Ref. No. CS/S/L-736/2023-24 **13th February, 2024**

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 7th February, 2024

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 31st January, 2024 (Ref. No. CS/S/L-730/2023-24) regarding the intimation of the conference call with Analysts and Investors held on 7th February, 2024, 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: 2024.02.13 21:05:58 +05'30'

Megha Tandon
(Company Secretary & Compliance Officer)

Encl: As above

"V-Mart Retail Limited

Q3 FY '24 Earnings Conference Call"

February 07, 2024

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

MODERATOR: **MR. RANGANATHAN -- SPARK INSTITUTIONAL EQUITIES PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to V-Mart Retail Q3 FY '24 Earnings Conference Call Hosted by Spark Institutional Equities Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ranganathan from Spark Institutional Equities Private Limited. Thank you, and over to you, sir.

Ranganathan: Good evening, all. On behalf of Spark Institutional Equities, I would like to welcome you all to the Q3 FY '24 Earnings Conference Call of V-Mart Retail Limited. From the management, we have today, Mr. Lalit Agarwal, Managing Director; and Mr. Anand Agarwal, Chief Financial Officer.

I will now hand over the call to the management for their opening remarks, post which we will have the floor open for Q&A session. Over to you, Lalitji.

Lalit Agarwal: Good evening, and thank you, Mr. Ranganathan. Good evening, everyone. Welcome to the call. We're seeing really a good season winter season, here in the North India, which is suggesting that the season itself is shifting, so the market is also right now very confused and then the people especially towards the Central and Northern India, don't know what customers what they want to buy. So during these times of the year, the wedding season is there, but people are in a confused territory as of now. But still, we are seeing good attraction coming in from winter in this particular quarter.

But yes, overall, the market or the consumer sentiment, which I speak about looks a little better than the earlier quarters. And we are seeing certain improvement. Definitely, all these tactical moves by the government also are bringing in a lot of confidence in the consumer in terms of their earning potentiality and their capability in future. And it is definitely bringing in some additional employment, which is not very effectively visible. But yes, there is definitely a confidence in the consumer or confidence in the citizens that there is going to be enough employment, which is going to get generated.

And we are seeing some PLI schemes getting rolled out, and we are seeing some a lot of those infrastructure activity, some of them getting completed, giving certain connectivity betterment in the connectivity, betterment in the overall business doing-business scenarios, which is also bringing a lot of new business and new industries and new factories coming up even in smaller areas even in these states.

So, some of those good news are there. And then I think even then the government is trying all the governments are trying their best to bring in industries in their particular states. So, I think all of that is ultimately giving a very confident scenario, which is making the feel-good factor better. So, what I understand is the feel-good factor is the effective outcome that is what is required for an outcome of good sales and good consumption also. So, we are seeing those betterment.

And still there is pain. It doesn't say that the pain has gone away because inflation rates continue to be high, continues to be there, especially in food products and staple products. So that is something which is already was there, has not gone, has gone a little down, but still has not muted because ultimately, we are sitting at a very high base of inflation. And on that base of inflation, we are seeing further inflation, which is which are actually hurting the pocket of a common man and hurting them. So, which is there.

As I say about weather, weather is definitely playing its role. But yes, winter has been very good this year, which is good news. It is we definitely have shifted almost 20 days from December to January now. So, in December, we didn't see any winter. A very, very mild winter was there. So that shift in the weather is definitely something, which is affecting the probability or the understanding of the forecasting on how people forecast on how the consumption is going to happen for what kind of products is so that's where the entire business people are confused.

Otherwise, I think agriculturally, the farmers have been doing good. The produce has been better. MSP increments have also been there. And then we are seeing that definitely, the government has not done too many things for the farmers but still, there are a lot of activities, a lot of smaller initiatives which have been initiated by the government. A lot of free rationing as well has been provided and a lot of people are getting those benefits.

So, some of those are definitely giving a better impact, but yes, also making people lazy so there is always a counter effect that which is there. But yes, I think farmers on the rural side, especially the farming class, I see them also in a better state. So, I don't see that the complaining too much right now.

Overall, I think the industry has seen both sides as I mentioned in the last quarter as well, the upper segment of the industry, which is the premium segment or the upper-middle segment of the industry, is getting business stressed. There is definitely a pain that we are visualizing and then we are noticing, and we are hearing from our peer friends that there is a little lesser growth and or a negative growth from a like-to-like perspective on those particular brands and those particular retail chains.

But yes, in the value segment, we still see a lot of traction. We have seen some traction coming back. Some of the retailers have really done well. Still, some of the retailers who were earlier doing well are struggling from in certain lines. So, there is always a newness drive, which the customer wants and any new brand which is coming into the market is getting some traction for the first 6 months or first 3 months or first 9 months.

So that is what we are visualizing both in the market with the new brand, which is coming in and even from us even from our own stores that we are launching because whenever we launch a store, we see a very good footfall coming in the first 2, 3, 4 months. And then suddenly slowly, we see them normalizing and getting back to normalcy.

But yes, largely, we are seeing larger mobility of the customer. We are seeing larger footfalls coming in because people are experimenting, people want to try and come out come into the multiple stores because they have got multiple options in the on the same street. So, there is definitely competition, there is definitely a higher number of stores which were operating. And most of the retailers have also expanded and then everyone is open, but yes.

So, the large retailers who used to expand very aggressively in the last year, we are seeing some muted expansion there, especially from the Reliance and stuff. But on the other side, we are seeing very high expansion coming from Zudio and other people.

So that's where it is. But we don't see a very, very categorical, clear, clear competitive churn-wise impact. But there is definitely a very, very mixed response. There are certain competitors in certain markets, which have created a certain impact. But otherwise, there are a lot of those markets where we have seen that even after those competition who are supposed to be doing good. We have not had any impact on those, but we have been also growing from these growth areas.

So, there is definitely a mixed response. It is all about how a retailer is able to operate at that given point of time, present a range at that given point of time, propose or give a price proposition at that given point of time is what the customer is looking at because customer definitely is checking on to most of these stores and then taking their decision.

So whatever product is doing good, if it's performing, whatever stores are doing good or whatever particular season is doing good, that is how the impact is getting featured out. So that is where I think the consumer has become very much aware. The consumer is taking a very aware and informed decision. So, consumer taste has shifted, we were able to see that.

We are able to see a little higher GDP in fashion, which is coming in, customers are adopting a little higher fashion, very fast and that is there. But once again, there is two India, the Bharat still operates a little slow, but the India part of India does operate a little faster and then the Gen Z customer and the young customer definitely is healthy has crossed all the boundaries and they are adopting everything coming internationally. And then international fashion is being seen here in the market now.

So, but yes, within that also, within those Gen Z segment, the urban Gen Z, which is the core urban Gen Z, we are seeing a little differentiated philosophy in terms of what they put there, but is in terms of still the semi-urban or the tier 2, tier 3, we are not seeing that kind of exposure coming in. So, there are still people are opting for safer options and safer designs, but definitely, they want newer colors and newer fashion and newer silhouettes. So those are some things that we are seeing.

On the V-Mart side, I think we have been focusing very, very heavily on improving our product lines, working on our team, working on our all those strategies that we have taken on designing, sourcing and fabric development, even the supply chain management, the whole warehouse management, which we started 9 months back, which had some teething problems.

Now we are able to see a lot of those things coming back to normalcy now in the month of January. But still, we had some impact till the last quarter. And then the warehouse was not able to give or become productive to even 50% or 55% of what it could have been.

So that affected certain parts of our fill rates and certain parts of supply chain management as well and then which has had some effect. But overall, we have taken some conscious calls. We have definitely become very, very clear that we want to operate at profitability. Anything and everything which is bleeding for us or anything and everything that we experimented, we thought will work or was working and not working now, we are going to take a little more stern and brutal reaction on those particular areas and those particular stores also.

So, some of those areas or some of those stores, we have decided to even shift or move or close. So, some of those actions have been taken. So, we are -- we have flagged up almost more than around 50 stores, which are not doing according to our standards and where we are trying to work, out of which almost 23 stores, we have taken a call to shut down and then search for a new property to ship those property and assets to a newer location. So, we have already taken a call for 23 stores out of which 20 units we will close in this particular quarter.

And some of the calls we may take out of our remaining 30. We may take some calls in the next quarter. We may we are working on them to either revive those stores and then renegotiate those stores. Maybe some of those stores could also close in the coming quarters.

So that's how we are managing because ultimately, we want to work on those particular stores where we feel very confident and where we feel the customer is accepting us. So, we are definitely there are certain areas, it has been done in the past. There are certain times where we opened those stores, those stores are not doing good or there were certain acquisitions that we did of certain stores, which we felt we could try and experiment with, but we are not able to succeed in those.

So, all of those, I think, are resulting in betterment in terms of our bottom line, our inventory management, our inventory productivity. Everything, we'll be able to improve on those. Most of our business, we are focusing on providing value. Very, very clearly, we are once again, very clear on our ability to provide value. Therefore, there is definitely higher competition. There is definitely a higher fight for that particular value. And then people are or our competitor is also trying to there are a lot of formats that have begun there are certain formats who have also gone down on their pricing policies.

So, we are also trying to match them up. In a lot of areas, we are trying to reengineer the way the product has to be made, reengineering the way the sourcing has to be done. So, some of those things we are doing. Some of the margin cuts also have to be done or have been done or could be done in future as well. So, but our primary objective and our primary goal is to provide real value to the customer so that we can have higher volume metric growth and higher volume and feed in more customers and convert more customers in our stores.

So that's how we are looking at it. Definitely, there can be a slight dip in the EBITDA or the EBITDA may be a little flat as a percentage but we will definitely improve on all those lines. First of all, we want to reinstate and reconfirm our trust with our customers so that our customers have larger trust with us and then we are able to perform better than what we have been doing.

So that's how we are going ahead both in Unlimited and V-Mart because even in Unlimited, our strategy has been similar to V-Mart. Expansion plan has been similar to V-Mart. We would definitely want to expand, but not very aggressively as we are also recalibrating or re-innovating certain stores, and we are also closing down certain stores. So, our expansion plans will be limited to maybe around 50 stores per year. So that's how we will do it. And some part of that, almost 15% or 20% or some part of that will go to Unlimited also. But there are also some closures, which are coming up there.

So, most of them are good. LimeRoad, we continue to secure our policy. We are not looking at too much of top line growth. We are definitely looking at reducing the expenses, reducing the losses and bringing that business towards the trajectory of profitability. And that is what we are trying to do. So, we are definitely reducing the expenses. We'll try to maintain the pace of reduction of expenses in the similar level. That's how we will do it.

There are definitely a lot of initiatives, which are going on in the omni situation. There's a very good product which has been developed, which we'll convey in the next quarter once we are able to successfully implement that in the stores, and there's something that we are trying to do. Wherein the customer at the store can really integrate well with the LimeRoad platform and get some real value and the benefit can really go both to the platform as well as to the offline stores.

So that's how we are looking at those because that's how the breakeven at this marketplace can be achieved. When we are able to convert those offline customers into an online and then not pay the acquisition cost of those customers, that's how the strategy is what we are working on. We will talk later in the question-and-answer session, I'll ask Anand to give you a brief and an expanded view of all the details. Thank you so much.

Anand Agarwal: Thank you, Lalit, and good evening, everybody. Let me take you through some of the key highlights from the quarter and then we can open the session for questions.

It's been a reasonably good quarter, although a little less than what we had originally planned or expected. But for the quarter sales grew 14% year-on-year with L2L growing by 5% for V-Mart and Unlimited like-to-like growing by 1%. Unlimited growth had been struggling for the last 5, 6 months as we had cut down the pricing and average selling prices were almost 20%, which could not get fully compensated by volume growth. But we have started to see green shoots in the South as we introduce even better merchandise for the fresh season.

At an overall level, sales per square feet increased by 3% and like-to-like grew by 4% for the quarter. For the full year, both SSG and sales per square feet increased by 1% each YTD.

Coming back to the quarter, the average selling price reduced by 6%, which was partially part of our strategic drive towards making the product pricing more value-driven for mass consumers and also partially because of the slow start to winter, where the heavy winter and higher-priced product sales shifted to January.

Tier 1 markets continued their growth journey and outperformed Tier 2, 3 and 4, reaffirming the K-graph growth that we have been seeing for the last many quarters. Tier 4, in fact, outperformed on growth versus the other cities because of a much lower base. But at an overall sales per square on an overall sales per square feet basis, Tier 4 still remains 10% lower than the other tier of stores having a bigger opportunity or headroom.

While the YTD numbers show Tier 3 sales per square feet degrowth by 5% but for the quarter, Tier 3 sales per square feet was a positive 2%, which is a good sign because that is where the bulk of our stores are situated.

The festive period went off well, but winters were significantly delayed and the sales contribution was impacted due to the shift. Normally, when winter sales shift to January, the margin realizations are also partially impacted as end-of-sale season period kicks in, in mid-January, impacting profitability.

We opened 20 new stores in the quarter with 16 in V-Mart and 4 under Unlimited and also closed 3 non performing stores, 2 in V-Mart and one in Unlimited, taking the tally to 454 stores pan-India, out of which 87 are in South. All the new stores opened this year, including in the South have been performing well and in line with the established V-Mart business model.

There was a strong push on increasing the online sales contribution with the acquisition of LimeRoad. There have been a lot of activities going on around consolidating and integrating the operations for the eventual omni-fication of V-Mart. Focus at LimeRoad is to clearly build an omni offering, which supplements the online LimeRoad target customer and also the V-Mart offline customer requirements through a multichannel ease of access.

Strategically, we have curtailed the marketing expenditure to focus on capacity building around the initiatives and drive efficiency with lower burn. And as a result, the losses have been coming down.

The EBITDA loss at LimeRoad came down by 23% in quarter 2 and then again by 29% in this quarter. And as we move forward, I think that's the trajectory that we will definitely want to follow that quarter-on-quarter, we should look at around 25% to 30% reduction in losses so that we are able to eventually breakeven by the end of next year. We remain optimistic on getting to breakeven as we limit our losses in the current year to a predefined limit.

Coming over to gross product margins. The gross margin at 35.5% was 10 bps higher than last year due to a higher contribution of revenue and margins from LimeRoad segment versus last year. The V-Mart gross margins were stable, while the Unlimited gross margins went down by 5% due to a higher provision on old inventory.

On a go-forward basis, we shall be prepared to compromise on product margins in favor of making the value proposition sharper for consumers as we understand that the lower-strata customer is still battling the inflationary challenges.

Coming to expenses. At an overall level, total expenses were 10 bps lower than last year on the back of a base impact of one time LimeRoad costs incurred in last year quarter 3. The digital marketing cost for LimeRoad has started to taper down since November and has been the single biggest change in the overall expense breakup since the last quarter. On a go-forward basis, LimeRoad marketing spends will further rationalize to deliver better productivity, resulting in a healthier balance sheet.

Coming to EBITDA. For the V-Mart core business. EBITDA for the quarter came in at 16.7% with Unlimited at 8.6% due to the onetime impact of inventory provisioning for the old Unlimited inventory. For V-Mart, as a whole, including the losses from LimeRoad, the EBITDA came in at 13.5% for the quarter.

Coming to inventory. The quarter closed at INR740 crores at 108 days of DOI, slightly higher than our target due to late winter but still under control. Winters have been delayed and winter sales slightly shifted into January, leading to a slightly higher closing inventory than planned. The per store average inventory came down by 15% to INR1.6 crores per store.

On Capex, I think YTD, we have spent INR103 crores, which included spends on the new warehouse, 40 plus new stores and refurbishment of a few stores. The warehouse is already in operation and no additional major capex is expected at this time. We should be opening 10-plus stores in the current quarter and refurbishing a few more stores in quarter 4 further ahead. Old store refurbishment remains a high priority area, and we shall be making more investments towards this in the coming year.

The working capital limit utilization was reduced by 56% since the start of this year and remains in comfortable range with more efficient, payable management and better cash flows from operations.

Lalit talked about the store closures, and we have been taking a hard look at all the non performing stores and shall be initiating a closure of 20 stores in the current quarter, out of which 75% will be V-Mart stores and 25% will be Unlimited, at least for this quarter -- the coming quarter. The V-Mart stores are majorly the ones which were opened during COVID period and could not see the early footfalls leading to a non-profitable situation right now. The cleanup shall ensure a more efficient operation base and improve profitability going ahead.

Owing to this pending closure, the requisite financial impact has already been taken in the financials, resulting in accelerated depreciation charged and also reversal of Ind-AS 116 provisions, which is reflected in other income. There may be a few more non profitable stores that may get and replaced with new locations in the next financial year. But bulk of the cleanup has already happened and closed as stated.

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

Ranganathan: Thank you, Anand. Now we can open the floor for questions.

Moderator: The first question is from the line of Arun Singh from ICICI Securities.

Arun Singh: Lalit sir, my first question is, like while we analyze the 9-month numbers, as Anand sir has also pointed out regarding Tier 3 cities declining revenue per square feet. So, I mean, given the context that more than 50% of our contribution is from Tier 3 cities, and that is the only place where on a 9-month basis, we see, 5-odd percentage of revenue per square feet decline, whereas in all other cities, our performance has been quite healthy.

So given this context, I just wanted to judge and analyze the 20-store closure number that we called out, that where these stores belong to? I mean, which class of cities?

And also, I mean, in this backdrop, if you can help us uncover that reasoning or you think that what is behind the strong and healthy SSG of 4%, which is in the top quartile, I mean, if you look at all other retail companies' performance. So, help us understand the robustness of the current SSG as well as the store closure with regards to the tiering of the cities and underperformance in Tier 3 cities, when it is likely to be back?

Anand Agarwal: Arun, Anand this side. So, you're right. So, on an YTD basis, the Tier 3 cities still are showing a degrowth. But a happy thing to note, as I stated in my opening comments was that in this quarter, we have seen a positive trajectory in Tier 3 towns and Tier 3 performance has been back in black. So, there was a plus 3% SSG that we saw from Tier 3. And that is where, as you rightly stated, almost 50% of our stores are located and this is the sign that is giving us the confidence that there is some amount of recovery, which is now happening or started to happen in our core customer segment.

Having said that, I think it's also a seasonal impact, and quarter 3 is always a good quarter for us, but it's also a sort of an early sign that things should started to now look up in Tier 3 as well as Tier 4.

In terms of where the store closures, the stores which are getting closed, where are they located, bulk of them are in Tier 3, almost seven stores are in Tier 3. But I think more important than the tier of these towns, it is the timing when these stores got opened.

And that, we have been stating at least in the last couple of calls also that there are a few stores at least 50 to 100 stores, which got opened in the last 2 to 3 years, and those times were a bit of a troubled times because the market was still battling with COVID, and the footfalls were not normal. And these stores could never get the early start that company stores get. And that is where the impact was seen more in these kinds of towns.

So, I will not say that by tier, if we are losing seven stores in Tier 3 then Tier 3 is a problem, I think in general, the closure is happening not because of the tier of town, but more happening because of the timing and the kind of performance that we were able to extract from those locations.

Lalit Agarwal: Just to add on there, why do you see this L2L, and then I think being very genuine here. This is still much below what we would expect our business to perform and what we had thought -- what we had targeted. So, we are still not more than 50% of what we had thought. So, this is something the market definitely will be coming back and there's more for us to do right there and more for us to bring in there. There's definitely a lot of challenges internally that we are working on. There is a lot of work that is yet to be done. There's still a lot of collaboration, which needs to be done.

So still, we believe that the growth could be better. It's all about our internal capability and ability to do that. And that's how we are working on it. And then as of this last quarter, it was largely also because of these few days of Puja so certain markets like Bengal and Odisha. They performed a little bit during Durga Puja. So, the Durga Puja which was last year in September this year came in October. So, some part of that also came in because of that.

Especially the state of Uttar Pradesh for us has not been very, very good. So that is where we are seeing some tail. It is largely in the entire state of economy, in the state Uttar Pradesh because we definitely are seeing a lot of transition that we've discussed in the last call as well that result in population is going through a massive transition in terms of professionalization or formalization of economy.

So, there's still a lot of movement happening there. So, we are still not able to get back to our original growth rate in that particular store. And that particular state has the highest number of stores in Tier 3 for us. So that's how this whole thing adds up.

Arun Singh: Sure. Understood. And Lalit sir also, like you pointed out that customers are more demanding in nature, they are evolving. And the fashion quotient, etcetera, is may be improving more. And it is bound, I mean consumers are demanding. They are likely to become more demanding going forward. And given the context that competitive landscape also keeps on evolving along with consumer and other consequences, we see the fashion element or the degree or the choice, et cetera, all these things to be having its own natural way and the way it manifests.

So, in that context, Lalit sir, like, do you want to call out anything that we are doing in particular, while we are obsessing about consumers all the time? What are the changes in V-Mart, which is our core, I mean, that we are doing now, which is significantly different compared to maybe 2, 3 years back, what we would have done.

Lalit Agarwal: So, Arun, as you all know that we have been working especially with our product team, our merchandising team, reorganizing them, reworking them, bringing a design department and bringing a signature of our own design, our taste and an element of internationalization, which can be accepted by our consumers because we are the ones who understand these consumers the best, and we understand them the way they would adopt that kind of fashion. And that's how the uniqueness that we are trying to drive.

But one thing that we have learned, and we have established and we would want to do more and more is work on quality because that is one thing that we have really learned and give quality at the same prices. And that is also a very, very tough call in this high fashion or high agile with highly competitive industry, providing fashion with quality is so difficult at this price point. So that is where we are working on.

But we are largely known for our, family segment, consumer fashion is very important because the youth is definitely who is there, who will definitely get driven. But for us, a larger part of our ecosystem is the young family. And that is where whatever that they want, because there are a lot of changes that we can see in the young families, the behaviour, the kind of wearing, the kind of pattern that they wear and the kind of life that they live and the life with their children that they want to live.

So that is how we are also working especially to bring in those colors, newer fabrics, newer innovations, how do we get those newer silhouettes, the silhouette is such a big part of this particular fashion now.

So, all of those new things have been learned and then I think because of this agility, our team is also becoming much more agile. They are also learning, they are also adopting a lot of things because we used to have a little bit of a mindset where we used to fear, this won't be working in the small cities. But now we are becoming a little bolder and letting them out because certain competitors like us have also done it.

And then that's how you learn in the market and that's how you grow. So, I think the acceptance level has been good. But still, there are a lot of variations and diversity so high in India that managing all of their perceptions and their requirements for fashion is becoming tougher. So that is where the digital play also comes in, and that is where a lot of our digital team is working and a lot of work is happening towards the whole understanding of the cluster, understanding of the consumer and the fashion and then integrating that with the product. So those are some of the few things that we are doing now.

Arun Singh: Sure, sir. And sir, just one last question, if I may. On LimeRoad business, quarterly, we see, if not deterioration, maybe decline in the key metrics like a number of unique customers and customer visits, etcetera. So, when we guide for breaking even by the end of FY '25. So, this is like breaking even should be happening by more amount of business or maybe by reducing the overall size of the business itself?

Lalit Agarwal: So, we don't aim to reduce the business, Arun, but we are not targeting to increase it superficially. So, we definitely want consumers who are relevant to us. They buy and they don't return and we just don't acquire because we want to bring in the footfall. So, we are not trying to bring out those key metrics as we are here trying to build a profitable, sustainable business, which is useful to our offline consumer and where we can also approach certain consumer likewise consumer who is not residing near the store, but want certain fashion which we are not able to give out to our consumer in our store. So that those products are also available for both our offline and online consumers.

So that's how we will do it. Definitely, we don't want to reduce the top line. The business will not become smaller. But else required, we'll not burn money that is very clear. We will want to create a sustainable model and then work towards increasing those top lines. So that's how we will work towards. At the cost of profitability, we will definitely not want to grow too much.

Moderator: The next question is from the line of Sameer Gupta from India Infoline.

Sameer Gupta: So firstly, a little more dwelling on the store closure part. I know a lot of things has been already discussed, but just trying to understand it a little more in detail. So, you have done 30 store additions on a net basis in 9 months, and you're guiding that you'll add 10 stores and probably close 20. So, in all probabilities, FY

'24 a net store addition of around 20 stores is likely. Going forward also, you have mentioned that there are some 30 more stores under the radar. So how should we look at net store addition for V-Mart plus Unlimited in FY '25? Is it going to be another tepid year in terms of store addition because of these store closures?

Anand Agarwal: So, Sameer, partially what you're saying is right, but not entirely. So, for the next year, we are looking at opening around 50-odd stores. And while no store closure number is decided as yet, what Lalit mentioned in his opening remarks was that we have a list of around 30-odd stores, which we are working on and it is not decided that we will close them.

I think the first priority always is to rework and to renegotiate either the rentals or the product proposition or the employee proposition or the customer proposition and make it work. If every effort fails, only then we take a call and the call also always is to replace the stores with a nearby new opening. So, in all probability, we should be looking, at least 30-plus net store or 40-plus net store addition in the next year.

Moderator: Your line has been disconnected. Thank you. The next question is from the line of Bhargav from Ambit Asset Management.

Bhargav: Sir, in your opening remarks, you did allude to the fact that the situation in the rural areas is not as bad as envisaged given the farm income has been rising. So, is it fair to say that we would have lost some market share to unorganized players in the last 1, 1.5 years due to higher pricing? And now that we are taking pricing actions a large part of this market share can also get recouped?

Lalit Agarwal: Yes, Bhargav, see, definitely, we all know the way this particular segment, which is the lower middle class or the lower class, which is the poor or the farmer class. They have behaved in the last 3 years post-COVID and inflationary pressure, which did affect their consumption. So, all of those were definitely there, but we also made the mistakes of taking the prices up and we definitely lost some customers because of that, which we realized and that is how we have taken corrective actions and we are able to see those results now in the ASPs also.

So, we definitely believe that is happening. Still the pain is there, not that the pain has gone away. But yes, we are seeing betterment every quarter on what I told and that is what we are able to see. So, at that point of time, we lost to the unorganized players? I would not really say that because they are also struggling at that point of time. But now as things are becoming better, we are also seeing some brighter faces from unorganized players as well.

Bhargav: And sir, would it be fair to say that till the time being you sort of recoup our market share, our ASPs will continue to be fairly tight, meaning that we'll be very aggressive in terms of our pricing even in FY '25?

Lalit Agarwal: Yes. I think see, that's how V-Mart has originally been and that is what we are. And we don't want to say that we will want to reduce from that particular pricing. Because we took a steep hike in the last year and last-to-last year, so that is how we are trying to manage that. That is also because of the fact that the raw material prices have gone up, which has stabilized a little bit, but there's a lot of new innovation. There's a lot of new thought process. And then there is definitely a lot of customer expectation and then the competition, which is there. So, we have to manage all of those.

But yes, this is where we are. From here, we should not see a further deep steep fall. From here, we may see a little 1% or 2% plus or minuses year-on-year.

Bhargav: And sir, my last question is on LimeRoad. Right now, that we are sort of cutting that spend, how do we keep the team motivated because that is one of the big drivers to emerge as a disruptor? So how are we trying to get that motivation going in that team?

Lalit Agarwal: No, I think the team is fully charged up. For them, they are trying to create history because in the entire marketplace model, no model has still been able to breakeven and work in the fashion industry, especially in the value-fashion industry. That is something which is a big target for them. And they are motivated because they all have certain options of V-Mart shares. And if that does well, V-Mart will do well, and they all get motivated and benefited as well.

Bhargav: Okay. That's a smart thing to do.

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

Shirish Pardeshi: And I really appreciate what we discussed on last call. You have taken those half steps and moving towards profitability. Just one candid question. When we inherited Unlimited stores, so there is a legacy store which is pulling down our overall revenue momentum. So how many of those legacy stores we have already closed, or we are planning to close, basically the large-size stores?

Lalit Agarwal: So, Shirish, out of those 20 stores that we are planning to close down this particular year, there may be around six stores of those legacy types, which we have to close there. We still have more than 10 stores or 12 stores, which are flagged out in those particular areas as well where we are working aggressively.

Some of them have been worked upon, but some of them still are under discussion or some new experiments have been done to those. So, we can take some 3, 4, and 5 more calls in the coming quarters.

I am just trying to specify but I'm trying to be a little more blunt than expressing that we will not take any shyness in trying to take those calls if things are not performing for us.

Shirish Pardeshi: So, with this store closure, this is, I would assume largely, it is in Telangana. Then the question is that after the new stores, which relocated, do you really see on-ground metrics improving?

Lalit Agarwal: Shirish, definitely what we look at is that cost level metrics, at a store level metrics and store metrics would bring in results. And each of the store delivers profitability, each of the stores deliver the desired sales per square feet. That's how the business will run, and that's how we will be able to execute the directives of the business.

Otherwise, there are a few stores, which accumulate the inventory, do not allow us to operate and the inventory takes becomes the inventory, which then goes back to other stores, and they have to sell that.

So, everything has a spiral or a compounding effect. That's how we have to make up our mind. So, we need to filter that out. We did experiments, we did try, but things which are not working out, we need to filter them out.

Shirish Pardeshi: I like that. On the quarter footfall, we have shown a very strong growth of 23% while 9-month growth is 20%. I was more curious, I don't know whether you track that metrics, what would be the contribution of first-time buyers in the quarter? And basically, I'm asking when you've taken a sharp pricing action, is there a new buyer which has started coming or the footfall increase is driven by the new buyers?

Lalit Agarwal: Shirish, you're asking about V-Mart?

Shirish Pardeshi: Yes.

Lalit Agarwal: So, at V-Mart, we have seen almost 62% of the sales coming in from the repeat buyers.

Shirish Pardeshi: Okay.

Lalit Agarwal: 38% of the sales still is from the new customer. But the number of customers that we have as new is almost 48%. So, we have definitely attracted more customers. Not every customer has gotten converted into buying, but yes, we are still working on them.

Shirish Pardeshi: So that confirms that your strategy is working?

Lalit Agarwal: I mean, I would still rate it low because we still have better plans to execute, and we will have to perform better, much better, this is not our standard still. So, we'll have to do a little more hard work.

Shirish Pardeshi: Okay. And the second question, we have also taken a very strong pricing action on Unlimited though you were anticipating the competition will have some dent. But whether you have taken the right strategy or whether this strategy of taking price cuts in Unlimited, is really helping us to attract footfall in the South?

Lalit Agarwal: So, Shirish, it definitely has taken some time, and it will take further a little more time for the customer to realize and understand the value and those kinds of customers who need value to come and then get loyal to this particular store, right? So, it is what we know the best. It is what is sustainable. It is what will remain there and everywhere people need value. So, the value and worth of the product is so important.

So that definitely will come because if you overcharge and just keep charging and when you sell them discounts and stuff, that's not something that V-Mart has done. So, V-Mart has to operate in its own principles, and that is what we are trying to do. There definitely a customer will understand the honest pricing, will understand where the products are getting delivered. They will test, they will try, once they feel that the products are good and succeed. Such is something that is how the whole compounding also is transacting.

Shirish Pardeshi: Okay. My last question on LimeRoad, now we have done 1 year. So obviously, there are a lot of learnings which you had, and there were initially for a year that we will fulfil our omnichannel strategy. So, if we need to build LimeRoad in our modelling in next 2 to 3 years, of course, you have now a good handle on the cutting losses. But in the medium term, what kind of growth aspirations and what kind of margin profile you would be expecting from LimeRoad?

Lalit Agarwal: I think it's too many questions in a very short time, maybe you could dump down and take that separately from Anand. We are definitely working towards bringing a sustainable model at any business level. But definitely, there are more plans that we have on omni-fication, and we are working very highly on them.

So, we'll be able to bring in a lot of customers from those particular offline stores. That's the plan that we are doing. So, there's a lot of work which is ready, it is all about execution. How well are we able to execute? How well are we able to change the culture within the offline stores, at the store employee level?

All the 10,000, 11,000 people who are working there have to all get adopted on this omni culture and have to see customers and have to see the business both online and offline. So, we will be able to execute all of that, where their own growth rate or the margin will also be dependent.

Moderator: The last question for today is from the line of Tejash Shah from Avendus Spark.

Tejash Shah: Lalit, so after a long time, we are hearing very positive commentary from you on consumer sentiment. Now you also, very honestly highlighted that there were one-offs like tailwinds like Puja also being here and winter also being strong. So, if we have to kind of separate these tailwinds versus your reading, how confident are you that the sentiment inside here to stay or you are relatively more positive than you were before?

Lalit Agarwal: Well, Tejash, I think the sentiment, as I said, is definitely positive. But coming forward, we are seeing some disruptions coming. There are risks also in the market where the election is on the corner. We are seeing certain disruptions always going to come in the pre-election period, rallies and operational disturbances and communal disturbances. Now those things are also going to come in. So, when there is a disturbance on those lines, there will also be disturbances in May and June, we are not seeing a lot of weddings coming.

So, there will be some things which will also disrupt our nature of business, but most of those, I think, betterment on the consumer sentiment is definitely there. It is also about how well are we able to catch up and how well are we able to deliver those. And I'll put more forefingers towards ourselves more than the market first. So that's how we are looking at it right now. And being more stern on myself more here than on the market now.

Tejash Shah: Last question. So, we are making two major corrections in the model right now that we are weeding out the poor stores. And also, you said that merchandising philosophy is now more on the quality of the product. So, we have also seen in the past that both these aspects are very personality-driven also depending upon who's heading these two particular initiatives.

So first of all, what are the learnings from both the experiences that we had in the last 4 years on both discounts? And how are we ensuring these learnings are there, it gets institutionalized so that we open better stores, and we also be like up the merchandising side?

Lalit Agarwal: Learnings of these two acquisitions, are you saying?

Tejash Shah: No, no, no. The stores that we opened, between COVID and now we are shutting down.

Lalit Agarwal: Okay. Yes, so I think Tejash, definitely, for our business, one learning is very clear that every action that we have to take has to be very, very focused. And we definitely have to understand we cannot go one-sided on our approach on our calls that if we are growing, we'll keep growing, whatever the market is, everything will be okay.

So, there are situations where we have to be a little more careful. There are situations where we need to take some calls and slow down a little bit and then relive the strategy and reconsolidate, then go with a little more finer action.

And still, there are mistakes that we make. It's not that we have made mistakes, and we will not do it ever. There'll always be mistakes that we'll make, it is all about the process that we inherit, it is all about the ownership that the team takes in. And it is also about the collaboration and then the integration because the team becomes bigger.

And the teams become bigger, one hand doesn't talk to the other hand. And that's how things also happen. So once again, I'm coming more from an internal perspective rather than an external perspective. There are external reasons which have made it happen, but there are also internal results which make it happen.

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

Lalit Agarwal: Thank you, everyone, for being there. And definitely, we still hope that we still are below our expectation, our own internal expectation, but we definitely are being cautious enough to manage our inventory well. We are being very cautious because in this agile environment, the inventory freshness and fashion inventory is very important to us.

So, we are taking a lot of calibrated approaches. We are taking a lot of calibrated calls as well. We are not going all out whether in terms of store expansion or in terms of our planning for higher like-for-like growth or in terms of reducing the prices and taking a margin cut.

So, we are balancing all those activities. We are definitely trying not to give any shock to the system, not to give any shock to the customer. And play out sensibly, play out in a reasonable manner because there will be competition, there will be players who will come in with certain kinds of schemes and tactics. We have to stay confident. We have to stay on our proposition, and we have to be honest to all of those. That's how our strategy is and that's what we will try to do. Please be patient with us and then be there with us. Thank you so much for being here.

Moderator: On behalf of V-Mart Retail, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.