To,

Listing Manager	The Secretary
The National Stock Exchange of India Ltd.,	BSE Limited
Exchange Plaza, Plot No: C/1, G Block,	PJ Towers
Bandra Kurla Complex- Bandra(E),	Dalal Streets
Mumbai - 400 051	Mumbai- 400001
Symbol: EMIL	
Series: EQ	**Scrip Code: 543626**
ISIN: INE02YR01019	

Dear Sir/ Madam,

Subject: Disclosure of transcript of Earnings Conference Call for Second Quarter and First Half ended 30th September 2023 held on 03rd November 2023.

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby inform you that the transcript of the earnings conference call held on Friday, 03rd November 2023, to discuss the Unaudited Financial Results for the Second Quarter and First Half Year ended on 30th September 2023. The same is available on the website of the Company at.
https://investors.electronicsmartindia.com/earning-call-transcripts-and-investors-presentation

We request you to take this information on record.

Thanking You,
For and on behalf of **Electronics Mart India Limited**

RAJIV KUMAR
Digitally signed by RAJIV KUMAR
Date: 2023.11.09 17:08:20 +05'30'

Rajiv Kumar
Company Secretary and Compliance Officer

Date: 09th November 2023
Place: Hyderabad

"Electronics Mart India Limited
Q2 & H1 FY24 Earnings Conference Call"
November 03, 2023

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 4th November, 2023 will prevail

MANAGEMENT: **MR. KARAN BAJAJ – CHIEF EXECUTIVE OFFICER – ELECTRONICS MART INDIA LIMITED**
MR. PREMCHAND DEVARAKONDA – CHIEF FINANCIAL OFFICER – ELECTRONICS MART INDIA LIMITED
STRATEGY GROWTH ADVISORS, INVESTOR RELATIONSHIP ADVISORS – ELECTRONICS MART INDIA LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Electronics Mart India Limited Q2 and H1 FY24 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on beliefs, opinions, and expectations of the company as on the date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing the star and then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Karan Bajaj, CEO of Electronics Mart India Limited. Thank you, and over to you, sir.

Karan Bajaj: Thank you. Good evening, and a very warm welcome to everybody present on the call. I have Mr. Premchand Devarakonda, Chief Financial Officer and Strategy Growth Advisors, our Investor Relationship Advisors. We have uploaded our results and investor presentation for the quarter and six months on the Stock Exchange and Companies website. Hope everyone had a chance to go through the same. To start with, the Indian consumer electronic market experienced notable growth and development in the first half of this year.

In the dynamic landscape of consumer technology in India, the first half of 2023 has brought about a noteworthy shift. Even though there has been a minor 4% decrease in smartphone sales, their worth has risen by an impressive 12%. This implies that consumers are gravitating toward high-end devices.

The Indian consumer market is undergoing a transformation driven by evolving consumer preferences and a growing appetite for innovative products. The growth highlights the resilience and adaptability of the Indian consumer market in the face of changing dynamics. The technical consumer goods market exhibited an 8% growth in value.

Meanwhile, the consumer electronic sector saw a 13% surge in volume, demonstrating a strong market presence. The industry report illustrates growth across diverse product categories, emphasizing the prospect within the Indian consumer market. While online shopping provides convenience, it is worth noting that a substantial portion of buyers conduct online research but ultimately make their purchases offline.

This indicates a blending of the lines between online tradition and traditional offline stores, reflecting an evolving consumer landscape. Currently, our company is associated with more than 100 electronic brands with over 6,000 SKUs and has a long-standing relationship of more than 15 years with a certain number of brands that operate in product categories such as large appliances, mobile phones, smart appliances, IT, and other categories. In Q2 FY24, we have delivered strong growth of 7% revenue year-on-year and 14% year-on-year in H1 FY24.

Our EBITDA for Q2 FY24 grew by 28%, and for H1 FY24, it grew by 31%. Our EBITDA margins improved to 7.4% for Q2 FY24 and 7.5% for H1 FY24, even after opening of new stores across regions. In H1 FY24, we have opened a total of 14 stores, of which 13 are multi-brand outlets and one is an exclusive brand outlet.

Currently, we have a total of 140 stores, 127 stores which are MBOs, and 13 stores which are EBOs. Out of 140 stores, 119 stores are leased, 11 are owned, and 11 are partly owned and partly leased. As of date, we are present in 52 cities across four states.

Even after the absence of the festive period in the later part of Q2 FY24, we have managed to have a good store sales growth of 8% plus in H1 FY24 and 2% plus in Q2 FY24. The current quarter, Q3 FY24, is filled with festivities, and we are looking forward to the busiest business time ahead. We believe that our local market knowledge, supply chain efficiencies, and effective inventory management have enabled us to attain higher cost competitiveness and customer profitability.

Our customized product assortment and comprehensive product portfolio enable us to achieve better visibility, brand recognition, deeper market penetration, and an increased customer base. To reiterate, our focus lies on providing best consumer experience, better product availability and rural connectivity spreading the horizon of EMIs in all directions.

With this, I request Mr. Premchand Devarakonda, our CFO, to update you on the financial performance. Thank you all.

Premchand Devarakonda: Thank you, Karan sir. Good evening, and a warm welcome to all the participants. Now, I would like to present the financial overview of our company.

For the second quarter of FY24, our total revenue stood at INR1,313.2 crores as against INR1,227.7 crores, with a growth of 7% year on year. For H1 FY24, our revenues stood at INR3,002.3 crores as against INR2636.2 crores, with a growth of 14% year on year. EBITDA for Q2 FY24 stood at INR96.6 crores as against INR75.4 crores, with a growth of 28% year on year. For H1 FY24, EBITDA stood at INR266.6 crores as against INR172.4 crores, with a growth of 31% year on year. EBITDA margins for Q2 FY24 stood at 7.4%, and for H1 FY24, it stood at 7.5%. PAT for Q2 FY24 stood at INR37.4 crores as against INR24.1 crores, with a growth of 55% year-on-year. For H1 FY '24, PAT stood at INR97.6 crores as against INR64.8 crores, with a growth of 51% year-on-year.

Our annualized ROCE and ROE for H1 FY '24 stood at 22.1% and 15.2%, respectively. The working capital days stood at 59 days. At the end of the quarter, the gross debt to equity stood at 0.3x, and the net debt to equity was 0.2x. Further, our net debt to EBITDA stood at 0.68x.

Our cash flows from operations for H1 FY '24 stood at INR280 crores post Ind AS effect, which was INR28 crores in the previous year. If you see pre-Ind AS cash flows from the operations for H1 FY '24, it stood at INR225 crores as against negative cash flow in the same period last year. For H1 FY '24, the same-store growth rate stood at 8.4%. For H1 FY '24, around 44% of our retail sale came from large appliances, 42% from mobile and 14% from small appliances and IT. Around 99% of our revenue came from retail segment.

With this, I open the floor for questions and answers. Thank you one and all.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is in the line of Manish Poddar from Invesco Asset Management. Please go ahead.

Manish Poddar: Hi Karan. Just two questions. One is, can you help me with the mix for this quarter versus the base quarter?

Karan Bajaj: You said the product mix for this quarter?

Manish Poddar: Yes. Product mix for this quarter versus the base quarter?

Karan Bajaj: The product mix for mobile phones was around 48%. Large appliances was around 37%. Other categories like IT and small appliances put together was around 15%.

Manish Poddar: What was the same number in the base quarter?

Premchand Devarakonda: Base quarter, for larger appliances, it was 49%. Then 36% for mobile and 15% for others.

Karan Bajaj: Manish, to add on to this thing. Last quarter, there was a INR150 crores, Dussehra Diwali sale that got started on 24th of September last year. That usually is a heavy quarter. The period is heavier for large appliances and that category, televisions, washing machines, air conditioners and all put together. That is why you would see a mobile mix higher in Q2 this year versus last year. The festival period usually would be heavier on the appliances side.

Manish Poddar: So, if I have to understand this gross margin bit, if I look at the gross margins Y-o-Y, you have got about a 130-bps expansion. Mobile sale has improved by 12%, and that is a lower-margin business. What explains the improvement in gross margin?

Premchand Devarakonda: This year, we got a lot of gross margin contribution from the sale of extended warranties.

Manish Poddar: So, how much was that salience?

Premchand Devarakonda: Extended warranty for the first half year of the current year, it was INR31.5 crores as against INR18 crores in the last year. So, there the gross margin is quite high.

Karan Bajaj: Manishji, it was a blend of improvement that we have done. Firstly, as you know that definitely the mobile gross margins are the lowest. So, the growth there was there. But the emphasis on other product categories where the margins were higher plus the newer introduction of the brands together like brands that we added like Panasonic, Haier, and Blue Star across categories. Then we got a very small amount coming in from the growth of AZ as a market growing up during that quarter also.

So, it was a blend of everything that has emphasized us to enhance the margins. So, extended warranty, other actuary businesses all put together. So, I think that is why you would see an improvement in the gross margin there.

Manish Poddar: So, the bigger question is how one should look at this margins going ahead is what I am trying to understand. Because I thought generally quarter 2 margins are lower than quarter 1 if I look at the trend of the last few years?

Karan Bajaj: Yes, Very true. Historically, that is what has been happening. Usually, you would see a Q2 gross margin being lower than Q1 because Q1 is heavier on the higher margin products like ACs, Coolers, and refrigerators. But now, what has happened is that this is the extraction, this is the maximum extraction that you would see. You know because new product categories got added. There were efficiencies across all categories. The margins have been improved. So, all put together this is you know a better number that was delivered during the quarter 2 results.

Manish Poddar: Okay, one more if I can. Just on this inventory part if I look at the balance sheet, the inventory, I understand year-end inventory has ACs generally. But I look at the absolute amount INR740 crores versus INR773 crores at the year end. Despite let's say us opening more stores, there is a shift in Diwali. The lower stocking of inventory, what should one read from that?

Karan Bajaj: Sir, last year as I told you, 24th September was Navratri's first day. So, usually we pick up our stocks by 10th or 12th of September. So, last year we would see a higher stocking coming in for the Dasera period starting early last year. This year we started by the last week again. But it was not as aggressive. It was majorly only for the phones because Apple got launched during the last week of September this year. So, we picked up huge inventory on Apple. So, that was one major thing where the inventory went up. But for the larger appliances, it started as early as the first week of October.

Manish Poddar: Okay, so you are saying this number will get bumped up in this quarter.

Karan Bajaj: Yes, it is right now. If I tell you, it is bumped up little more higher to what the festival period it would be. So, it will again come down post-Diwali season. Because 12th November is Diwali. So, it might not be starting up by now.

Moderator: Thank you. The next question is from the line of Ankit Kedia from PhillipCapital. Please go ahead.

Ankit Kedia: Sir, if I look at your revenue first, thank you for giving us North and South cluster revenues separately. Now, if I add both the revenues and take your net revenue reported number, the difference would be the other operating income. Which is typically the commission income and the incentives which we get. I see there is a INR20 crores decline in this number from INR117 crores, INR118 crores to INR98 crores. Now, what is leading to this decline in the quarter?

Karan Bajaj: Sir, what has happened now is that these are incomes pertaining to the other incentives that we usually get from the brands. So, what we started doing now is we started emphasizing on the brands to give this discounting for us in the invoice itself. So, that is why you would see a lot of the invoicing going up in the invoicing itself rather than getting attributed to the other income categories.

So, over a period of time in the future also, you might see a decline in that number because the income that we would receive earlier in the previous quarters would be post-invoicing. Now, we are trying to get that in the bill itself so that we enjoy that margin upfront.

Ankit Kedia: Sir, so if I, okay, let me put it the other way. If I add this incentive in the South business because North is very small. And then if I look at x-Delhi, then the growth is only 3% in the revenues. Right? Partly could be due to the shift in festive. But what calls for only a 3%, you know, revenue growth at South Delhi than the total revenue?

Karan Bajaj: Sir, that absolute number would be around 7% if I look at that number. If I look at the Delhi contribution, the Delhi contribution was very minuscule in terms of the number. So, because it was around INR55 crores. So, I would see a hardly growth of INR20 crores–INR22 crores coming in from that region. Whereas, the total overall number growth was around INR100 crores in the absolute revenue side, not the other income put together.

I am talking about the net product sale. So, that was around INR110 crores out of which Delhi contributed around INR25-odd crores. The rest of the movements like Andhra group for us, upcountry Telangana group for us, definitely the most matured stores for us are in the Hyderabad city.

So, that is where the least growth has come in around 4%. But if I look at the overall number, the majority of growth has come in from Andhra upcountry stores and Telangana upcountry stores.

Ankit Kedia: Initially, what you said is now the brands are giving incentive in the bill itself. So, we will not see that in the operating income, we will see it in the product income only. Now, if I assume this quarter also that INR98 crores, I put that in the product income completely. And then, if I look at X of Delhi, then we are only 2.5% growth. So, that number comes to around INR1,260 crores.

Karan Bajaj: That number would not come up there, sir. That number would come in the cost. I think Prem sir would explain that better to you. I will give it over to CFO for now.

Ankit Kedia: Yes, Prem sir.

Premchand Devarakonda: I didn't get your question. Can you repeat that?

Ankit Kedia: Sir, from your revenue, if I remove INR55 crores of Delhi, I get a INR1,258 crores revenue. And in the base quarter, if I remove Delhi INR26 crores, I get INR1,202 crores. That is a growth of only 2.5% X of Delhi revenue growth. What accounts for such a low growth X of Delhi market?

Premchand Devarakonda: Okay. If I remove the Delhi from the revenue. I will give the bifurcation. I am talking about the retail sales. We will talk about revenues.

Ankit Kedia: I am talking of total revenues. I am not talking of retail sales, sir. Because the difference in the incentive is very difficult for us to calculate, right? And most of the incentive, because Delhi is a very small percentage, I am assuming that all the incentive is coming from south. And if there itself we are not seeing growth, we are seeing decline, then the absolute revenue growth is only 2.5% for us.

Karan Bajaj: Yes, sir. One second. Sir, I am just noting down the numbers. Give us a second for that, please? Can we go to the other question? Can we come back to you later little?

Ankit Kedia: No worries. I will appreciate that. Second question is about other expenses. Other expenses are broadly flat from INR72 crores to INR73 crores. What is happening in the Delhi market? While on the EBITDA front, we have turned around Delhi. But in the base quarter, how much was the expense? And now, how should we look at this turnaround or margin expansion in the Delhi market, if you can highlight? That will help us in the conclusion?

Karan Bajaj: Sure, sir. I will give you a little breakdown on the major expenses that we note down, where there was a decrease or increase. Firstly, advertising and promotion. Because coming back to the same festive period last year, we started spending money on our outdoors, print, radio, and all. So, there was a decline and definitely a decline in the Q2 versus Q2 revenue spent on advertising, which has significantly gone down. And sales promotion is directly proportionate, which are the costs that we bear with NBFC, which are directly proportionate to the increase in sales or decrease in sales. So, that was one major thing.

The power and fuel has gone up by a little, a smaller number. And apart from that, the other expenses that we bear has all the other expenditures, like maintenance and all, which would include housekeeping staff, security, which are directly proportionate to the stores, which we launched during that period, which were not operational or operation, we still had to put in security and a little manpower. So, these stores directly, the cost for the maintenance and those things have gone up because of housekeeping, security and a little manpower that we deployed for those sources. So, that was a major thing.

But the major savings came in during that quarter in the advertising front, in the marketing and advertising front, which we saved around approximately INR5 crores, which would then probably increase in this quarter because the festive period started this quarter from 15 October.

Ankit Kedia: And sir, my last question is on the capex front and store opening front. How are we looking at next six months of store opening and what will be the capex, remaining capex? Because we have done around INR57 crores of capex in the first half. So, for the remaining period, are we buying any more land and how many stores are we looking to open? If you can just separate NBO and EBO?

Karan Bajaj: Yes sir, the total IPO expense, the total IPO that we had raised initially last year, out of which INR81.6 crores is left with us in the capex head for us to spend, out of which we will be spending around INR30 odd crores by this financial year end. And so, that is the plan because we already have stores that are in pipeline, around 15 stores that are in pipeline yet to open up in the next two quarters that we are operating in.

Apart from that, there is nothing major, no major land acquisition or building acquisition left apart from the one large part of the property that we were yet to pick-up, which we had given an advance last year that we procured and finished the registration last month for it. Apart from that, everything is organic where it is on the lease model. So, that is the plan, sir. We will be opening around 15-odd stores in the coming time, sir, in the next couple of quarters, this quarter and the next quarter.

Ankit Kedia: So, we have already opened 14 stores. You are saying another 15 stores will open. So, we will end the year at around 29 store addition INR57 crores capex we have done, another INR30-odd crores. So, around total INR90 crores capex for the full year is what we are guiding?

Karan Bajaj: Yes, sir.

Ankit Kedia: Thank you so much, sir. I will wait for the clarification on the revenue.

Karan Bajaj: Yes, Ankit, thank you.

Moderator: Thank you. The next question is from the line of Disha Kansara from Molecule Ventures. Please go ahead.

Disha Kansara: Sir, somebody asked you regarding the improvement in gross margins where you mentioned the numbers of warranty. So, if you don't mind, could you please repeat that for me?

Karan Bajaj: From last year, the same quarter, the base quarter, it was around INR18 crores, which has gone up to INR32 crores approximately, ma'am.

Disha Kansara: For the quarter?

Karan Bajaj: For the H1, ma'am.

Premchand Devarakonda: So, for the base quarter, it was INR4.6 crores whereas the current quarter, it is INR18 crores.

Disha Kansara: Okay. Got it, sir. And, sir, my second question is regarding growth. So, our SSSG in this quarter was close to 2%. So, sir, are we facing any kind of growth challenges as such? And if yes, then, so which factors were responsible for this drop in SSSG?

Karan Bajaj: Right. Ma'am, if I look at this SSSG, this is predominantly for the stores which were operational during the last quarter as well in the last year. So, if I look at the overall number, it will be a little higher, but this is, it pertains to the same quarter where it was operating without the festival period.

So, the festival period actually starts off a major growth for us and then the dull period, which is Ashaddam and Shraadh, so they actually came in the September month whereas last year we started, finished that, started Navratri on 24. So, the festival gap majorly makes a major difference. INR177 crores was the absolute number that we did in the 10-day business during the first day of Dussehra, first 10 days of Navratri during last year which we didn't, do it because of the Navratri being on 15th of October, and before that there was Shraadh in the northern region and the southern region where there is Ashaddam in a similar way like Shraadh is in the north. So, those things definitely would impact.

And then overall the sentiment during that period is a little lower. So, people usually wait for the good days to start, the festival period to start because there are lot more offers starting off during the festival period. So, customers usually wait for the Dussehra-Diwali period, especially in South Dussehra, it's a bigger festival, especially in Andhra. So, that is why you would see that difference in quarter-to-quarter. But historically, if I look at October, November, December where all the festivals, both the festivals are in the same quarter, you would see a similar number and growth.

So, the SSSG for us, we would look at the absolute value of the volume on the store across categories. We saw good trajectory coming especially for mobile phones and ACs. So, that has been on a good higher growth side. So, ACs are still growing by almost 28%, 30%. Same thing with mobile phones. So, that is a good sign. Whereas, right now being World Cup, so you would see a good growth coming in televisions as well. So, televisions were a little slower last quarter whereas this quarter the television sales have also grown up especially for high-end screens, contributing to the World Cup sales.

Disha Kansara: Okay. So, sir, can we expect this number to normalize in Q3?

Karan Bajaj: Normalize in terms of the split, the product split?

Disha Kansara: No, no, the sales…

Karan Bajaj: Yes, I am sorry. SSSG, SSSG definitely, you would definitely see an improvement because the overall number would grow. So, you would definitely see that growth coming from the existing stores also and from the stores that we are, which were operational a year older.

Disha Kansara: Okay. And sir, this time you have given the margin breakup for our Delhi stores and our stores in South. So, currently the EBITDA in Delhi NCR is close to 0.4%. So, sir, I just wanted to understand the roadmap or your thought process regarding these Delhi NCR stores. So, how are we planning to improve our economies of scale in Delhi stores?

Karan Bajaj: Right. Delhi as a market has been quite exciting for us personally to make sure that we deliver our numbers in that region. There was a lot of learning initially, a lot of tweaking that we had to do because the southern market that we were operating or the brands that we were operating with had to change a little bit. So, the product has got a little change there. But the productivity that we are doing every day gives us the ultimate look out for the future that Delhi is definitely going to deliver us a bigger number in the future.

So, in the pipeline as we talked, we have got 13 multi-brand outlets and one exclusive brand outlet. Another seven to 10 stores is what we have in the pipeline. We will be opening one store right before Diwali. So, the new stores that we are opening are majorly in the larger areas which are more prominent or the top 10 locations for Delhi as a consumer durable market which are Janakpuri, Pitampura, Rohini, Lajpat Nagar, Sector 29 in Gurgaon. So, these are the prominent markets where our stores also will be visible.

So, eventually, we are just a year old. So, we know that the track we are on with the growth that we are delivering for Delhi in the future. Overall put together, we will see a higher growth coming in. I think this number that we have delivered now, and this was through the bad summer season there because the summer was really bad in north. So, we could not deliver the AC and cooler sales that we were expecting in the Q1 which are going to help us grow better. But Diwali is on track. So, I am pretty sure that at least last summer didn't go well but this summer is going to do well. So, we are on track and once the new stores open up, we are quite confident that these numbers will definitely improve.

Disha Kansara: Okay, sir. And sir, just one last question. Can you give us the advertisement expense number for south and for Delhi?

Karan Bajaj: The total number that we have spent on advertising for Q2 was INR9.3 crores, out of which Delhi, we have spent around INR1.1 crores, ma'am. So, around INR9.3 crores out of which INR2 crores, approximately INR1.1 crores is spent in Delhi. The rest of INR8 crores is approximately spent in the existing market in AP and Telangana.

Disha Kansara: Okay, got it, sir. Thank you, sir.

Karan Bajaj: Thank you, ma'am.

Moderator: Thank you. The next question is on the line of Dolly Choudhary from Niveshaay Investment Advisors. Please go ahead.

Dolly Choudhary: So, sir, thank you for the opportunity. I had a few questions. So, just someone asked regarding land. So, we are currently holding INR236 crores worth of land. I wanted to know, if they are planning to buy any more stores. So, how can we see this figure going forward?

Karan Bajaj: Ma'am, nothing major that we haven't pipelined, or we haven't discussed anything. So, the one pending building that we had for which we had already paid in advance was in Delhi, Lajpat Nagar, which we just bought out recently. Apart from this, nothing that we signed for now, nor we have looked at property that we will be buying at least in the next, this financial year at least. Nothing major acquisition, ma'am, to buy land or building.

Dolly Choudhary: Okay. And, sir, I also wanted to know regarding our employee cost. Like as a percentage of revenue, it's quite low comparatively to from our peers. So, can you please throw some light on this?

Karan Bajaj: Ma'am, there are two things in this, majorly how we operate on the store level is that we don't have our sales guys on the floor. It is only the managers and the cashiers and the back-end staff, whereas the major sales team comes in from the respective brands. That is why you would see a major differentiation between us and the top four-five players, where they have their own manpower. So, that's why our manpower cost is a little lower, number one.

Number two, ma'am, the second cost that you need to attribute is towards the security and housekeeping, which comes under a different head. So, now that is all outsourced, right? So, for that reason, they don't come under our direct employee cost. But when we calculate internally, we look at that as an employee cost as well. So, but the absolute number would be a little higher then.

Dolly Choudhary: Okay. And regarding revenue guidance for Delhi region, so the margins have been quite low from there. So, if we see the contribution and revenue increasing from Delhi region, so will it take a hit on EBITDA margins going forward? Because the margins have been quite intact. But as and when the Delhi contribution increases, the margins can decrease. So, how can we see that, well?

Karan Bajaj: There would not be an absolute decline on the gross margins or the EBITDA margins per se. But what will happen is that once the productivity goes to an optimal level that we have decided for, you will see an enhancement and a growth coming in. So, right now, what has happened in the last few quarters of last financial year, we were actually bleeding or burning money there, right?

So, because we just started operations, we started spending money on rentals, manpower, electricity, other expenses without booking any revenue. So, those things now are, in terms of the breakeven will be sooner. We've spent across around INR30 crores last year to operate in that region, which will come down and, that money also would be saved.

So, that will add up to our profits as well eventually. So, the margin will definitely get improved because the gross margins in both the regions remain same. So, once the productivity goes up, once we open up the newer stores, once we are more visible and the throughput increases, cost we will come back to a normal fee level.

Initially, because this year, our contribution of Delhi would hardly be around INR300 crores. So, that kind of a number will not impact the overall plan that we have for this year.

Dolly Choudhary: Okay. And like I wanted to know the company's approach regarding the Telangana region, like specifically for Hyderabad. So, we have around 50 stores there. So, like is the, like Hyderabad and we have majority of market share, but is the market so significant because no market cannibalization happening there? So, I want to know companies take on that, if they are planning to open any new stores in Hyderabad also?

Karan Bajaj: So, definitely any region that we operate in, let it be Guntur, Vijayawada or Hyderabad, the existing markets, wherever we see an opportunity, if the organic growth is there and the markets are growing, where the residential areas or the markets grow beyond where our stores are not available, we will definitely look into this market and we are always open to expanding the existing markets as well.

Dolly Choudhary: So, like we have any expansion, opportunity of planning in Hyderabad region currently?

Karan Bajaj: Nothing right now. Probably post-Diwali now, though you have reminded me that I need to look at Hyderabad market as well, definitely after Diwali, we will look into that. But nothing as of now in Hyderabad.

Dolly Choudhary: So, like we have 50 stores there. So, like is the market such big in Hyderabad and no market cannibalization?

Karan Bajaj: So, if I give you a direct comparison, there are few markets where Vijay Sales, Reliance or Croma are available where we don't have a store because we think the markets are quite small there in Hyderabad, which are the peripheries of Hyderabad city. So, once we know that these markets are matured or developed, then definitely we would like to open a store there.

Dolly Choudhary: Okay. And sir, just one last question. Like in our current assets, we hold a significant portion for balances with government authorities. So, can you please tell us what is that about?

Karan Bajaj: Ma'am, that pertains to GST majorly, the balance with government authorities.

Premchand Devarakonda: Sir, that is nothing but input credit, which we have to avail.

Dolly Choudhary: Okay, sir. Thank you. That will be all.

Moderator: Thank you. The next question is on the line of Lakshminarayanan from Tunga Investments. Please go ahead.

Lakshminarayanan: Thank you. Sir. I want to know what is the sales mix between OE sales, that is Original Equipment sales and Non-Original Equipment sales, which includes warranty, installation, TV stands and all the other things, right, there are certain areas which comes around? What is that…

Karan Bajaj: So, sir, if I give you a broader number out of the INR1313 crores that we have done, that number would be around 4.5%, sir, for the other categories like fans, insurance, accessories and other categories all put together in terms of revenue.

Lakshminarayanan: Installation, services, all those things?

Karan Bajaj: Yes, sir.

Lakshminarayanan: Okay. And how does it grow? Like, I mean, as a promotion, in the last five years, has it grown higher, or it's been stagnant?

Karan Bajaj: Sir, definitely they have grown higher because these categories were not dealt with those earlier. So, the categories like built-in appliances, kitchen appliances, they are growing. But if you look at external warranty, accessory business, the new category business that we have added in the last 14 months- 18 months, they definitely are churning around and growing. But they would be at a similar level. They will not grow over more than 1% of the total revenue or 2% of the total contribution of the top line, sir.

Lakshminarayanan: Got it. And what is the sales mix between cash and non-cash? In cash, people are actually paying on cash and people who are paying through cards and UPI and other things?

Karan Bajaj: So, that trend in the last seven quarters- eight quarters have remained the same only. There is not much of a change there. So, it all remains the same only. So, credit card, NBFC for us is quite prevalent. So, credit card, yes, so that is remained there. Only cash anyway is very insignificant in the southern regions, sir.

Lakshminarayanan: Sir, what proportion cash sales will be?

Karan Bajaj: Sir, cash would be less than 10%, sir.

Lakshminarayanan: Got it. And how much would be EMI plus finance sales?

Karan Bajaj: It's around 65% plus, sir.

Lakshminarayanan: 65% plus. Okay. Thank you, sir.

Karan Bajaj: Thank you, sir.

Moderator: Thank you. The next question is on the line of Divyesh Shah from Uchit Capital. Please go ahead.

Divyesh Shah: Hello. Good evening, Mr. Bajaj. Sir, I have one strategic question regarding our brands. Sir, ground level in Andhra and Telangana, we are famous as a Bajaj Electronics as a retail stores. But whereas companies is concerned, we are listed as an electronics mart. So, don't you feel that in the long run, there is a clashes of brands between Bajaj Electronics and Electronics Mart? So, I want your thought process to, why not consolidate as one brand? To get the benefit in next four years- five years.

Karan Bajaj: Right, sir. we would look into that, we had a different strategy for it. So, once we are clear and confident that strategy works for us, because for a longer term, right now we are just a year old, but for a long-term perspective, we had a different ideology for doing that different brand in that region.

So, in the future, if we feel that we need to change the name or have a single name across the country, then definitely we will do that. But right now, it is working for us, and it is in line with what idea we had under that brand that we wanted to grow, sir.

Divyesh Shah: But, sir, majority we are known as in Hyderabad, in Telangana as a Bajaj Electronics.

Karan Bajaj: It is simple as that. Sir, our advertising or other, everything is localized. So, we don't feel that the recognition of brand Bajaj or the recognition of brand Electronics Mart in Hyderabad or vice versa would impact us in terms of recognizing a brand. Because we had a different, it is all localized that we are doing. So, the customer base is very different.

If it had been in the Andhra, Telangana market, which are two similar states, then probably we would have had an interest in telling customers that it is the same brand. But when operating two different geographies all together, we don't consider the customer base to be similar, sir. But long-term perspective, as you said correctly, we would look at, incorporating or merging it in a way where customers know that it is the same entity.

Divyesh Shah: Okay, sir. And, sir, my next question is, what is our general lease rent per square foot? Generalize.

Karan Bajaj: General rent per square foot, sir, if I look at Tier 2, Tier 3 cities. Sir, it is differentiated between three clusters that we majorly operate. One is upcountry market in AP and Telangana, one is Delhi NCR, and one is Hyderabad region. So, Hyderabad region, we pay out around INR75- INR80 on average. Whereas, the Tier 2, Tier 3 cities in AP and Telangana, it comes out to around INR40- INR45. And Delhi NCR comes around INR120- INR130, sir.

Divyesh Shah: Okay. And, sir, who is our nearest competitor in Delhi?

Karan Bajaj: Sir, our nearest competitor in Delhi is that Delhi has a market for two things. Firstly, Vijay Sales, Reliance and Croma are the largest people in terms of organized players. But Delhi, again, is one of the largest markets in the country for distribution mom-and-pop stores.

So, around 65% of the market share in Delhi NCR, across Delhi NCR, including the smaller satellites around it, are still run by the mom-and-pop and distribution channels. So, they are equally quite strong in that region, sir. Whereas, West, South are more organized and more developed and larger players.

Divyesh Shah: Okay, sir. Thank you.

Karan Bajaj: Thank you.

Moderator: Thank you. The next question is from the line of Ankit Kedia from PhilipsCapital. Please go ahead.

Ankit Kedia: Sir, if we hear the commentary of other distribution companies, we are seeing some pressure in demand. So, are you seeing any differential demand for the month of October or early November in terms of, say, Hyderabad, upcountry, Andhra or Delhi market? Any difference in demand, are you witnessing?

Karan Bajaj: So, Ankitji, yes, definitely. That is what I also found out that the markets were a little slower in few of the clusters. But this is a part and parcel of the business. But tragically, we are on a target that we have taken for this season. So, I think, we are on track for that, sir. We don't need to worry on that thing. But definitely, yes, few of the other regions that we were looking into didn't perform the way they were supposed to perform this festival period. So, like what they were doing in the previous festival period, in the last year and the year before that.

Ankit Kedia: And which regions would that be, sir, which are not performing well, and which are doing better than your expectations?

Karan Bajaj: Sir, that is, see for me, the base in Delhi itself is so small that I can't comment, whether it is performing good or not. We are getting good growth in Delhi anyway. So, that is a new market for us. We are growing, expanding. So, then I would not directly look into the market over there in terms of whether that is performing or not. But East is a little slower this time. The

Kerala belt is a little slower. But apart from that, all major regions are doing well, sir. Even marketing are doing in India.

Ankit Kedia: Sure. And so, if I look at the margins in the South, Andhra, a lot of your stores are new stores in, Andhra, less than two years. So, if I have to remove Hyderabad as a city, and then if I have to see the actual growth in the Hyderabad, how would the margins be, ex of Hyderabad for you in the South market? Because those are still growing and not mature stores out there.

Karan Bajaj: So, sir, see, if you look at AP and Telangana, our countries split. One advantage that today we hold there is that the product mix for mobile phones is a little lower than Hyderabad city. So, automatically, the larger appliance or larger product category would have a higher gross margin. So, the blended margin there would be a little higher, point few pieces higher than the Hyderabad city margin because of the product mix.

Ankit Kedia: Sir, but if I take your top ten stores in Hyderabad, they would be doing INR1,000 crores plus revenue. And those would be more ownership stores. Rentals would be pretty much not there in those stores?

Karan Bajaj: Sir, I was looking at the broader number, but if you actually break down store-wise, then definitely, yes, Hyderabad, the EBITDA, store-level EBITDA for these stores will be higher because their own stores and the productivity cost per square foot is the highest there. So, the cost of expense in terms of manpower, electricity, everything would be in two-point percentages. You know, but if I look at the actual number for Andhra and Telangana stores directly compared to it, then you would look at a regular store EBITDA margin of 7%, 7.5%, 8% kind of a number, sir.

Ankit Kedia: So, should I assume right that as these stores mature in Andhra, the margin expansion can happen or do you think they have reached their peak margins at around INR25, INR30 crores revenue mark which they are currently at?

Karan Bajaj: So, definitely, yes. So, once we emphasize on the productivity per store, that will definitely help us increase our EBITDA at store-level. But, again, the Tier 2, Tier 3 market have their limitations on how much we can extract out of a certain market because the market clusters are very small there. And non-premium clusters.

Ankit Kedia: And, sir, any update on the revenue question of mine which we discussed previously?

Karan Bajaj: Yes, Prem sir is ready sir.

Premchand Devarakonda: Yes. So, last year, we earned about seven, during the second quarter, we earned about 7.5% incentive income. Sorry, it is a 7.5% on the retail side. So, this quarter, we earned only 4.9% on the retail side. So, had we earned the same rate of return during the current quarter and without considering Delhi revenues, the growth in our revenues would have been 7.9%.

Karan Bajaj: Sure. So, this drop in incentive, is it because of festive delay? Is it because of market share loss? Or the brands have reduced incentive, and can we get back this incentive in quarter three? So, can we see a disproportionate growth in incentive in quarter three?

Premchand Devarakonda: No, no, no. What happened, this time, see, we have two types of incentive. One is on-purchase, that we call it as sell-in. The other one is sell-out commission or sell-out incentive, which is calculated on the sales target pursued by us. So, what happened, this time, most of the sell-outs, we ask the brands to give it on the invoice itself, without waiting till the product is sold. Thereby, we will save the cash outflows.

So, that is a shift from sell-out, which is a separate line item in the P&L. So, from sell-out, it moved to COGS. Because whatever incentive we earn on purchases will be reduced from the cost of goods sold. So, this is a movement from one line to other line. So, that is the reason why we, I mean, if you look at the top line, I mean, total revenue growth, it shows little lesser growth.

Ankit Kedia: Sir, I didn't understand, but I will take it offline with you after the call, sir, to understand in more detail.

Premchand Devarakonda: Sure, Ankit. Sure. Thank you, Ankit.

Ankit Kedia: Thank you, sir.

Moderator: Thank you. The next question is from the line of Gaurav Arora from Equirus. Please go ahead.

Gaurav Arora: Okay. Sir my question is on the competitive intensity in the largest analysis segment. So, the demand seems to be pretty weak over there right now. So, two questions regarding that. If I look at Q1 versus Q2 and so far in Q3, have you seen, competitive intensity getting, more intense or a let-up in the same? And, in case, and, how does that impact your margins? I mean, does higher competitive intensity within brands, does it, benefit you? And to what extent does it do so?

Karan Bajaj: Gauravji, very true. If I look at the H1 of this year, the demand for the cooling products went a little down. But AC kept on growing. AC was still growing and still growing. So, you know, AC is still up by 30% if I look at it. Refrigerator went a little down. Washing machine was a little sluggish last quarter. Television was a little sluggish. But again, I see a growth coming in during the World Cup and the festival period this year for the large appliance category, especially for television and high end above 65 inches or less, 75 inches, that category.

So, if I look at the overall blended margin, so the decrease in 5% or 6% kind of a number or growth of 5% in few of the categories, plus or minus, has not impacted the overall margin level per se because most of the larger appliance category would remain in the similar gross margin level. But if I see a drastic product change, product mix change, then definitely, yes, we would look at half a percentage change in margins here and there. But the demand, as you said very correctly, was a little sluggish last quarter.

And then the festive period starting this year would be on 15th of October with the first Navaratri starting in the Q3. So, now we are seeing the trends coming in. But as somebody else earlier on the call was also discussing, the market sentiment in few of the regions was a little slower. Like Onam didn't do that well in Kerala. Kerala is a little slower this year again. You know, East market didn't perform the way it performed during the last Durga Puja or the summer this year.

The Q1 was quite good for the East market this year. Whereas, North, South and West were struggling for summer this year. So, a lot of external factors actually affect the product mix and especially the cooling product categories. But festival period overall here in North and South looks good. And we are hoping that, you know, we sail through this with good numbers.

Gaurav Arora: Sure, sir. Thank you so much.

Karan Bajaj: Thank you, sir.

Moderator: Thank you, sir. As there are no further questions. I would now like to hand the conference over to the management for the closing comments.

Karan Bajaj: I would like to thank you all for joining the call. I hope we were able to answer all your questions. And for any other further queries, you may get in touch with us or our SGA, our investor relationship advisors. We will be happy to address all your queries. And we wish you all a very happy Diwali and a happy festival season in advance. Thank you, everybody.

Moderator: Thank you, members of the management. Ladies and gentlemen, on behalf of Electronics Mart India Limited, that concludes this conference call. We thank you for joining us, and you may now disconnect your lines. Thank you.