast. So, some of those things are good. If those are better, the sell through rate should be better. And if the sell-through rates are better, then maybe the gross margins and the EBITDA should be positive and should be healthy is what we expect. And we are expecting certain growth rate coming in. The growth rate has been shown in the last few months, March has been good, April has been good, May till now also has been okay in spite of marriages not being there in the month of May and June this year. So, we are still able to manage our sales of the last year, we are able to see some growth there. So, there is definitely some betterment that we are able to see which should result into a better EBITDA and better gross margin as well going forward.

So, we have closed down a lot of stores in Unlimited market also, our net count has gone down in the Unlimited market. But yes, those were the stores which were large stores, high rental stores that we acquired up as a part of the deal which we now have very clearly figured out that this is not something that we want to do. So, we are opening up stores in the Tier-3 towns of southern India. So, those stores will continue to open. We will have those little extra expansion plan in the southern market, which we feel is good and then is giving us good results and good margins. So, all of those remain good.

At the Limeroad level we have definitely restricted our losses. We are bringing in some changes in the business, the way the business is being done, the way the management is being done. So, some of those changes are also being coming in, so some of those changes will also come out in the few weeks you may learn about it. But yes, we will want to be very, very aggressive and very, very clear that the integration between the V-Mart, Unlimited and Limeroad has to happen. There's lot of omni-channel drive which has to go on. A lot of omni-channel drive has also resulted into better customer satisfaction at V-Mart and Unlimited stores, because the customers who would have gone on unsatisfied or unserved when they do not get sizes or they do not get certain product, have really got satisfied with more than 1,200, more than 1,500 orders are being generated every day from those stores where customers are clicking on certain tools. So, there is a tool called one click that we have already launched. And then we are seeing good adoption by the consumers, by the store staff.

So, that some of those omni-integrations are happening and that is where we will focus very highly on. And we will want that business to go towards breakeven, being breakeven towards the last quarter is our vision. But that looks a little difficult. But yes, that's where we will focus on and try to bring in the omni-channel business more in the online space rather than the acquisition of marketplace orders or acquisition of orders from the social media front and then pay on performance marketing. So, some of those changes we will want to bring in.

There's lot to discuss. There's definitely lot happening at the company level, lot of governance pieces, we are very highly focusing on those areas. We have been very, very conservative in our approach whether it is being on aged inventory or old inventory or shrinkage inventories or even on certain provisions that we want to take and not take, our audit committee, our board has been very good. We also introduced two new members on the board, we want to broaden our board of independent directors. So, there have been very good two resources that we have found and very, good experts in marketing and in human resource subject and even technology. So, some of those pieces we thought we had a gap in our board, and that is where we wanted some more expertise. So, we have broadened that. As your company has been very, very highly focused on bringing up the governance level, really taking it to the next level, next standard, and trying to be very authentic and very, very compliant in nature.

So, those are some of the fundamental areas. Anand will take you into the details of the results. And then we will begin the question-and-answer session.

Anand Agarwal: Thank you so much, Lalit. And good afternoon, everybody. It has been a good quarter with a good start to the festive period, both for Holi and Eid, and as Lalit mentioned, I think April also went quite well. So, we are quite excited about the opportunity ahead. But first let me take you through some of the key highlights from the last quarter and then we can open the session for questions.

So, for the quarter, sales grew by 13% with a L2L of 6%. This is probably the second or third consecutive quarter with a good L2L growth with both V-Mart stores and UL firing quite well. In fact, last three, four months in particular, almost since Diwali, I think we have been seeing a quite sort of revival, especially in the smaller towns in the Tier-3, Tier-4 towns. And especially in segments, in geographies where the last couple of years have been very, very stressed, particularly in UP and also in parts of East India we have been seeing some very good growth.

V-Mart grew by 12% along with the volume increase of 12%. And with ASPs remaining flat, we have improved or rather strategically reduced our apparel ASPs in the last one year by almost 5% to make the pricing more attractive for the lower end entry point customer. And the strategy has started to show results. This is something that we had discussed almost one, one and a half years back also, and we have executed now to where we wanted. The correction is almost over now, so the prices now today are very stable, and this is where we would want to keep our growth now to build from here.

Together with the improved merchandising and pricing, we have seen improved footfalls also in smaller towns, which is also helping us build back the sales per square feet. The sales per square feet also grew by 2%, in fact 3%, while per store inventory came down by minus 10% despite a festive build up for upcoming Eid at the end of March. The traditionally strong markets of UP and East India led the growth for V-Mart, with new stores opened during the quarter also delivering on planned revenues.

Similarly in Unlimited where we had been doing a lot of correction on the inventory clean up and also improving the merchandising in line with what the customer requirement is for South India, and also after having reduced our average selling prices by more than 20% in the last one, one and a half years, volumes have started to grow quite well. They had been growing, but the same is now also started to reflect in value growth with a strong 13% like to like for this quarter. Definitely the base, we had a significant impact in the base, but definitely the growth is very promising. And not just this, the new stores that we have opened during the year in South India under Unlimited brand have also been performing better than the legacy stores, which is very encouraging and allowing us to focus on expanding our presence in South even more.

The closure of 10 stores in V-Mart and nine in Unlimited during the quarter will further improve the overall performance going forward. As most of these stores got closed in March only, and as such the benefit on account of the expense reduction shall start flowing in from April onwards. So, more than the expense reduction, I think it is more of allocation of the right capital towards the more improving stores that is the focus that we want to create. And also send a messaging in the entire ecosystem that we are very, very focused on profitability. And any store which does not meet the benchmark, or our thresholds will come up for correction. And that is something that we are driving with a lot of effort.

Coming to gross margins, the total gross margin at 31.7% was 20 bps lower than last year due to higher old inventory liquidation, and also marginally higher inventory provisioning as well as mentioned earlier due to more stringent and more conservative norms. The norms remain consistent for the last at least 10 years and we are very particular of maintaining them. There was also a delayed winter this year, which also meant some amount of inventory that we could have sold in December, we were forced to sell it at slightly higher discount in January, but not a big impact, but very marginal impact. Inventory remains in good shape and very healthy and the sellthroughs that we are receiving for the summer season are a testimony that the inventory health is quite good. The Unlimited gross margins improved marginally, while the VM gross margins went down by 0.5% due to higher provisioning in relation to last year.

On the expense side, while the revenues grew by 13%, the expenses grew by 4% for the quarter with tighter cost control in all parts of the business. For the offline business, the revenues grew by 12%, while the expenses grew by 8%, largely contributed by the increase in power cost, particularly in South. For Limeroad, the revenues grew by 29% and the expenses reduced by 18% over last year. We have been strategically reducing the expenses at Limeroad without significantly impacting the top line by increasing the synergies and customer acquisition through the omni model being propagated through V-Mart offline stores. Lalit had talked about the one click initiative, that's a new tool that the Limeroad team had developed in the last six odd months and that has been rolled out across 100% of the V-Mart stores with very encouraging result. I think the team, the combined team of Limeroad as well as the V-Mart offline store team is very optimistic on building this up as the next vehicle of growth for both the businesses. The Omnification of V-Mart is what we will therefore continue to build and drive through the Limeroad platform.

On a go-forward basis, Limeroad expenses should further rationalize to deliver better productivity, resulting in a healthy balance sheet. You would have noticed that the Limeroad burn as well as the EBITDA losses have been coming down by almost in double digits for the last three quarters consecutively, and that's the direction that we continue to build on. As a result of all these initiatives, the quarter four EBITDA grew by 76% year on year, while the LR EBITDA losses came down by 44%. We closed 12 underperforming stores in south, which will further help improve the EBITDA in the coming years. And we also closed 13 non-performing stores in rest of India. Again, the same impact, we should see the large impact of these benefits coming in only next year, because most of these closures happened in quarter four or even a large part happened only towards the end of March.

On the CapEx side, our CapEx incurred for the year was Rs. 137 crores, with net CapEx of roughly around Rs. 120 crores. Almost 50% of this was on the new warehouse which already got operational in June. We spent out of this around Rs. 40 crores on the 46 new stores, around Rs. 26 crores on renovation of the existing stores, which is something that we took up with a lot of planning this year, and which has also started to yield some good results. Overall inventory levels reduced by 6% year on year, and the per store inventory improved from Rs. 2.1 crores to Rs. 1.8 crores at the end of the year. Days of inventory, while have remained similar year on year due to low base of last year, but otherwise at an overall level the health of the inventory, the freshness of the inventory, and the overall inventory freshness is definitely far better than what it was, at least in the last two years.

We also generated free cash this year of Rs. 44 crores with very good inventory management. On the cash side, I think we have already done with large investments. Time has now come to recoup the benefits in the coming years. So, I think that is largely on the P&L and the balance sheet side. On the new stores, as I mentioned, we opened 46 stores and closed 25. And for the next year, we still would plan to open roughly around 40 to 50 stores, with possibly some 5 to 10 stores closure not identified but depending on their performance and improvement in the current year.

So, that's largely from my side. We remain very committed to make sure that the Limeroad journey remains very strong and fruitful. Omnification, omni is something that we really want to build and that we will keep focusing on. So, that's all on the P&L and balance sheet. Now let's open the house for questions. Thank you so much.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Tejash Shah from Avendus Spark. Please go ahead.

Tejash Shah: Sir, we seem to be now working very aggressively on benchmarking our stores on terms of certain parameters. So, was just curious that what specific parameters or criteria we are using to decide whether a store will continue or shut down, A? And just if we have to kind of reflect on all the store shutdowns, are there any common threads which kind of tell you that this was the common mistake that we made in terms of perhaps regional or operational or location or merchandising? Which kind of we would not repeat as we expand because this is just a part of the correction, because again we will have to open that many stores as we go along. So, what we carry along or we will be institutionalized in our DNA, so that we do not repeat in our next batch of expansion?

Lalit Agarwal: Tejash, thanks for asking this. So, definitely every store closer there are a lot of learnings which gets captured, and when you do massive store closure you do take those learnings before also and after also. And some of the learnings are largely that certain stores which we acquired or which we leased out, which were at higher rentals, and we thought that those stores can bring in good results and will give us good sales per square feet, higher sales per square feet, some of those calculation didn't work. So, our anticipation and our working on finalizing the store location, somewhere we thought was not getting gelled up with our thought process.

Two, definitely we identified, as we had told earlier also, there were few stores that were already performing low when we acquired from Unlimited, or there were few stores that the moment we opened up after one month or two months or three months, the COVID scenario happened and a lot of those stores got fixated in those particular areas where they didn't get the first few maturity periods. And that made the whole change and slowly the inventory gets dead, then inventory becomes older, and the store footfall doesn't come in. It's more about mouth to mouth publicity and there customer comes from word of mouth. And that's how customer looks at the customer and then they come in. So, some of those things.

And then definitely few areas where we clearly identified that there are those seasonal factors or there are those particular kind of merchandise which is required in those particular areas. There may be at those times and those part of the time or the season we were little not very aggressive, or we didn't plan it very well. Or there were some challenges that we found even in the team management of stuff. So, some of those things, some learnings have come in. A lot of those learnings have been captured as a change in the SOP, change in the processes. And some of those learnings are coming in, in terms of the checklist that we have prepared in terms of they do not fall into gold brackets. So, some of those things are coming in. Thank you so much.

Tejash Shah: Sure. And second and last question, after many years we are entering a new fiscal with a very positive sentiment. So, just wanted to know your sense on ground level sentiment that is giving us this hope? Or you are also excited to regain the market share that we would have lost in the last two or three years in our retail space?

Lalit Agarwal: It is both, Tejash. Definitely only if people try it doesn't come out, it has also to be fueled by the consumer aspiration, by the demand, by the positivity in the market. So, we believe both the things are happening. Even if you have demand and if you are not performing in the right way and the right direction which the consumer wants, because it is no more a one-man land, it is a street of competitors, it is a street of multiple players which are operating on the same road. So, you have got option, customer as a whole has got the options. So, if you do not perform, if you do not produce, if you are not efficient enough, if you are not compliant enough you may lose the customer. So, that's how the result is going to turn up into you. So, the confidence is coming more from the internal parameters and the internal levers and the internal excitement that the team has. And the way team operates the culture in which the V-Mart works at, and that's something which brings the confidence.

And definitely aided with the right timing, which is there I think, now the consumer has to come back. Even the elections are going to bring in a lot of money. So, we have been watching all of those. Some of those we have seen that wherever the elections have got over and after seven days or after 10 days we start seeing good growth coming in from that market. So, some of those pieces are also being witnessed and are very clearly being seen. So, I think some of these things definitely will fuel the whole economy, because the economy was in a bad shape, it was little dumb, it was a little dull post COVID, and since then inflation and stuff. So, they never got excited. Now I think things are coming back and we should see some growth coming in from there.

Tejash Shah: Perfect. And if I may ask one more, like all the store shutdowns that we did, was there any element of any national fast fashion retailers who were specific being around in most of the store locations, or it had nothing to do with any of this?

Lalit Agarwal: As per our analysis, we keep a very, very close watch on competitors and competitor-wise store performance and stuff. So, we have been very, very clear, wherever we have seen the brand name that you mentioned those stores opening up, we have not got any impact. Only in southern India there are a few markets where we had seen impact one year back, one and a half years back. But that impact has also nullified in this particular year wherever they had stores, because they are now encroaching and embarking on their own store sales, because they are opening and cannibalizing more stores in the same territory. So, what we have found out is very, very few impact in northern India, northern India almost no impact. In the southern India there is definitely some impact that we had witnessed earlier. But I do not think, maybe three, four stores in the southern India could be because the profitability or the losses become a little more sharper or little more than what it used to be when we acquired. So, we have taken a call maybe also because of certain stores like Style Union or Zudio or some Max which got opened or which are performing better. So, some of those pieces happened in those particular territories. But other than that, no.

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

Rishi Mody: Sir, a couple of questions from my end, the first one being the number of stores that we shut down. How much of annual savings in the bottom line are we going to see from these shut downs in FY '25? And how many more stores are we planning to shut down in FY '25?

Anand Agarwal: Rishi, the annual savings which have not got factored in the last year financials would be to the tune of probably around Rs. 4 crores to Rs. 5 crores. I think large part of the closures actually happened only towards the end of the year and very, very concentrated around March itself. So, the savings should not exceed that. But more importantly, as I mentioned during the opening remarks, the focus is to ensure that we have the right capital allocation. So, we focus the energies towards more profitable and more growing stores rather than laggards. In terms of the closures for next year, there is no fixed number identified as yet. But because we are on a cleanup spree and we had closed some stores the year before and also in the last year, we will want to make sure that anything which is not meeting the threshold norms, which is not meeting our standards gets to pull up its pants and start performing, or we sort of make it to exit. So, I think not more than five to seven, but there is no number or names identified as yet.

Rishi Mody: And how many new stores are we planning to open up in the coming year?

Anand Agarwal: So, I think we should be looking at between 40 to 50, we would definitely want to open more, but let's see how it goes.

Moderator: Thank you. The next question is from the line of Lokesh Manik from Vallum Capital. Please go ahead.

Lokesh Manik: My question was just going back; we see 2018 was the peak performance year on all metrics for V-Mart. And then since then we have gone through a lot of ups and downs on the macro side and internally as well in terms of the reorganization of the company and institutionalization of a lot of departments. So, my question was, do you see yourself going back to those metrics, hitting those metrics in the next two to three years, whether it be an ad, rent, your expenses, your store metrics for that matter? That's my first question.

Lalit Agarwal: So, Lokesh, I do not want to sound too bullish. Yes, definitely we want to reach to those numbers, those are our dream numbers. But yes, we have acquired a lot of other things also in our kitty, whether it is Unlimited stores or the online retail that we have acquired. So, not everything could reveal same results, and the market is also not the same because there are definitely lot of more players who have come into the market. So, the overall percentage that you could save or the sales per square foot that it would generate will take some time, definitely the path has to be taken up and we are taking those paths. Maybe I mean at that time we had clocked around maybe Rs. 790 a square feet. So, we may not reach that figure immediately. It may take for us maybe around two years so that we go, we surpass the Rs. 725 numbers and come to Rs. 750. So, that's the idea that we have and that's what we will do. But yes, hope for good. If you guys predict and you guys feel that the market is really going to boom and the content is going to be better, maybe we plan a little more higher growth in sales and draw some more inventory and then keep those.

Lokesh Manik: Great. Lalit ji, my second question was on the gross margins. Given that you said that you have Unlimited in your kitty, and you have Limeroad, your business model has somewhat also changed in terms of moving from low price point to higher price point product. Do you then see that you need to improve a lot on your gross margins, given that your corporate structure has also changed from what it was in 2018 to what it is now to accommodate these changes? I am not really deviating from your policy of fair pricing or honest pricing.

Lalit Agarwal: No, Lokesh, I do not agree with you. We have never been in this side of the game where we have tried to surpass our overheads through our gross margin. Our overhead should be catered by our volume and our expansion or our rate of growth, or our number of stores that result into more profitability. So, I do not think we have done anything such which is resulting into a higher overhead for us. Definitely there are few initiatives that we have taken. We are also being very, very conservative and we are being very, very efficient, trying to become efficient on those areas where we had those extra slippages which were coming in. So, we are trying to be very, very focused on aligned with our customers' requirements where we have understood that they do not want us to charge more, they cannot pay more, we cannot increase the ASP. So, we cannot increase the gross margin also. We will have to definitely deliver better and better quality. We have to deliver the best fashion at the prices which are most effective and the best prices in the market. So, definitely percentage of gross margin cannot go up, and we will not target that. We will definitely want to target higher volume and more rupee gross margin from the same store. That's our approach and that is what we should try and do, which is sustainable also.

Moderator: Thank you. The next question is from the line of Bhargav from Ambit Asset Management. Please go ahead.

Bhargav: Sir my first question is that, obviously in FY '24 we have taken price corrective actions and we have seen a decline in ASP. Starting FY '25, do you think there is still any need to see any further price corrections or we are done away with that?

Lalit Agarwal: So, Bhargav, we have already commented that we have done away with all of that, we do not want to do any price correction now, but definitely there is a choice that the customer has. And as I said in my opening remarks also, the consumer is choosing a little lower price point product more versus a higher price point product. So, the mix between the product purchase or the product purchased by the customer can get a little tempered, and that may effectively resultantly be, you may see a little lesser ASP. But I do not think there should be a lot of shift, we are very, very clear on this. We have already done our part. Now we have to only put more effort as we are doing it on quality and fashion parameters, so that we are able to convert the customer more and more.

Bhargav: Secondly sir, we have seen a significant jump in terms of footfall. So, in your opinion, is the price cut the reason why the footfall has been coming in or is the merchandise change which is leading to higher footfalls?

Lalit Agarwal: So, I think there are two or three factors. The biggest factor of it is actually, I mean we have been doing it for multiple months, but still there were regions which were still not recording the right footfalls, and the way of recording the right footfall is manual. So, there are times lot of mistakes which happened. So, there is some part of correction which has resulted into some number which is being seen. But other than that, definitely as you know that there are more number of stores on the same road, the customer always keeps researching their products. So, they want to try all the stores, look at all the stores. So, the cumulative footfall becomes lower, but the individual stores do receive a higher footfall. So, some of those footfalls do come in.

And definitely when you have a little new style of merchandise or new designs of merchandise, we do see some customers who may buy after some time, but they do want to come and visit and see the product. Because the youth normally do that more and more often, because they do not have money in the pocket, they will come and see the store, research the product, and then ask my store guy to please keep it aside, and we will come back and buy it again. So, there are those pieces that also have started happening, the youth is becoming more active, and it is becoming more mobile.

Bhargav: And sir my last question is that we have seen the contribution of V-Mart rising in Limeroad's overall revenues, it is now at around 25%. Where do you think this can settle, maybe in the next couple of years?

Lalit Agarwal: We do not know, but anyway, I mean our goal is to increase only. We would definitely want to have at least one third share coming in from V-Mart revenue in Limeroad business. So, that's definitely. But yes, as V-Mart ASP is also very low, it becomes very difficult to drive profitability out of that kind of ASP. So, we are being very conscious in trying to balance those also.

Bhargav: And sir, fair to say, there's no extra discounting being offered on that channel?

Lalit Agarwal: Zero.

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

Sameer Gupta: Congrats on a good set of numbers. So, I have two questions, firstly on the Unlimited part. So, out of the 74 stores that you had acquired in Unlimited, how many are still there are and how many have you closed? And sub-question to this is, what is the margin profile of the new stores that you are opening in Unlimited right now? And this is pre-IndAS I am talking, and what is the margin profile of the legacy stores that are remaining that are still functioning?

Anand Agarwal: Hi, Sameer. So, out of the 74 stores that we had acquired, 58 stores we are still running, and this is after multiple rounds of assessment, multiple rounds of closures. So, it's not that only the closures have happened in the last quarter, last year. We closed a few stores in the last year as well, we closed a few stores this year. So, the objective is not to close everything, but the objective is to make sure that we are running the most optimal and the most growth-oriented stores. So, the new stores that we have opened, as I have been speaking for the last couple of quarters, the new stores that we have opened are giving definitely a much better sales per square feet even than the legacy stores. The difference is almost to the tune of around 15% to 20%. Now it's been just one year or one and a half years since the time these new stores have opened, so we would definitely want to wait and watch the sustainability of this delta sales per square feet. But whatever we are seeing so far is giving us a lot of hope and optimism that this is something that we would want to build further on.

The big difference also is that the new stores that we have opened in South are largely in Tier-3 Tier-4 locations versus the legacy stores which were in Tier-1, Tier-2 locations. Tier-3 and Tier-4 format is something that we have always specialized in and is also giving us good results in South. In terms of the margin profile, just because of the delta 15%, 20% sales per square foot difference, the EBITDA margins or the store level EBITDA margins in the new stores is almost at par with V-Mart, in fact, even better than V-Mart stores in general. Because the rental that we are also taking in these stores is exactly in line with what the V-Mart model is, which is roughly around 5% to 6% of revenue versus for the legacy Unlimited stores where the rental is almost 12% to 15% of revenue. So, that's the big difference.

Sameer Gupta: Sir, this whole mass of 58 stores is still at an EBITDA loss at pre-IndAS level?

Anand Agarwal: No, they are not at EBITDA loss, they are in black.

Sameer Gupta: And marginal profit I would assume?

Anand Agarwal: Yes, roughly around 4% to 5% profitability, EBITDA level.

Sameer Gupta: They have improved so much, cool. That's helpful, sir. Secondly, sir, on the gross margin bit, on a Y-o-Y basis if you look at this quarter's gross margin, it is kind of flat. But even if you compare with 2Q, generally 2Q to 4Q the gross margins do not change much. And this part of inventory correction, provisioning, etc., and ASP reductions, that has kind of continued since 2Q. So, just wanted to understand this decrease in gross margin, is it like a 200 hundred to 300 basis points decrease here. I just wanted some color on this.

Anand Agarwal: See, largely you have to also understand the base impact. See, last year the provisioning that was required to be done probably would have been done on the stocks that we would have purchased during COVID times, so one year back or one and a half, two years back. Now at that point of time, the level of inventory that we were carrying because of the covid situations was slightly lower, our inventory levels were much lower and therefore the provisioning required last year or the liquidation also that was required was slightly lower versus what was required this year. It's not a very big difference. As I mentioned in my opening remarks, the inventory is quite healthy, and we remain very much in control of how we want to drive the inventory. The freshness and the sellthroughs we are getting is extremely good and that is reflected in the same store sales growth that we are getting. So, not too much of a concern. I think provisioning is also transitory. So, it always comes back once you liquidate these stocks. So, that's not a big issue for us.

Moderator: The next question is from the line of Ankit Kedia from Phillip Capital. Please go ahead.

Ankit Kedia: Sir, three questions from my side, first is on the Unlimited inventory. In your opening remarks, Lalit ji, you mentioned you experimented with lower price inventory in South, and you have got very good response. Our check suggests that these are Unlimited branded inventory which you have done, and with only handful of stores. And if the response is good, do you think in the coming season you will roll it out across that 70 stores of Unlimited and that could further bring the ASP down for Unlimited?

Lalit Agarwal: So, it is just not that inventory, Ankit. So, definitely that is one inventory that we have experimented with, as I said about the GenZ collection, the GenZ collection that we have launched. And also, some unlabeled inventory where Unlimited is being labeled. But there are also other stuff which is in terms of the entry price point inventories, some promotional products, which are those lower ticket item which we used to do in V-Mart. But as we started earlier, we thought that in South our customer is a little different, they are more premium, we want to give them a little more premium product. Which didn't work for us in the first year, so that is why we changed our strategy, and we brought in some more inventory lined up with the similar thought process of V-Mart. And which has now clicked, and we are able to see lot of customers coming back from. those inventory. So, I think there also we have done our ASP piece, but still, it may go a little bit down. But we are definitely getting those responses by increasing the volume. And this is what we wanted and there's a good volumetric growth that we have seen in this quarter and also in Unlimited market.

Ankit Kedia: Sir, my second question is on the inventory. Even now if I look at inventory on COGS or on sale, whichever method, it is still higher compared to pre-COVID levels. Now we have invested in a warehouse also so that our supply chain efficiencies and inventory over the medium term reduces. You have spoken a lot in your opening remarks on inventory being fresh, healthy at the store level collection. Now to go back to pre-COVID levels and lower, do you think in next one and a half, two years we can aim for that? Or it will take longer now given the current demand environment?

Lalit Agarwal: Ankit, we will definitely want to do it. One thing you have to be very, very clear that before COVID we never used to have this partner brand inventory at our Unlimited stores, because there we are little liberal because those inventories primarily agreement is that you will return back those inventories if the inventory do not sell back. So, we do have a little higher stock of those inventory because the average size of the store in Unlimited is also a little larger and we want to keep those inventories. Those inventories form almost 15% of the total inventory. So, that is one big chunk which makes it a little distorted. But other than that, also I think it is more about sales per square feet, it is not the inventory per square feet which has grown. The sales per square feet have to come in line with that. And on that, I think we are on the journey, and we are on the path. So, if our same store sales growth grows and we are able to clock the sales per square foot, I think the average is going to come back. Because see, when there is a store, it has to have a particular piece of inventory or a density of inventory, that is how we are aligning. But yes, definitely we are being very, very conservative. And you must have seen that we have improved our working capital in our inventory days also year on year, and we are improving it very, very sharply.

Ankit Kedia: Sure. And so, my last question is on the Limeroad loss guidance. Last year you have met your loss guidance what you had; it's been lower than that. For FY '25 while you are cutting losses at the cost of growth now, so what should we model from a Limeroad losses perspective?

Lalit Agarwal: See, we should model that we should not go beyond 40% to 50% of the loss that we have done for the year. So, we should not do that. That's our maximum plan and we did not reach that also. So, it should be relatively half or less than half, the loss should be.

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

Shirish Pardeshi: I am just trying to read on Slide 10, this tier-wise number what we have given, it seems that Tier-1 and Tier-4 is doing better, but Tier-2 and Tier-3, we still have a problem and it's growing 6%

and 1%. So, is the number of stores what we have closed is largely in this territory, or there is some action which we are planning to take it further?

Lalit Agarwal: See, there is an improvement, as I said in my opening remarks also, there is an improvement which has started coming. It is largely from Uttar Pradesh. You know that for Uttar Pradesh and Bihar we had maximum number of Tier-3 town. So, these towns were not performing, and we were seeing lot of competition also coming in these particular territory, and also the markets were not performing in this particular area. So, some growth has started being seen, both in the last quarter as well as in these months that we have seen after the quarter ends. So, I think as the economy or as the consumption spree comes in, this is the first town which should go and give us those results. And when they come back, we should expect the consumer sentiment is back into the market.

Shirish Pardeshi: The reason why I am asking is, if I assume that the season has started well and I think if over a period of time things improve, and if this business comes in positive or much stronger, it's not difficult for us to report more than 15%, 20% growth. Is that the way we should look at it?

Lalit Agarwal: I do not want to name that, but definitely we would love you if you make it happen.

Shirish Pardeshi: No, because a larger chunk of stores are sitting in this territory, so that's why I am asking.

Lalit Agarwal: No, I do understand. I do understand and that is very, very important for us. This is the most important territory, and this is where our focus is, and this is where we are working a lot. So, we will definitely want to make it happen. But let’s see how much happens.

Shirish Pardeshi: My last question is on, in the beginning slide you have said that footfall has grown 25% and even when I look at the same store volume growth is around 5%, but Unlimited is very startling, much higher at 26%. But the same slide I am reading, our conversion rate has now fallen steadily. I mean, it used to be plus 60%, it has now come down. In pre-COVID, it used to be higher of 60%, now it is 49%. So, is there any value, because I am saying that your transaction sign and average selling price which we have already taken up action by cutting the prices. So, is there some metrics you can provide how we should monitor this number?

Lalit Agarwal: No, as I told earlier, this is largely a little bit more about the recording piece as you are becoming a little more analytical, little more into the discussion on why the conversion is not happening or why the growth is not coming in, then we are getting the number that actually we are not capturing the right footfall, the team is not capturing the right footfall, the process of capturing was a little different in a different region. So, we have standardized some of those. So, that is why some of those pieces are being seen. But other than that, I think there's also some change where we see higher, bigger family size coming in. I mean, even if they want to buy one T-shirt, they will have two, three people coming in. So, minimum rate of conversion cannot be more than 50% is what I see, because sometimes four people come and make only a single bill. So, you cannot expect that to be converted to 50%, 55%. So, I think this is a genuine conversion. It doesn't give me any other picture, but it always also tells me that very clearly, we are having good excellence over our process, and we are getting customers. And if we get customers, we will definitely convince them. As I told, the customer is becoming a little more research oriented in their mindset also, they want to come and see and then buy later. So, some of those activities are also being witnessed a little higher.

Shirish Pardeshi: No, the reason why I am asking is, Lalit ji, is basically earlier you were focusing too much and spending a lot of time in UP, Bihar. Is that whatever actions and strategy you have implemented, will it be directly that you will spend more energy on the eastern market and the non-UP market?

Moderator: Sorry to interrupt you, sir. I request you to come back for a follow-up question. Thank you. The next question is from the line of Tanmay Gupta from Motilal Oswal. Please go ahead.

Tanmay Gupta: Sir, I just wanted to understand that what could be the magnitude we need in SSG growth to reach at the pre-COVID level of EBITDA margin of 8%? Because currently existing line we could be having around 2% to 3%.

Lalit Agarwal: See, definitely it is a tough ask. But yes, we need to grow at least 8% to 10% for two consecutive years to reach that level. So, we should have that kind of growth. And then once we have that kind of growth, definitely the costs have been constrained, there is a lot of work which has been done. So, around 8% SSG growth for the next two years should bring us to that level.

Tanmay Gupta: And sir, just to understand that the V2 SSG has been very higher than valuated at. So, what extra what they are doing, just wanted to understand on that way, and what we are doing for that?

Lalit Agarwal: Tanmay, definitely we are tracking our competitors. We understand there are few good things that they have done. But yes, there are also few things which are non-scalable, non-sustainable which also they are trying to do, which we may not be immediately able to do. But yes, we are trying to put our best in improving our own standards, our own benchmark. There are a lot of learnings that we do definitely have, and there are a lot of good things that we also want to continue with our own initiatives. Yes, there are certain short term mindset initiatives where if the products are being sold at a lesser price and giving a little better offer to the customer, sometimes the customers do want to go for that. But also, as I said, quality is going to be the sustainable parameter. We will want to focus a little more on those where the results may come a little slower, but yes, those are sustainable results and we have always gone for sustainability.

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

Lalit Agarwal: Thank you, everyone. Thanks for asking very relevant questions. Your questions do motivate us and makes us more interested and analytical in terms of our approach in looking at the business. These inputs are very important. Keep giving those inputs, both online and offline. So, these are very, very important. The times are definitely very exciting. Lot of opportunity being seen in the market. We are also geared up, there's a lot of change in the management in the organization. We definitely want to continue with some changes that we need to bring in, in our management, in our teams, in our ways of working, in our behaviors. And some of those things have led us to this positive result, and some of those things will also give us a better positive result. As the size of the organization has become larger, it is not the same pre-COVID kind of organization which used to operate now. So, it has to definitely bring out its best and eye for higher rate of growth, but definitely not lose on certain grounds. So, we are very careful of all of those. We continue to be governance focused, ESG focused. We want to have a very ethical and good business practices in our organization. Great. Thank you so much for being there and listening to us.

Anand Agarwal: Thank you.

Moderator: Thank you. On behalf of ICICI Securities, that concludes this conference. Thank you for joining us. And you may now disconnect your lines. Thank you.