Ref. No. CS/S/L-949/2025-26 **30th January, 2026**

To:	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	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 23rd January, 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 January 16, 2026 (Ref. No. CS/S/L-939/2025-26) regarding the intimation of the conference call with Analysts and Investors held on 23rd January, 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: 2026.01.30 16:03:28 +05'30'

Megha Tandon
(Company Secretary & Compliance Officer)

Encl: As above

"V-Mart Retail Limited
Q3 FY26 Earnings Conference Call"
January 23, 2026

MANAGEMENT:	**MR. LALIT AGARWAL – MANAGING DIRECTOR – V-MART RETAIL LIMITED** **MR. ANAND AGARWAL – CHIEF FINANCIAL OFFICER – V-MART RETAIL LIMITED**
MODERATOR:	**MR. ADITYA BANSAL – MOTILAL OSWAL FINANCIAL SERVICES**

Moderator: Ladies and gentlemen, good day and welcome to the V-Mart Q3 FY26 Earnings Conference Call hosted by Motilal Oswal Financial Services. 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 touchtone phone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Aditya Bansal. Thank you and over to you, sir.

Aditya Bansal: Thanks, Alaric. Good morning, everyone. On behalf of Motilal Financial Services, I welcome you to V-Mart's 3Q FY26 Earnings Call. From the management, we have Mr. Lalit Agarwal, Managing Director and Mr. Anand Agarwal, CFO. Without further delay, I will now hand the call over to the management for their opening remarks. Over to you, Lalit.

Moderator: Lalit sir, please go ahead and please unmute your line in case if you are on mute.

Lalit Agarwal: Hello. Good morning, everyone, and thank you all for joining us today. Once again, we are in a call for the best -- one of the best quarters for the year that we generally have, which is always has been the best quarter for the industry and is generally the best quarter because of the Diwali and the winter months, which is starting. So let me start with a little bit of macro level.

I think what we see industrialization continues to deepen. Government policies are supportive. We see inflation largely in control, per capita income or the consumption continues to rise, not too much, but yes, there is a rise, which is there. In forms like GST has not really delivered a very immediate consumption-led benefit, but yes, they are clearly a positive sign from a long-term formalization and efficiency standpoint is concerned.

There is definitely a renewed focus on manufacturing, which is constructive for employment, and definitely will bring up the income generation or income creation over the long run. But at the same time, we believe that all this AI and the technologies, which is coming in could begin to disrupt some traditional retail model or could begin to disrupt some industrial model or the employment, which is also -- which could create a little short-term noise.

But also -- could also enhance a lot of certainty, decision-making opportunities, both for retailers as well as other industries. So in the near term, what we see is consumer sentiment definitely has been influenced by some global development, not exactly in our market. But yes, we keep sharing that in the urban cities and in the bigger towns and metros, all these designated news, geopolitical uncertainty.

Definitely, there are weather-related disruptions also which is happening. So these are some of the factors which are, I would say, which affect the sentiment, but not the fundamentals. We don't see a lot of weakening in the demand. We definitely see some rise there. Tier 2, Tier 3 market for us continues to be -- continues to show healthy returns or healthy growth. Rural or semi-urban consumer -- markets, the sentiment there has improved.

That's definitely being helped by the agriculture produce, which is the outcomes, which is coming in. A large shift which is happening from unorganized to organized, both in terms of formalization of economy and in terms of retail as well. Inflation definitely has been supported -- has supported the consumption. The spending decisions definitely are more deliberate, we believe.

So we see consumer sentiment. If I describe it, it is stable and cautiously positive. I would not say too positive, but yes, cautiously, it is positive. It is not exuberant, definitely not fragile. We are seeing consistent footfall growth across markets. Spending has increased, largely during occasions, festivals, weddings, event, family events, rather than a lot of impulse-driven consumption.

Savings is definitely getting into pressure whenever we speak to consumers, when I go to the market, whenever I talk to some of the customers, we see their savings rate has gone down. Consumption, definitely, we don't see has weakened. So this is largely getting driven also by younger consumers. They are definitely once again influencing the family purchase decision, especially in fashion and apparel.

In our market, competition has also increased, definitely giving more choices to consumers. Importantly, this is increasing the -- or expanding the awareness and the footfall for organized retail as a whole. That is the overall piece that we see within our markets. Because of consumption, because of more stores getting opened definitely more fashionism is also coming.

I mean a lot of these initiatives by the government right now has not led to a meaningful impact in demand patterns, whether it is GST or it is labour codes and stuff. On the other side, we see good monsoons, higher MSPs. They definitely are putting more money in our farmers' hands or the supporting businesses, which needs or helps the farmer or support or trade with farmers.

So there, we are seeing some consumption potential. Weather definitely has been uneven for us in this Q3. We have seen excess rainfall or activity of cyclones during festivals, in parts of Eastern India, in southern markets. So we have seen some disruption on these markets and some lower growth also coming in here. Northern -- north market, the Northern India saw a delayed or a milder winter initially leading to little dispersed demand for heavy winter and all.

So festive demand overall was reasonable. Diwali, which was not a winter-led Diwali, yet the demand was good, was okay. It was not great, but it was -- the demand held up. Winter demand definitely got delayed a little bit. It is not lost, it didn't get lost, but yes, it was little erratic.

Some categories, we actually sold off during initial times and then inventory was an issue at times. But ultimately, we've got a lot of these inventory. We definitely don't see which is overstock. Once again, we are seeing some erratic festive -- sorry, better weather patterns in the month of January. Initial days were colder, last 1 or 1.5 weeks were a little lighter. So -- but definitely, it is going to come back.

Marriage calendar has also been very good in this particular quarter, and this has definitely supported some demand and post-festive demand. So for us, at V-Mart, I think we are very clear and very deliberate. We operate in value retail, where the pricing is aggressive by design. As a result, we do have lower margins than some of the peers.

If you look at the national players, like Zudio or others, we do -- or maybe we have the new stuff. We have some average or lower gross margin. But we definitely offset this through our tight cost control operations or inventory turns. And that is what we've been very strong in. That -- this definitely creates a stronger per store profitability, and a good payback on our new stores.

Our advantage is definitely focus and discipline in our operations. We know our core customer, our core marketing intimately. I mean, this is the strength of V-Mart is, we definitely blend both our private labels, which is almost 70% now, and the market labels, which to suit our -- the regional requirement or the local taste of the consumer, which we definitely do it through leveraging our deep vendor network, whether we -- the partnership that we have with our vendors are like a vendor or a manufacturing partner.

And we definitely believe in these partnership and leverage this partnership to keep our costs competitive and our supply responsive. In the value segment, I think as it is growing rapidly, and we believe our format, the sourcing discipline that we have and the execution rigor that definitely gives us a sustainable edge.

I mean equally, for us, it is also important to know that what we don't believe in, what we don't want to do, because we are not pursuing growth that dilutes our returns. We don't want to do that. We are not using heavy discounting to mask our demand volatility, and we are not compromising our store economics for our headline expansion. We don't go ahead and open up stores in every territory or anything that comes up to us.

So I think the quarter has been good. The performance reflects this approach. Our quarter specific numbers was influenced by festive timing, weather-related. The trajectory of the business remain intact. We maintained strict expense control. Operating costs definitely increased in line with planned expansion and normal inflation.

But we did not see any uncontrolled cost which came in as our volumes improved that translate -- this definitely translated into strong operating leverage. We held up our margin, underscoring the resilience of our model. Q3 definitely is not a flashy one-off, or an aggressive markdown quarter. It is definitely about solid execution, growing revenue with healthy margins, improving revenue quality and protecting our cash generation. That was a key highlight of our quarter. Demand visibility definitely was uncertain, particularly in winter-led categories. We consciously chose to protect our margins. And I mean, we did not just go for volume increase because we wanted to also deliver in good times because winter is always erratic in nature. So there are some long-term decisions that we have taken. We definitely have our rigour -- in our disciplined execution.

Our stores are very -- the new store openings that we do are very clearly and very carefully selected and typically breakeven -- they do break even, as you all know, within our first or second month of operation. Our expansions have been completely funded by our internal accruals, keeping the balance sheet strong and virtually debt-free. So that's the key highlight.

Capital discipline is central to our model. We definitely want to build efficient store, keeping our per square feet capex in control, meaningfully lower than the industry averages. This definitely supports attractive store-level trends. On the technology and the process side, we definitely continue to upgrade our systems, our processes.

The entire planning function, merchandising function, inventory management, these are increasingly becoming system-led supported by tools, ERP enhancements, analytics. Some early AI use cases have also been deployed, or trying to deploy a lot of those. We're trying to -- we're definitely working a lot on refining our assortments, removing slow-moving SKUs from our systems faster, sharpening our focus on categories with consistent demand.

We are de-cluttering some of those -- trying to declutter a lot of those. Across merchandising, supply chain operations, leadership alignment around efficiency, government and long-term value creation is definitely strong. This quarter, we also saw our Unlimited business coming up very well.

Early signs of improvements are visible there. Changes implemented in the last few quarters have definitely reflected some good benefits. While a few locations are still not performing there to their potential, the opportunity remains significant. We are definitely proceeding with patience and learning. LimeRoad for us continues to play as a clear omni-enablement platform.

The focus is firmly on profitability here and back-end capability rather than scale for its -- just go on scale for the business or order sake. Our marketing expense has been sharply curtailed. All our omni orders that we do from our stores, and all are 100% prepaid orders. The technology backbone is definitely being leveraged to support the store fulfilment and our endless rise capabilities.

So we definitely -- looking ahead, we remain cautiously optimistic and firmly long term in our outlook. Demand definitely should continue to evolve gradually, supported by stable inflation, improving rural incomes and the ongoing shift towards more organized retail. Definitely, our input costs are getting eased, which do provide margin support. But yes, we are very vigilant on any of these reversals or any onetime expense rise.

So we are very vigilant on all of those. We definitely want to grow bringing capability and resources, but not increase the expenses to a larger extent. Every investment that we do is evaluated through a multi -- multiyear return lenses. We just don't work for 1 or 2 years of our sales.

We are building for scale and sustainability, definitely not short-term spikes. So that is the key thing because we keep hearing a lot of analysts asking us questions, so we need to be very, very clear on this. We definitely are confident in the operations from our fundamentals -- because we have grown across markets, not in selective pockets, if you look at our growth pattern or our new store opening pattern also.

Our strong performance is there from all the new stores that we have opened up this year. We have seen a good visible improvement in our Unlimited market, the South India market. We have seen positive consumer response, wherever our sharper product or sharper design that we have launched or wherever that we have done a good job. Margin definitely have been improved by efficiency, not by price distortion or increasing the prices.

We definitely have a very strong vendor ecosystem and a very, very strong governance framework. And beyond all, I think we are riding on the India long-term consumption story. So these are the highlights. I definitely -- we are there on the call. I'll hand over to Anand to take you through the numbers, and then we'll begin to answer your questions. Thank you.

Anand Agarwal: Thank you, Lalit, and good morning, everybody. Let me take you through some of the key highlights from this quarter, and then we can open the session for questions. So as Lalit highlighted, it's been a quarter of mixed signals, but ultimately a strong financial delivery. While we faced headwinds with the delay in winter onset in North and also continued political disturbances in the East.

Our focus on operational efficiencies and the strong performance from south markets helped us deliver a robust bottom line performance. I think Lalit spoke a lot about the monsoon and the weather, so I'll skip that part. But despite a good monsoon and forecast of a good, strong early winter, weather still played spoil sport with peak winters getting delayed in entire North and West India, leading to a lull, post Diwali.

Actually, overall temperatures have generally been hotter throughout the year, reflecting the increasing impact of climate change, which was also reflective in the lower peak winter days in this quarter. We had actually, in fact, planned for a summer Diwali this year, assuming the delay in winters like previous year. However, we had not actually anticipated such a severe delay and complete lack of winters almost till 20th of December in almost entire North India.

Even actually states like Rajasthan, Gujarat, MP, they were actually the most severely impacted even till end of December. Irrespective, I think, as Lalit mentioned, efficient planning and good management on inventory did not lead to any adverse impact on inventory at all.

In fact, there was a time when we were actually short on inventory for some particular areas. So at an overall level, while the festive period went off reasonably well, the winter demand did not pan out as anticipated, but we continue to execute well on our expansion strategy, adding 23 new stores during the quarter, taking the total store count to 554 stores.

New stores actually are ramping up much faster and better than historical averages, delivering better than network throughput, which reinforces confidence in both site selection discipline as well as the brand relevance across Tier 2 and Tier 3 markets. And this goes equally well for the South India territory, where we have also started to expand more. Although the expansion in South in this quarter seems a little low, but the plans for South remain intact.

Coming to margins. Gross margins for the quarter remained stable year-on-year despite a 40% decline in LimeRoad commission income, which flows directly or entirely into the gross margin, but now forms a very small share of the overall revenue. Importantly, excluding LimeRoad also, gross margins in the offline business actually expanded by 70 bps year-on-year, which was largely driven by better inventory health, leading to better efficiency which also necessitated lesser discounting intensity.

And also a change in improved product mix coming out of the marriage season, et cetera. The ongoing strategic initiatives led to improved inventory health and a better gross margin. And for the full year also, we expect the offline gross margins to remain broadly stable versus last year as our value proposition continues to focus on volume-led growth.

Coming to expenses. The total expenses for the quarter only increased by 1%, which actually led to a good operating leverage on the bottom line. This was largely led by robust cost controls amongst in all cost lines, including manpower, also LimeRoad expenses and also lower marketing spends as we continue to drive loyalty-based traffic to stores through digital interventions.

Our NPS and Google ratings remain at all-time high, and they give a source of confidence also for us to keep expanding more. The reductions in LimeRoad costs were strategic and sustainable as we have been focusing on breaking even this segment at the earliest. The business has already been profitable at CM3 level since the last 1.5 years, and we continue to improve further and build on that.

On the labour code impact, we recognized an exceptional cost of INR2 crores, INR2.1 crores arising out of the changes proposed. While the rules are yet to be announced, but basis, whatever information and the guidance available was there, we have taken a onetime hit as prescribed by law.

As a net result of the sustained operational efficiencies, our pre IndAS EBITDA improved from 10.8% in last year to 12.2% this year. And the reported, which is the post Ind AS EBITDA grew 22% year-on-year to INR210 crores, with margins expanding by 190 bps to 18.6%, reflecting better cost absorption and productivity gains. The EBITDA growth translated into a 23% year-on increase in Q3 PAT to INR88 crores.

On a full year basis or rather on a YTD basis, PAT has now grown almost 3x to INR113 crores, reflecting consistency rather than quarter-specific efforts. Coming to inventory. Our days of inventory increased marginally by 1% to 95 days. This slight increase is largely due to the slight change in the FMCG inventory, as we strategically increased space for apparel offtake during winter.

But this is a larger initiative where we are getting -- trying to become more focused on fashion than just FMCG. Irrespective, the FMCG and the winter inventory remains under control and healthy. In fact, the freshness of inventory has improved year-on-year due to aggressive liquidation of old stocks in the earlier quarters, leading to, in fact, lower provisioning.

Capex for the quarter stood at INR57 crores, primarily towards new store additions and selective refurbishments. On a YTD basis, the business generated positive free cash flow of INR63 crores, which was also 9.4% up year-on-year. Going forward, we continue to remain bullish on the market opportunity in all geographies and aspire to increase our footprint in a disciplined, profitable and sustainable trajectory. As communicated in last quarter's call, we are looking to end the year with 75-plus new stores additions this year. So that is all from my side, and I request the moderator to open the house for questions now. Thank you.

Moderator: Thank you. We will now begin with the question and answer session. Our first question comes from the line of Sucrit Patil from Eyesight Fintrade. Please go ahead.

Sucrit Patil: Good morning to the team. I have two questions. My first question is with festive-led recovery driving 21% revenue growth this quarter, how do you see discretionary demand in Tier 2, Tier 3 cities evolving over the next 1 to 2 years? And what specific initiatives like private label expansion or omnichannel integration will be used to sustain double-digit growth beyond FY '26? That's my first question. I'll ask my second question after this?

Lalit Agarwal: I'm not still clear about your question, but anyway, I think -- see, largely, we all know that for our market, it is largely led by festive and seasonality. This particular quarter, we would see both big festivals coming in, Holi as well as Eid, which is both lying in this particular quarter. There is going to be a good February and March that we are expecting. So this will definitely go up.

We definitely have a lot of initiatives in terms of ranging our summer collection. We have already launched our summer correction in some part of the geography in India. We have seen good Pongal festival also coming in this year -- this month. So Pongal has been good in this market. As today, we are speaking, this is a Basant Panchami day. In eastern part of India, they call it Saraswati Puja.

So there also -- so there are a lot of festive-led demand and regional festivals, which is there in different parts of the geography. And that is what one which is going to lead. And then definitely our own designs, our assortments, our products, whether it is created by our own design team through our private labels or private labels through our vendors, or exclusive labels that we have out of our vendors. We all definitely are going to lead into the demand, and we'll definitely keep the growth momentum pick.

Sucrit Patil: My second question is to margins and capital efficiency. EBITDA margins have improved to 11.7% despite cost pressures. Looking ahead, what levers such as store rationalization, inventory efficiency or digital scale contribution, do you expect to drive margin expansion in the next two to three quarters? And how will this translate into improved ROCE and debt reduction in the target?

Lalit Agarwal: But anyway, I think see definitely, the organization is working towards increasing both the return on capital employed as well as the margins. We definitely believe that every expansion or increase in revenue will bring in some benefit into our cost, our expenses as a percentage of sales. So we will definitely deliver better margin even going forward. That's the thought process, and that is what we are all here working and planning for.

So we definitely believe a lot of digital initiatives, as I mentioned, lot of efficiency generation in our process or even upskilling the people. These all should be the leading guidance or guided to increasing the sales as well as creating efficiency, not reducing the cost because we don't have too much of area to reduce our cost. We definitely want to become more efficient and more scalable simultaneously so that we are able to deliver better returns, both for the equity or for the capital employed.

Moderator: The next question comes from the line of Hitaindra Pradhan from Maximal Capital.

Hitaindra Pradhan: Sir, my first question is in the gross margin kind of improved this quarter. So what was the mix of your winter assortment versus festive this quarter?

Lalit Agarwal: Winter assortment versus festive?

Hitaindra Pradhan: Yes.

Lalit Agarwal: Our winter is normally -- this quarter are upwards of 40% mix, the winter, pre-winter what we categorize. If we go towards the December, the peak winter season, it goes up to 62%, 63% also. But at an overall level, including the festive month, it was around 40%, 45%. Balance definitely something which is not purely festive, but largely India wears the basic products and autumn products also during festive. So that is what contributes to almost 55% to 58%.

Hitaindra Pradhan: And those usually go like full price throughput and contribute to your gross margin or is there something else that contributed to your gross margin uptick this quarter?

Lalit Agarwal: I think gross margin uptick is largely because of higher full price sell-through because we generally don't discount during this quarter, and we have not done any discounting in this quarter. So that is definitely because of better margins and then better margin sales of the products. This has also led due to, I think, maybe Anand can give you a little more insight into the whole shrinkage management or the provision for shrinkage.

Anand Agarwal: Yes. So you are absolutely right. So 1 is obviously the -- as I mentioned in my opening remarks as well, the overall health of the inventory is very good, which actually did not require any significant amount of discounting. So in any case, quarter 3 has always been a very good profitable quarter for us, where we always try to drive the maximum full price sell-throughs. And this quarter exceptionally has been slightly been better with respect to that.

And also, I think there's a lot of work that we had done around our -- reducing our shrinkages and therefore, the provision that we usually do around old age inventory and the shrinkages that has also come down this quarter. So that's already there in our investor presentation as well. But yes, all of these has contributed to the improved margin this quarter. And because the inventory health remains very good, I think we should be able to look at healthy stable margins going forward as well.

Hitaindra Pradhan: Okay. Sir, and the second question is related to the long term, like your -- sir has made comment about the value proportion staying intact for your value retail, the growth. But if we look at the numbers beyond -- after like FY '22, FY '23, there has been a decline in terms of your SSSG for the markets where you are like already stores have matured and all. And they are not even going above nominal GDP level growth.

And this year, I mean, it is below like probably if we take last two, three quarters trailing or that trend is going down. So how do you see the SSSG or store level growth panning out in the next couple of years? And do you think that Tier 3, Tier 4, these places where you have already stores, they can clock more than nominal GDP level growth?

Lalit Agarwal: So I don't know what is your intention? What are you trying to intend, but we definitely believe that we are doing as a company, we are performing better. Last year also, we gave a great performance. This year also, our performance on the same-store sales growth has been good.

Definitely, this quarter because the Pujo month -- Pujo festival was in the last quarter. So you are not seeing a high or a flat or you are seeing a flattish same-store sales growth. But if I normalize, we would see a stable 5% to 6% same-store sales growth, which is coming in. See, the same-store sales growth is a function of all our doing. It is not about the market.

It is more about what are we delivering? How much is the market getting occupied by more competition? And how many more organized players are walking out -- down into that particular town or city where we are operating? So I think the company and then the new management is fully into it to try and bring in initiatives to try and definitely bring in the creativity and have very clear processes and great commitment.

So as to deliver those kind of growth. And we believe there is opportunity in the market. We believe that there is more fashionism coming in. Definitely, it has not been a lot of per capita income growth for our consumer segment. So that consumer segment is still struggling somewhere.

We believe their incomes are going to rise, and it will definitely lead into more same-store sales growth, because whatever resilience that we have demonstrated in spite of so much of competition coming in, that definitely brings in a very clear, strong confidence on our fundamentals, and we will definitely keep continuously delivering the same-store sales growth beyond the GDP growth.

Moderator: We take the next question from Kaivalya Baing from IIFL Capital.

Kaivalya Baing: Am I audible?

Lalit Agarwal: Yes.

Kaivalya Baing: Sir, so my first question is regarding the revenue growth. So if we look at '24 and '25 as well, we were generally clocking in a mid-teens growth in revenue but a slight slowdown this quarter. Could you just elaborate on what would be the factors or what was different compared to last year that there has been a slight moderation? And in addition to that question is, could you just also tell me which states have been facing a slowdown if any?

Lalit Agarwal: So I think as I already explained that compared to last year same quarter, last year, the Pujo festival, which is celebrated largely in eastern and southern part of India, that was largely in October. And the sales was also -- a lot of sales came into the month of October, which is the Q3. This year, the festival -- Indian festival calendar moves by the lunar process, the lunar calendar. So that got moved into September.

So there is a lot of shift of sales, which has happened. That is why you're not able to see that similar growth pattern, which is your teen growth that you wanted 13%, 15%, 17% growth. And that is the actual growth, which is coming in. So you will see a little higher growth maybe in the coming quarter. So we will -- the quarter-on-quarter, as you will see these things happening. But overall, we believe the fundamentals are great, and we will continue growing. And if I adjust even the festive shift from Q2 to Q3, we -- our revenue growth will fall to around 15%.

Kaivalya Baing: Understood. Understood. And second question, sir, regarding the margin expansion this quarter. So considering a 9% growth, most of your margin expansion should be coming from efficiencies, correct me if I'm wrong, and not just because of leverage. So what could be the exact efficiencies that you were referring? I understand marketing spend must have been rationalized to a certain extent. But apart from that, could you just tell me what efficiencies are being realized?

Lalit Agarwal: I think efficiency in terms of what are my costs? My costs are largely rentals, my cost are employee costs, my employee costs are operational cost, my costs are logistic costs, warehousing costs, my costs are marketing costs. So I think efficiency across the area, which is controllable, Rentals, I cannot reduce. There is a growth -- there is a predefined growth rate, which is restrained in the rental.

So you can't bring in an efficiency there. You can definitely increase your sales per square feet by bringing down the rental cost as a percentage of sales. But other than that, you have areas of efficiency, which you have driven. And as an organization, we have driven the entire team has come together. And there's a lot to do here. But yes, we are trying to drive more sales out of the same number of people or less number of people.

We're trying to drive more sales by reducing some processes, by integrating technology, by bringing in some additional new ways of marketing, new digital ways of marketing or creating a store led, which is consumer-led marketing, which is the key, which generates the maximum impact.

So we have been very, very good in terms of focusing on our Google ratings, focusing on our NPS scorecard of customers. So we have been really working hard to give the customer those kind of experiences and those kind of pleasant shopping joy, so that they come back again and again. And that is -- it is just not trying to drive cost reduction. Just trying to be efficient both qualitatively as well as quantitatively.

Kaivalya Baing: Just a follow-up on this. Do you see more ample opportunities in the same levers for further margin expansion, or would you have to rely on leverage going forward?

Lalit Agarwal: Sale levers or leverage, I'm not sure. Anand, basically you can help.

Anand Agarwal: So I think, see, on a sustainable basis, it will always be difficult to keep reducing cost beyond a certain level. So I think, as Lalit has already mentioned, we are already very, very fine-tuned on cost. So even the cost reductions that we are able to see is actually coming in from more leverage.

Right now, it is not a sales leverage as much as would have been possible. But in future, what I foresee is that we will be -- we should be able to get more margin advantage only out of leverage, more out of leverage than cost optimizations. Cost optimization, we are already amongst the best as far as the P&L is concerned.

Moderator: The next question comes from the line of Devanshu Bansal from Emkay Global Financial Services. Devanshu, please go ahead and kindly unmute your line in case if you are on mute.

Devanshu Bansal: Yes, yes. Sorry, apologies. First question is the volume growth for Unlimited is pretty healthy at about 10% in 9 months versus about 1% for V-Mart. When we see the sales per square feet, there is still room for Unlimited to continue growing faster. The sales per square feet is about 16%, 17% lower. So question is now that we're seeing better trends, can we sort of expect Unlimited to continue delivering better SSG trends for us over the next few years? Better clarity would help?

Anand Agarwal: Yes, Devanshu, I think what you're asking is also what we are trying to deliver. And consistently, if you look at the last 2 years, we have been delivering better numbers on Unlimited. So Unlimited, we have actually -- if we were to look at the breakup of Unlimited, we have some legacy stores, and we have also almost like 50-plus stores now that we have opened 45 -- plus stores that we have opened in Unlimited post acquisition.

So all the new stores that we have been opening in Unlimited, most of them have been delivering much better sales per square feet and much better profitability, in line with the established V-Mart model. And as the average of these new stores starts to take over the average of the legacy stores, we will see improved sales per square feet numbers also for the complete Unlimited chain.

Having said that, I must also mention that the legacy stores that we have in Unlimited, they are not unprofitable. They are just slightly bigger in size, bigger in area and have had an established clientele, which works on a certain principle of what they want to buy, when they want to buy etcetera.

But the newer stores, they are definitely more in Tier 2, Tier 3 towns, delivering much healthier numbers, and we continue to put our faith in expanding the Unlimited business and increasing the sales per square feet to bring it in line with V-Mart numbers in the next 2 to 3 years.

Devanshu Bansal: Thanks for this explanation, Anand. So just from a steady state perspective, because you have been in this region for quite some time now, do you believe that the sales per square feet for Unlimited can even be higher than V-Mart or at best can be similar to V-Mart. So any colour there?

Anand Agarwal: So as of now, our first priority is to get to -- get this to at par with V-Mart at an entire Unlimited network level. So for the newer stores, as I mentioned, they are already almost at par or better than even V-Mart stores. But for the complete Unlimited brand or network, the first priority is to get back to the V-Mart average, and then we will look at how we can increase it further. Obviously, there is headroom and there is opportunity to improve it even further.

Devanshu Bansal: Fair enough. And second question is to understand the model, I guess, factor in slightly higher gross margins for Unlimited to sort of compensate for the higher rentals. Assuming we reach a similar to V-Mart throughput over time, as you indicated over the next 2, 3 years, can the model deliver similar to V-Mart EBITDA margin also at that throughput level or there are some structural reasons because of which EBITDA margins may remain lower?

Anand Agarwal: No, absolutely. We are -- we have always been very, very profitability focused, and our priority is always to make sure that the EBITDA margins are first achieved rather than just the top line numbers. We have never ever chased top line just to get a headline growth. Our priority always is to get the EBITDA margins first. And therefore, while you ask for sales per square feet or the overall productivity numbers, but we look at the Unlimited performance more from a profitability perspective. So our objective is to get the profitability in line with V-Mart at the soonest possible.

Devanshu Bansal: Understood. Sir, lastly, if I can squeeze in. For 9 months, our SSG has been positive, right? So -- but rent has increased about 20, 30 basis points. So is this increase broad-based across both V-Mart and our Unlimited stores or there are some specific regions which are seeing higher rentals?

Anand Agarwal: This is a normal -- this is a normal curve, so there is nothing extraordinary to read into this. This is absolutely normal. We remain very, very cost conscious in terms of choosing new sites and ensuring that our cost or rental per square feet remains at a certain level. So the SSG, while at an overall full year basis is around 3%. But as we grow this SSG, you will see the percentage coming down on the rental as well.

You should actually always look at the per square feet rental, and that should give you a good colour on how that line is actually moving. In fact, for all the cost lines, the percentages will always vary depending on the performance and the operating leverage that you get in any 1 quarter. So it's always better to look at the cost line on a per square foot basis.

Devanshu Bansal: Fair enough. So as a bookkeeping, for V-Mart, our rental, monthly rental per square feet would still be around INR45, right? And for Unlimited, it should be closer to INR65, INR70 odd. Is that fairly a good understanding?

Anand Agarwal: No. V-Mart should be closer to around INR48, INR49. And for Unlimited, that would be at around INR65.

Moderator: We take the next question from Smitha Gala from RSPN Ventures.

Smitha Gala: First question from my side would be, in the longer term for next 2 or 3 years, what is the square feet we are looking to add? And what is the SSSG we are targeting, which we are around 3% or 4% for 9 months till now? And what will be the bridge to get to that SSSG, which we are looking at?

Anand Agarwal: So the square footage addition on an annual basis should be at around 13%, 14%. That is what we have targeted. And that is a long-term target that we have taken. It's not just for 1 year or this year or the next year. I think in the medium to long term, we are building up 13% to 14% area addition every year.

The SSG aspirations always need to be mid- to high single digit, 5% to 8%. So that's the aspiration. Obviously, there will be quarterly disturbances. There will be anomalies and opportunities that we will keep encountering as we move along. But as our mid- to long-term average, I think 5% to 7%, 5% to 8% is something that we are definitely trying to deliver.

Smitha Gala: Okay. And the 13 to 14 square feet addition which we are looking over the long term, so is there enough headroom in our current markets or we will be looking to enter some sort of new markets going forward in the same country?

Lalit Agarwal: See, the markets are large enough, and we have almost reached all the states of India. So within those states, definitely we will penetrate. There will be maybe 30% of the expansion, 35% of expansion in the same town and city where we are present. But still 60%, 65% of the expansion will come from maybe different towns in the similar states where we are present. We definitely believe and still believe in that cluster philosophy. We would want to penetrate more into our existing network of India where we are already there. And there's a lot of room and there's a lot of potentiality that we are able to see in all of these markets.

Smitha Gala: Okay. Thank you. I will join back the queue.

Moderator: Thank you. The next question comes from the line of Anchal from Nuvama Wealth Management. Please go ahead.

Rajeev Anchal: Hello. Good afternoon, good morning, sir. This is Rajeev here. Sir, one question on cost of retailing. This is barring the employee cost line item and the rent. And overall cost of retailing has become INR181 per square feet per month per Ind AS basis. So this INR7 reduction on other expenses, was there a cost which you are carrying for several quarters because this we are now getting into pre-COVID levels of cost of retailing. I just want to get -- was there a one-off in the past few quarters, which has shaved now?

Anand Agarwal: If I'm able to understand your question, what you're asking is, is there any seasonal aberration in this quarter because obviously costs are coming out low? Is that your question?

Rajeev Anchal: No, sir. Sir, your cost of retailing, historically pre-COVID used to be, let's say, in Q3, close to INR118. And after that, for the last several it was nudging towards INR200. I was wondering whether from COVID till today, till previous quarter, was there an external cost you were carrying, which is not there, for example, some consultant you hire, which is not -- those fees are not there in this quarter and that's the leverage which we are seeing?

Anand Agarwal: So while we did hire a consultant, that is right, but it is not such a significant cost and that happened over a period of -- over 2 financial years. So it was not a very high significant cost. I think what you need to segregate is the LimeRoad cost because that is an extra addition which happened in '22.

And because of which the overall cost in the P&L sort of looked inflated for almost 3 years. It's only since last year that we've started to correct that and reduce that cost base, which has now started to come into the P&L. So you need to break down the P&L, while we present LimeRoad numbers as segment numbers also. So if you were to isolate that and look at the offline P&L separately, you should be able to see there is no further aberration.

Rajeev Anchal: Sir, actually, this INR181 and INR194, let's say, INR194 was the last year's number, I have removed LimeRoad impact from the cost line item also. So this INR13 drop partly explains from employee and rent partly, but there is INR7 still coming from other expense line item, which I'm just wondering how sticky is this. Is this a new cost structure, which we will maintain here onwards?

Lalit Agarwal: See, I mean, Rajeev, there are some inflationary items. There are some inflation also. And then there are some costs which you cannot segregate in a particular department, even maybe there are logistic costs or there are expenses which are related to other operations. Not necessarily what you are trying to say that it will remain or not.

I think there is a cost which is going to be there, which will always be bucketed like that. But yes, the cost as -- the number will not go down. There's no extraordinary cost, which is getting post COVID. So these are either a segregation or some change in the accounting processes. That is how you are seeing it.

Rajeev Anchal: Sure. That's all from my side. Thanks a lot and all the best.

Moderator: Thank you. Ladies and gentlemen, we take that as the last question for today. I would now like to hand the conference over to Mr. Lalit Agarwal for the closing remarks.

Lalit Agarwal: Yes. Thank you so much. Thank you, everyone, for being there and being in this call and being with us in all of these difficult times. But let me underscore that this performance and our strategy are not happenstance. They definitely reflect a seasoned promoter's mindset, steady growth, capital discipline and a strong balance sheet. So we will definitely continue on all of those areas, not bring in shorter spikes. And I really thank everyone for their attention. Thank you so much. Have a good day.

Anand Agarwal: Thank you.

Moderator: Thank you, sir. Ladies and gentlemen, on behalf of Motilal Oswal Financial Services, that concludes this conference call. Thank you for joining us. You may now disconnect your lines.