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14th November, 2025

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Sub: Transcript of the Conference Call held on 11th November, 2025

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 November 4, 2025 (Ref. No. CS/S/L-919/2025-26) regarding the intimation of the conference call with Analysts and Investors held on 11th November, 2025, 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
(Company Secretary & Compliance Officer)

Encl: As above

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V-Mart Retail Limited
November 11, 2025



“V-Mart Retail Limited Q2 FY'26 Earnings Conference Call”

Nov 11, 2025



MANAGEMENT:

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

MODERATOR:

MS. PARIN TANNA – B&K SECURITIES



Moderator:

Ladies and gentlemen, good day and welcome to V-Mart Retail Ltd Q2 FY26 earnings call hosted by B&K Securities India Pvt. Ltd. As a reminder, all participant lines will be in the listen-only mode, and there'll 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 and zero on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Parin Tanna.

Thank you and over to you, ma'am.

Parin Tanna:

Good afternoon, everyone. Welcome, everyone, for the call of V-Mart 2Q earnings.

We have Mr. Lalit Agarwal, the Chairman and Managing Director of the company, and we also have Mr. Anand Agarwal, the CFO of the company. Without delaying it further, we will request Mr. Lalit Agarwal to give us initial comments about the company's performance and outlook for the company going forward. Over to you, sir.

Lalit Agarwal:

Thank you, Parin. Good afternoon, everyone. The things look quite busy at our end.

The festival has just gone by. We have almost covered half of Q3, but yes, for the last quarter or from the last quarter till now, we definitely are seeing a lot of enthusiasm in the market, a lot of enthusiasm getting driven by the government also this year, especially with respect to consumerism and with respect to consumer increment, especially because there was a GST or GST rate reduction which happened. So, the government was very particular in terms of the GST rollout, the way the consumers are being communicated about the benefits, the way the stores are being prepared on those. So, a lot of work happened on the GST side. Largely, I would say, looking at the consumer side, especially the consumers who are relatively the consumer which the Bharat consumer is mostly attuned to. So, that consumer is being given a little more focus by the government.

That we see. There is a lot of hue and cry that happened. All the roller coaster play was always there because the announcement happened in the first week of September, the implementation happened around 20th of September.

So, all of that created some kind of wait and watch as well as for the consumer. But we did not see a lot of those impacts of GST rollout. Benefit was not too greatly visualized in the lower ticket size item.

But yes, we did see some of the benefits coming in the higher ticket size items, like a car or a bike or white goods. Overall, inflation is under control, which definitely gives a much better confidence level to the consumer. It also has created some kind of saving for the consumer.

So, that part looks good for the futuristic perspective. The consumer will definitely save both from inflation as well as whatever GST reduction, which has happened. So, a lot of GST rate reduction has happened in FMCG, also in higher priced apparel and footwear.

So, all of those benefits should in fact come in the later period is what we believe. And that should always be there. Other than that, I think there is definitely a lot of good things happening in the industrial side, a lot of good things happening in the business market.

We are able to see some industries getting developed even in our states, which is Uttar Pradesh or lot of the changes which is coming in the states of Tamil Nadu or even in the states of Karnataka. But largely, we did see some good benefit also coming out of it. Definitely, the benefit, whatever we are accruing in the market is also getting subsumed or getting consumed by other retailers as well.

And there is a good level of competition or retailers, which has also opened up the doors, which continues to happen. And which is also a good news that they all are finding the market very interesting. And everybody is able to retain good results.

So, that has really given both the, it has become a share of organized has also gone up. The people have started opting more for the organized retail. And the share which was there is also getting shared amongst the retailers.

So, both the sides are happening. Definitely, the seasonality on the seasonality side, rain was not as expected, did not behave as expected. There was some disrupted seasonality because of excess rain or multiple rain cycles even in the festival period.

So, some of those activities or cyclonic activities in the coastal belt and southern belt or the Pujo market, which is the eastern market, did create an impact on the overall festival retail sales in the industry. That did give some impact for the peak week of Pooja. But otherwise, I think it looks good now.

It definitely, we see a better perspective of season now with the onset of winter, winter has onset at the right time. We did see some impact in the Diwali. But Diwali was largely a summer Diwali this year because Diwali was, at the date level, it was the earliest Diwali that we could have.

Once again, in the next year, we will see Diwali coming down in November. November also late, late second week of November. So, Diwali at this time, generally, we see a lot of summer related products or even the basic related products selling more, which reduces the average selling price of the product line then that we see. But yes, immediately after Diwali, we saw some chill factor coming in and we saw immediate shift of the consumer from that product lines to the winter product lines, which is what we also wanted and which is what we also look forward to. This has definitely been benefited also with better marriage number of days. So, this year, because Diwali is early, we get higher number of days duration before 15th December as marriage days. So, that also is a benefit to the retail industry. Overall, we do consume during marriage season. So, we believe both Diwali as well as marriage as well as winter should help us to get a little delta sale in these kind of products. We are expecting a better November than even from an October perspective. Overall, Diwali was good, not great as per our expectation.

We still feel that we could have done 4-5% better. But yes, it was a positive Diwali for us. There was growth, but not a great growth.

We do believe that post Diwali should be a better period for us. That is what we expect. Definitely last quarter, we saw Durga Pooja coming early. So, some of the sales of Durga Pooja, which is largely in the eastern region or the eastern belt of India and some part of southern belt of India, they normally consume within Durga Pooja before Dussehra, before Ashtami. So, that is the period when we see a lot of sales getting accumulated in the Q2 period itself. That is why you were able to see some good like to like growth, which is almost up to the tune of 11%, which we reported.

And a lot of other retailers have also reported because people who have a higher footprint or stronger footprint in the eastern belt would report a little better Q2 versus the Q3. And for us, there is definitely a share of eastern or southern retail business. But we also have an equally bigger share of Diwali sales, which is generally in Q3.

So, some part of the sales definitely shifted. Some part of the sales will get affected for Q3 as well. So, we will see a little muted or low single-digit sales growth in Q3 as well.

Otherwise, overall, I think the organization keeps continuing their focus on the long-term growth factors, both on scalability, efficiency, what are the areas of growth that we can try, how do we really believe in growth strategies, what are the areas that we are working on. So, we are really working very hard or trying to work a little more harder on the product sharpness, the pricing, quality, design, build a little more technological

advancement in terms of supply chain management, agility in the warehouse, logistic agility. Some of these things have really come out well.

Some of these things are struggling as well. There is definitely, we see a little high pressure on the vendor network. We do see some kind of stress also there because of higher number of store openings by value retailers.

So, a lot of value retailers also are trying to chase similar kind of vendors. So, there is definitely some pressure that we are able to witness there where we are trying to build some more strategies. Otherwise, I think there is definitely better work happening towards all parts of the business, all areas of our processes.

We are looking at a lot of AI introduction. We are looking at a lot of technology-led building blocks, which will further enhance our productivity efficiency as well as the accuracy in terms of giving the personalization or relevant merchandise to the relevant customers as the diverse India do demand multiple kind of product lines at different times. So, that is the base of our growth parameter and that is where we are working hard so that we become more analytical, we become a little more agile, we become a little more automated and we become a little more efficient so as to understand the consumer need, so as to understand and replenish the consumer need a little better.

We continue to penetrate in southern India. Southern India is giving us a good response, Unlimited business has given us good response. States of Telangana and states of Andhra Pradesh continue to struggle as of now.

We have not seen a lot of great growth on those two states. But yes, states of Tamil Nadu, as I said earlier, has given us a real good potential and that seems to be a clear path ahead for us to penetrate a little more strongly in that particular state and that is the area that we are also focusing on. But yeah, overall, there is definitely a lot of pressure in the business.

We do believe that both in terms of building efficiency as well as building the future potential, there is a lot of work that the internal team members are getting into. They are definitely getting into both futuristic plans, futuristic project works which we are focusing on and also the current need of the business and also fulfilling the current challenges or taking care of the competition which is also coming. So, there is also a higher level of focus on building profitability.

We have definitely succeeded in attracting consumers even in spite of our lower marketing strength or marketing reach. We have focused very

highly on the digital advertising in terms of micro as well as regional influences, led marketing. So, that part is really giving us some benefit.

We definitely are continuing to focus on reducing the losses in Limeroad that has given us some benefit. We still plan, we still fix that. We want to clearly focus largely on the Omni orders and then we have shifted a lot of our Omni orders and our store-led Omni orders into prepaid orders which has also given us a lot of benefits in terms of the return rate getting reduced or the customer cancellation getting lower.

And consumers are easily adopting all of that and that is a good news that we are also seeing. It is actually taking away a lot of pain for the consumer in terms of non-reliability of certain product lines or certain sizes. So, some of those pieces have really given us a good competitive advantage over others like that.

Overall, I think our focus is largely to look at our expansion. We continue to expand. We are trying to accelerate on our expansion rate also.

We would open up maybe around 70, 75 stores this year, if not more. And we may still close another three, four stores in the coming balance part of the year if there are a couple of stores which are still under the same. So, we will still look forward to continued expansion, not being very aggressive, but being very mindful of our aggression and being very mindful of our profitability even from the future stores.

And which has been a good news, most of the stores that we have opened up in this particular year or last year are delivering better BEITDA, are delivering better growth, and are delivering better sales per square foot as well compared to the earlier period. So, a lot of work is happening in this new team have got into this.

The team is really charged up in trying to give us a lot of organized, structured ways of growth and that is what is doing well for us. So, these are the areas I think we will definitely want to maintain the growth path, both from the Like for Like as well as the new store. Keeping in mind the inventory level, which is also we have been a little more sharper.

We have become a little more better. The inventory at the store looks a little more fresher, much more fresher compared to last year. So, that should also benefit and our focus is also to try and increase that freshness, increase the mind-to-market or the ability to provide the product line whenever it sells more, not keep more inventory in the store.

So, density reduction is again a focus area that we will continue to focus on. I will hand it over to Anand to take you through the quarterly numbers and then we may take up your questions. Thank you.



Anand Agarwal:

Hi. Thank you, Lalit. And good afternoon, everybody.

Let me very briefly take you through some of the key operational highlights from the quarter and then we can open the session for questions. I will try to keep my comments very brief so that we get more time for questions this time. So, quarter 2 has been a good growth quarter with highest ever quarterly new store additions as well as good like-to-like same-store sales growth, leading from the pre-ponement of Pujo.

We delivered a total growth of 22%, also opened 25 new stores and also delivered a LTL, you know, growth of 11% with both Vmart and Unlimited Territories clocking, you know, similar 11% number. Although an early Durga Puja was negatively impacted by significant unseasonal rains in core Puja markets and GST transitory impact also remained, but I think at an overall level, we still delivered a good growth on all the fronts. On the new store opening, while we added 40 stores in first half of the year, we have further added 16 stores in the current quarter in the month of October and in the last 10 days of November, with a net store tally today of 549 stores as on date.

So, as Lalit also mentioned, for the full year, we are largely increasing our guidance for new store openings to 75 stores by the end of the financial year. On Unlimited, I think Unlimited has been a very good strong growth story for the last couple of quarters and we remain very bullish on expanding our presence in South with more new stores additions going forward in the Southern Territory. Coming to margins, the gross margins remain flat at 33.6 percent, despite the 37 percent decrease in commission revenue from the Limeroad marketplace business, which otherwise contributes 1% to the overall sales, but flows through 100% into gross margins.

So, for the offline business, actually the margins slightly improve, that was largely due to better than planned liquidation or better realizations on the end of season sales. Excluding the limeroad commission income, the gross margin improved by 0.6 % year on year for the offline business. On a full year basis, the gross margins from offline business should remain similar to last year as we continue to drive giving higher value to consumers and focusing on growth through volumes.

While the Limeroad commission income contribution mix would slightly reduce, optically reducing gross margin versus last year on a total basis. Coming to expenses, the total expenses increased 11%, largely led by planned significant drop in expenses in the Limeroad vertical and lower offline marketing expense as we continue to drive loyalty-based traffic to stores through digital interventions. The Google rating for all our stores contributed individually by lakhs of customers at store level

remains above 4.8 out of 5, while the NPS remains significantly above 75%, ensuring more than 70% loyal customer repeat sales.

As a result, for the offline business, EBITDA for the quarter came in at a strong 8.9%, with Vmart at 9.3% and Unlimited at 9.9%. The pre-India EBITDA for the quarter also came in at a positive 1% against a loss of 3% in last year. On the CAPEX side, we spent 30 crores in the quarter, which was majorly towards CAPEX on new store openings and some old store republishments.

Inventory increased by roughly around 220 crores quarter on quarter as we up stocked for the festive season, which was earlier than last year. Irrespective, the days of inventory has improved by two days year on year on the back of better sales and throughput. At our overall level, inventory remains very healthy, much more fresher, and we look forward to a good, you know, winter season going ahead.

Overall, the business generated free cash flows of 27 crores YTD versus a negative 63 crores in last year. I think that is all from my side, and I will now request Parin to open the house for questions.

Moderator:

Thank you very much.

We will now begin the question and answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two.

Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question comes from the line of Tejas Shah from Aventus Park Institutional Equities.

Please go ahead.

Tejas Shah:

Hi. Thanks for the opportunity.

First question, Lalit Ji, pertains to the consumer sentiment, which you spoke in detail, but I am slightly not very – I am not clear. Just because when I look at your store expansion data, it tells me that we are very confident on the demand side. SSG, I would say, considering that there was a Pooja preponement, it is slightly neutral in zone.

And your commentary was – your opening remarks was slightly, I would say, on the conservative side, not very thumb the devil. So, just wanted to understand, because there are too many things muffled in this quarter because of rains and Pooja and GST-led disruptions. What are

your – like, not for this quarter only, but how are you seeing the rest of the year and all those interventions that government has made? Are we seeing any very visible change in terms of footfall transaction, consumer sentiments?

Lalit Agarwal:

Correct, Tejas. So, definitely, as I said, I meant that I am conservative, where I am saying that we expected a lot. We did not get a lot of such outcome post the GST implementation. So, there is nothing very different which happened, especially in terms of GST.

People did not demand that. People did not ask for that. People – it did not make too much of difference for the people as far as the GST for our kind of products is concerned.

So, that is what I said. But yeah, largely, we do see – I mean, definitely, as I said, Diwali was also a summer Diwali. The data did not show up too much.

But immediately post that, now we are seeing a good – we are expecting also that these two months should be a very good growth of footfall which should happen. And we are expecting all of those savings which is getting accrued by all of whether inflationary rate getting neutralized or even those GST rates getting lower. So, all of those should get consumed and people should come out to consume a little more.

Definitely, the economical conditions of people looks to be better comparatively. If I say comparatively, year on year, quarter on quarter, it looks to be a little better. People are a little more confident in spending and they should spend is what I expect.

Tejas Shah:

Perfect. So, second question pertains to competitive intensity among your peer set. And if we have to double down on the cohort-wise, so it could be that some of your cohorts, your competition is over-indexed in that competition that cohort is actually doing very well for you as well. But at overall level, perhaps that is not coming through. So, just wanted some insights on competitive intensity and if you can kind of layer it up with some reasonable nuances as well.

Lalit Agarwal:

No, I think it continues. I would just say, call out that the competition intensity continues. Number of store, new store opening of competitor all together is also as a percentage of those continues to be there.

There are competitors who are aggressive. There are competitors who are doing good in certain new stores. There are competition who still don't know certain territories, certain zones.

So, they may be struggling. But yes, overall it's a mixed response. We do find some kind of, and even for V-Mart, we do find some kind of impact coming in maybe 30-35% of the stores where competitor opens up. And there is some month or two-month disturbance which also gets created in terms of certain growth rate getting neutralized or certain growth getting picked in particular stores. But that particular period of time happens whenever there is a competition which walks in. We haven't seen that being very aggressive in any territory, but we are seeing it across India now.

Southern territory looks a little lesser in terms of competition. But yes, there is another player on the block which is coming out, which is a Style Union competitor, which is also trying to open multiple stores. So, there are, Zudio was there, Max was there.

But now this is also another piece which is coming in. So, there is different kind of competition at a territory level, which I said. There are more national players at the southern India side.

There are more regional and all of these, these two, that StyleBazaar and Bazar Kolkata in the eastern side of India. There are more, very, very few in the northern and the western side. The north looks very tough for most of the competitors.

That is where we come under a little better position in what we see.

Tejas Shah:

Perfect. And if I may squeeze in last one, unlimited seems to be doing fairly well now. So, has the model stabilized and can we kind of double down here in terms of rapid store expansion?

Lalit Agarwal:

We have our plans there. We just don't want to go everything left, right and center, because the property prices are not too attractive there. So, you have to really select well, so that it becomes very profitable.

So, that is where we are trying to see our customer segment. And we are focusing especially in a couple of states. We have our increased thought process or increased penetration that we want to get it.

But yes, it has been spread out very well.

Tejas Shah:

Thanks. That's all from my side and best wishes for coming quarters.

Moderator:

Thank you. The next question comes from the line of Sameer Gupta from India Infoline. Please go ahead.

Hi, good evening everyone and thanks for taking my question. Firstly, sir, on the gross margin, now even if I exclude Limeroad, and I know you mentioned this for this quarter particularly, but now we have seen a four quarter run rate of gross margin excluding Limeroad on an average expanding by 100 basis points. But our commentary always has been to pass on more value to consumers and this margin, you know, might see some compression, but that has not happened so far.

So, and you did mention in this call also. So, just wanted to get a tap on what exactly is happening. Also, I see ASP going up by 5%, but probably that's due to the early festive, your comment on that.

Lalit Agarwal:

So, but see, I mean, definitely our focus is on both the lines, as I have been always speaking out, that we have got enough focus on the whole design, sourcing, integration of mix, fabric, wherein we definitely want to pass on better value to the consumer. We have tried to do that. You will not see too much of ASP increase that we have got.

So, we are giving more value to the consumer. We are also in the meantime trying to attract a fair margin. We do not want to just go out and give out at a very low price or at very low deals.

But yes, we also, you can also see there is some change in mix of the business. Our lower margin product lines like FMCG, our share of business has reduced there. So, that is, that also is a cause of your better gross margin, which is visible to you.

So, one is that. Two, on the second side, the whole, as the freshness of the organization has increased, the provision of the inventory also has been little lower. Maybe Anand can take you all of those in a little more detail.

Anand Agarwal:

I think, as Lalit mentioned, we should be able to, while the objective is to create more value for the customer and that will always remain the paramount objective. But with the projects that we have been undertaking for the last couple of years and the benefits that we have already started to accrue in terms of better pricing, sharper mix, better quality and better designs, we are still able, we are still able to deliver a good value for the customer without compromising so much on the pricing or the margins. So, it is a balanced strategy, but we are not just saying that we will just reduce margins for the sake of reducing.

We will look at the right approach where we are able to deliver the right value for the different set of geographical and regional customers in different areas.

Sameer Gupta:

Got it, sir. That is very, very clear.

Second question on similar lines. So, pre-India EBITDA margin, if I exclude Limeroad for the first half, is at around 4.4%. Typically, second half is higher, but this is also an early festive year. So, in your estimate, given the demand conditions and the clarity on gross margin plus the competitive intensity, where do you think this number should settle at? Typically, with decent SSG and no pressure on gross margin, I would assume that it should be close to 6%, but your thoughts on that?

Anand Agarwal:

So, Sameer, I think it is slightly premature to give a number, but what I can definitely say is on a full year basis, we should be looking at marginal improvement over last year, even with mid-single-digit same store sales growth. If we get much higher sales growth or much higher same store sales growth, obviously, the operating leverage will come in and we should be able to deliver the number that you are talking about. But definitely as of now we still looking at improvement over last year on a full year basis.

Sameer Gupta:

Got it sir, but only marginal improvement you are saying, I mean with a mid-single digit SSG.

Anand Agarwal:

So, I cannot commit any number right now, Sameer, because it is a function of many, many different factors, but obviously, we are trying for the best. But the number that you are stating is slightly above what I have in my mind, but I really cannot comment on a specific number.

Sameer Gupta:

Got it, sir. Last question, if I may squeeze in, more of a bookkeeping one. So, Tejas also mentioned too many moving parts this quarter, but on a normalized basis, in your estimate, what would be the same-store sales growth if we adjust for early festive and other disruptions like excess rainfall and there were some disruptions in the Northeast as well?

Anand Agarwal:

So, you are trying to ask for the first half normalized SSG, or going forward?

Sameer Gupta:

This, the particular quarter gone by, but yeah, first half will also do.

Anand Agarwal:

First half the SSG is 5% that's what we have also put in up in our IR deck. Going forward, we are still hopeful of a mid to high single-digit for the full year. A lot will depend on how the quarter three pans out, especially the winter season, the next two months.

Sameer Gupta:

Anand may be I'll rephrase the questions, the first quarter was also kind of impacted because of Eid mis-match and second quarter also because of the early festive and all so in your estimate if you could give a number on a normalized SSG in your estimates that would be helpful, that has happened

Anand Agarwal:

So I think from what I'm able to understand, I think the number still 5% for the period gone by.

Sameer Gupta:

Ok, got it, that's all Thanks, Thanks

Moderator:

Thank you. The next question comes from the line of Deep Shah from Equarius Securities. Please go ahead.

Deep Shah:

Hi, sir. Just one question from my side. See, in the opening remarks, Lalit mentioned that inventory freshness has been better.

But if I am not wrong, in the fourth quarter earnings call, we mentioned that the winter, discounted winter inventory liquidation was not that great because winter was not as such that great last time. Am I right if I have to take that during the second half of the year, considering the discounted liquidation will be higher, there will be some pressure on the growth margins during the second half? Am I right if I understand?

Lalit Agarwal:

Shouldn't we, looking at the weather forecast this year, we believe we should be able to retain good margins even in the leftover inventory, if the season continues as it goes well as projected and as forecasted. So, we are hopeful that we will not lose too much of margin there. Okay.

Great, sir. Thank you.

Moderator:

Thank you. The next question comes from the line of Harsh from Nepean Capital. Please go ahead.

Harsh:

Yeah. Hi. Thanks for the opportunity.

I believe I am audible.

Moderator:

You are audible, sir.

Harsh :

Yeah. So, if I just could get a sense, I heard Anand sir saying that the SSSG for three quarters is expected to be slightly on the softer side, which is low single digit. And we are expecting a mid to high single digit SSSG for the whole year.

So, that means, you know, the second half or the fourth quarter has to be really huge for us. Do we still maintain that guidance in terms of revenue growth and SSSG? That is the first question.

And secondly, on the ASP front. So, yeah, please go ahead, sir.

Anand Agarwal:

So, Harsh, I think, while I did not say that we have had, you know, a softer SSSG in the first half, but what I did say is that for the full year, the guidance that we still maintain is that we will still be looking at mid to high single digit for the entire year.

How much of that will break out into because if you look at the first half, it has been 5%. So, which means if you have to maintain a mid-single digit, then it would still remain 5% for the second half as well, which should be practically be achievable in the normal scheme of things. If we get slightly better SSSG, I think, you know, we should we will be able to look at even better profitability than what we have assumed.

Harsh:

So, my question was more from the 3Q perspective. I believe in the opening remarks, it was being said that, you know, the SSSG for 3Q is expected to be in low single digit. Was that understood or did I miss something?

Lalit Agarwal:

It should be somewhere in the mid because the way we have reported in the first half, we are expecting a similar kind of SSSG, which should be maintained even in the Q3 period as the festival is also shifted into Q2.

Harsh:

Understood. And lastly, we have seen an ASP improvement of 7% within the V-Mart category, which is our core business category. How much of it would be in terms of any price hike that we have taken or how much of it is because of the festival, you know, higher ASP mix coming in?

Lalit Agarwal:

No, I think it is largely because of the mix as well, because the festival is little early. So, as soon as the festival comes in, normally what happens your little end of season sales timing gets reduced, your festival starts a little earlier, your full price sell through as well as the festival do attract a little higher ASP product line getting sold.

So, some of these pieces are getting clubbed in this. Okay. So, no...

You would see some lower ASP coming in Q4 times or so. When the festival again, there the summer festivals are clubbed.

Harsh:

Understood. Yeah, that is all from me. Thank you.

Thank you. The next question comes from the line of Amrit Sandhu from Equity Investment Advisors. Please go ahead.

Amrit Sandhu:

Hi, good evening, Lalit Singh and Anand ji. Thank you so much for the opportunity. I just have one question.

In our slide number 10 in our presentation, we can see that the tier 4 market is actually growing at 15%. So, what exactly is driving this? Just want to understand, is this seasonal or is this structural?

Lalit Agarwal:

See, Mr. Sandhu, you see the base of tier 4 for us was a little lower and the lowest amongst all the tiers. So, there was something for us to catch up as well as and we also see a little better response or a little better spending in the tier 4 market or the rural market. So, that side, we are a little more confident and that is what I indicated even my opening remarks.

Okay. So, do we expect that this growth rate would sustain going ahead? I mean,

Lalit Agarwal:

I do not know whether it should sustain.

But yeah, as of now, when looking at all of this, it does show us that the tier 4 market or the rural market is giving us a good response. It should continue for a period because generally tier 4, fundamentally when India is stronger and fundamentally they have a little better amount, though the number of stores for us in this bracket is a little less, but we believe it should continue to grow.

Amrit Sandhu:

Okay. And on the tier 1 side, which has grown just about 1 percent. So, is that because of the higher competition, which we are seeing in the tier 1 market?

Lalit Agarwal :

I think it is both, one, the competition, but largely I would also say there are few disturbances in certain areas. We saw some good impact coming in from the Bangladesh tough, which is happening between India and Bangladesh and a lot of Bangladeshi consumers, which were supposed to, which was coming into eastern India market. So, some of those tier 1 in eastern India market got impacted because of that as well. So, some bit of losses happened there.

And there has been some tier 1 in Andhra Pradesh, and certain regions which has not performed. So, certain particular cities and particular states have led to this particular states. And then maybe some bit of anxiety also in the consumer.

Amrit Sandhu

Okay. Got it. Thank you so much, sir.

All the best.

Moderator:

Thank you. The next question comes from the line of Nikhil Agarwal from Kotak PMS. Please go ahead.

Nikhil Agarwal:

I just wanted to know the contribution of our own brand in the overall apparel mix?

Lalit Agarwal:

Almost 67%

Nikhil Agarwal:

And what is the difference in the gross margins for your private labels?

Lalit Agarwal:

I mean, Nikhil, we have been continuously stating that we do not focus on creating a differentiated gross margin portfolio in our private label. This is largely for our curated designs, largely for the kind of quality that we do and the product that we have to provide. So, it does not attract any kind of differentiated margins other than the private label.

Nikhil Agarwal:

All right. That is from my side. Thank you.

Moderator:

Thank you. The next question comes from the line of Prateek from M3 Investments. Please go ahead.

Prateek:

Hi. Good evening. You mentioned, sir that the freshness of the portfolio has increased.

I just want to know what is this a result of? Is this a result of the design to shelf going down? And if you could quantify how much time does it take for us to conceptualize a design and for it to come to the stores and for you to scale it to most of your stores?

Lalit Agarwal:

Thank you. Yeah, Prateek. So, that is the fundamental thought process.

Still, we are not at all happy. We have not reached to even 10 percent to where we want to reach. So, as of now, we do have a design to shelf calendar of around 70 days, which we need to bring down.

It was definitely higher at around 80 days. So, right now we are seeing that after it has got designed in this order to shelf is around 70 to 75 days. But yeah, so that needs to come down.

In this particular freshness, I think it was more sheer focus on inventory management, sheer focus on relevancy, sheer focus on inter-store transfers wherever it is not working and wherever it is working, and then right planning. So, all of those is the outcome right now.

Prateek:

Okay.

So, also what is the efficiency of Indian vendors to actually scale up a design that is actually working in the stores and replicate it quickly to most of the stores?

Lalit Agarwal:

See, it depends upon the way you have curated the vendor, the way you have given the anticipation of fabric to the vendor, the way you

have an agreement over the capacity of that vendor. So, the vendor, ultimately the machine takes similar amount of time.

It is more about how do you plan for the vendor and how do you make the vendor plan. And it is the integration of the vendor as well as the retailer, which makes the things happen and the kind of product that you are trying to ask for again. So, ultimately, wherever the dependencies are on the large piece for the fabric.

So, there it becomes very difficult because the fabric developers generally do not supply very fast. But wherever there is a dependency on smaller piece or there is a dependency on knitting, in-house knitting units there or integrated units, there we get a real fast outcome of repeat product lines.

Prateek :

Sure, sir. Lastly, just one last question. So, let us say that there are Zudio or Max stores near your stores, which are fast fashion as well. They position themselves as fast fashion.

There must be an overlap of your vendors with their vendors to some extent. So, can we say that some of your inputs to your vendors would make a difference in the way the output is created in the stores?

Because otherwise everybody would have similar designs in the stores, right?

Lalit Agarwal:

See, normally design principles and inspirations and then the motivations or the source where the designs come from, everybody tries to chase similar designs and similar set of inspirations, which you appreciate. It is more about the kind of consumers that you have, the kind of personnel that you cater to and the kind of buyers that you have or the designers that you have, the kind of perception they build in. So, it is all about the integration of all of these two but largely I would say definitely there could be a common pool of designs that you get whether Max gets it or Zudio gets it or we get it or there could be some advanced because looking at your consumer persona, you may want to have a little more advanced design philosophy.

That all depends upon what is your adoption, what is that you believe will work in your market.

Prateek :

Sure, sure, sir. Thank you so much.

Could you also please tell me the size of your design team and are you hiring there? What could be the average age? Where do you hire from?

Are you trying to differentiate your design team?

Lalit Agarwal:

You will take the whole business. But anyway, we have around 23-23 people.

We are still hiring there. Average age there is nearly 29 years. Okay, okay.

Thanks a lot. That's it. Thank you.

Moderator:

Thank you. The next question comes from the line of Lokesh Manik from Valium Capital. Please go ahead.

Lokesh Manik:

Yes, hi. Good evening. My question is on the new initiatives on cosmetics, artificial jewelry in terms of if you want to share numbers or if you want to share an update in the sense, are the pilots successful? Are you getting a mixed response? How are you seeing that scale up?

Lalit Agarwal:

We have introduced some range on both cosmetics as well as artificial jewelry. Maybe around 20-25% of the stores we have launched with some variety. Still, there is a supply chain issue.

Still, there is some testing phase. We still don't have a great number. But yes, we have recorded up to maybe 1.5-2% of sales in those particular stores, the stores which are doing good. But yeah, it could lead to around maybe another percentage of sales in the mix when we are done with it.

Lokesh Manik :

So, Lalit Ji in the mid-term, what is your vision in terms of these pilots? If they are successful, what is the timeline approximately?

Do you see where you can start scaling this up across all the stores based on the feedback you are getting? I think we are continuously evolving.

Lalit Agarwal:

There is still a lot of work to be done. Not that every store is successful, every product is successful. So, we need to learn amongst the product as well because beauty is not something that we ever did and we don't know. So, we need to really understand that well.

Within that as well, beauty, there is a regional relevance. Our market is a little different than the urban market. So, in that market, a differentiated kind of color chart, what kind of product works, what kind of product doesn't work.

We are trying to build all of those. But yeah, we think by the end of next year, by the end of this year, we should be able to launch it in 50% of our stores.

Lokesh Manik:

Great. That's it from my side. Thank you. Thank you.

Moderator:

Thank you. As there are no further questions from the line of participants, I now hand the conference over to the management for closing comments.

Lalit Agarwal:

Thank you, everybody. Thank you for being there. We do keep continuously updating you certain details.

We will keep continuously updating you. There are a few things that we definitely want to also understand and learn from you on what are you seeing for the market. But yes, there's not too many surprises.

There's not too many risks that is hovering around. But yes, there's definitely some bit of opportunity that one can go and latch on to. And that is what we are all trying to.

But fundamentally, how strong as an organization we are there so that we can keep scaling this sustainable growth rate regularly year on year for the next five, seven years. That is the area of focus that we might go along to. Thank you so much.

Thank you again. Have a good day.

Moderator:

On behalf of B&K Securities, India Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.