Date- May 26, 2023

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai-400 001

SCRIP Code: 540205

Sub: Transcript of Analysts/Investors Call pertaining to the Financial Results for the quarter and year ended March 31, 2023

Dear Sir

Further to our letter dated May 11, 2023, please find attached herewith a copy of the transcript of the Analysts/Investors Call on the Standalone Audited Financial Results of Aditya Vision Limited for the quarter and year ended March 31, 2023 held on Friday, May 19, 2023.

The same is also being made available on the Company's website at: www.adityavision.in.

This is for your information and record.

Thanking you

Yours faithfully

For Aditya Vision Limited

AKANKSHA ARYA

Digitally signed by AKANKSHA ARYA
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Akanksha Arya
Company Secretary

“Aditya Vision Limited

Q4 FY '23 Earnings Conference Call”

May 19, 2023

MANAGEMENT: **MR. YASHOVARDHAN SINHA –CHAIRMAN AND MANAGING DIRECTOR – ADITYA VISION LIMITED**
MS. YOSHAM VARDHAN – DIRECTOR, STRATEGY AND CORPORATE PLANNING – ADITYA VISION LIMITED

MODERATOR: **MR. NIKHIL SHETTY – NUVAMA GROUP**

Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY23 Earnings Conference Call for Aditya Vision Limited. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nikhil Shetty from Nuvama Group. Thank you and over to you, sir.

Nikhil Shetty: Thank you. Good day, everyone. On behalf of Nuvama Professional Clients Group, I welcome you all to Q4 and full year FY23 earnings conference call of Aditya Vision Limited. So we take this opportunity to thank management of Aditya Vision for giving us the opportunity to host this post-earning conference call. From the management, we have with us today Mr. Yashovardhan Sinha, Chairman and Managing Director, Mrs. Yosham Vardhan, Director and Strategy, Corporate Planning. I now hand over the call to the management to share a brief introduction about the company and highlights of the results, post which we will open the floor for question-and-answer session. Thank you and over to you, Sinha sir.

Yashovardhan Sinha: Thank you, Nikhil. Good evening, ladies and gentlemen. I welcome all the participants to this inaugural earnings call of Aditya Vision. As this is our maiden call, I would like to discuss the journey of Aditya Vision, followed by the strategic updates for FY23. Our investor presentation has been uploaded on the exchange and we hope you have had the opportunity to review it also.

Our company, Aditya Vision Limited, was conceptualized in 1999 with a vision to provide the people of Bihar with high quality electronic products at competitive prices and exceptional customer service. For us, every customer is our guest and we believe in building a relationship of trust with them as our tagline symbolizes, Sambandh Bharose Ka.

I am a first generation entrepreneur myself and I have worked with PSU Bank for almost 20 years. Aditya Vision's journey began in 1999 with the establishment of a single showroom in Patna, Bihar, based on a simple yet unique business model. We started expanding in Patna from 2006 to 2013. Thereafter, with improvement in power situation in the rest part of Bihar, in 2014 we started expanding out of Bihar's Patna district in other district headquarters of Bihar. In 2016, when we had 16 showrooms, we came out with an IPO and raised 5.8 crores and got listed on BSE. Since this issue, we have not raised any fund till date. After IPO, we have experienced remarkable growth and we scaled up to 43 stores till FY 2020. And in COVID period of FY 21 and FY 22, when the entire world was in shock and distress, we took this as an opportunity and added 36 stores to reach 79 stores in FY 23. We have expanded our presence to a total 105 stores across the underpenetrated markets of Hindi heartland, Bihar, Jharkhand and Uttar Pradesh as was our strategy. We stayed in Bihar from 1999 to 2021, fortifying and consolidating our presence. And then only in FY 22, we entered Jharkhand where we currently have 17 stores. Then in end FY 23, we now have entered Eastern UP with four stores taking our total count to 110 stores as on date.

In Bihar, specifically as per Crisil report, we have achieved a significant market share of over 50%. Jharkhand and Eastern UP are contiguous markets with cultural similarities where Aditya Vision is a familiar name. It offers a large and underpenetrated consumer market and absence of organized competition. Over time, we anticipate that these areas have the potential to be as large as our core Bihar market.

Our success can be attributed to our unwavering commitment to a customer-centric approach. By prioritizing the needs and preferences of our customers. we have been able to understand the requirements better and build strong relationships with them. This customer-centric focus has resulted in enhanced customer loyalty and retention. We consistently strive to tailor our customer services to meet their specific needs, further solidifying their loyalty and trust in us. This approach not only fosters customer stickiness but also provides us with the confidence to continue expanding and growing in the future. We take pride in our dedicated customer service call center called Aditya Seva with a team of over 30 skilled employees addressing the grievances of our customers in the shortest possible time across three states.

Our business model focuses solely on pure retailing of products purchased from original equipment manufacturers (OEM) and we do not engage in private labels. We have cultivated long-term partnerships with reputed OEMs, allowing us to offer a diverse range of products to our customers. These OEMs not only support us in meeting the needs of our customers but also offer full support to our store expansion plans.

In 2016, the year of our IPO, our revenue was INR240 crores and PAT was just a mere 1 crore. Since then, we have grown revenue to reach INR1,322 crores and PAT of INR64 crores, representing a seven-year compounded growth rate of 28% in revenue and 77% in PAT.

There were certain queries raised by few investors owing to an article circulated on social media. In our opinion, it is unfortunate that they published it without checking with us because many of the points raised there could have been easily clarified. Our company has been very diligent in paying its taxes and dues. Our company has already clarified in a letter dated July 3rd 2021, which was uploaded to the exchange that there was just a delay in filing GST returns for the period April 2018 to July 2018, which as you would appreciate was the initial phase of GST implementation. The matter was resolved with the filing of returns utilizing our input credits alone. We are proud to state that though we are a 23-year-old company, there is no pending litigation with any statutory government department, not even in any tribunal or any court.

We take immense pride in the fact that the company has had zero store closure since its inception, including the years of the COVID-19 pandemic. On the contrary, we took the pandemic as an opportunity to not only expand but also undertake a comprehensive revamp of all our existing stores, including addition of new floors and upgrading of air conditioners and other electronic equipment. We also added new floors and revamped our head office. We also migrated to new ERP with latest capabilities of capturing serial numbers for our SKUs at several purchase and sale points, which led to requirement of additional computers, printers, barcode scanners for each store and integrated warehouses in those stores. New laptops are given at various points of need to staff in head office and branches working from home during the pandemic, which resulted in higher gross block.

In FY22, we made inroads in the states of Jharkhand, where we undertook store opening and hospitality activities on a very large scale, aiming to create a lasting impression on our customers, which makes us irreplaceable by upcoming peers and competition. With rising geographical reach of our company outlets, it's very important for new store openings and celebrations of new achievements with staff as well as customers together. We also celebrate at a grand stage our annual reward and loyalty program, Buy and Win, and widespread its reach at each of our outlets, where we invite and serve all our existing customers, which led to rise in hospitality expenses. And we expect to continue to do so.

To support our employees during the pandemic, when the stores were closed or operational for a limited number of days, we gave them advances, which were now being adjusted against their salaries. We also have adjustable advances to landlords for customization of premises, several premises which were under construction during those times, in order to maintain our store growth momentum.

We migrated to Ind AS 116 from FY '21, and for our company operating in this geography, to adapt to new accounting standards took some time. While we adopted Ind AS 116, the principles are new and ever evolving and accounting treatments under it are still being clarified with passage of time. To ensure the accuracy of our financial statements and especially impact of Ind AS 116, I am happy to inform you that Grant Thornton has been engaged by us for computation and implementation of Ind AS 116 as well as for our additional work of review of our overall financial statement of FY23. Changes in the nature of classification and grouping has been incorporated under their review. The company has reclassified certain amount presented as March 31, 2022. These reclassifications were made to align with the presentation used in the financial statements as of March 31, 2023, in accordance with the Ind AS 7, the statement of cash flows and the requirements as specified under Schedule 3, Division 2 of the Companies Act, 2013. These changes in classification do not impact the total cash flow of the company, but rather affect the allocation of cash flows among operating, investing and financing activities. We remain deeply committed towards upholding highest standards of corporate governance.

In our experience, one of the key reasons for downfall of retail companies has been excessive growth and deteriorating unit economics. Hence, we believe in calibrated expansion along with extreme focus on store-level economics to ensure we achieve store breakeven within six months with a payback period of three years. Our stated goal is 150 stores by financial year 2025. We have already opened five more stores in FY '24 and have already entered into lease agreements for another 20 more stores. We are confident of achieving our target, if not bettering it.

Lastly, we believe one of the key pillars of our success is our employees. A company's culture determines its destiny. I personally spend time to ensure we are fostering the right principles and culture in our organization. With the objective of sharing our success and aligning long-term incentives to our employees, we have granted ESOPs to over 300 employees, widely distributed to include not just senior-level executives but also store managers, cashiers, warehouse and service executives.

I am glad to welcome our two Directors appointed on our board today. Mr. Ravindra Zutshi, appointed as non-executive independent director, has an illustrious experience of sale, marketing and operations of over 45 years in the Indian consumer electronics and consumer durable industry. He is a respected consumer durable veteran who has worked with Samsung India for 19 years as deputy managing director, where he played a vital role in setting up the brand in India. He has also worked with LG Electronics India Private Limited as senior director, India head for business enterprises till 2020. And his last assignment was with Havells India Limited as president, business development and corporate affairs from '21 to '23. It is our pleasure to have him on our board and we look forward for his guidance and strategic insight in future.

Along with Mr. Zutshi, I welcome Yosham Vardhan on the board as whole-time director. Yosham joined Aditya Vision in early 2021 as director, strategy and corporate planning and has played an important role in growth and expansion of our company. Prior to joining Aditya Vision, she was a partner in a leading law firm in Mumbai with over nine years' experience where she was advising corporates on cross-border mergers and acquisitions and private equity transactions.

It is with great pleasure that I announce that our company has exceeded its expectations by achieving an impressive revenue growth of 47% and a PAT growth of 82% in FY '23.

With regard to Q4, the revenue generated in the months of January and February was strong with more than 35% growth Y-o-Y. However, sales in March were affected by unseasonal rain, impacting our quarterly performance to that extent. With our such strong sales, we achieved a remarkable same store sales growth of over 38% for financial year '23.

In Q4 FY '23, Y-o-Y, our PBT went up by more than 128% from INR6.20 crores to INR14.15 crores. But PAT was lesser Y-o-Y due to adjustment in income tax as there was a reversal of tax in Q4 FY '22 owing to restatement of quarterly numbers on implementation of Ind AS 116. So, the impact was only due to income tax, our net profit.

Our business has an element of seasonality with Q1 being traditionally very strong due to vertical growth in demand of ACs, refrigerators, room coolers and other refrigeration products. As such, as part of our business strategy, we adopt an aggressive inventory acquisition approach to avoid stock-out situations. We start stocking inventory, especially compressor products, from the beginning of Q4 itself to be well prepared for the sudden summer season demand of next year Q1. Also, at the financial year end, we get very good deals from OEMs which we are confident to easily liquidate in Q1. Consequently, our inventory remains at highest level at March end. Our inventory grew by 39% in FY '23, which aligns with our revenue growth of 47% and opening of 26 new stores in this period as we had to stock additional seasonal products for new stores as well.

Overall, the company had an exceptional year, delivering a stellar performance and we remain confident that our performance in the years to come will continue in the same manner as we have been delivering in the past year. Now, I will hand over to Yosham Vardhan to discuss the financial highlights of the year. Yosham?

Yosham Vardhan: Thank you, sir. Good afternoon, ladies and gentlemen. We are thrilled to present the strong financial performance of FY '23. Here is an overview of our financial results.

- In FY '23, our revenue experienced a year-over-year increase of 47% resulting from increase in scale of operations.
- We successfully maintained gross margin at 15.96% driven by an optimal product mix.
- The profit after tax for the year increased by 82% and reached INR64 crores primarily driven by a robust Y-o-Y growth in EBITDA of 60%.
- As previously mentioned, our store count reached 105 in FY '23. We commenced this financial year by opening five new stores in Bihar, Jharkhand and Uttar Pradesh, taking the overall count to 110 stores as on date.

- Our gross debt is INR270 crores, while our net debt is INR185 crores. Therefore, our net debt-to-EBITDA stood at 1.39x while net debt-to-equity is at 1.40x.

- We have always been focused on generating superior ROE. The ROCE and ROE for the year were 28% and 60% respectively.

We can now open the floor for questions.

Moderator: Thank you very much. We will now begin the question-and-answer-session. The first question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: Yes, ma'am, for the fourth quarter, what will be the SSG? Is it fair to assume that because of the store expansion, there is no SSG in the fourth quarter?

Yashovardhan Sinha: SSG has been calculated in the entire year and not on the fourth quarter.

Pritesh Chheda: What will be for the fourth quarter, sir?

Yashovardhan Sinha: We will get back to you for the fourth quarter. Our IR will get back to you.

Pritesh Chheda: Okay. Sir, just my other question. I am just looking at the cash flow. From the inventory addition of about INR84 crores, versus the store expansion, if you could help us understand that. Because your PPT talked about a certain inventory number per store. And I am just trying to correlate with that INR84 crores number?

Yashovardhan Sinha: What I already have spoken earlier, we have opened 26 new stores during this period. And there are several stores in the pipeline also which are going to be just opened. And primarily, this is what I said that for the summer season, we have to stock air conditioners, refrigerators, air coolers and other refrigeration products. So, we are quite high on inventory at the end of the financial year. And we get good discounts also from the OEMs. So, this has led to the rise of inventory. And in fact, for new stores also, we had to keep extra inventory of compressor products.

Pritesh Chheda: So usually your inventory turn year-end and mid-year, how will it differ, sir?

Yashovardhan Sinha: We are very high at the year-end, no doubt about it. Because we have already spoken about this that it actually coincides with the financial year-end also. And it coincides with the beginning of summer season also. So, for all OEMs, it is the financial year-end that this March. So, what happens is that they are also very keen to give us a very good bargain. And since we are entering into very, very busy days, we are high on inventory so that we can make most of the margins and our profits.

Pritesh Chheda: So, your inventory turn will be what? Less than 2x, if I have to look at the year-end number?

Yashovardhan Sinha: You are talking about the entire year?

Pritesh Chheda: Yes.

Yashovardhan Sinha: No, it will be more inventory. Days are around…

Pritesh Chheda: No, not inventory days. I am looking at sales upon inventory, sir.

Yashovardhan Sinha: Sales upon inventory, it will say. Then it is 80 days.

Pritesh Chheda: Okay, I will take this offline. And my last question is, sir, how do you see the season panning out, sir?

Yashovardhan Sinha: Season is good. Of course, the unseasonal rains are there. But we are confident of achieving our goals.

Pritesh Chheda: And what kind of top-line growth do you look at in FY '24?

Yashovardhan Sinha: Definitely, we will be looking towards more than 20%.

Pritesh Chheda: Okay, sir.

Moderator: Thank you. The next question is from the line of Akshat Mehta from Sameeksha Capital Private Limited. Please go ahead.

Akshat Mehta: Yes, thank you for the opportunity. I have a couple of questions for you in this talk, if you can answer them. Going forward, you were saying that you were going to have around 20% revenue growth going forward. But the store additions that you are saying, 25 store additions per year, that is around 30%. So, I mean, can you explain why your overall revenue growth is lower than the store additions growth itself?

Yashovardhan Sinha: No. What I said is that we will at least grow by 20%. It is not limited to 20%. Akshat, we target, in fact, we have been, historically, we have been growing at a pace of around 27%-28%. So, in my opinion, there is no reason why we should not achieve that, what we have done in past 10 years. So, what we are, our aim will be to achieve, to stick to that. And I said that when I meant that minimum 20% growth has to come, looking, going ahead.

Akshat Mehta: Okay. My second question is on, the new stores that you have opened up in UP and Jharkhand. Can you give some color on how those stores are performing, whether those are similar to Bihar, the market or not? And additionally, what will be only for what the inventory required per store or the inventory returns in those stores? If you can give some color on that.

Yashovardhan Sinha: What I could hear from Akshat is that you want to know how our stores are doing in Jharkhand and UP?

Akshat Mehta: And the inventory that will be required there, inventory per store required in those stores, and how is it doing compared to Bihar?

Yashovardhan Sinha: No, it's very similar to what we are having in Bihar. And since this is another state and, but our billings are all centralized from OEMs also. So, inventory, bigger as I've told you always that, very big stores like 4,000 square feet to 6,000 square feet stores, we are having inventory of around INR3 crores. So, and these stores in Jharkhand, they are doing very well. Let me tell you, and we have started with a very big bang in Uttar Pradesh also. And right now, we have so far opened 17 stores in 14 districts of Jharkhand and four stores are under construction there in four districts.

And similarly, we have opened already opened four stores in eastern Uttar Pradesh, which is Varanasi and one in Jaunpur and 10 stores are under construction. And inventory level is almost same as what is in Bihar because what I have been talking about is that traditionally, culturally, seasonally also all these states are similar in nature.

Akshat Mehta: Okay. I think one more question I can add. You have been making a fantastic Gross margin for the last two years, of around 16%. Going forward in your PPT, you said that the stores will make around 12% to 15% margin. So, is there any specific reason that you're going for your guiding lower than mid-range? Are there any [inaudible 0:26:38] in gross margins or, these are kind of sustainable?

Yashovardhan Sinha: No, we always give a guidance of a range. We cannot give you exact guidance of what margin you are going to...

Akshat Mehta: So, again, the range is 12% to 15%, whereas you are making 16% since last two years. So, that is why, even the upper end of the range is lower than what you are making currently.

Yashovardhan Sinha: That's good. I'll say that is good for the company and investors. So, we are at a -- right now we are on the upper range of the upper band range. But our guidance will always remain between 14% and to 16% of gross margin. And if we achieve 16%, our company is doing really very well. And when we present -- whatever guidance we give, so the guidance has been given from historical data also.

Akshat Mehta: Okay. I'll come back in the queue, sir. Thank you.

Yashovardhan Sinha: Okay. Please.

Moderator: Thank you. The next question is from the line of Praveen Ranjan Sahay from Prabhudas Lilladher. Please go ahead.

Praveen Sahay: Yes. Hi, sir. Many congratulations on a good set of numbers. The first question is related to your average selling price, which is continuously increasing on a Y-o-Y basis if I look at. So, can you give some color on that? Is it because of a high value product you are continuously adding or some product differentiation in the store, new stores you are extending? Is it because of that? And what exactly is the reason?

Yashovardhan Sinha: Praveen, the reason is that, in fact, I've already spoken also that actually people are shifting towards the premium products. And contrary to what people think that in this part, people will prefer the cheaper range of model of that. But that's not the reason. In this part of geography, in fact, people want to buy something. Value buying is there. So, they always aim to buy the best model, the most premium product. Like we are having, it will be very surprising that we are selling highest numbers of five-star rated air conditioners.

Our share of entire rating in entire sale of air conditioners. So, the numbers are going up. Average selling price is going up just because -- otherwise, there are other, as you know, new, very easy financing has also come in. All financers are there, retail financers are there. So, it becomes easy for them to upgrade their product. Our customers can easily upgrade their product. So, average selling price, and this is what we expect that we'll keep on increasing our average selling price going by the trend.

Praveen Sahay: So, is it because of the product, this average selling price is improving largely?

Yashovardhan Sinha: What I said that two things, right? People are preferring premium products to lower models. And also upgrading their purchases because of very easy financing.

Praveen Sahay: Got it, sir. Second question is related to the EBITDA per store. I can see that you are aggressively adding stores year-on-year. So, if I look at from 43 stores in ‘20, now it's 105 stores. Even addition of the stores is quite strong. Your EBITDA per store is also continuously increasing. So, like even in the newer stores, you are commanding the similar kind of EBITDA on the existing what you are commanding. Is it like that, or?

Yashovardhan Sinha: I'd say that it becomes more like a basket, I'll say. Because EBITDA, of course, even if we start a new store, and as you know, we are only operating in under-penetrated markets. We are not, we are present in such markets which are very, very under-penetrated. So, therefore, EBITDA margin, and we do care that our EBITDA margin is maintained. But again, it becomes a basket of, because at many places, our EBITDA can be lower, it can be higher at places. So, it's all, average EBITDA is quite satisfying.

Praveen Sahay: Okay, thank you, sir. I'll come in queue.

Moderator: Thank you. The next question is from the line of Devang Patel from Sameeksha Capital. Please go ahead.

Devang Patel: Sir, first I wanted to compliment you for much better disclosure in the PPT this time. Sir, and my question was, you mentioned on a basket basis, our margins are very satisfactory. I just wanted a sense, if we ever look at only our core market of Bihar, do you see our profitability rising further from here on?

Yashovardhan Sinha: I don't think so that our margin is going to expand any further. We will be striving to maintain it at the same rate.

Devang Patel: Okay. Sir, I just wanted a clarification on the cash and bank balance. There is some restatement in the account. So, what is our total cash and FDs put together?

Yashovardhan Sinha: Our total cash is in fact around INR82 crores.

Devang Patel: Okay. And some broad color on the INR30 crores capex that is done, on what have we spent and what do we plan to spend next year?

Yashovardhan Sinha: Can you repeat it? I could not hear it clearly.

Devang Patel: Sir, broadly on what have we done capex in FY '23 and what spending do we plan to do in FY '24?

Yashovardhan Sinha: Okay. In FY '23, our capex has been around INR22 crores. And we are expecting actually, it will depend on how many stores we are able to add because we have been adding stores quite quickly. So, looking at what is left, in fact, we are in the beginning of the year. So, it will be very difficult for me to give you a guidance. But it cannot be less than INR12 crores, INR15 crores maybe. It will all depend on how many number of stores we can add.

Devang Patel: Okay. Sir, you mentioned earlier that broadly our margins will remain same. Are we seeing new competition enter in our core market? Are we seeing bigger players come here? How do you expect competition to play out?

Yashovardhan Sinha: In fact, we are not that much bothered about competition because we are confident of ourselves. We have been, as I told you, we know the core market of this entire geography like Bihar. And even Jharkhand is also very similar. And Eastern UP is also very similar where everywhere people are aware of Aditya Vision. And in fact, it was not that competition is not there or was not there. Competition was always there in all these markets. In fact, very big modern trade retailers are also present in most of the districts and towns. But despite that, this result we could come up with. So, I am not that much worried about competition. And we believe that our business model is totally different from others.

Devang Patel: Okay, sir. I will come back in queue. Thank you so much and wish you all the best.

Yashovardhan Sinha: Thank you.

Moderator: Thank you. We have the next question from the line of Agastya Dave from CAO Capital. Please go ahead.

Agastya Dave: Thank you very much, Sinha sir, for your opening remarks. The clarifications that you have given on the accounting side, those are appreciated. Sir, I had a question for you. Everyone has asked you about physical stores. My question is on the e-commerce that you were doing, the e-com sales. Those who are, I am assuming, those must have gone up during the Corona phase. How are they behaving? And are they falling versus where they were earlier? Can you disclose some numbers there?

Yashovardhan Sinha: Exact numbers I will not be disclosing, but I can tell you one thing that, as you said yourself, rightly said, that it was quite high during the pandemic. But it has come down drastically after that. Because, in this part, everybody, without touch and feel, nobody is prepared to buy. And, in fact, since we are present in most of the locations, so people prefer to come to us and then buy. So, I will put it like this, that at the same time we are doing our e-commerce, but at the same time our brick and mortar is closely attached to the heart of the people.

Agastya Dave: Right. Right. Sir, in the coming season, how do you see the same store growth, same store sales growth in Bihar? Especially the old stores in Patna. Do you expect double digit growth to happen in the first 10 stores that you had? Or is the same store saturation there now? I am talking about Patna, sir.

Yashovardhan Sinha: You are right. If you say that the top 10 stores of Patna, they will be in single digit. They will not cross double digit, of course, in Patna. Because already they are very, very mature stores, as far as, as old as 24 years. So, these are the stores who are giving us, still delivering us single digit store growth. But we do not expect them to give us double digit growth.

Agastya Dave: So, sir, how many years does it take for a store to reach that maturity level, that same store growth falls below 10%? Does it take like 5-6 years?

Yashovardhan Sinha: It is not about 10%. In fact, I will explain it like that. In 3 years, typically, in the full 3 years, each and every store matures. So, maturity means that at least now they are at a level where we can really, it can become comparable, same store sales growth. Otherwise, because they are, in fact, growth is very, very quick and fast during this period, in first 3 years. So, again, these all stores, whatever stores we are, let us say, having since last, I will put it, it is 23, last 9 years, we are still delivering us a growth of double digits.

Agastya Dave: Right, great. Sir, last question and after that just one suggestion. Sir, the question is that you said that Jan-Feb was pretty good, March slowed down for you. But how was April and May, sir? Because in this period also, there were unseasonal rains. Can you give some idea, how is the demand looking?

Yashovardhan Sinha: Yes, it has been a dampener, no doubt about it, this unseasonal rain. It has, in fact, really been very disturbing. But despite that, I mean, we are doing well.

Agastya Dave: Okay. And, sir, purchasing power in rural areas is holding up, right? The demand adjusted for this unseasonal rain is still strong.

Yashovardhan Sinha: Yes, yes. Since now we are, in fact, our geography is very vast and huge. So, let us say, if there is a rain in, let us say, eastern Uttar Pradesh, but still our Jharkhand is going to do well. Bihar will still be doing well. If there is a dampener in Bihar, Jharkhand as well. So, since we have reached out to three states, our store distribution is quite even now. And sale is divided into regions.

Agastya Dave: Great, sir. Great, sir. Thank you very much for the opportunity, sir. One last thing. If I have only one point of complaint, then it will remain the same. Yes, sir. I have seen a lot of promoter selling in the stock. There have been like multiple rounds. Can you assure us that no further selling will happen? If there is going to be a selling, I would request you, since you mentioned that you aim to be one of the best in corporate governance also, my suggestion would be, can you please, if there is requirement for the promoter family.

If you can disclose in advance that there will be selling in such large chunks because we need funds for our own use. That is perfectly okay. But suddenly, out of the blue, if selling happens, that is a little disconcerting. Especially when an article also appears questioning the accounting policies and all that.So, that is my only suggestion, sir. If you can throw some light, if there are further plans to sell down your stake or are you done for the time being?

Yashovardhan Sinha: No, no. I can give you my insight. Whatever selling that has been done, it was all strategic in nature. It was not done anything to raise money for any purpose. It was done because our shareholding was very, in fact, we wanted to have good investors on board as well. So, it was done on a strategic basis and there is no requirement of any fund for any promoter as such.

Agastya Dave: So, no further selling then?

Yashovardhan Sinha: No. What I said that it can be only a strategic sale, not disturbing any market, not disturbing the market. We don't propose anything right now. Nothing is on hand right now. But I am trying to tell you that strategic sale to good investors can always be there.

Agastya Dave: Great, sir. Thank you for the opportunity. So, the good investors can always buy from the market because everyone else is doing that. But thank you very much, sir. I appreciate your answer, sir. Thank you, sir.

Yashovardhan Sinha: Once again, actually, stock is not that liquid. That is the problem. So, of course, if they buy from market, they will never approach us.

Moderator: Thank you. The next question is from the line of Varship Shah from Envision Capital. Please go ahead.

Varship Shah: Thank you for taking my question. Our debt has constantly been increasing. So, our OCS is negative. So, is there any sustainable level of debt that we target? Because in the future, if there is a slowdown in sales, we might have a leverage that might shoot up significantly. Maybe a couple of years later, especially as we are expanding stores as well?

Yashovardhan Sinha: I will say that most of the debt, almost 90% of debt is in the form of short-term working capital. So, as you know, working capital usage is dependent on your inventory for the purpose of inventory. So, I don't foresee anything as such because long-term debt is very, very small and limited in nature in our balance sheet.

And working capital needs, whenever we are opening stores, we are not raising capital. Then we will have to take recourse to working capital loans from banks. And these are very temporary and very in fact short-term loans. It all depends on it. Actually, when you see on the balance sheet, you may be finding that we have utilized that much. But maybe most of the time, utilization is very less because these are all cash credit limits.

Varship Shah: Alright. And for this phenomenal growth, we have a unique model. But what stops a competitor like say, Croma or Reliance to launch a similar model? So, the point being is our growth coming more from gain in mom & pop stores or because the market is growing that strongly? India, I think, UP and Jharkhand.

Yashovardhan Sinha: I say it's not on cost of mom & pop because mom & pop, in this sector, there are very few mom & pop stores. And that too, these are located in very, very small block levels and very, very small, I say, cities and towns and all that. So, in fact, our growth model is definitely driven by the demand, surge in demand.

When I always say that these markets are very, very under-penetrated, you will see in our investor presentation, you will find it that it's one of the lowest penetration is there in Bihar or Jharkhand or Eastern UP. When you compare from entire UP, you will find that Eastern UP enjoys similar penetration level as of Bihar.

And population is huge. Bihar is the third most populous state of entire India. Similarly, Eastern UP is as big as Bihar in population. So, these are driving the demand and the big modern retailers, they were present from many years in Patna or let us say nearby towns, nearby district headquarters.

But then we are very strong, we believe in concept of son of the soil, our way of handling our customers are different, our model is different. So, we don't think that it is in cost of any, because market is expanding, no doubt about it.

Moderator: Thank you. The next question is from the line of Vishal Prasad from VP Capital. Please go ahead. Mr. Vishal Prasad, the line for you has been unmuted. You may proceed with your question.

Vishal Prasad: Okay, there were some problems. So, Yashovardhan ji, it is really nice to see a company from Patna doing so good. Thank you, sir. How much is the revenue from our top five stores?

Yashovardhan Sinha: Top five, we can get back to you after some time. We generally do not disclose our store-wise sale because of obvious reasons.

Vishal Prasad: Right. I'll try to get it offline, sir. Thank you. And, sir, second question. So, I visited a few of our stores and I saw televisions costing INR5 lakhs to INR12 lakhs. India is a cash-driven market and Bihar more so. So, if someone comes and wants to buy a INR12 lakh television by paying cash, do we entertain these customers?

Yashovardhan Sinha: No, no. How can we entertain? It is mandatory for us. above INR2 lakhs We cannot break anything in cash. So, they get it financed, they send money in the bank through RTGS and other things. Above INR2 lakhs, our billing system is locked. We cannot, in fact, bill for more than INR2 lakhs in cash.

Vishal Prasad: Okay. So, sir, I understand that we have never closed a store. This is quite unusual for our industry. Would it be possible for you to talk about what has helped us achieve 100% success rates with our stores?

Yashovardhan Sinha: I'll put it like this. There are two things. One is that we have been fortifying our place also. What I've already told in my opening remarks, we have been fortifying our place in the market where we find that business is there and we do not give any space to any competitor in that sense.

Okay. So, in fact, we have never closed any store because of our locations are selected very, very diligently. And as I told earlier also that demand is very high. Demand is very high here. And demand is growing also in that rapid way. So, maybe our selection of places, territories, these are very good. And plus, these are underpenetrated markets. So, in fact, it is a really very satisfying and a wonderful, in fact, feeling that we have not closed a single store since inception.

Vishal Prasad: Sir, I'll take an example. I visited long back your Kulharia House store. I think probably it was 2015-16. And at that time, Kankarbagh used to do pretty good and Kulharia House was not doing so good. So, my question to you would be, you must have come across a scenario where a certain store doesn't work as per our expectation.

Since we have not closed any of our stores, we must have taken some corrective measures which helps us increase our sales from that particular store. Could you talk about our approach of turning around a store and maybe with a specific example?

Yashovardhan Sinha: I can tell you, this is very simple in that way that yes, all stores cannot perform equally. But we also know that that store has to be profitable. Then only there is viability is also very much needed. So, what we do is, if supposing some stores are not really coming up well, then we focus more on those stores. And focusing on the main thing will be human resources

The biggest thing, I would say, we understand that human resources are the most important thing. We give them training, what is going wrong, we station our experienced people there. Sometimes we put in a very experienced manager there to see why they are not performing that well. And it has always paid off.

Like right now, Kulharia is doing very well. What you said that in '15, '16, you said that you thought that Kulharia was not doing as well as Kankarbagh. So, it will never do as well as Kankarbagh. But Kulharia in itself, they have improved a lot. They have given a very good growth in sales.

Vishal Prasad: Right, sir. And sir, last question. Till now, most of the senior management recruitment has been done within the promoter group and relatives of promoters. So, we are growing very aggressively and we are doing pretty good. So, could you share your thoughts on building our senior level leadership by inducting professionals?

Yashovardhan Sinha: When we feel that requirement is there, then we are going to seek, look into that. And we will not rule out, but when it will be really needed, we are going to do that.

Vishal Prasad: So, what's the role distribution between you and your daughters? Both of them are on board and working pretty closely with you?

Yashovardhan Sinha: You are aware that I'm the chairman & MD. I take the overall decision making and policy making and everything. And there is Nishant Prabhakar also who looks after operations. He is the director, the whole-time director. And now, Yosham has also joined the board to further strengthen it.

Moderator: Thank you. The next question comes from the line of Karmila from Rajmahal Investments. Please go ahead. Karmila, the line for you has been unmuted. Please proceed with your question. As there is no response from the current participant in the queue, we will proceed with the next question, which will be from the line of Ankush Agarwal from Surge Capital. Please go ahead.

Ankush Agarwal: Sir, just one clarification on the accounting. All the suggestions provided by Grant Thornton, have they been implemented or we should expect some more reclassification in the coming quarter?

Yashovardhan Sinha: No, no. All have been implemented in financial year 2023.

Ankush Agarwal: Okay. So, sir, any thoughts on upgrading our accounting and auditing firms to more like something like a big four or big five because now we are growing and we have now become a multi-state company as well. Any thoughts on that?

Yashovardhan Sinha: Sir, these things are always in our mind and we will take appropriate decisions as and when it is required.

Ankush Agarwal: Okay. But nothing at the moment?

Yashovardhan Sinha: I said that we are looking at all options and we will take an appropriate decision at the right time.

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

Krisha Kansara: Sir, my first question is regarding demand. So, recently there have been news flow regarding softening demand in the AC segment across India. So, how are you seeing the demand in AC panning out from ground level? What kind of issues are you facing currently?

Yashovardhan Sinha: You mean to say that demand is coming down of AC? What you said? Sorry. Can you speak clearly? You are not very much audible.

Krisha Kansara: Yes, sir. I was asking about softening demand in the AC segment. I just wanted to know your views on that?

Yashovardhan Sinha: I wouldn't say that there is any softening of demand in AC. What I will say is that yes, unseasonal rain. In fact, peak summer is there and seasonal rain comes and it definitely dampens the spirit of buying compressors. But even then, we believe that if rains have come in March, we are going to get extended summer beyond June this year. So, we are quite confident of achieving our targets set for AC.

And for that, we are taking into account every aspect in that regard. We have got demand enablers schemes also like we gave cashbacks or there is a very good exchange policy, we give free installation. So, we keep on coming with very easy finance terms and all that. So, these are our selling enablers and which is going to give us results.

Krisha Kansara: Okay. Okay. I got it.

Yashovardhan Sinha: Actually, what I mean to say is that demand for AC has not come down. Maybe some unseasonal rains or some seasonal reason can be there. But we try to cope up with these unseasonal rains or let us say weather also through schemes like finances, cashback, free - installation, comprehensive warranty, very good exchange. So, these are all the OEMs and they support us.

Krisha Kansara: Okay. Sir, my next question is on the advertisement part. So, because we are entering new geographies currently, how much was our advertisement cost in this quarter and also for the full year FY '23?

Yashovardhan Sinha: Full year FY '23, our cost of advertisement is around 0.8% of our sales.

Krisha Kansara: Okay. So, 0.8% of your sales.

Yashovardhan Sinha: 0.8% of it. In fact, 0.8 to 1% of the sales. We are aiming to have it in future also.

Krisha Kansara: Okay. 0.8, right sir?

Yashovardhan Sinha: In fact, 0.8 to 1%.

Krisha Kansara: Okay.

Moderator: Sorry to interrupt ma'am. We request you to please return to the queue for follow-up questions. The next question is from the line of Chirag Fialoke from Shree Ratnatraya Capital. Please go ahead.

Chirag Fialoke: Hi. Good evening, Mr. Sinha, Yosham. Thank you for the opportunity. Congratulations on the continued execution. Very happy to see how things are shaping up. Congratulations. Heartiest congratulations from our side, sir. Just one question. I wanted to know a little bit more about the new stores that we are opening. And Sinha sir, it will be very helpful if you can compare some of the new stores with our existing old Bihar stores on four counts.

One, average store size. Two, what kind of revenue potential do you generally see? Are they similar? Three, on gross margins because of sort of difference in mix or difference in pricing strategies in the new geography. And four, on rental costs. So just to compare new and old stores on these four counts?

Yashovardhan Sinha: Size, definitely we are now going into bigger sizes stores compared to what we were having when you compare from the past. Secondly, revenue, of course, we are getting very good response as I have already told you. And since it is a new store, so revenue keeps on rising month-over-month or even quarter-over-quarter or year-over-year. So we are getting very good response. This is one thing.

So and what gross margins are you say that we are in fact getting margins are something which is a basket I'll say. So margin depends on where you are exactly operating and what competitive environment you are operating that store in. So that depends on that. And it is very much very carefully kept secret by the management how they operate as far as margins are concerned.

Lastly, you asked for rental. So rentals are definitely going high and wherever we are going, we are getting experiencing high rentals compared to what we had before in Bihar. But then over that much of period of time, our rentals are almost comparable because the rents have gone up everywhere. But still, I'll say that this part of India is having low rentals.

Moderator: Thank you. Ladies and gentlemen, due to paucity of time, that was our last question for today. I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Yashovardhan Sinha: Thank you. Yosham, can you please close the forum?

Yosham Vardhan: We trust that we have addressed all your inquiries to your satisfaction. If you have any remaining unanswered questions, please don't hesitate to contact our IR agency, GoAdvisor. They will be more than happy to assist you further. Thanks a lot.

Moderator: Thank you. On behalf of Nuvama Group, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.