Ref. No. CS/S/L-1026/2026-27 **10th November, 2026**

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 November 4, 2026

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 October 28, 2026 (Ref. No. CS/S/L-1013/2026-27) regarding the intimation of the conference call with Analysts and Investors held on November 4, 2026, 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: 2026.11.10 14:20:31 +05'30'

Megha Tandon
(Company Secretary & Compliance Officer)

Encl: As above

"V-Mart Retail Limited
2Q FY27 Earnings Conference Call"

November 04, 2026

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

MODERATOR: **MR. RANGANATHAN – AVENDUS SPARK**

Moderator: Ladies and gentlemen, good day, and welcome to the V-Mart Retail Limited 2Q FY27 Earnings Conference Call, hosted by Avendus Spark. 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 this conference call, 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. Ranganathan sir from Avendus Spark. Thank you, and over to you.

Ranganathan: Thank you. Hi, good evening all. Thanks for joining today's earnings call with the management of V-Mart Retail. From the management side, we have Mr. Lalit Agarwal, Managing Director; and Mr. Anand Agarwal, CFO and COO.

Without taking much time, let me hand over the call to the management for opening remarks. Over to you, sir.

Lalit Agarwal: Good evening, everyone. Happy Navratri, with a completion, but Happy Diwali for everyone, which is in the coming week. So largely, we are back with -- during those peak times, these times before Diwali, 4 days, 5 days before Diwali is generally a busy time for retail. So -- but yes, our team has done a great job. We are on time announcing our results.

So we definitely continue to see an opportunity and aspirations of consumers and the demand for better products in India. I think what we have seen in the overall environment this time, the business environment or the broader business environment certainly has been largely dominated by the geopolitical uncertainty.

We have definitely seen a lot of volatility in energy, raw material. Raw material prices have really moved up and down. Supply chain has remained very, very difficult or has been a very important consideration this time because of the movement in raw material prices, because of the movement in overall cost, there has been always a challenge in the supply chain side.

But yes, largely for value retailers like us, these do create an impact on our sourcing cost or product availability and ultimately also the budget of the household or the consumers who come to shop to us. And for us, because these customers are value-seeking customers, their average earning capabilities are very low.

So the impact on them seems to be very high, added by the food inflation, which we have seen, which is one of the highest food inflation that we have noticed in the last month. So that is again adding much more pressure on the consumers' pocket. That is what we are seeing here.

But yes, certainly, there are signs of consumption going down. There are signs of consumption going up. There are weather impacted areas. There are -- either there is a very good monsoon in certain part of the geography or there are little lower monsoons where the rainfall has been more than deficient by 20%, 25%, 30% also in certain belt.

But yes, a large part of India, which we were fearing that the monsoon could be a little bad, did not get so worse monsoon. It was manageable, it was better. And so the agriculture incomes also seem to be in line. There are a few markets where the agriculture income is a challenge. Definitely, festival timing is another piece which is a big piece, which happened in this particular year. So every 3 years, we see this festival getting shifted.

So this year also, it got shifted by 19 days. And especially in our markets, festival spending or the wedding spending, which is also linked with the festival days is very large. So if you look at the Bharat customers, we definitely believe that they want better fashion. They are very careful also on how much they spend. But yes, we also have seen a very high growth of young consumer in our stores.

We could see almost the young consumer, which is what we call Gen Z or even from Gen Alpha, almost touching to greater than 45% of our total consumer set who comes to shop with us. So the younger customer definitely discover trend faster. And as we are seeing a very high rise of social media Instagram. So they definitely expect more newness. The family also is becoming Gen Zs are also having a lot of families.

Now Gen Zs are not only stagged, but they are also getting older. So in our towns in Bihar, Uttar Pradesh, Odisha, Bengal, we see even younger couples having babies. They come with family but are still Gen Z is what we call. So they do seek fashion as well as dependable quality and very clear value. So that is something that we believe is -- there is a responsibility for us to bring these expectations together, especially at affordable prices.

So the highlighting part of our performance, I mean, certainly, there has been a lot of competitive openings, which have been happening. There's a lot of drama, which there's a lot of work which is happening in the competition as well. There is a lot of work with the competitor space has done. There are a lot of store openings that they are doing. And we are also seeing some competitors becoming stronger versus some competitors actually getting a little more weaker and weaker.

So these scenarios will keep on going on. But what we understood that there were almost 70 to 75 locations where we actually got impacted by -- or where we saw competitors opening up near our stores or in the similar territory or in the similar market where we are located. But overall, if we see there is more than 150 stores which have been opened by competitors, which we target in our market.

There may be more than 1 or 2 competitors which have also opened. So against that backdrop, the team has really done a fantastic job, and then we have been able to see some good growth coming in, both from the like-for-like stores as well as the new stores opening and the new store -- number of new store opening has also been very good.

So we have seen some good growth coming in. We definitely have to normalize this time with the festivals as we have already reported and you must have seen that. So as such our growth looks a little lower, but we adjusted for the festival, it definitely looks better. The highlight of this particular performance was also the biggest highlight was the Unlimited market, South

India, which stood out both in terms of growth as well as the profitability. Our South India business continues to fire and we have seen multiple quarters in the past 3, 4, 5 quarters, we have been seeing the South India market firing for us.

There's been a lot of learning that we have implemented, a lot of good things that we are doing and the consumers are realizing it, and we have started getting it. So I think the biggest news for us is that the South India or the Unlimited market is almost matching the sales per square feet number of V-Mart is almost -- or has delivered higher profitability or higher EBITDA, the surge in EBITDA, which I think there was a pertinent question from all the analysts continuously for the last 3, 4 years that we have been listening then when Unlimited hit that mark of that similar profitability or even the sales per square feet. So I think the time has come. It has come a little faster. The team has done a great job, both the front end team there as well as the back-end team here.

We have really been able to steer this acquisition very nicely, and it has now started showing greater output and potential to throw much more better output in the coming days as we are now very confident. And as we all know that the South India market has a higher per capita income, the ability for the consumer to buy better product is much more to buy more number of products is also very high.

So we have more potential to get into South India market both in terms of Tier 2, Tier 3 as well as some Tier 4 towns, which are almost like Tier 3 in the rest of India. So that has been a good highlight. Other than that, we have also seen our online business doing very good.

Our LimeRoad business that we also acquired. This year, we saw a very good growth in terms of our business. We have seen a growth of almost 55% on our top line, which you must have seen over the last few quarters, we have reported a subtle growth or a negative growth also on the top line because we wanted to consolidate and we wanted to bring in the profitability under control or the losses under control.

So if you look at the losses, in spite of 55% growth, we have seen the losses coming down by almost 32%, which is -- if you look at a percentage level, the losses, which used to be almost 18% of our revenue is now stands at 8% of our revenue. And this is definitely powered by our omnichannel conversion, which is very important because what we really worked on is the scaling up of our endless aisle wherein we grew our digital users by 37%.

We definitely really worked on creating orders from our store customers. So 58% of our online orders actually get fulfilled from our physical V-Mart store inventory. And then this is very important because all our 613 stores have been fulfilling these orders and driving online sales without adding separate warehouse cost or even inventory risk.

So that is very important and that was the driver. But yes, apart from that, our strategy is largely to also work not only for the online sales, but also to drive footfall synergy and then create more synergy across the local catchment where our stores are and how do we drive that.

So there also, we have seen a great work happening because 41 lakh customers who engaged digitally in our LimeRoad platform, we saw them getting converted into our physical touch

points, which is our stores within 15 days of they browsing that on our channel. So I think that is the real use case of omnichannel. And that is where once again, we are seeing larger potential because we are also seeing these customers who are dwelling into both the channels, whether online plus offline, they seem to have a higher annual customer -- annual basket value.

So their annual purchase value from our stores seems to be much higher. So this is another highlight, which I would want to highlight here that these 2 important things that we did in our last 5 years, which is acquiring Unlimited as well as acquiring LimeRoad, both are turning out to be positive news, both are turning out to be better potential driver of our growth and our performance.

Apart from that, I think certainly, our store productivity in spite of opening almost 23 new stores that we did or 15% of new store area addition that we did, we definitely also have increased our sales per square feet if you look at the competitor space, people do generally report that when you open up new store, your sales per square feet seems to be lower.

But in our cases, we have tried to ensure that both from our like-for-like stores as well as from our new stores, we deliver similar or better sales per square feet. That's the overall focus that we are trying to drive. So I think overall, it is definitely a lot of work internally, a lot of work where we are seeing, a lot of changes in our leadership areas. Anand, who has taken over the entire operations and our retail business. So here, I think Anand is now firmly settled in this role, and he's definitely brought in his commercial rigor and operational discipline in the store operations. We definitely are seeing a lot of like-for-like momentum is building, which is where we are building.

And then I think we need to have this cadence continued because we have been reporting positive growth across last 12 quarters consecutively. We want that to be much, much better because there is a lot of potentiality that we had lost in earlier days during COVID and post-COVID scenario, but now we have really been able to do.

Once again, here, we have really brought in a new leadership at the merchandising lens also because here also, we have brought in Varin, who is my son, who has now taken up the charge to lead this particular function and where a refresh -- the entire team is getting into the realignment and trying to understand these Gen Z audience much, much better because what we have understood that around 50% or 45% of our customers are Gen Z.

So this is very important to understand. And here, once again, we reiterate that Bharat is not one market. We all know about it and fashion preference across our geographies are very sharply differentiated whether it is because of the culture or because of the occasion, the festivals or even the climate conditions or the physical body that the consumers have, if you look at a Punjab person versus a Bengal or Bihar person so there's a lot of sizing differences. So we really work -- started working a lot on our buying methodology and then we are grouping these stores into different clusters and identifying the differentiated needs or distinct needs and then creating an algorithm, creating a technology behind that and ensuring that the data actually convert into great actions and great decisions.

So the team is really working hard on developing those technological models, building intelligence within those models, trying to very clearly bring in the discipline of the breadth of the number of options or the depth in the number of options or the kind of size mix which is required at the time of procurement and also the timing wherein how much -- how do we really work with the vendor to try and get a better outcome because in these inflationary times, the efficiency once again becomes a bigger piece.

And how do we really integrate with our vendor or manufacturing vendor base to try and bring in those kind of efficiencies and reduce the turnaround time with the production so that our availability at the store level and the change in the fashion preferences of the seasonal pieces are being taken care of. So all of these integrations are very, very important, and we are really doing a lot of work in the vendor partnerships as well.

So that we are able to give benefits to our vendor by maybe shortening our payment cycle because we have also seen that our team has been able to manage our cash flow very nicely and even have been able to satisfy our vendor base by paying them 9 days earlier, which is also a very, very important and this is very important.

It may look like that our working capital days have gone up. But for us, it depends -- it is really very important for us to also look at vendor strategy and vendor becomes a critical point if a growth of so much the growth of value retailer as we have already spoken in the previous times. So for us, that partnership is also very, very important.

And then there has been a lot of work that we have done in the supply chain and inventory management. There also, I think the result you can see is almost the days of inventory has been reduced by 9 days, which is -- because there has been a lot of work which has happened in the entire allocation model that we have built, how do we actually convert the model into faster selling model, the inventory quality, the timeliness of the inventory or even the quantity at which the inventory should be bought.

And then the entire supply chain on the physical chain, wherein the operation of warehouse, the operation of the entire logistic fleet, how do we actually plan all of those, wherein we are able to reduce the turnaround time and the reaction time from the sales to the supply. Those -- all of those has really brought in a lot of good benefits.

So I think these are very critical points. I have taken a lot of time. But yes, there is one more thing that we definitely also have touched our 600 store mark this year that brings in the thought process and remembrance that when we did the first 100 stores, it took almost 10.5 or 11 years for me to reach there. So -- but now we are able to do these 100 stores in the 14-month period itself in the past. Last year, we did in 14 months.

But I think in the coming days, Anand has taken up the challenge to maybe do it in the 12-month period. So we'll definitely put it more on Anand and let's hear from the horse's mouth and maybe over to Anand and then we'll open up for question-and-answer. Thank you.

Anand Agarwal: Thank you, Lalit, and sorry for this confusion. I think my network got disconnected, so I am now back online. I will be very quick. I have a lot to speak, but I will just limit myself to the

main points. Quarter 2 is seasonally the smallest quarter of our year, and this year it was also affected by the shift of the festive calendar that Lalit has also spoken about. The festive date shifted by 19 days, with Navratri commencing on 11th October this year against 22nd September last year, which moved the entire festive period out of quarter 2 into quarter 3.

But despite this, our revenues grew by 18% and SSG of 3%. Adjusted for the festival shift, like-to-like growth was 11%, reflecting the underlying health of the business. We also opened 23 stores and closed 1, crossing the 600 store milestone this quarter and taking the tally to 613 stores across 351 cities.

The customer engagement remained healthy throughout the quarter. Footfalls grew by 36%, a very healthy number, and the memo count also grew by 15%. As we have spoken multiple times in the past, the footfall count base has had anomalies in the previous year's base data, which is getting streamlined.

And going forward, the right conversion metrics to look at should be closer to 35%. Apparel ASPs remained flat year-on-year despite the shift of the festive as a result of better full price sell-throughs and a limited amount of price increase during the quarter.

Regionally, all geographies held up well through the quarter. Puja, as we all know, is the dominant festival in the East, which moved out of quarter 2, but which will get subsumed with adequate growth and reflect much better in quarter 3 numbers. South under Unlimited continues its strong growth momentum.

Unlimited sales per square feet is now INR681 on a YTD basis, up 15% as the stores we have opened over the last 2 years continue to deliver materially better productivity than the acquired legacy stores. This trend should continue as the average of the new stores begin to overshadow the older legacy stores.

Coming to gross margins. Gross margin for the quarter was stable at 33.5% against 33.6% last year with rupee margins actually growing by 18%, in line with sales. On the expenses side, the employee cost grew by 15%, while the other expenses grew 18%, in line with sales growth of 18%.

But the savings in employee costs gave a net impact, which was a modest improvement in the expense ratio, and that is what allowed the EBITDA margin to hold in a quarter where the festive sales shifted. On a pre-Ind AS basis, EBITDA is now therefore up 32% with margins flat at 0.6%.

Quarter 2 is a seasonally thin quarter, and this line is always small. On a post-IndAS basis, EBITDA grew by 20%, with margin at 9% against 8.9% last year. By format, V-Mart delivered EBITDA of 8.8%, while Unlimited delivered 11.6% against 10.5% last year.

Even YTD basis, Unlimited is now ahead of V-Mart on EBITDA margin, even at a pre-IndAS level. And I believe we should continue to see this improvement build up more as we move forward, which is also encouraging us to open more stores in South and West India.

Below the EBITDA line, the quarter reflects the accounting of a materially larger lease network. Depreciation rose by 25% and finance cost rose 18%. But the entire increase is IndAS 116 led, depreciation on right-of-use assets and the notional finance charges on lease liabilities.

The right comparison to look at would be on a pre-IndAS basis, where the depreciation was flat at INR28 crores and the actual interest outgo was also flat at around INR6 crores. So again, on a pre-IndAS basis, PBT actually improved to a loss of INR26 crores versus a loss of INR28 crores in last year.

Coming to cash and capex. Net capex for the half year was INR85 crores against INR60 crores spent last year. This was mainly towards new store openings, store refurbishments, a new office setup and technology investments. We have recently shifted to our new office in Gurgaon, which allows us to get all the LimeRoad team also sit together with the V-Mart team and drive even greater synergies together. Inventory increased by 12% year-on-year, reflecting the festive stock build, which this year sits entirely inside quarter 2.

Days of inventory came down by 7 days to 90 from 97. Per store inventory is lower year-on-year, even though this year's festive stock sits inside the quarter rather than having partly sold through by September in last year. The inventory remains very healthy.

And as sales productivity grows, we should see further improvements in days of inventory going forward. There is a slight but controlled increase in the working capital utilization at the quarter end due to festive inventory buildup, higher capex and faster vendor payments.

Short-term borrowings stood at INR190 crores as at the quarter end against INR100 crores at March end. This is purely a working capital utilization at the festive stocking peak and short term in nature. There is no long-term debt on the books as always.

Online part, I think LimeRoad, Lalit already spoke about, but one thing I just wanted to highlight here was that we continue to chase operational excellence on the LimeRoad piece with scale, but not at the cost of profitability. So we are consistently moving towards making this business sustainable.

And we are very happy to see the LimeRoad turnaround is now visible, sustainable and also asset-light, driven by the omnification of our combined customer base. So lastly, on the store expansion, we opened 23 stores in quarter 2 and 38 in the first half against 2 closures, taking the network to 613 stores.

With SPSF across the network improving 5% despite a 15% store addition in the last 1 year, the NSO ramp up remains promising and healthy. We remain committed to open at least 90 to 100 new stores in the current financial year. And as Lalit has given a challenge, I will definitely want to honor the 100 store a year openings going forward.

So that's all from my side, and I request the moderator now to open the house for questions. Thank you.

Moderator: Thank you, sir. We'll now begin the question and answer session. The first question is from the line of Avi Mehta from 360 ONE.

Avi Mehta: Hi Lalit ji, Anand Just a few questions. First, I wanted to understand from a medium-term perspective in this journey to improve inventory, kind of more agile operations and get the portfolio positioning correct, where would you say you've reached versus what you want to be?

Is it like 80% there, and hence the reflection should kind of start going into SSSG going forward? And the reason why I'm saying is when you are looking to ramp up store additions, I'm basing it on that fact. So I would love to understand that part. So that's question 1.

Question 2 is on the pre-Ind AS margin. Now versus history, we are probably much far off. What do you think is required for us to get back to those levels? And how do you see that journey panning out?

And last but not the least, if you could give some near-term color on how do you see the gross margin profile behaving? And is this is most of the pressures now? So those are the 3 questions.

Lalit Agarwal: Yes. Thank you so much. You're absolutely right. Our margins still is below what we had projected and given in 2017, '18 or '18, '19. So there is certainly more room. But yes, see, the overall efficiency of the business is what we told. So we were getting pulled down by Unlimited business. We are getting -- we were getting pulled out by LimeRoad business. And now suddenly, there is not the same environment. There is a very, very high competitive environment in the market.

So the sales have also got shared between few players. And then suddenly we are looking forward to that and improvising even the sales per square feet because it's a function of sales per square feet and same-store sales growth. And as you have seen that we have consecutively delivered growth in the same-store sales growth for the last 10 quarters is showing uptick and an uptrend in also the gross EBITDA margin. So I think this should continue.

But suddenly, we need to be very careful in the way in which we report that in the way we actually do our provisioning, in the way we actually do our accounting, in the way we are actually able to clear up our old inventories as well.

So we are very, very agile even on those sides, wherein we are very regularly clearing our old or the non-sellable or the lesser fashion inventory. So that is also very, very important, wherein you have seen that our margins also this year has not been low, but has not been too high.

So we have been hovering around similar margin because this particular quarter, if you look at it, we actually had more number of days to dispose of our seasonal stock and because 19 days shift in festival also says that there's a shift in the winter season. So newer inventory gets launched a little later. But I think overall, from a margin perspective, certainly, there is a huge pressure of cost.

There is a lot of fight, a lot of working which is happening in terms of the cost management, in terms of the negotiation with the vendor base, in terms of bringing efficiency on their part so

that we are able to do both. One, neither go on the price rise for the consumer because the entire price rise of raw material, if I just pass it on to the consumer, it is going to be very, very steep for the consumer where we have seen a bad response in 2022, '23.

We don't want to do that. We are creating a lot of efficiency, but still we will see some 5% to 6% of the ASP growth, which will come into the market. But we are trying to manage that we don't lose margin, maybe maximum we'll be compromising with 0.5 or we may be adding another 0.5 so it may depend upon the time. So I think we are in control of the margins.

Avi Mehta: Got it, sir. Got it. And sir, on the near term, how should we see this? Is this like a bottoming of the gross margin now from here on? Is it largely reflective of the input cost pressures in this quarter?

Lalit Agarwal: Are you trying to put words in my mouth?

Avi Mehta: No, sir. It would be useful to understand.

Lalit Agarwal: I have already explained it nicely.

Moderator: The next question is from the line of Dhruv Sitlani from Leo Capital. Please go ahead.

Dhruv Sitlani: Congratulations on great set of execution. Sir, my first question is what has been the same-store growth in the month of October? And how have the trends in the festive season been? What sort of same-store sales growth do we expect for the full year?

Lalit Agarwal: Did you ask October?

Dhruv Sitlani: Yes, sir.

Lalit Agarwal: Sorry, we can't report that right now. We don't have a policy to report mid-month of same-store sales growth. But yes, if you ask me about the festive outlook, I think it has been positive, but still below our targets because we had anticipated a better sales growth and we are still not getting those kind of sales growth but it is possible.

Dhruv Sitlani: Okay. Sir, my second question is what are the overall demand trends for this particular industry? And what sort of the store addition and sales growth outlook we expect for the next 6 months and the coming year?

Lalit Agarwal: I think we always give an estimation of around 17% to 20% of sales growth on a total level, and we'll continue to have that. And as I said on the expansion, we will want to add more stores. We have added almost what, 48 stores till now. And we would -- maybe we should try to add maybe if not similar, at least 40, 42 more stores.

Dhruv Sitlani: Okay. Sir, are you seeing a meaningful improvement in consumer spending and store level **traction** during the festive period?

Lalit Agarwal: See, certainly, the inflation is high, whatever consumers does, there is a little higher basket size that we are seeing. There is a little jump in the ASP. But there is a pressure that we are also

seeing from the consumer side because of inflation and the inflationary pressure on them. So as of now, we are not seeing a very high growth in the basket size of the consumer. But because of the ASP rise, we are seeing certain movement in the ASP with size.

But still, I think the number of customers that has to come out to buy could go down but that is how we are trying to do a lot of activities in terms of -- in trying to acquire more market share because the overall consumer sentiment may be a little lower but we have our plans to acquire more customers in our store.

Moderator: The next question is from the line of Kavya Baing from IIFL Capital.

Kaivalya Baing: Sir, my first question is regarding the store areas for the new stores. So if we look at the store addition and the area addition, it implies a smaller area for the newer stores. Is that understanding correct?

Lalit Agarwal: Yes. We have not opened large stores. We have kept our size constrained. So we have been hovering around between 7,000 to 8,000 square feet of stores, size of stores.

Kaivalya Baing: Going forward, sir, are we expected to reduce the store size for accelerating the expansion, or can we expect the area to be...?

Lalit Agarwal: That is our model. We are averaging around 8,000 square feet. 7,500 is our average sweet spot. So anything around that is what we get. It depends upon the location to location or property to property, how well do we fit into that model.

Kavya Baing: Understood. Secondly, sir, on competition, you highlighted in your outlook that you are seeing increase in the competitive intensity. Could you just throw some color as to the region or the places where that intensity is picking up? And also, with price hikes expected going ahead, do you think that could weigh on our performance?

Lalit Agarwal: You said what is the region? And then one more, what is the second question that you asked?

Kavya Baing: Regarding the future quarters, I'm presuming that there would be some price hikes to combat the inflation. So do you think the competitive may undercut us on that front?

Lalit Agarwal: Yeah. No, I think your first question on competitive space, where is the maximum intensity that we are able to see. I think we are able to see a lot of intensity in the hinterland, especially in the Eastern and the Central Northern belt, which is the Odisha, Bengal, Bihar, Jharkhand and U.P.

So this particular belt we see a lot of retailers, both East India-based retailers as well as North India-based retailers jumping there and then bringing their stores there as well as some of the Bombay-based or the national retailers also trying to add a lot of stores in these markets. So these are bigger battleground versus the other markets is what we have seen.

And on the typical price rise, I think I have indicated that we would expect and we are seeing a 5% to 6% price rise growth that we have to pass it on to consumer around 5%. But because of our strategy change, we may see a little bit higher ASP improvement. But yes, I think overall, we are targeting around 5% to 6% of price rise.

Moderator: The next question is from the line of Avinash Karumanchi from MOSL.

Avinash Karumanchi: Congrats on good set of numbers. So my question is regarding Unlimited. So there is a significant turnaround in case of Unlimited. On an YTD basis, it is almost close to V-Mart in terms of SPSF. So can you sum it up like what all things have you worked out in order to drive this performance? And furthermore, how can we see going forward Unlimited versus V-Mart, the SPSF wise?

Lalit Agarwal: See, I mean, certainly, we had initiated a lot of strategic inputs almost 3 years back something works, something did not work. Something continue we continue pushing a lot of areas and we continue bettering those areas. And I think it is largely more about the product lines, the belief system that we have got, our core competency of delivering the core value product or the lower price point product as well as the youth product.

So these 2 are the biggest drivers for Unlimited market. So for us, we saw that the original Unlimited consumer persona was a little more millennial and was a little more per capita, higher per capita income consumer. So we wanted to attract a little lower per capita income consumer also, and we wanted to attract lower age group consumers.

And these 2 drives helped us to actually bring in a lot of new customers, wherein we saw a lot of new customers, both youth as well as young families. And young families gave us a lot of kids wear sales. Our kids wear has been doing very well there. Young consumers have brought in a lot of Gen Zs and Gen Zs, the contribution of new fashion has really grown up. And we continue to have retained our millennial customer base. So I think all of those -- the strategy has really worked out.

And similarly, consumer realization is now there. And it is now becoming a word of mouth that there is a good proposition which is available at Unlimited in the store because other competitors, the likes of Reliance Trends or Max, their average selling price is much higher than what we do. So that is how we are able to clearly have a very clear differentiator in terms of our pricing as well as in terms of our fashion. And that is what is paying off for Unlimited.

Avinash Karumanchi: And how much further improvement in SPSF can we see in case of Unlimited going forward?

Lalit Agarwal: I know you wouldn't you agreeing to whatever I say. I always think it should be double.

Avinash Karumanchi: But look, your potential, the mature stores you are looking at, like, since the acquisition, there are a lot of mature stores which you have turned around and then the new stores were there. So I am just saying.

Lalit Agarwal: Generally, we are anticipating better growth. So we are targeting higher percentage of like-for-like growth in the market. The like-for-like growth if it goes beyond double digit so I think we will be continuing to increase in our sales per square feet. And it is just not about our existing store like-for-like, but it is also about the new store that we are opening up.

The performance of all the new stores that we have opened up in that market is also very good. And there, the sales per square feet is also very good. That is also bringing in the higher sales per square feet in the overall Unlimited market.

Avinash Karumanchi: Okay. Okay. Got it, sir. Second thing is regarding the cash flow. I mean this year, now there is inventory shift, I can understand. But going forward, there will be significant amount of free cash flow being generated from next year onwards. So what are you thinking about deploying the cash towards?

Anand Agarwal: Let me take that. So the way our entire expansion plans have always been structured is that we want to utilize maximum amount of cash flows towards organic expansion and bulk of that cash flow should get utilized in the same cause. That is how we've always remained a very healthy business, earning whatever cash is generated by the business, redeploying it back into the business in terms of new store expansions and capacity expansions. So that's the whole idea. At least for the near to medium term, that is what I perceive that, that should remain the case.

Moderator: The next question is from the line of Yash Sonthaliya from Edelweiss Public.

Yash Sonthaliya: Congrats on good set of numbers. So two questions from my end. Number one, this quarter, we have seen a good operating efficiency on the operating cost. So if you can allude a little bit upon it, how should we see it going ahead? Is it something what we used to talk about and now it is coming into numbers?

Lalit Agarwal: Yes, Yash. I think, just talking wouldn't be happening have to do the delivery. I think the team is doing lot of good job. There's a lot of efficiency driving mechanisms which has got built in. It is more about -- see, ultimately, it is more about product delivery. It is more about retaining a gross margin.

And it is more about sales per square feet because if you have more sales per square feet, the fixed cost remains constant, you definitely get those delta in terms of efficiency. So I think it is largely about understanding the consumers in a better way, driving better fashion, giving them sustainable quality, giving them trust so that the consumer repeat rate is very good.

If you look at our repeat rate, our sales -- our 70% of sales comes from our repeat customers. And that is something which drives our belief system and drives our trust level. And that comes largely from product ultimately, customer buys products and customer wants product.

Certainly, product has to be added up with the experiences that is supposed to be there and the supply chain because availability is also as important as the experience. So all of these has brought in a lot of efficiency and I think we will continue driving those efficiencies as long as we are able to keep our eye and use those technologies and use those clear indicators and have good partnerships with our vendor ecosystem, and our design team continues to bring in better designs. We will certainly create better efficiencies in the coming days as well.

Yash Sonthaliya: Got it. But just a follow-up on the same. So what I really wanted to understand is in this quarter, our employee cost and other expense has done a decent efficiency, right? Because at 2% SSSG also, we were able to maintain the gap between our gross margin and EBITDA margin. So is it

something which happened because the festive shift has happened? Or is it something which we will see structurally going ahead in the next few quarters also?

Lalit Agarwal: So this is very difficult. And see, ultimately, what I have told you is it is more about the same-store sales growth. You are saying 2%. Yes, on the calendar side, we are seeing 2%. So there are a few good uses of good government benefits also, which has been given on the labor productivity or labor recruitment.

So we have also tried to use some of those. Certainly, there have been increase in minimum wages, and then that is actually pinching us. If you look at our cost per employee cost has gone up, lot of states and our major states like Uttar Pradesh, Haryana have gone up very high on the minimum wages. So the increase is very, very high is steep.

But we have created a lot of efficiency by actually looking at our productivity in our stores, rationalizing our manpower in actually bettering our attrition rates that we have consistent and good manpower.

So some of those measures are actually bringing in some results. But yes, these are still a lot of variable numbers. As you grow your quantum, you definitely have to also grow your manpower. But largely, if you look at the other costs, there is more cost in terms of the power and fuel.

I think there also the team has done a great job, even bringing a lot of analytics into the power consumption has also given us a lot of efficiency. So all of these are -- there are -- even now there are more areas in which we are trying to bring in more efficiency. So we would expect some more efficiency to come in the coming part of the year.

Yash Sonthaliya: Got it. Makes sense. And sir, one last question upon Unlimited. So basically, like you alluded, pre-Ind AS margin are now at par with what our core V-Mart stores are at. So I wanted to understand basically what we used to say is Unlimited, the rentals and everything are higher at Unlimited. So how we are able to manage the EBITDA margin with same or lesser sales per square feet at Unlimited?

Anand Agarwal: Yes. So while we've spoken about this in the past, the pricing that we maintain at South India Unlimited is kept 5% higher for the same and similar products. And this is a strategy that we have maintained right from day 1 since the time we took over Unlimited. And because our operating costs were always higher. In fact, now they have got slightly more streamlined as we opened new stores.

So now out of the total entire network, almost 55% of these stores are now new, which are operating at much lower rentals than the legacy stores. So as we move forward, we are seeing the rental cost line coming slightly down. The averages are getting slightly down, while the gross margins are holding up. So that is allowing us to maintain the profitability. And in fact, that is giving us the confidence that if the sales per square feet from the newer stores continues to rise, we will see even better profitability as we move forward.

On a YTD basis, while the EBITDA line for Unlimited remains very healthy as compared to V-Mart business, but I think we should also consider that V-Mart will be back with its share of

profitability or very high profitability in quarter 3 because that is where the bulk of the business for V-Mart lies, unlike Unlimited, which is more evenly spread out throughout the year.

Moderator: The next question is from the line of Kunal Bhatia from Dalal & Broacha.

Kunal Bhatia: In terms of the current gross margins, how much of a commodity inflation is already included? And we have also spoken about 5% to 6% kind of price increase. So have we already taken it or still we are in middle of taking the same?

Lalit Agarwal: So, there has been phases in which the price increase has happened for crude -- so as of now, what is built into the system is a crude oil shift from $55 to $75. So maybe up to that level, we have already built into the system and that price -- that raw material cost uprise, which is ranging from 5% to 10% depending upon the product type has already been built into the pricing.

This is not very evident in Q2 because the festival, also there is a mix change which happens during festival. During non-festival period, the mix of lower price point items are a little higher. So you will see that price rise also in the Q3 a little more higher.

But yes, we have built in up to that level. But if this new normal of $110 or $115 continues for some more time, it will become difficult, so we may have to take another price raise in Q4. That will once again be something that we may have to anticipate.

Kunal Bhatia: Okay. And sir, my second question is in terms of the current inventory levels, how much of the inventory would be 6 months and older?

Lalit Agarwal: Very difficult question you have asked. I think you have to get on to one-on-one. I am sure it should be above 85%, 88%, 89%. But yes, you could take it separately with Suraj

Moderator: Due to time constraint, we will take this as a last question for today. I would now like to hand over the call to the management for the closing comments.

Lalit Agarwal: Yes. Thank you so much. I think there's been a lot of questions on cost pressure. I think the cost pressure definitely require an equally balanced response, both our raw material as well as the manufacturing cost affecting sourcing. So we definitely are there.

We are protecting affordability, which remains fundamental, and we will definitely manage cost without weakening either the product quality or the value customer association with V-Mart. So I think that is very important. We'll continue to maintain our governance standards.

We'll continue to be very agile on whatever comes in as a learning, and we will continue to give good news and grow in this market. Thank you so much. Wishing everyone a very, very Happy Diwali.

Moderator: Thank you, sir. On behalf of Avendus Spark, that concludes this conference. Thank you for joining us. You may now disconnect your lines.