V MART

Ref. No. CS/S/L-719/2023-24 **8th November, 2023**

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 7th November, 2023

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 2nd November, 2023 (Ref. No. CS/S/L-711/2023-24) regarding the intimation of the conference call with Analysts and Investors held on 7th November, 2023, 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: 2023.11.08 21:37:11 +05'30'

Megha Tandon
(Company Secretary & Compliance Officer)

Encl: As above

"V-Mart Retail Limited

Q2 FY '24 Earnings Conference Call"

November 07, 2023

MANAGEMENT: **MR. LALIT AGARWAL – MANAGING DIRECTOR – V-MART RETAIL LIMITED**
MR. ANAND AGARWAL – CHIEF FINANCIAL OFFICER – V-MART RETAIL LIMITED
MS. SUCHI MUKHERJEE – CHIEF EXECUTIVE OFFICER – LIMEROAD

MODERATOR: **MR. ANKIT KEDIA – PHILLIPCAPITAL INDIA PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to V-Mart Retail Q2 FY '24 Earnings Conference Call hosted by PhillipCapital India Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ankit Kedia from PhillipCapital India Private Limited. Thank you, and over to you, sir.

Ankit Kedia: Thank you. Good afternoon, everyone. On behalf of PhillipCapital, I would like to welcome you to the Q2 FY '24 Earnings Conference Call of V-Mart Retail. From the management today, we have Mr. Lalit Agarwal, Managing Director; Mr.Anand Agarwal, Chief Financial Officer; and Ms. Suchi Mukherjee, CEO of LimeRoad.

I would now like to hand over the call to Lalit-ji for his opening remarks. Over to you, Lalit-ji.

Lalit Agarwal: Hi. Good afternoon, everyone. Welcome to this call. Thank you, Ankit. And good -- so we are at the peak of the festivals, the buzz of Diwali is being seen in the entire India, especially in the northern part of India and the western part of India. The eastern part of India did see a wonderful Durga Puja.

The start was very good. Towards the end, because Durga Puja was launched a little earlier in Bengal, so some customers started moving out for Durga Puja festival. So things became normal. But anyway, the overall performance in the Durga Puja market was better and good.

Overall, we see definitely some improvement and good improvement in both in the macro Indian economics because we are seeing definitely good growth coming in from the volumetric point of view. And we are also seeing consumers coming back and coming back to shop.

So I'm seeing a healthy growth coming in. There is definitely a good monsoon, which we have seen in the entire India except one or two states where we are seeing a little dampness in the monsoon. But I'm not seeing too much of effect coming in from there.

Largely, the overall macro Indian economics, I think, has become much more better. It is showing up great results. Our team India, the whole government is working so much to bring in newer investments and newer production facilities and new employment opportunities, which is making people very highly motivated.

And as I have been traveling in all these small towns and villages in multiple states and town, and I have been talking to multiple people, both entrepreneurs, consumers and even large store team, we have been getting very, very positive mindset outlook from the people with perspective to India, and they are all feeling proud and they're all feeling very confident that the things are going to become better and better. So that's what we are seeing on the card.

So similarly, the consumer sentiment also becoming better. Definitely, there is a pain. There was a pain, which was existing for those consumers in the rural markets, in those consumers who actually either are from villages or are living in the small town. These consumers had challenges, and we have seen those challenges in the last 2, 3 years, especially after inflationary pressures.

And those pressures are now getting diffused and we are seeing those pressures year-on-year, every quarter, we are seeing those getting diffused as we are approaching the election times. So these are still getting better and will get better as the time comes in.

So we are seeing good development both in the agriculture sector. We are seeing the prices which are coming for the yields are actually delivering good prices to the farmers. The whole farmer community seems to be happy. This seems to be helping the economy to generate higher demand or higher consumption. And that's what we always believed in, and that's the onset of the cycle, which is led from the rural demand.

And I think that's what has happened and which we are seeing and we were expecting and we are expecting in this festival, and we should see some part of those benefit, still a lot of benefit can be accrued. So a lot of changes has come in. A lot of changes has come in, in terms of our own operational process.

And I would like to focus very highly on the whole strategic pieces that we did in the last 2 years, the whole change in the whole buying process, the designing process, the change in the whole vendor selection process, the whole need nomination processes, the kind of product line that is coming out of these product, these initiatives and the kind of improvement in our cost structure, which is happening.

So all of those things definitely have taken a lot of breadth and have taken us a lot of effort and the team at V-Mart has been very, very consistent on delivering most of these projects. The biggest project was also the warehouse -- new warehouse development, the automation of the new warehouse.

All of those things there are, whenever there are new things which gets implemented, these things definitely gives us a little teething issues or a little disruption in our operational processes, which are also a part of this performance that we have been seeing.

So we have gone through all of those. We are still on the path to create newer processes, create newer technology platforms, have those platforms, which makes us much better, both in terms of increasing the agility, better coordination between multiple departments within the organization, and better coordination between the store and the back-end team or the better coordination between a vendor or, I mean, to the buyers.

So we are working on a lot of these areas, including the entire logistics chain and then the logistics fleet. So a lot of new platforms have been introduced, a lot of new technologies have come in, a lot of better analytical tools has got introduced. We have used a lot of analytical model that we had created with the help of the consultant that we have had before, we had seen a lot of initiatives there as well.

And we're trying to get better in all those areas so that the outcome, which is in terms of the consumer demand or in terms of meeting the consumer aspiration or in terms of meeting the timeliness of the product lines are also get aligned and get integrated. So all of those things, I think we have worked a lot.

There is a lot that the team, you people may not be able to see, but there's a lot which is going on in the organization, both from the perspective of product, from the perspective of store, the store look and feel, the store facade, the changes, renovations.

A lot of work on the way we display the product, on the way we dispatch the products, the way we allocate the product, the way we create the product and the way get it manufactured now. So we are able to see those coming out in the stores.

We have been able to decrease our average selling price also in these processes and that is our goal. Because our goal is definitely to give the customer the best value proposition. And the best value proposition is largely looking at their budget and looking at the kind of fashion that they want with the greatest quality that we can offer.

So all of those things, I think we are making inch by inch, these building blocks so that these building blocks actually create much more better strength, which will be used in the longer term. And that's what customer is realizing. We know that we have disappointed with consumers in the last season, in the last year and now we want to bring them back and this is what is coming in.

And that's how we are also now rolling out all those things, initiatives both in the V-Mart market as well as the Unlimited market. And our Unlimited market is also showing up great strength. All the stores that we are opening up there, the new stores which has come up in those Unlimited markets are really showing good results, are showing similar results to as V-Mart and that's the positive news there.

There are still some laggards, which are the legacy stores, which are still not coming up to the operational parameters, and that's where we are working on, either we take some decisions, hide those off or as we demonstrated that in the last 2 quarters before, where we have some pain in certain stores in those online market, we'll try to take some decisions on those as well.

As part of our online strategy, I think the team there is also working greatly well in line with their projects. They have definitely created some new projects. They had some projects earlier. Most of those projects they are able to meet the expectations. Some of the projects they are still working on. And there are some new projects that we have taken up so that we actually bring down the cost of operation there and take up the whole profitability angle and bring in a profitable sustainable model. And that's what we are trying to work on.

But the team there is definitely bringing a lot of new innovations, a lot of new technology, a lot of new processes, which is actually bringing in to integrate both and create an omnichannel experience. So that's the model that we are trying to work on. And that's where we are trying to create a legacy and create a strong foothold, which will become unique in the market.

And I think we have been very, very aggressive, both in terms of the customer expectation as well as the customer attention. And then that's where we think we have improved on our communications skills, we have improved on our marketing capabilities, we have improved both in the off-line world as well as online world. We are working. There's lot yet to be done, and that's what we will focus on.

And lastly, I think we feel that there is a lot of confidence which is coming in, in the internal team. There's a lot of work that we have done. There's a lot of travel that the people are doing to the stores. There's definitely some parts that we are seeing also the competitor is gearing up. They are making better things better.

But I think this whole organized retail market has become much better, is becoming much more lucrative in terms of the consumers now understand that in the market it is just not, they are not going to go to those unorganized brick-and-motor, old fashioned retail stores. So there's large shift, which is coming up and which is expected to come up. And that's what is this new generation retail is all about in India.

And then this is what is a new welcoming move. And I think the share of organized retail overall is going to go up and that's what is happening. And we are seeing players who have been delivering good value to the customer, players who have been whatever is the brand name, the customer is not too aligned with the brand, but the customer is more aligned with the product and customer is more aligned with experience.

So that's what at V-Mart, we believe that our store team has to become the fashion assistant, our store team has to become the helper to the customer's value proposition and the styling proposition and that's what we are trying to take up.

We focus, we want to focus very, very high on the core consumer, which is the core family customer, the young family customer that we have. And that's the focus area, our capability to deliver a great kids wear product, a great women's product and the casual wear and the men's segment. And those things have actually geared up.

In this new season, we feel the whole winter range and the new festival range, which we have launched in the market should bring in a very good result. This quarter 3, we expect is going to be good quarter for us. It should be a good, profitable quarter for us because we have not seen profits for a long time. So this is something which we are working on and trying to get the best out of this and we'll keep you updated.

We have been definitely also expanding on multiple areas in retail. I think a lot of stores that we have opened up even in this quarter, almost 30 stores we opened up in this quarter are in multiple destinations in India, but also in South India, which is in Tamil Nadu, have aggressively expanded. We have expanded in Kerala. We expanded in basic towns of basic states of Uttar Pradesh and Bihar and some part of East India operations have really shown up great results there as well.

So some pieces we have done there. As I've already spoken about, the only piece which we are working on a lot that Suchi will also update you in this call or maybe, I guess, maybe Anand can update the team also. And then I think the entire consumer segment is going to show up this time. The wedding also is there in this particular quarter towards the end after the Diwali. So that also should be a good booster to the consumer.

And I think our intelligence, our data understanding, our focus on taking decisions from -- with data, our focus on building the ecosystem to use technology and come on the digitalization, some of these initiatives are very, very important to the company. And that is where our focus is, that is where we are working on so that we can create sustainable and scalable model. It is just not showing up results this quarter, but it is also showing up results even after this quarter.

So that's the area that V-Mart team is working on, and that's what we will try to upscale and better and then create excellence. And I'll leave this call and ask Anand to give you a little more detail, and then we can come on the question-and-answer session. Thank you.

Anand Agarwal: Thank you, Lalit, and good afternoon, everybody. Let me take you through some of the key operational highlights from this quarter and then we can open the session for questions. And personally, Suchi has been trying to log in, but because of some network issues, she's not able to be join in. We will try as soon as possible for her to join but otherwise, I'll try and cover as much as possible on LimeRoad as well.

So coming on to the quarter highlights. Quarter 2 is usually a very small quarter. And like every year, it's not the best of the quarters that V-Mart usually has. But with Adhik-mas and also the shift of the festive calendar by 20 days, the quarter became even less eventful this year.

So last year, Durga Puja and Dussehra fell on 5th October, while this year, this was on 24th of October, which meant the run up to the festive sales, which usually begins 15 to 20 days in advance entirely was shifted to quarter 3 this year.

Despite this and on the back of 8 new stores plus the 9 new stores that we opened in quarter 1 and also the volume-led sales improvements, the sales for off-line business grew by 5%. While at an entity level, factoring in the contribution of the newly acquired LimeRoad business, the total revenues grew by 9%.

We have spoken about the correction in pricing over the last 2 quarters and with great emphasis on attracting the inflation impacted, price-conscious value customers. We focused on increasing volumes while reducing our apparel ASPs by 6% YTD. For the quarter, the apparel ASPs actually decreased by almost 12%, which was driven more by the change in the product mix from premium to economy, which is also in line with the customer expectations and demand during this period when the festival shifted to the next month.

The decrease in average selling prices has also helped achieve a 6% positive L2L volume growth despite a non-festive quarter and has helped us drive more footfalls which should grow even stronger in the main season ahead. The decrease of ASP in South has been much steeper at 19% as the potential to improve pricing was much higher there.

The good news has been that we see price benefit for South customers has also resulted in 11% quantity growth even in a relatively flat period, which would eventually help us to build higher footfalls and volume growth going forward.

We opened 8 stores during the quarter, while we closed 2. And in the last 36 days post quarter 2, we've opened another 14 stores and closed 1 to take the total tally to 450 stores across 291 cities now. For the full year, we maintain the guidance of opening 50-plus stores, as mentioned earlier as well.

In addition, there has been a lot of focus around renovation of older stores with the new fashion aisle equipment’s and facade changes. Some part of that might also be visible in the investor deck that we have put up on our website. These are very important changes and will help us improve sales per square feet of existing stores at small incremental capex. On the margin front, the decrease in ASP and strategically improving the product mix towards lower-priced product mix to attract the under-stressed, lower income earning group customers led to a margin drop.

Also, the slow sales period meant an extended promotion period or USS, which has partially impacted the margins. USS also was a good time to liquidate a major part of the higher cost inventory from last year, which was purchased during the times of peak cotton prices. This also impacted the gross margin slightly negatively.

As we've communicated in our calls in the last 2 years, we've been pushing more V-Mart inventory in South Unlimited stores, which is significantly more sharply priced and lower on gross margins. This has also partially impacted the overall gross margins for the quarter.

Post Q3, which is traditionally a very strong quarter both for top line as well as bottom line, the margin trajectory should stabilize and come in line with our strategy to grow on volumes and give higher benefits to customers. For the full year, my sense is that the margin should marginally be lower than last year in percentage terms as we build higher volumes, but they will definitely be higher in rupee terms.

Coming to expenses. While the total expenses have increased by 36%, they also include the impact of LimeRoad business, where the expenses are the same as last quarter, despite the revenues increasing by 25%. And that's a very good sign. And this is what exactly we were trying to communicate in our earlier calls as well, where we have internal plan of building the LimeRoad business, but on a quarter-to-quarter basis improvement.

During the quarter, we have also completely transitioned the vmartretail.com business to limeroad.com from end August and it is heartening to note that there has been no sales loss due to this shift. And in fact, on the contrary, online sales have only grown on LimeRoad for V-Mart products due to this redirection, amplifying the confidence of the online business team in leveraging LimeRoad as the go-to marketplace for affordable fashion.

Excluding the expense for LimeRoad, the expenses for the quarter grew by 14%. And for the LimeRoad business, while marketing costs accounted for majority of the expense, there has been a significant rationalization of the marketing spend in quarter 3. And on a go-forward basis, this should come down as well. The integration of V-Mart Retail with LimeRoad will also provide some online marketing cost synergies in the medium to long run.

On the Unlimited side, there were certain savings on rent and other expenses due to the closure of loss-making stores in the previous quarters. Otherwise, on the total other expenses, besides marketing, there is inflationary pressure as usual, which needs to be offset by L2L sales or like-to-like sales or volume growth, which is what, as a team, we are targeting and aspiring to achieve on a full year basis.

Moving on to EBITDA. For the off-line business, EBITDA for the quarter was 4.1%, with Unlimited at 3.1%. While at entity level, the EBITDA was flat at almost 0%, which included a loss of INR20 crores from LimeRoad. The decrease in EBITDA from previous years has been, as mentioned earlier, in the gross margin discussion, due to the planned saving in product mix and also introduction of more enterprise point products and higher liquidation during the quarter, which partially lowered the gross margin available for offsetting the expenses.

The LimeRoad business has been performing mostly to plan with double-digit improvement in net merchandise value, commission revenues and also the decrease in cash burn quarter-on-quarter. The next half of the year for LimeRoad business should see a serious curtailment in burn to limit the overall EBITDA loss to approximately around 20% of the overall V-Mart EBITDA level as communicated earlier.

The team has been working very strongly, very, very steadily in ensuring that the focus of the LimeRoad business remains firmly on achieving the bottom line. I'll just speak about that a bit later. On the cash flow and capex, largely, the capex has been around new store additions, store refurbishments and leftover work in the newly operationalized warehouse.

There has been a lot of work done around the buying and merchandising and ensuring the price and relevant inventory availability is at stores, and as a result, despite the festive push and 15% more number of stores, the total inventory reduced by INR74 crores year-on-year, helping improve the working capital cycle. 10% of the overall inventory remains from partner brands and -- which is deployed in Unlimited stores, where the company has lowered the fixed margins on sales from higher trade period.

Coming to new store expansion. During the quarter, we opened 5 stores in V-Mart and 3 in Unlimited, a total of 8 stores, while we also closed 2 stores, 1 each in both the brands. The runway for the year is still maintained at 50-plus. Happy to note that 14 stores have already been opened in October and till yesterday evening in the run-up to festive period till date in Quarter 3.

As Lalit mentioned, the festive season has begun well with a good Puja and good start to Diwali pan India. Early winter chill and wedding calendar in December should further aid well for the quarter performance.

Now since Suchi is not here, I'll just try to fill in some part on LimeRoad to the extent possible. So the entire focus, as I mentioned earlier, of the team has been to stabilize the operations, to integrate the operations as much as possible with V-Mart, only offering the V-Mart catalogue, uploading onto the LimeRoad platform.

There is significant progress, which we have made in integrating the 2 catalogues. There is already a significant amount of total V-Mart online sales which is now coming in from LimeRoad. In fact, LimeRoad now becomes the highest share of orders in online order generation from the online channel for V-Mart. And that is also comes at the highest amount of profitability or least amount of loss.

The focus of the team for the go-forward basis for the next 3 months, the LimeRoad team is going to, number one, is going to on optimizing the bottom line by optimizing the customer acquisition cost, marketing. Second is to ensure that we are able to get more projects deliverable as planned around organic customer acquisitions, improving the customer acquisition costs, improving the throughput, so that we are able to achieve the targeted EBITDA bottom line.

And also, lastly and also very importantly, the integration of online channel with V-Mart offline, which basically means that any customer who is coming to a V-Mart store is seamlessly able to order any missing sizes or any missing designs on the LimeRoad app using a single click standing at the store.

So overall, I think the trajectory of the LimeRoad team and the business seems on firm ground with 25% improvement in revenues and also reduction in the loss versus the last quarter. And I think the way things stand today, we are all very confident that we should be able to achieve our stated numbers of achieving the stated around 20% EBITDA loss as a group or maximum 20% EBITDA loss as a group being contributed by the LimeRoad business.

So that is all from my side. And I'll now ask Ankit to open the house for questions. Thank you.

Moderator: The first question is from the line of Mr. Tejash Shah from Spark Capital.

Tejash Shah: Lalit, you just spoke about that we have kind of undertaken many projects in last 2 years. And we are now finally kind of activated, if I understood correctly.

So just wanted to know as an outsider or as an investor, how should we monitor or appreciate the impact of these projects? Will it be better revenue momentum or margins or capital efficiency? How should we kind of judge in terms of financial parameters, effectiveness of all these projects?

Lalit Agarwal: Tejash, I understand, and that's what my ask is also from that all these projects should lead to better customer experience, number one, which means better sell-through of products, which means better sales coming in and which also means better supply chain management, which also means better inventory management.

So I think if we do well and if the market supports, we should be able to show up results all across, and we should be able to see results which are the lagging indicators. And the lagging indicators are ultimately the sales growth, the lagging indicators are ultimately the margin growth, the lagging indicators are also the inventory.

In the margin, we may take a strategy that we may want to still offer the consumer at affordable prices. So we might do all of those. But yes, largely, we should be able to see results on all the 3 areas and the scalability.

Tejash Shah: Got it. And second, last year, we had communicated that we are not very confident with high level of margins. And as you spoke, Anand also spoke that we want to kind of add more value to customers. So are we done with that margin or price correction journey? Or you believe that there is still some benefit left to pass on to the customer, which will mean that there will be some pressure on at least gross margin level in coming quarters?

Lalit Agarwal: No, I think we have seen the worst. But definitely, there is also what we have seen is some lower prices, we have dropped the prices this year. We have seen that in the last summer season, but this season also we will see our ASPs almost at a decreased level because our ASP competitively will be lower.

What has also been there that last year when we were buying and the inventory that we had were also high priced inventory and we have communicated that as well. So we are also trying to liquidate or we have liquidated a large part of those. Some of the inventory, which is a winter inventory, which is leftover, will also get liquidated in some part in the coming quarter.

But largely, I think we are done with most of those as a margin management piece. All the projects are also targeted towards margin betterment, which is in terms of the cost structure, the cost should come down so that it automatically leads to a better margin. And I think the team has done a good job. We should be able to reflect some in the coming quarters.

Tejash Shah: So Lalit, 80%, 90%, if you can give some ballpark number, what percent of that high-priced inventory would have been flushed out by now and what is still left for second half?

Lalit Agarwal: I think almost 70% of the inventory has been liquidated. But yes, there is still 30% of the inventory, which will be liquidated in the second half as well.

Tejash Shah: Okay. And then last one, if I may. LimeRoad, we had 2 kind of guidance. One was definitely 20% of EBITDA of the core business and there was some absolute number of INR40 crores, INR50 crores. So when I see in first half itself, we have touched that absolute limit. And obviously, with the core business also being under pressure, we are kind of hitting that ceiling.

So I just wanted to understand how should we think about that loss, that number from here on? And considering that the core business is also kind of fighting macro headwinds, how should we kind of curtail or rethink on that number?

Lalit Agarwal: No, I mean, Suchi is working on it. And I think Suchi is also there on the line. We have not been able to give her the line. I will request Asha, the coordinator also, to maybe allow Suchi to speak here, and maybe Suchi can also help you give a little more guidance on our future plans on LimeRoad and what the team is working on, what are the projects that they're working on. Maybe Tejash, if you can just hold on, maybe Suchi can also deliver that. Asha, can you connect Suchi also?

Moderator: Yes, sir. Suchi-ma'am, you can go ahead, ma'am.

Suchi: Sure. Lalit, thank you so much. So, see, let me give you some context. This is the third quarter post deal, and as we have looked at our customer segments, I'll give you some context, and then I will squarely answer the EBITDA question, which will hopefully make for a clearer narrative for you.

As we've looked at our customer segments, our segments as well as V-Mart's original segments, what we're clearly seeing and have a very clear view is that the Indian value consumer has 2 psychographic segments. One is a fashion forward segment. The second is a fashion following segment.

The fashion forward segment is the user who says, "I want fashion first. I'm happy to pay a little bit more prices, maybe it doesn't have to be the cheapest in the market." And therefore, is not very sensitive to marginal price changes. The fashion following, value matters a lot, wants fashion but value matters a lot. And these are 2 very clear segments that we are seeing. And these 2 segments have 2 channel choices: they are either online first or they are off-line first.

And what fundamentally as a group, the view we are having is that this LimeRoad integration increases the TAM for the VM Group by adding fashion forward segment as well as an online-first segment. So we, as the LimeRoad team within the group, have continued on our mission to deliver these excellent choices for our fashion-forward consumers.

And the real high point of this quarter was a clear delinking of growth from burn with the aim to hit profitability. And so the team grew the LimeRoad business. I was listening to Anand speak and tell you that we grew 21% on NMV, which is top line quarter-on-quarter, but we also had 22% lower burn. Therefore, on a per unit basis, we're actually 40% better literally quarter-on-quarter.

Now if you compare our exit month, and this I'm giving you so that you can see the trajectory better. If you compare our exit month for the quarter, so that will be September versus June, we are marginally higher on NMV, 3%, 4% higher, but we are 31% lower on burn, right? And that will reflect roughly more than 50% improvement on profitability per unit basis.

And now this trajectory actually continues. And just to give you a sense of November, November, we will be at or exceed 50% lower burn than even June at similar top line, and we are actually starting to see some growing top line as well.

So every process, every action that we are doing and we are orchestrating as a team is designed to take this platform to profitability, but also grow profitability. And hopefully, that answers the question on EBITDA. And so the guidance that Anand has given you in terms of 20% EBITDA is something that we are all committed to delivering.

Tejash Shah: Yes. But see the point was that we have kind of that guidance has already been exhausted in absolute terms for the first half. So should we expect that the burn that we have seen in first half will dramatically kind of go away or it will materially come down in second half, and hence, this guidance still holds true or should we kind of view it as the guidance for now?

Suchi: No, I think it's the former very clearly. It's happening. It's already happening. We are on that curve and that was the plan. So it is happening. And I think the guidance on absolute number, Anand will be able to tell you better. But we are committed on the 20% of EBITDA number, and we will deliver with the 20% of EBITDA number.

Anand Agarwal: Tejash, just to add to what Suchi said. So while we all as a team stand committed to that number, and I think in terms of absolute value, we had earlier indicated INR55 crores to INR60 crores as the burn and that is where we still stand. And I think we should still hope to deliver that or better.

Tejash Shah: Very clear. And Anand, last one for you on working capital. So we -- and on semi -- half yearly basis, cash flow looks decent, but it is largely coming from creditor improvement, receive -- sorry, payable days. And I was just looking at inventory, inventory has not changed much in absolute even versus March as much. So I was just wondering, have you changed any delivery terms? Or is there any kind of non-trade payables also which has kind of expanded that number?

Anand Agarwal: So Tejash, 2 things which has happened there. One is, obviously, the -- so if you compare to March, which is again a big festive period, Holi and Eid build up, so that inventory was slightly higher there. So it definitely improved. But if you look from last year, same period quarter 2 end, which was peak Diwali or peak Dussehra period, so the inventory has improved by almost INR74 crores versus last year.

On the vendor side, there is some tweaking that we have done around our arrangements with the vendor. We have also entered into certain factoring arrangements, which is also yielding some benefit. But definitely, all of these 3 benefits are eventually combining to give us a better cash flow.

Moderator: The next question is from the line of Mr. Nihal Mahesh Jham from Nuvama Wealth Management Limited.

Nihal Jham: My first question was that you did allude to the fact that there was a positive volume growth in SSG that we saw. But if I look at the absolute value-wise SSG, versus Q1, the performance in Q2 actually deteriorated.

So is that clearly a case of consumer sentiment or maybe it is as Lalit-ji mentioned, a case of, obviously, competition getting intense and has that in a way, turned positive when you were discussing about the festive season also for both Durga Puja and the upcoming Diwali?

Anand Agarwal: So Nihal, Anand this side. So that shift is mostly because of the festive shift. There's actually 2 reasons, largely because of the festive shift and if you see this trend across any of the years from Q1 to Q2 there is always a negative shift from Q1 to Q2 because Q1 is a peak or high season period, while Q2 is a low season period. Added to that in this year because you had Adhik-mas and also the complete shift out of Dussehra to quarter 3. Therefore, you have that shift.

And second part is, again, as I mentioned earlier, which is the drop in the average selling prices. So we are consciously building up on volumes, are trying to attract the value customer or the real low-price customer, which was earlier thronging or coming to our stores very, very often, which had sort of reduced his number of visits in the last 1 year.

So we are trying to get him back and with good results because if you also correlate this to the footfall growth. So we've seen 13% footfall growth during the quarter, which is, again, a good sign that we are able to get back to the customer who had sort of started to come less.

Nihal Jham: Understood. That is clear. The second question was that over the last 6 months, we've obviously been focusing on improving the collection that we've been putting out. Just wanted to understand in terms of the current inventory at the store, what would be the proportion of this inventory which has been recently launched and as you were saying is a focus on fresh and revamp versus the older inventory which is still left to be discounted in the second half of the year?

Lalit Agarwal: Nihal, I think the store today has almost 90% of the inventory, which is fresh. So most of the inventory here is fresh now and -- but there is some inventory, which is at the warehouse, which we brought back last year because of the winter has ended, which we have to yet to send and after Diwali we'll send those inventory in the store, which will also mean so that we can liquidate those inventory. So that is some inventory, which will go, which is also around 5% of the inventory.

Nihal Jham: Got that. So at least on the store, you're saying more than 90% of the inventory is less than 6 months or in the last batch.

Lalit Agarwal: Yes.

Nihal Jham: Got you. Just one last clarification. Anand, did you say that for FY '24, you are expecting absolute EBITDA to be higher than FY '23, including the losses for LimeRoad? I was not sure if I heard that.

Anand Agarwal: Yes. Right now, the plan would be towards that only, Nihal. So we would definitely want to have that. But also, please try and appreciate that last year, LimeRoad business was accounted for only 1 quarter or 4 months while for this year, you will have a full year operation so that appropriately will need to be built up into the model.

Moderator: The next question is from the line of Mr. Varun Singh from ICICI Securities.

Varun Singh: Yes. So my first question is on a consistent reduction in average selling price. So Lalit, I just wanted to pick your mind on how are you thinking about especially on the Unlimited side of the business and especially so on the legacy stores, where maybe the business pickup is relatively lower than our expectations. So how much you think lying low on the prices, the business could be fine-tuned with regards to solving for revenue growth, etcetera.

Over last 3 quarters, of course, there has been more ASP correction in Unlimited compared to V-Mart, but in both our brand and formats, so first question is what is the need for going as much low. I understand we want to -- volume growth is positive and we want to recruit our core customers and don't want to go away too much.

But still, where do you think -- or strategically, how are you thinking about how much low we want to go on the prices to fine-tune the growth model in both V-Mart and Unlimited? And second question is in Unlimited, of course, in South India, there is more brand-conscious customers, which as a consequence of it, our ASP is relatively higher but still do you think there will be too much of a risk if we follow 100% V-Mart model kind of matching the average selling price, etcetera? So if you can give us some understanding over there, Lalit-sir.

Lalit Agarwal: Yes, very intelligent question, Varun, and thank you for bringing that up. This is definitely something that we always spelled out and we always communicated that what we know as V-Mart team, as the team at V-Mart and what we believe is our strength is delivering value at the affordable, delivering great fashion at the valuable price.

So I think that's the core of it. And we believe why we took over Unlimited from Arvind because they were not able to deliver those kind of value. And value retail is all about delivering value, not higher prices. So we want to offer great products but at a lower price. Definitely, it is creating a challenge. Challenge in terms of how do you call in those large number of customers, how do you collect more number of pieces.

And that's the challenge that we have to meet because what we want to do is deliver the right value and deliver the right product. And that's what we are doing. We have not reduced the prices just because we are selling cheaper products. We have reduced the prices because we are selling affordable products, which is billed at the right cost. And that's what we are doing.

We are continuing to sell those brands in Unlimited, which are already there, and we are not discontinuing those or reducing those, but we are definitely trying to attract newer audience, newer set of audience, which is those little lower middle class consumer, which is actual V-Mart consumer, which is actual mass population even in South India and which did not use to come to Unlimited.

Now we have started them seeing -- we have started -- they have started appreciating this. Even the existing customers have started appreciating this. The only factor today is that we need to attract a little more customers, little more footfall, we need to convert a little more customer with more number of pieces.

And we have seen some volumetric growth even there. In spite of all of this, we have seen volumetric growth means we are getting new customer. We just need a little more period so that we are able to do it. There will be some few legacy store, which may not be our core markets, which we may not be able to deliver.

If those stores do not realize that the consumers around those areas do not understand this particular value proposition, we may not be able to, as a team, deliver a separated or distinct strategy for them because it's very difficult to manage multiple things. We want to be very, very focused and our clarity on that focus is what we are driving. And this is what we want to do.

We definitely want to bring it at par on the product prices, on the pieces, but definitely at South India, as you rightly said, the consumer, because of the high per capital income, the consumer need could be a little better product, could be a little more branded products. So we are offering all of those. We will not want to take it down from here. This is a bottoming that I think we are seeing, and this is where we should continue.

Varun Singh: Got it. Got it, sir. Understood. Very clear. And sir, my second question is on LimeRoad. Now that we have integrated as per our guidance, we have been on track with regards to integrating V-Mart with LimeRoad.

But still over here, sir, just wanted to understand your medium-term aspiration, maybe, I mean, the bottom line will take care of itself. But from the top line point of view, how are you thinking maybe over next 2 to 5 years or maybe next 2 to 3 years, sir, how are you aspiring for growth into this segment?

Lalit Agarwal: See, Varun, our very clear communication and our belief is that this is an omnichannel ride that we are trying to do. This is definitely also giving consumer the product lines, which they don't get at our stores and also catering to some niche consumers who are also looking at certain kind of fashion, which could be both fashion forward as well as the ethnic or the regional taste.

So how do we try and integrate all of those? That's our primary model. We have taken up this model not for creating an online growth. We don't want to create a great or big online growth. We want to create a sustainable, scalable omnichannel business wherein there could be a participation of online as well as marketplace.

And that's the entirety of the process. We have our plans. We would want to grow. But the baseline objective is to create a sustainable growth and a profitable growth. That's also an objective.

And if required, we will define have our plans to continue this growth rate as we have been seeing quarter-on-quarter. We have our plans to continue those growth rates, but we don't want to still compromise on our profitability. That's a bottom line challenge that we will also try to win. Maybe Suchi, if you want to add something, you can also come in and add.

Suchi: Yes. So I would just say 2 things. One is we will find the profitable segments, both online and offline to cater to. There are 3 things we do, which are very synergistic to the core user that Lalit talked about.

Number one, we are able to give them supply that is fundamentally more marketplace driven, which the core off-line business is not able to either access or deliver and we will do it with technology. That's number one.

Number 2 is online. There are these segments who come to us and as long as we can grow profitably, which we have shown and we will continue to show, we will continue to scale this business. To give you a sense, on a daily basis, we have over 1 million visitors. And our goal is to make sure that the more and more of them are buying on a daily basis, right?

So as long as this thing, as long as we can make money, we will find pools of consumers in the value segment who are, our core consumer is going to be fashion forward as I explained. And we will also service the off-line customers in V-Mart. And I think together, doing that can still be a very large top line business. That's the plan we're working on. That's the plan we're also fine-tuning.

We don't have a 3-year plan completely nailed yet, but that's what we are working on. And I think the last quarter gives us a lot of comfort that, that's possible. The last quarter and the last 2 -- the 2 months of the coming quarter.

Varun Singh: Okay. And just last question on store expansion. Given 13, 14 stores that we have added, so addition rate has been relatively soft in first half. So in second half, how much more store addition would be kind of a rational number to assume to go for?

Anand Agarwal: So Varun, on a full year basis, we still maintain the trajectory of 50-plus stores. So while for the first half, we had added 17 stores. As I mentioned, we have already added 14 stores in the last 36 days. So we are on path to definitely exceed 50 stores for the full year.

Moderator: The next question is from the line of Mr. Shirish Pardeshi from Centrum Broking Limited.

Shirish Pardeshi: There are too much discussion happened on margin front. I just have a very simple question to reference Anand-ji. You said that last year, we did about close to INR270-odd crores EBITDA. This first half, we have done close to about INR53 crores. So the balance is about INR200-odd crores, INR216 crores to be precise.

Can you tell me the road map, how quarter 2 base will look quarter 3 and quarter 4? And what are the levers or what are the strategies or what are the effects which we can monitor and this number will be at the best similar like what we delivered in FY '23?

Anand Agarwal: Shirish, so if you look at the YTD sales number, I think so far, YTD September, we have done roughly around INR1,228 crores, correct, in sales. And our aspiration would definitely be to grow the last year sales or beat the last year's sales by at least 15%, 20%, if not more. So if I were to do that math, I think the balance of the year should account for almost 60%, 65% of the sales. And quarter 2 definitely is usually never the best quarter for us.

So I think the way we have to look forward is that quarter 3 should be a very large quarter, both in terms of top line as well as bottom line, delivering higher than normal. If I were to use the normal word more not in terms of absolute value or percentage value but more in terms of the contribution mix percentage both for top line as well as bottom line, which should give us to desired numbers for the full year.

Shirish Pardeshi: I got that. But is it that we are factoring in low base in last quarter 3 and then festive season because Lalit-ji in the beginning have given lot of positive remarks saying that the retail business is still lucrative. So are these strategies or at the back end, the work which has happened, give us the confidence that we'll be able to deliver, say, 20% growth in second half?

Lalit Agarwal: Shirish, don't take us head on. So we'll definitely deliver because anyway the festival has also shifted. So at a total level, we definitely will deliver. I don't know of the like-for-like.

But anyway, I think whatever mood and sentiment that we are seeing, we are seeing things positive and then we should be able to deliver. And there are levers which I've already spoken, and those are the levers that we will track and we will focus on and we will bring in.

There's always -- there is always something that we don't know about consumers, and consumers, right now, like we saw a very great weekend, I mean, it was wonderful. And we have 6, 7 days of Diwali and then we have Chhath festival and then we directly enter the winter season. So all of this, I think this whole quarter is going to be quite good, and we should be seeing good results coming.

I mean our collection has been liked by the consumers and they have appreciated. We have started seeing almost 25%, 30% growth share coming in from the winter-wear products. So all of those are working well and then we should be able to deliver our expected growth.

Shirish Pardeshi: That's helpful, Lalit-ji. Sorry, I never wanted to do the comparison, but half an hour before, Trend has also reported the number, and I'm sure you will have the revenue expectation of what they have delivered. I'm just saying that last 8, 9 quarters starting from the UP, Bihar, when we had inflation in cotton prices, then we had food inflation, which has not come out.

And somewhat, it feels that the semi-urban, urban populations are doing better and we still focus on the rural. I'm not saying change in strategy. But I think what I'm expecting is that do we have enough understanding about the consumer behaviour?

And the strategy of taking price drops in Unlimited and also before that, we took some price cuts in V-Mart, is this enough? Is it going to really yield the fruit? Or we are still trying to do the experiments and then hoping that festive will be happening, winter will be all right and we will be back to the 20% growth.

Lalit Agarwal: I think, Shirish, we need to first have the confidence in the model, and we need to understand that there is a consumer base, there is a population, there is a demand in those markets and this is where V-Mart's strengths lies and this is where V-Mart will deliver profitability and deliver the growth. And that is what our core strength is, and that is where we are working on.

And we have our playing ground. And we'll work on those playing ground. And we are very confident that we'll, these customers are going to come back, and we are seeing some traction.

We're seeing traction not only in my business, but we are seeing traction also in FMCG businesses.

So consumer volume growth is being seen across and we are getting good positive vibe and positive mood. And I think these are all temporary stuff. And don't question mark on your own belief and your own understanding. So I think you guys know also the best.

Shirish Pardeshi: Sorry, sir. I'm really sorry, sir. I mean thanks for your...

Lalit Agarwal: Don't apologize. But go back to your confidence level and that ultimately, we are the same, and we are doing better. So we need to grow it there. And we will grow it. And we don't need to look at every time with the competitive lens. And there are markets which have not been explored even by us and that some players are trying to explore. Let them explore and let them create good growth. That's the best part of the retail.

Shirish Pardeshi: Anyway, I'll take it offline. The last question on the LimeRoad, the one figure which starts to my mind on Slide 12. In the first half, you have almost spent INR51 crores, a 4% sales of -- on the advertisement spends on the LimeRoad. Is this number is going to be stable at 4%, will look up or will come down in second half or full year?

Anand Agarwal: So there is definitely some efficiency that we are generating out of the marketing spend. And initially, there was a spending which we did to acquire some consumer base. And now we have done that, we now want to use the existing resources, we want to get the returns out of the ad spend a little more higher. And I think Suchi and the team is really working hard to get those numbers up. And then the cost as a percentage should go down.

Shirish Pardeshi: Thank you, and all the best and advance wishes for the forthcoming festivals to you and Lalit-ji and Anand-ji.

Lalit Agarwal: Thank you so much.

Moderator: Thank you. In the interest of time, that was the last question for today. I now hand the conference over to the management for closing comments.

Lalit Agarwal: Thank you so much for being on the call. Wishing everyone a very, very happy Diwali and great festivities ahead and don't worry, and we are on the job. We know our field, we know our math, we know our ground. We know what strategy to be used to steer what kind of business.

But yes, we will have to always demonstrate fashion position and that's where we are working on. So we will keep reporting back. And then we are onto a good quarter and we should expect a good outcome of this quarter also. Thank you so much. Have a good day.

Moderator: Thank you, sir. On behalf of PhillipCapital India Private Limited, that concludes the conference call. Thank you for joining us, and you may now disconnect your lines.