



Ref. No. CS/S/L-642/2022-23

9<sup>th</sup> February, 2023

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

**Sub: Transcript of the Conference Call held on 7<sup>th</sup> February, 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 3<sup>rd</sup> February, 2023 (Ref. No. CS/S/L-634/2022-23) regarding the intimation of the conference call with Analysts and Investors held on 7<sup>th</sup> February, 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](http://www.vmart.co.in).

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

Thanking You,

Yours Truly  
**For V-Mart Retail Limited**

**Megha Tandon**  
**Company Secretary & Compliance Officer**

Encl: As above

**V-MART RETAIL LTD.**

CIN- L51909DL2002PLC163727

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



“V-Mart Retail Limited  
Q3 FY2023 Earnings Conference Call”  
February 07, 2023



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

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



*V-Mart Retail Limited*  
*February 07, 2023*

**Moderator:** Ladies and gentlemen, good day and welcome to Q3 FY2023 Earnings Conference Call of V-Mart Retail Limited hosted by ICICI Securities. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Varun Singh from ICICI Securities. Thank you and over to you Sir!

**Varun Singh:** Thank you Michelle. On behalf of ICICI Securities I welcome everyone on the call to discuss third quarter result for V-Mart. We feel thankful to the top management of V-Mart for having provided us this opportunity to host the conference. On the call we have Lalit Sir - Managing Director of V-Mart and Anand Sir the – CFO. So with that I request Lalit Sir to please take over the call and proceed with the conference.

**Lalit Agarwal:** Good morning everyone. Once again thank you so much for coming to this call early in the morning. I hope everything is fine. Right now I am speaking not from India and I am doing some executive management course and I am doing that in some university but anyway good times are being seen, sunshine is coming back, we are now able to see inflation coming down, we are able to see consumer confidence inching back once again to the positive side. We are able to see the mass consumer also somewhere coming out of that shell a little bit, still there are concerns, still there are areas where there is mass consumer is still worried about, still the whole confidence level or the confidence index is still lower. The jobs have started coming back, people who have migrated are once again back to the cities and towns where they originally used to work, they are back in employment, so all of those I think there is some positive respite sign that we are able to see which shows the path that things will get improved over the next quarters and that is what we expect and that is what we hope but definitely things have not been as good as we thought could have become both from the consumer perspective, inflationary perspective as well as the confidence index perspective or the seasonality perspective also, so we have seen all kinds of situation coming in. This calendar year is going to be a little more dramatic year that we will witness because of the elections coming in next year there will be politics hovering around lot of stuff and areas can get disturbed at times. We could see some political activities getting heightened up in certain states which happens just before the election because of the religious-led things which happens or maybe something related to farmers, so we are watching very closely on all of those.



*V-Mart Retail Limited*  
*February 07, 2023*

India story is really doing good, lot of moves that India has brought in, is bringing in lot of confidence in India and Indian industry and Indian consumers we are able to see their formality getting changed so I think all of those looks good from the future perspective from the long term perspective and definitely at this moment in this short term perspective still if we compare with the COVID we are still seeing some kind of low-sightedness on the actual recovery or growth over those recoveries, but yes we are waiting for all of those but now I think most of the industry in retail, most of the people in retail even their upswing on numbers is now almost getting flattened. The rush at malls and rush at those brand stores I think somewhere that has also got toned down a little bit but still we are seeing a good swing still there in the Tier-1s, in the metros we are still seeing the Tier-1, and metro consumers consuming still better than the Tier-2, Tier-3s.

On the competition side I think most of the competitors have been positive on store openings, have been very aggressive on the streams and promotions in the market, so the market has been quite charged up I would say and we are able to see lot of new good things, we are able to see some special skews in the market which is making things interesting both from the value retail perspective as well as the brand retail perspective. At the value retail perspective I think good signs are being seen on the recovery from most of the retailers. People have tried multiple things certain retailers have tried bringing down the prices to attract customers but I think people who have been able to focus on processes who have been able to focus on the customer pain are able to really get the benefits more out of it. At V-Mart we definitely continue with our thought process on our endeavor on integrating all the two businesses that we have got into. We are really very bullish about the LimeRoad business. In the last quarter we got maybe somewhere around 50 days of our operations and within that we are still on the integration mode. There are lot of change management that is coming up in terms of the main change that has happened in the company so lot of those teething issues are still on, still there are areas, there are partners where those name change agreements are still to happen like Facebook, Google and AWS so there are those issues which are still continuing but the biggest positive news that we would see is the team is very intact, they are really motivated, charged up and the business confidence index has improved. The confidence index amongst the vendors have improved. We are able to see good attraction and once again lot of vendors who are on the market place they are coming back on the market places where lost vendors are also coming back. We are able to see lot of new development happening on the technology. Definitely still lot and lot of work to be done. Still we have not focused highly on the footfall creations and all of those we still want to work on those. We are trying to stabilize all those stuff yes but integration between the V-Mart technology and the LimeRoad technology the work is on, some part of that has been completed. We have started doing pilot on the omnichannel pieces as well. They are away



*V-Mart Retail Limited*  
*February 07, 2023*

from the stores. We have started doing pilots from those. I think a lot of those areas are tiered but there are some areas of improvement that we need to do and there will be lot of continuous improvement that we need to do because we really want to create digital experience for the customer who is still coming down to our store and shopping. How do we make them seamless towards digital as well as physical that is the area that we are working on.

On the other side our infrastructure development and warehouse development is also on full swing. We are almost 70% done with our warehouse development. Again we will have another two to three months more so that we will shift to that premises that is coming up very well. Definitely we have invested a little heavy on those and looking at the next five to seven years of view and that should really give us a real capability, betterment and addition in terms of speeding up the turnaround time from the warehouse to the stores and the logistics facilities, so all of those are really happening good. Digitalization even at V-Mart a lot of analytics-based reports reporting the work with the consultant that is going on is happening really very well, the team is getting realigned at the supply side and the merchandizing, design, sourcing. All of those new developments have now started coming on place. Hiccups are initial whenever there are regrouping and there are re-hierarchization or organizing structure will change and new departments have been created. There are teething issues which starts happening but we have to bear with all of those. We will have those issues coming in from the new team but I think the best part is the plan that we had, we are coming out on the same plan. We have started implementing most of the areas like sourcing of fabrics directly from a new mill nominating them to the vendors and then designing most of the designs internally by our design team, so great collections are being expected in the spring summer period. We are really working on this time real low prices product where we are trying to provide quality to the customer which is never seen on. We have done lot of work on the mass customer segment which got lost somewhere in the initial part of the year which we tried to regain back both growth in the last quarter as well as in the future quarters we are trying to bring them back into the name frame by lowering our ASPs, by really focusing very highly on those consumers who have really got impacted because of inflation and the inflationary pressure so we have really done that and we watch that very nicely. Our ASPs in this quarter was almost flat so all of this I think is working positive and the margins will definitely be at a little pressure that we will see because we really want to first of all provide that real value to our customers and work on that.

Our southern India integration I think is happening good. A lot of better developments are happening. Last quarter we saw a growth over the previous year but I am still clearly not too satisfied with the kind of goal that what we are doing. Still that understanding that we



*V-Mart Retail Limited*  
*February 07, 2023*

developed in the southern part of the India market we need to polish that up. We are working on all of those. That market is definitely demanding and we will definitely upgrade and upkeep our quality of inventory, our patterns, our fits, our sizes and all of those additions into the company is definitely going to overall upgrade the merchandize quality of our product offerings that we do. So I think a lot of these are happening. Customer loyalty is another area that we are focusing very heavily on. How do we create or how do we have extra frequency of customers who comes in. We are seeing some positive responses coming in out from all of those efforts that we have taken up. Digital advertisement has been quite actively engrained in our team. We are focusing very highly on those. We are able to see youngsters walking back. We are able to see lot of youngsters now coming into our stores because the colleges have opened up. We are there on the digital space. Lot of reels and lot of personalization videos are being prepared, so I think lot of those activities both from the physical store perspective as well as the omnichannel perspective and LimeRoad perspective we are right now running both the channels which is vmartretail.com as well as the LimeRoad, so all of those are collaborating into the business. We still need to let things settle down and we want to coordinate and create those synergies of digitalization, technology systems of products, of the strength that V-Mart has, how do we use that in multiple other areas. We are very positive. Definitely lot of new things are happening in the company so people are very busy. I really give kudos to the team that they have been able to manage such a complex environment very nicely. We are able to see swings in the seasonality because of the climate change. Winter somewhere has been fairly okay. We have still not been able to have the best winter that we could have expected this time so there are those external environments which will definitely make us more agile and we would have to really make our systems and processes a little more ready for these kind of smaller disturbances which would come in, so definitely we still have a little higher inventory. We are working very hard to bring down the inventory level. All of those I think Anand will give you inputs and let us wait to hear from Anand and then we can answer your questions and answers. Thank you.

**Anand Agarwal:**

Thank you Lalit and good morning everybody. Let me take you through some of the key highlights from the quarter and then we can open the session for questions. It has been a very big and very hectic quarter with an acquisition, big festive season, and winters and the marriage seasons. Traditionally Q3 is also our biggest quarter but YTD Q3 we also tracked our highest ever sales and look forward now to closing this financial year on a new high. For the quarter sales grew by 12% year-on-year with like-to-like growing by 1%. Both V-Mart core business and Unlimited has positive like-to-like on a stable base of no COVID overhang in previous year. ASP remained flat as a result of significant corrective measures taken to bring back economy pricing and tweak the product mix to attract low income



*V-Mart Retail Limited*  
*February 07, 2023*

customers which have shied away from buying at least what we have seen in the last one year or so. Tier-1 markets continued their growth journey and outperformed Tier-2, Tier-3, Tier-4 markets reaffirming the K-graph recovery that we have all been seeing in the sectors where the rich have remained largely unaffected post COVID while the poor have been forced to compromise on consumption with inflationary impacts in all parts of life. Unseasonal heavy rains in October resulted in one of the wettest October on record and high average temperatures resulted in one of the warmest December in last 122 years. Winter merchandize sales as a result got pushed out to January denting December numbers. The shift of sales from December was realized in January though improving growth for January. We opened 15 new stores in the quarter, one in south India under unlimited brand and 14 in rest of India and also closed six nonperforming stores all under V-Mart in north taking the net tally to 414 stores pan India out of which 80 are in south. All the new stores especially in south have been performing steadily and in line with the established V-Mart business model at similar margins as that of a normal V-Mart store and in fact 20-25% higher SPSF than the legacy unlimited stores. While we still wait for these new stores to complete at least one year before passing the judgement on the successful rollout for south in terms of new stores throughput but yes definitely the teams remain very bullish on continuing the expansion plan in south under the unlimited brand.

There was a strong push on increasing online sales contribution with the acquisition of LimeRoad although it has been integrated only for less than two months now and still going through a stabilization phase some teething issues but the business does look very promising as we step it up for higher growth once the basics are back in place. The revenue from market place is only the commission that we earn from sellers on the platform and not the net merchandize value.

Coming on to the gross margins the gross margin at 35.4% were 40 BPS lower than last year and also one of the lowest in the last four to five years as a result of conscious efforts to improve price offering for the value customers. We have talked about this in our last quarter call as well and we have made that change or tweak we reduced some price points to make the customers offering more attractive and this strategy as worked well as it helped pull in sales growth but yes at a slightly lower margin. There has been a significant impact on increasing cotton prices in the last one year and although yarn prices have come down from their peak by 30% since September but they are still 30 to 40% above pre-COVID levels. The winter stocks did not get the benefit of any lower yarn prices as purchases are booked at least two to three months in advance. Going forward there may be a marginal relief available in summer 2023 but as is the practice it will be passed on to the customers in entirety as we would want to remain very competitive in the value retail pricing segment.



*V-Mart Retail Limited*  
*February 07, 2023*

Coming to the expenses the expenses for the quarter include an amount of around 36 Crores towards the spend on online business which include the complete opex for both vmartretail.com and LimeRoad.com. The 36 Crores expense also includes 12 Crores onetime expense towards integration and other manpower-related cost for the LimeRoad business as it starts to get integrated into the main business. Excluding the online business the expenses for the quarter grew by roughly around 9.5%. Historically online only constituted vmartretail.com and market based offering with expenses averaging around 4 to 5 Crores per quarter but now with a more focused effort to make the online business grow and induction of LimeRoad this will slightly be bigger. On a go forward basis we are very confident of establishing both the acquisitions in south as well as LimeRoad business as the biggest growth drivers for the organization and remains committed to invest in the journey, to reach the sustainable and profitable destination. While south has already begun well we will need to give some more time and resources for LimeRoad to start delivering.

Coming to EBITDA for the V-Mart core business EBITDA for the quarter came in at 17% plus with unlimited also in very close vicinity. LimeRoad only had a little less than two months in quarter and as planned is still in the stabilization and revival phase. As I mentioned the business revenue in LimeRoad consist only of the commission earned from sales facilitated for sellers from the market place while the expenses largely consist of marketing, logistics and technology cost. Once the business has started to stabilize we will be sharing more details around its operation. For V-Mart considering the initial opex plan around the integration the EBITDA came in at 13.3% for the quarter.

Coming to inventory the quarter closed at 767 Crores which was at 106 days of inventory slightly higher than our target due to bit of late winters. Winters have been delayed and winter sales slightly shifted into January leading to slightly higher closing inventory than planned but that has been recovered in January. As stated in the past we are carrying slightly higher inventory per store in south to explore newer categories and higher sales.

On the capex side we have spent around 125 Crores so far largely comprising of expense on the new warehouse which is on schedule to start operations by end of March in this financial year itself. Other capex included spends on new stores and refurbishment of old stores apart from some high IT-related expenditure. There has been some marginal utilization of working capital limits because of this higher inventory buildup and other operating costs. I think the working capital utilization would be in the tune of 40 to 50 Crores.





*V-Mart Retail Limited*  
*February 07, 2023*

On the go forward basis I think on the outlook we remain fairly bullish on how the market has to perform. We are still going on the new store opening plan as originally planned. We have opened I think 41 stores so far this year and I think we should be looking at closing the year by around 55 to 60 stores with some stores also getting opened in South. The growth plan for Unlimited also remains fairly strong. As Lalit mentioned there are more improvements which are lined up for Unlimited but the team remains very buoyant and very bullish on expanding that business as well. So that is all from my side and I will now request the moderator now to open the house for questions. Thank you.

**Moderator:** Thank you very much Sir. We will now begin the question and answer session. We have the first question from the line of Nihal Mahesh Jham from Nuvama Wealth Management. Please go ahead.

**Nihal Mahesh Jham:** Good morning to the management. Sir the first question was on the Unlimited part you mentioned about the sales per square feet being 20-25% higher so just to clarify this is for a like-to-like store or the like-to-like store that are in existence versus the pre-COVID number that is the right understanding?

**Anand Agarwal:** So Nihal the 20-25% higher is only for the new stores. The point that I was trying to make was that the new stores that we have opened in south are performing very well in line with the original V-Mart format which is to open stores in Tier-2, Tier-3 towns, 8000 square feet with low rentals, low opex and thereby delivering higher throughput. So the sales per square feet in south is very comparable to a new store opening in north and that gives us the open promise that we can expand more there.

**Nihal Mahesh Jham:** Possible to share for the legacy stores what is the kind of performance versus before the acquisition?

**Lalit Agarwal:** It is lower than main V-Mart business but it should be around Rs.520 per square feet there.

**Nihal Mahesh Jham:** That is helpful. Sir the second question was you alluded to the margin for the core V-Mart business being around 17% I am assuming that when you are looking at the business the 36 Crores or something you are counting separately or not aggregating to any other business right?

**Lalit Agarwal:** Yes that is correct.

**Nihal Mahesh Jham:** Just a related question was if you could share the LimeRoad GMV for this quarter if it is possible, the run rate not for the quarter and what is the kind of EBITDA impact while you



*V-Mart Retail Limited*  
*February 07, 2023*

highlighted the 15-20% number earlier if there is any update to the same after you have integrated and looked at the business in more detail?

**Anand Agarwal:** Nihal on the operational aspects of LimeRoad we will start sharing some more colour around that once that business is stabilized. We are still ourselves in a learning mode and trying to understand how this business shapes up. It will be slightly premature to start sharing current data because it is still getting stabilized. On the EBITDA percentage share for the spend or the investment that we will do on the digital side including LimeRoad we still remain similar as around 20% of the EBITDA that we have stated in the past.

**Nihal Mahesh Jham:** That is helpful. I will come back in the queue for further questions. Thank you so much.

**Moderator:** Thank you. The next question is from the line of Pankaj Tibrewal from Kotak Mutual Fund. Please go ahead.

**Pankaj Tibrewal:** Good morning Lalitji and good morning Anand. Sir my question is that in the last one-and-a-half years we have taken few capital allocation calls, one is Unlimited, LimeRoad and the distribution warehouses something which we wanted to get more clarity was on the return on capital, we have seen V-Mart very closely watching the return on capital for a very long period of time in the history and that separated us from the rest of retailers but over the last couple of years that number has been diluted meaningfully can you give us some sense on the roadmap for that recovery to happen and when you look back on all the capital allocation decisions how do you make sure that most of them were in core with what V-Mart used to operate and when do we go back to that 15-16% which used to be our forte for a very, very long period of time so that is more one question on the strategic which will over a period of time determine our shareholders return? Thank you.

**Lalit Agarwal:** Pankaj thank you so much for asking this question. Definitely in the last one-and-a-half years we have gone out to spend more money which is unlikely of what V-Mart does because we are able to see lot of future capabilities and lot of ability in the market and potential in the market as you all understand the kind of risk that we are taking in terms of two acquisitions and allocating capital on those. Very clearly there is a store addition to south which went on to that. Certainly as the usual business is taking time to come closer to what V-Mart business so the return on the capital from that business will take a little more time to come back and then if we go to the LimeRoad investment definitely this is something very long term and this is futuristic. This will require still more capital as we speak and as we go ahead making it very clear that expecting very good capital return or a positive capital return from this business is going to be difficult because this is definitely



*V-Mart Retail Limited*  
*February 07, 2023*

creating capabilities for us to cater to those millennial customers and the retail customers. We will have to invest more in this business and this is a need for the future sustenance so we will definitely want to keep investing in this particular business to acquire our competencies on the digital side and as far as the new infrastructure capital allocation is concerned which is the warehouse capital allocation we are aware that we are building because after eight years we are building more efficiency on the infrastructure development. There also we are going ahead with building our own infrastructure which is something that we have never done in the past and we will definitely find out a way to try and see how do we use that infra more and how wisely can we use those capital allocated so that our overall return on capital employed does not go down so as of now we will see a little more stress for the next I would say six quarters but continuously we will see improvement in the return of the capital employed coming up. We need to also very, very accurately and lightly manage our inventory where another piece of capital allocation which is happening which is also not something which is still in the numbers that we need to change so we are working and the markets are also coming back and things will come out positively and most of our bets that we have taken for our future growth should bring in more results and should bring us wider scope of market both from the physical as well as retail perspective.

**Pankaj Tibrewal:** Okay thank you and we just hope that V-Mart retains back its mojo on the return on capital which was there for a long period of time. Thank you.

**Moderator:** Thank you. The next question is from the line of Percy Panthaki from IIFL Securities. Please go ahead.

**Percy Panthaki:** Hi Sir. My first question is on the sales per square feet so last quarter that was Q2 we were about 10-11% below the three years before that 2Q so 2Q 2020 versus 2Q 2023 we were 10-11% below and we were expecting that there would be a gradual sort of recovery on this front, Q2 did see a good recovery over Q1 and we were expecting Q3 also to see a recovery over Q2 but instead of coming down from a minus 11 to minus 7, minus 8, etc., now we have gone to minus 22 so clearly now I cannot see the direction of the recovery and I do not know how to really look at sales per square feet going ahead. Now given that we are in a completely normal situation COVID has been passed since almost a year or so I understand there is some demand weakness but barring that we are in completely normal situation and we are still 22% below our pre-COVID and no company is lagging in such a huge way so can you give some idea on how do we look at sales per square feet going ahead?

**Lalit Agarwal:** Percy I think it will be nice for you to have a separate call with Anand to understand because we have also opened a lot of new stores which has just added the square feet but



*V-Mart Retail Limited*  
*February 07, 2023*

has not given us the complete area number one. Number two the sales per square feet of the southern business or Unlimited business still at a lower level so whenever you see that comparison you will see it different. Number three the Q3 this time as we have seen one festival shifting from October to September some numbers went into the last quarter, some numbers are coming in this quarter there is some shift that we will see so we should see an YTD SPSF recovery. Definitely we have also experimented on certain big size store in the eastern part of the company that is definitely one bringing down the sales per square feet but it is constant so some of these areas I think definitely the Unlimited edition itself will put the pressure on the sales per square feet number that you see from those perspective. Otherwise the like-to-likes sales is flat from the last year but still from the pre-COVID levels you are still comparing there is a pressure which is still there from the pre-COVID numbers and which we hope to see positive side and if you are comparing with those bigger metros and Tier-1 kind of store mix sales per square feet definitely the percentage growth there versus the percentage growth in our company you will be still seeing some pressure there, so things are coming up into the positive direction. We should be able to see them getting normalized even in the next quarter.

**Percy Panthaki:**

Exactly Sir. The last line is what I wanted to focus on the direction so when you are saying things are going in the positive direction the numbers are actually telling a different story and things are actually going in the opposite direction instead of minus 11 point to point three year kind of growth that we saw in 2Q we are today at minus 22 I can understand if the pace of the recovery is slow, I can understand that small towns are there, they are under pressure, UP, Bihar is under more pressure than the rest of the country, I understand all that but why is the direction actually reversing that is my question?

**Lalit Agarwal:**

Percy as I said there is also a seasonal shift also please do not compare quarter-on-quarter. There was a whole festival of Durga pooja, Navratri was in September so most of the consumption shifted into September that is why those averages we will be able to see little lesser there and little more steep here so please try to see both the products combined it will be good because quarter-on-quarter at times these quarters are very typical quarter, delicate quarter where even a slight five day, seven day shift from this particular festival from this month to this month makes it difficult for you to understand so it is just a calculation understanding issue not actual low performance.

**Percy Panthaki:**

Secondly if you can give some idea in terms of differential between the Unlimited and the organic business in terms of sales per square feet I believe one or two quarters back you had mentioned that at the time of acquisition the deferential was 20% and then it came down to 15% what does it stand at currently?



*V-Mart Retail Limited*  
*February 07, 2023*

**Anand Agarwal:** I think that numbers still remains very similar while both the markets have been growing and both the markets have seen positives like-to-like but the differential in the sales per square feet still is at around 15-20%. The silver lining although is that the new stores that we are opening in south are delivering much higher sales per square feet than the legacy Unlimited stores and that is a very good positive sign.

**Percy Panthaki:** Lastly going ahead if you can give some idea on what internal targets you have for FY2024 in terms of EBITDA margins and in terms of sales per square feet?

**Anand Agarwal:** Percy it will be difficult to share. All I can say is there are two statements that we have said in the past one is the total growth should be in line with our historical 7 years, 10 years CAGR which is around 20%. EBITDA traditionally I think there is around 15-20% investment that we will do on the online business so we will have to work around those two statements.

**Percy Panthaki:** Okay that is it from me. Thank you.

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

**Shirish Pardeshi:** Hi good morning LalitJi and AnandJi. Thanks for the opportunity. If I look back 9 months we started year with lot of hopes, COVID settled down and then somewhere in June, July we realized that the prices needs to be dropped because there is a slowdown in rural economy and then come October we had floods and situation and now we have delayed winter two data points what you have shared that our footfall growth is 13% up while the conversion rate has fallen to 55% maybe I am looking at this number for a little longer time and that is why a bit surprised or rather worried but is there more thing to do with the escalation in the competition profile or genuinely there is a structural shift that the mass consumption is still not picking up and we will face this pain another two or three quarters so your comments on this?

**Lalit Agarwal:** You are right Shirish. Definitely there is a pressure which continues and we are putting our efforts and we are also not trying to work too much on the shorter term approach by giving lot of incentive to the customer by calling them and converting them at a very low incentives so we are trying to build that standard. We just do not want to walk the competitor path and what we are seeing is a reduction in the conversion rate what you are seeing from 2019 till now or maybe last year till now so last year to now I think the reduction in conversion we will see because the way the consumer behavior that we



*V-Mart Retail Limited*  
*February 07, 2023*

watched during those period and where the footfalls were very low, people who came in used to buy and most of the customer used to buy because of the COVID fear if you remember which I think is coming back to the normalcy and people have now increased their bill sizes but the number of the conversion is at a fair level, 58% conversion is a very fair number to look at because in south we have seen that the conversion rate has been really lower but the bill sizes have been very high so all of those I think that is a behavioral shift that we are watching just after COVID till now. I think from the consumer perspective definitely things are improving and we are seeing pressure not only in our industry but also other industry still compared to pre-COVID which I said in my opening remarks as well which is improving day-by-day and I think this consumer segment, this rural customer or the semi urban customer that we are focusing on we should see more spike coming in the future quarters.

**Shirish Pardeshi:**

LalitJi I agree your comments but I know you always remain hopeful for the recovery but when we look at the competition angle is that which is worrying you and if that is true that are we trying to take measures to improve this because the other thought is that if the things are not in our control and there are external factors why not to consolidate the stores and keep a pause of store opening?

**Lalit Agarwal:**

No, I think definitely the markets which are the new markets, we are taking those decisions to develop the new market for the long term perspective and these stores opening are not for the shorter term time. We will continue providing work to that particular field. If those new stores performance would have taken a hit we would have thought over it but I think just looking at it from the previous two years numbers and we are comparing those 180 stores with 200 stores on a like-to-like perspective I think we will have to now come up and look this new scenario and start comparing with the last year and then see how do we grow from here. Definitely the market has densified more. We are seeing more competition. There are more outlets to visit for the consumer. There is some market share which is unoccupied by them which is there but I do not see a great high trend strategic move from them in terms of the customer acquisition and in terms of the customer moving because of the fundamental offering which is provided by the retailer. There will be some tactical move which the retailers will do and will try to get some consumers into their stores which is going to happen I think this newness effect will certainly die down over the period and we will be able to establish our relationship with the customers and the earlier customers are going to come back to us.

**Shirish Pardeshi:**

Thank you LalitJi. My second and last question to AnandJi so my question to AnandJi's comment in the past that we are trying to get the inventory normalized I obviously



*V-Mart Retail Limited*  
*February 07, 2023*

understand definitely this quarter we had winter which is prolonged and the inventories around 106 so maybe in next four to five quarters where do you would like to settle given the context that our warehouse will be operational by March end so maybe any qualitative comment you can offer later on? Thank you LalitJi and AnandJi.

**Anand Agarwal:** Thank you Shirish. Let me just quickly answer that so the long term trajectory for inventory days is over around 90 days that we have maintained in the past and we will work towards that. Thank you.

**Moderator:** Thank you. The next question is from the line of Resham Jain from DSP Investment Managers. Please go ahead.

**Resham Jain:** Hi good morning. Just one query on the inventory so if we look at the modern retail stores lot of competition has moved to the display mechanism which is hanger model where the piece per square feet has been much lower compared to our erstwhile model where we used to stack clothes on the top of each other and that also has led to much lower kind of employee kind of cost as well so is there any change in our display mechanism also in our old stores and how are the new stores being built if you can just help with this?

**Lalit Agarwal:** Yes Resham definitely we are not trying to look at the competitor and trying to learn but definitely we will learn from them as well and there are some changes that we already initiated if you remember the SBU concept that we had launched but still the kind of customer segment that we target to because these are massive and these are little lower segment customer compared to the competitor that we are speaking of. We believe that these customer segments still are not too organized and still are not easy to handle and they need a little extra variety and little higher inventory and the kind of model that we have built that also ropes in these things but I hear what you are saying and we are working on reducing this inventory per square feet both from display perspective as well as the inventory perspective and giving a little more clearer display to the consumer so lot of work has happened in that area in trying to improve upon the density which is what you are trying to talking about. The density of clothes or units per square feet that is what we are watching. Good suggestion. Thank you we will take care of it.

**Resham Jain:** But are new stores being built with this concept or they are also at the similar model which we used to have earlier?

**Lalit Agarwal:** No, the new store definitely as we said the SBU concept large part of that has shifted into hanger-based product line but still in the smaller part of India a product which has been



*V-Mart Retail Limited*  
*February 07, 2023*

opened up and hanged not all product is being appreciated by the consumer they feel that **(inaudible) 47:45** so there is still the cultural piece or expectation from the consumer that we have to manage in terms of certain product lines where they do not expect those opened up pieces.

**Resham Jain:** Okay understood Sir. Thank you all the best.

**Moderator:** Thank you. The next question is from the line of Mandar Pawar from Kotak Mahindra AMC. Please go ahead.

**Mandar Pawar:** Hi good morning LalitJi & AnandJi. Sir my question is on the price corrections that we have taken for our merchandize. If you can help us to give us a data point as to how much price correction that we have already taken in percentage terms and compared to pre-COVID levels where this selling price could it be compared to pre-COVID?

**Anand Agarwal:** We have not really just taken a price correction. There has been a variety of measures that have been implemented so one is improving the product availability at lower price points which had got thinned out because of margin pressures in the past, second is some amount of improvement in the product profile coupled with price correction at some strategic price point and third is more around price laddering where we have also ensured better availability of product at strategic and key price points, so a mix of all of these is working to ensure that our ASP if you look back versus last year has remained flat so it is a variety of measures and the team is continuously working to improve on it further.

**Mandar Pawar:** Possible reduction that may happen on the yarn prices and garment prices where do we expect our gross margins to settle and how much we retain, how much do we pass on to the customer?

**Anand Agarwal:** So that remains a very clear strategy for us. We have always been honest price shop so when the price go up we pass on the price to the customer when the price comes down we again pass on the benefit back to the customer. As I had stated in my opening remarks we are expecting some amount of marginal price relief in yarn prices which gets affected in summer we will pass on that back to the customer keeping the gross margins at the similar range for the core V-Mart business at around 30-33% and for the Unlimited business at around 37-38%. Weighted average should be at around 34% in the medium to long term.

**Mandar Pawar:** Got it and just one final question you mentioned in your opening remark about the postponement of winter sales into Jan also want to check if along with that was there any





*V-Mart Retail Limited*  
*February 07, 2023*

discounting on the winterwear which happened during December and whether that had any impact on the gross margins that is my final question?

**Anand Agarwal:** Not really. We are not very heavy into discounting or promotions and because there was a shift in climatic conditions the customer came and brought that product in January. If at all there is more liquidation time it will happen subsequently.

**Mandar Pawar:** Got it alright. Thank you very much.

**Moderator:** Thank you. The next question is from the line of Tejas Shah from Spark Capital Advisors. Please go ahead.

**Tejas Shah:** Hi thanks for the opportunity. LalitJi in your opening remarks you sounded cautiously optimistic on demand environment so just wanted to know because we have been having this tone for a while so let us say if we have to see near term only so what are you optimistic about and what are you cautious about let us say for coming six months of the calendar year 2023?

**Lalit Agarwal:** Optimism I said the business is coming back and the consumer pulse we are able to see some respite if we compare quarter-on-quarter and we have seen quarter-on-quarter there are improvements that is coming up and that is what we are seeing and I am indicating more towards the consumer confidence index and that is what is important to me and how does that confidence grow up for the consumer. If the confidence comes up the feel good factor becomes better then start investing on our so called discretionary product lines and that is what drives the future sales or consumerism in India and in Bharat so I think we are seeing some hope that is built here. Still not exactly similar but quarter-on-quarter we are seeing improvement and the inflation has come down but still not to that level that our consumers have come out of that budgetary pressure that they had so it is still going to take another one or two quarters which will make it happen but the challenges yes definitely we see the challenges but the hope that our pricing that we increased, our offering that was available, we have tweaked all of those. Hope that consumer have got some benefit in the last quarter and consumer will get future benefits also in the next quarter they once again relate back and they start consuming at our stores and that is what feel we are optimistic about.

**Tejas Shah:** LalitJi if I compare our commentary post-COVID versus pre-COVID there always used to be an element of hustling or growth mindset irrespective of the macro environment that we used to face now off late since COVID we are attributing most of our slow down or challenges to macro issues only so should we think that the bottom of initiatives which we



*V-Mart Retail Limited*  
*February 07, 2023*

are doing are not responding anymore and we are at mercy of macros only or you believe that there is lot can be done at our level also irrespective of the macro environment to revive growth?

**Lalit Agarwal:**

Tejas you are absolutely right. Definitely by speaking we will talk about some part about the macro but definitely we have lot to do internally and this is what I said both from the inventory management perspective the new things that we are trying to offer and the new designs that we are trying to offer, the piece that we have created, the differentiated thought process that we have brought in, the digital advertising that we are trying to do, so lot of work is happening at the company's end. We definitely internally talk and we believe that if we are pointing one finger outwards there are four fingers coming back to us and there are lot of those that we have to work because these are not the similar environment but when the competitive pressure was very low and the competition in the market was also very low. One there is a competition in the market, there are more stores in the market which are offering unique capabilities, unique potential and unique skills who are definitely seen more of those in the market so there are changes in the market. There is a higher opportunity for the consumer to visit both from the online as well as the offline perspective, so there is a small shift in that definitely could affect us and when there are growth concerns at the macro level that is where those smaller digit it is all about the 5% or 7% or 10% up down is what brings in benefit.

**Tejas Shah:**

Sure Lalitji last one on this. Sir as an outsider if I have to let us say evaluate after a year on that all these initiatives that you spoke about are working it will reflect in which all top three parameters will it be inventory at store level or sales per square feet or SSG how should I actually monitor as an outsider the initiative that you spoke about are actually delivering results or not?

**Lalit Agarwal:**

Definitely the sales per square feet is a key indicator or even the like-to-like growth is a key indicator so I think we should be able to do that. While we are doing some of the experiments, reorganizing the teams, restructuring the teams there may be some pressure that you will see on the inventory side a little bit which could prevail but our endeavor is to try and manage these pieces also so that is what is also a part of the project in trying to bring down the inventory management have a better digitalized forecasting, have a better consumer understanding (inaudible) 56:34 beneficial features can turn out well. These are all work in progresses, these are all something which is rolling out and the effect is on 360 degrees that we should be able to create which finally boils down to the ultimate like-to-like shift.



*V-Mart Retail Limited*  
*February 07, 2023*

- Tejas Shah:** Fair point. That is all from my side. Thanks and all the best.
- Moderator:** Thank you. Ladies and gentlemen that was the last question for today. I would now like hand the conference over to the management for closing comments. Thank you and over to you Sir.
- Lalit Agarwal:** Thank you so much. I understand the kind of questions which are coming in. People are very concerned about our performance. People are able to see a little **(inaudible) 57:21** from our side. We definitely believe and we understand so there is no hiding away. This is definitely a situation which continuously has been prevailing and we have been regularly talking about it. We still want to maintain those positive notes because we are motivated looking at the market. There are situations there are challenges which will come in. We will not face the similar or pleasant weather every time there will be bounces and we will have those little longer stretch of those and that is what we are here to fight for. Fundamentally we are becoming stronger this is what I just want to reinstate the belief. Fundamentally we are working. We are working on those key parameters where things has to be strengthened in a longer term perspective. At a shorter term perspective there could be some technical approach by the competitor or by us are not effective to us which may deviate us slightly on those. The investments that we are doing on the new initiatives will definitely the bottomline may not seem similar that we used to have, the ROCE will not seem similar, have patience on those. You have shown enough trust with us continuously for a period of time. Again we will definitely hold it up and we will want your trust not to be diluted and we will keep it up. Thank you so much. We will put our best efforts to prove whatever we do. Thank you and have a great day.
- Moderator:** Thank you Sir. On behalf of ICICI Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines.