



Transcript

Conference Call of V-Mart Retail Limited

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Presentation Session

Moderator: Good evening ladies and gentlemen. I am Moumita, moderator for this conference. Welcome to the conference call of V-Mart Retail Limited. We have with us today, Mr. Anirudh from Anand Rath Research. At this moment, all participants are in a listen only mode. Later, we will conduct a question and answer session. At that time, if you have a question, please press * and 1 on your telephone keypad. Please note this conference is recorded. I would now like to hand over the floor to Mr. Anirudh from Anand Rath Research. Go ahead sir.

Anirudh: Thanks Moumita. On behalf of Anand Rath Research, we welcome you to the 1QFY14 Results Conference call of V-Mart Retail Limited. We have with us the senior management of the company, Mr. Lalit Agarwal, Chairman and Managing Director of the Company and Mr. Deepak Sharma, CFO of the Company. Now I hand over to Mr. Lalit Agarwal for his comments on the results. Thanks and over to you Lalitji.

Lalit Agarwal: Good evening ladies and gentlemen this is Lalit Agarwal, representing V-Mart. Thank you everybody for attending this telecon and we are proud to say that we have closed this quarter on a very good mood, on a positive note. We opened seven stores during the quarter so our tally has increased from 69 to 76 as of June 30th. Subsequently we have also opened up one more store that is in Ballia. In the last quarter we opened a store in Samastipur that is in Bihar for 8,500 square feet, one store in Azamgarh (we already have one store in Azamgarh and it is doing very good) for 8400 square feet, one store in Dehradun for 7600 square feet; that is our first store, maiden store in the state of Uttarakhand, so we have added a new state. We opened one more store in Kanpur that was for 7,600 square feet, a store in Morbi in Gujarat for 6,060 square feet, one in Badaun for 8,825 square feet, a store in Aurangabad in Bihar for 8,200 square feet.

Based on such additions to area the revenue growth that we have achieved is 32.75% YOY and the contribution of same store sales growth in the fashion segment is 8%, the volume is 1.5% which we feel is very good. Due to the very high rainfall during mid June and towards the end of June 20 days in the Northern area lead to a little de-growth in the expected same store sales growth or else in the same store the revenue would have been much better. Our sales per square feet per month has improved from 673 to 734

resulting in a 9% improvement YOY. The contribution from fashion has improved to 86% from 80% and the kirana has corrected to 14% as we are targeting all the stores in the fashion segment, we have not added any store with kirana. Currently we have 38 stores where we are running kirana and all none of these stores have been opened in the last one year. So the sales which is adding up is on account of the fashion segment. Similarly, the gross profit has also improved, as last quarter I had explained there was a drop in the margin in the fourth quarter of 2013, we knew there will be an increase in the margin in this quarter and which has rightly happened. So we have increased our gross margin percentage from 30.71% to 32.15% almost 1.45% increase over the last year. The net profit has grown over by 36.05% YOY. The sales has grown from Rs.89 crores to 118 crores.

The key highlight as you understand is the stores that we have opened up. But we could not accrue the full benefit of sales from the stores that we opened up because majority were opened in the last leg of June so on an average the new stores generated 13 days of sales. So we could not accrue too much of sales from the new stores but which was offset partially by the good amount of same store sales growth which lead us to this growth of 118 crores. Our composition of sales mix; last year apparel 68% this year it is 75%; non-apparel was 12%, which is 11% this year and kirana was 20% which is 14% this year. EBITDA has also increased from Rs.110 to 114 crores and PAT has gone up from Rs.5.3 crores to 7.2 crores in this quarter. The increase in the sales has been due to the increase in the footfall which is, over one million footfall per month on an average, we have recorded 32.75 lakhs people coming into our stores, for 76 stores till June out of which 69 stores we have received footfalls during the whole three months and for the 7 stores we have received footfall only for 15 days. So the footfall has risen from 26 lakhs to 32.75 lakhs right now, an increase of 26%. The conversion rate has also improved from 66% to 68.59%. The transaction size has not increased very tremendously, it has gone up only by Rs.10 which is 518 to 528 but the average selling price of the product has gone up. In apparel it has gone up from 180 to 201. The store count for the year has been given where it is very evident that we have increased our tally in the tier 3 cities majorly. 9 stores has been increased in tier 3 cities, 7 stores we have increased in tier 2 and 2 stores in tier 1, so the total tally was 58 versus 76 YOY).

Now I shall provide you with an overview of the expenses. Manpower has grown from 5.6% to 6.6%. The rentals have actually decreased from 4.6% to 4.1%. Power and electricity has increased by 0.3%, the advertisement has also increased by 0.7%, and the packing expenses have increased by 0.3%. The others have been almost stable from 2.3% to 2.5%. The major concern is the rise in the employee cost, that is due to the factor that there has been an increment of minimum wages across the states this year, resulting in an increment of 15% to 20% for the existing employees and there has been additions from last June to this June of more than 550 employees recruited for the 17 stores that we have opened up. The increase is also due to the fact that we are opened 7 new stores last quarter, we will be opening another 7 new stores this quarter, so you need to gear up and you need to employ people for those growth rate to make the organization capable of handling the future scalability and growth rates as envisaged. That is a very conscious effort that we have taken up. We have negotiated better rental per square feet in the new stores and also we have increased the same store sales growth resulting in a better productivity out of the square feet space that we have got. There has been an increase in the power and electricity cost. Everybody is aware that the per unit cost of electricity all over India has gone up by more than 25% across the state and the fuel cost (used for the power backup) has also gone up by similar

percentage if you compare June versus June; but still we have been able to manage at 0.3% increment because we have used electricity in a very economical manner. I think overall if we correctly understand, the gross margins which we have increased has taken care of all those things. The rise in the advertisement promotion is mainly due to the new geographies that we are entering while opening new stores. So when you are launching new stores in new geographies, you need to create a market brand; so the branding and the marketing cost that you incur at the opening of such stores is typically a little higher and you don't yield the sales required in the reporting period and as a result it looks more as a percentage of sales, but it is almost similar store to store. We can take the questions on this if required.

We have increased our retail space from 4,75,000 to 6,12,000 square feet from last June to this June; inventory in days of sales is a very key number, this we have bettered. Out of a total of 86 days of Inventory that we had in June last year, we are currently at 81.67 almost 82 days. So we have bettered our inventory number of days, the same store sales growth and also looking at the kind of season that we had and is indicative of our aggressive work on the supply chain management. So if you look at the apparel days, this has gone down from 90 days to 84 days; non-apparel has gone down from 124 to 100 days and kirana is almost stable. Shrinkage, the write offs which we do on the inventory due to differences in physical count and book value and also on account of the stock which is either non-saleable, not found, damaged, expired, has been 0.97% of sales compared to 1.51% last year. The basic EPS is Rs.3.98 per share compared to 3.77. The current EPS of Rs.3.98 is based on the expanded equity. If you look at the cash flow statement, people must be a little worried that we are not generating cash from operations; but yes, we had generated cash flow from operations. The cash generated from operations is Rs.14.5 crores, but due to the increase in the investment by the company in the working capital it is reflecting a negative cashflow from operations. The increased investment in working capital is mainly due to the increase in inventory due to the new store openings in Q1 and also the planned new stores in Q2; though there has been an increase in the inventory but we have reduced the inventory days indicating that though we have increased inventory in absolute terms however we have improved the efficiency of our operations. So this investment towards the working capital is causing a negative cash flow.

We still have Rs.48 crores of the IPO proceeds out of which Rs.39 crores is invested in fixed income mutual funds and we have around Rs.9 crores in the cash credit facility. We have utilised funds from the IPO proceeds for working capital and also for store expansion.

Maybe we can take questions now and then I can brief you little on the new stores and the promotion activity we have done in the later part. So Moumita can we have the questions from the participants?

Question and Answer Session

Moderator: Sure sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press * and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing * and 1 again.

The first question comes from Mr. Dhaval Shah from Morgan and Stanley. Go ahead please.

Jayesh: Hello...?

Lalit Agarwal: Yes, good evening Dhaval.

Jayesh: Lalitji can you hear me this is Jayesh here. Is it clear?

Lalit Agarwal: Yes Jayeshji, good evening.

Jayesh: Okay a couple or more questions from my side. One is that, what would be the increase in inventory that would have happened because of you having to stock up the new stores?

Lalit Agarwal: Almost Rs.7 crores entered into a new store opened in Q1 and we also added some additional inventory at the warehouse for the new store of almost 3 crores. There were stores which were opened in the fourth quarter of FY13 where we had not given full inventory to those stores. Also additional inventorization in those stores and also for the forthcoming new stores planned for Q2. So we also have accommodated those inventories at the warehouse and also at the store. So almost Rs.15 crore inventory is due to the new store.

Jayesh: Okay wonderful. If this early monsoons should have not arrived and the disruption because of that, what would be the estimated sales or if I put it differently, what is the loss in sales that had happened because of the early monsoon?

Lalit Agarwal: I think we lost sales of almost 25 lakhs per day for the last 20 days. So that would result to almost 5 crores of sales I suppose being on the conservative side.

Jayesh: Okay. The plan to roll out new stores so as you enter the festive season, what would be the total count of stores that you will be entering with say early September or early October?

Lalit Agarwal: We target to reach to somewhere around 88 stores by the end of October that's what we are planning before Diwali. Before Diwali because we understand that Diwali is the biggest season in the third quarter and third quarter being the best quarter hence we would like to get the sales for the best season in the year for such stores

Jayesh: Okay wonderful. Great set of numbers and all the best to you.

Lalit Agarwal: Thank you sir.

Moderator: Thank you. The next question comes from Anirudh from Anand Rathi. Go ahead sir.

Anirudh: Hello sir just wanted to re-check about the strategy. Now we have been saturating UP and Bihar very aggressively. So any plans to enter the new states and any plans regarding that? Also how are we going to go ahead with our supply chain

because we have supply chain arrangements at Ahmadabad as well as Delhi but for the new states how are we going to work on the supply chain initiatives?

Lalit Agarwal: We are entering another new state which is in Jharkhand. So we will be opening around 3 stores in Jharkhand maybe in this quarter and for the supply chain, we still believe that we would still have centralized supply chain system where we would have centralized warehouses and distribution center from Delhi itself because from this quarter we have discontinued the supply chain and distribution arrangement from the Ahmadabad warehouse. So we have totally centralized ourselves in Delhi location and we still feel the kind of structure based approach that we have taken for the expansion of the new store, between the store and the central warehouse is not very far off where you need additional supply chain hubs at these locations. So I think we will be very well be managing with the centralized system because we understand that control is much bigger and much better than having saving in the logistic costs. We don't want to save in the logistic costs because for us logistic cost is something around 1% only.

Anirudh: Okay regarding any of the private level opportunities, are we going ahead on any front on that or are we planning to have any manufacturing unit at any point of time let's say in FY 2014 or 15?

Lalit Agarwal: No we don't intend to build up our own manufacturing base. We want to be very focused in retail. We believe that we are good retailers. We want to be good retailers. We want ourselves to be called as a retail company. So we don't want to be de-concentrated and de-focused. We would just concentrate on retailing. We are partnering with all those vendors, those are the people who are helping us, if required we will develop some vendors and we would make them grow, but not that we would enter into the manufacturing spree. But yes, we have consisted efforts towards private label products to be sold at our destination. So we are trying to promote the private label sales by sourcing those products from the vendors itself.

Anirudh: Okay sir, I will come back again.

Lalit Agarwal: Okay thank you.

Moderator: Thank you. The next question comes from Mr. Rahul Agrawal from VEC Investment. Please go ahead.

Rahul Agrawal: Hello good evening.

Lalit Agarwal: Good evening Rahulji.

Rahul Agrawal: Yes, good evening Mr. Lalitji and Deepak. I had four questions. First was, Lalitji what kind of trends are you seeing in terms of Indian fashion among women and kids across tier 2 and tier 3 cities? If you can give me a broad idea in terms of what are the trends currently in fashion?

Lalit Agarwal: If you look at the fashion trends, whatever you are seeing across the branded categories, whatever you are seeing in the international categories, the similar fashion trend follows. But here it may follow only a month later than what you would be seeing it in the metro cities. So all those colored denims, all those bright colored shirts, all those bright colored tops, floral salwar suits, kurti style salwar suits, and the balloon fit

pants, balloon fit pants in the men section, harems and everything which you are able to see in the metro cities and in the so called...the people aspire to look almost similar as they would see fashion across televisions or internet or movies. So people are very well updated. Trend across the fashion industry is almost similar and this is the trend that is running in our stores also.

Rahul Agrawal: Okay, so there is very less of a difference let's say in fashion in tier 2, tier 3 versus metro or tier 1, that's what you are saying right?

Lalit Agarwal: Yes I believe that people aspire almost similarly; they may have less money to spend but their aspiration level never lessens. Their aspiration is to look the best at the value at their pocket size. That's what we specialize in, that's what we provide and that's where we get our numbers and marks.

Rahul Agrawal: Got it. It is really helpful. The second question is on CAPEX, so when you plan a new store, I just want to understand, what's the total cost in terms of fit outs and the first fill up inventory?

Lalit Agarwal: Fit out we approximately target a CAPEX to the tune of Rs.1300 to Rs.1350 a square feet. In this quarter I think we have done almost within Rs.1300 a square feet. In terms of the inventory which we want to build up, it is almost Rs.1300 to Rs.1400 a square feet that we want to actively have at the store level. Apart from that you also have to maintain some inventory at the back office at the distribution center and then some inventory is there at the logistics.

Rahul Agrawal: So essentially if you have to open one store, you basically spend like about Rs.2500 per square feet per store when you set it up for the first time right?

Lalit Agarwal: Yes.

Rahul Agrawal: Okay got it. Third question was very specific in terms of your store addition, if you could just give me the breakup in terms of for 2014 what would be the store addition for second, third and fourth quarter? Is that how you plan or is there a full year target till FY14?

Lalit Agarwal: We start with a full year target; and we always have a target for each quarter. So what we are targeting is we would open up around 7 stores in Q1; we opened 7 in the Q2, we will open another 8 in Q3, so that it will take our tally to almost 22 and then we will open around 3 to 4 in the last quarter.

Rahul Agrawal: Got it and how much have we done for second quarter till today?

Lalit Agarwal: We have done one, we have already opened one, we will open another one maybe this weekend or on Monday; it all depends on how the monsoon behaves and how the people work on the site.

Rahul Agrawal: Got it. One last question was on our very broad strategy, in terms of your own view about V-Mart. So if you take a three to five year view, how do you see V-Mart panning out in terms of your growth, not in terms of square footage or in terms of number of stores, but on a very broad basis, what do you want V-Mart to be say from a

three to five year point of view and what are the hindrances you foresee right now that you will have to tackle with to achieve that kind of growth? This is the last question.

Lalit Agarwal: See what we target is....I mean if you look at a 5-year horizon, V-Mart would like to target itself to be present in these small towns and districts; as I understand there are more than 620 districts in India, so V-Mart would aspire to be there in 50% of the districts which are there in India and so we would aspire to go to the smallest of the districts and create our profitability from those areas and also give opportunity to those customers who have not been able to shop which is their right to have, a good shopping environment, good value shopping, with good quality product and with all those facilities which are supposed to be available to the lady living there or to a youth living there, or the kids staying in those areas or to the office going people and to the older generation. I understand that for everybody a good shopping environment is necessary which is also a social cause and which is to be required and ultimately we are minting money and making profit out of it and you want to go to the last of the districts and try to occupy almost 50% of the area. And the bottleneck if I look at any...as I understand would be fully internal. It cannot be anything which is external because we have got all the resources to build up the empire that we want. The only scalability required is internal. We need to work aggressively towards the scalability that we need to go with the growth. We tend to have a 30% growth CAGR which we have continued in the past. So we want to continue with those CAGR numbers in terms of top line or bottom line or even the number of stores.

Rahul Agrawal: So in terms of growth...just a follow up; so in terms of things you want to change, which are not to your liking today when you want to kind of grow across into tier 2 and tier 3 towns, is there anything specific there or you are saying that only absolutely internal even today and it is going to be the same over the next five years?

Lalit Agarwal: I still believe India has huge amount of opportunity. You have a number of markets which are plenty, there is virgin land available, their aspirations are going up, people have more power spend money, people will have more money, and people will increase their aspiration to spend money. Youth population is rising, the youth population is going to earn money, they are going to spend money so the consumption is going to increase. This is what we have been seeing across. People have been saving a lot in India for a lot of their activities, which trend is coming down and people are going to spend more so this is what I believe. There is no deficiency in terms of consumption, there is no deficiency in terms of market, so the only thing is...and then I think the funds are also available for us to improve and the vendors are there to supply. So, I don't think there would be any more constraint. Maybe it is only about us and us. We need to grow and we need to do this nicely and we need to learn.

Rahul Agrawal: Okay got it that was very helpful. Thank you very much.

Lalit Agarwal: Thank you Rahul.

Lalit Agarwal: Thank you sir. The next question comes from Mr. Anuj Saigal from Manas Capital. Please go ahead.

Anuj Saigal: Hello...?

Lalit Agarwal: Hi Anuj good evening.

Anuj Saigal: Hi Mr. Lalit and Deepak. I just had two questions. One, if you look at the same store sales growth, it is 8% in terms of value and just 1.5% in terms of volumes and you mentioned that rains in June impacted the sales during the quarter and you said the impact was about 5 crores. But if I remember, in the fourth quarter, same store sales growth was in the order of 19%. So it seems that there has been a very sharp reduction in the same store sales growth. Can you help us understand if June had been a normal June as you had anticipated, what would have been the same store sales growth both in terms of value and volume? That's my first question. Second question, in terms of the store roll out target, you had I think targeted 25 stores and you did mention that you are on track to open 25 stores, and even going into the next fiscal year, you are targeting a similar numbers. Have you seen any signs of slowdown in the territories that you operate or the cities that you operate, which is making you re-think about your longer-term plan?

Lalit Agarwal: Good question Anuj. Yes, we aspire to have the same store sales growth more than what we have. We were almost like the last quarter till May with the same store sales growth continued to be above or around 15%. But in the month of June...maybe I believe due to heavy monsoon, the sales of stores may have gone down, but yes, last year the same store sales growth was 10%, in the June quarter, and this year we have managed at around 8% and I think this is fairly well looking at the onset of the monsoon, and I know that it was a good monsoon in these areas and ultimately this monsoon also has resulted in good sales in the second and third quarter also. The next question you said was about the expansion and consumption? I see a lot of good opportunity as labels and I don't see any slowdown. Ultimately, there may be slowdown in the market but there is a huge demand for the basics or for the bare necessities that we are selling. We are not selling anything which is not a necessity which is not a luxury; it is all pure basic necessity and people aspire to look good even in the smallest of the towns and smallest of the villages. So people have grown their aspiration, their consumption is growing. I have seen people fighting at the shop floor for buying things within their family. I have seen people taking loan from their friends to buy stuff at the floor level, because aspiration level overtakes everything and we have seen things happening. Anyway if you look at the global slowdown versus the slowdown in the tier 2, tier 3 cities, I think we are far off these towns to ever know what is a slowdown so...I don't see any slowdown.

Anuj Saigal: Just a follow up on the first question. You mentioned that June was impacted by rain, can you give us a sense as to how July has been and because of the slow June, do you think there will be some spillover effect in the second quarter and third quarter?

Lalit Agarwal: I may not immediately say this with confidence but yes, July seems to be good. July I think we have grown over 12% in the same store sales growth. I am yet to get the exact numbers because yesterday only the month has closed. We will update the same to you. But we are not seeing any slowdown yet, we are seeing a similar upward swing in the same store sales growth or better upward swing in the same store sales growth and I think we should rock in these two quarters.

Anuj Saigal: Fine, just this last thing. Typically, based on seasonality second is usually a very weak quarter; this year should be no different right?

Lalit Agarwal: Weak quarter with respect to sales and also in respect to profitability because the gross margin will dip because this is the quarter where you intend to give out a little more discounts, sales, and then you have some festivals, then you have the 15th of August mania where you have to actually lose a lot of margin and try to achieve some more sales. Then you are in the mid of winter versus summer, autumn versus summer and what do people buy and what not to buy. You don't have too many festivals in this quarter so obviously you tend to have lower sales as compared to the first and third quarter.

Anuj Saigal: Okay thank you and good luck.

Lalit Agarwal: Thank you Anuj.

Moderator: Thank you sir. Ladies and gentlemen if you have any questions please press * and 1 on your telephone keypad. The next question comes from Mr. Lokesh Bhandari from Anand Rati. Please go ahead.

Lokesh Bhandari: Good evening Lalitji and good evening Deepakji.

Lalit Agarwal: Yes good evening Lokeshji.

Lokesh Bhandari: Sir I have two questions. One is the EBITDA margin. EBITDA in absolute terms has increased but in percentage terms has been decreased. So I just want to know what is the reason of percentage.

Lalit Agarwal: See as I explained to you throughout the presentation that the gross margin has increased by almost 1.45% but the expenses have also increased simultaneously. So if you look at the manpower, manpower has increased by 1%, marketing cost has increased by 0.7%, power and fuel has increased by 0.2%, and 0.3%, packing expenses have also increased by 0.3%. So those rise in expenses and versus rise in the gross margin, so the net difference is a little negative so that is bringing your EBITDA level down. Anyway there is only a very small change in the EBITDA level but I think the quantum jump that we have got is very healthy.

Lokesh Bhandari: So in the coming quarter there will be an increase or what do you expect?

Lalit Agarwal: Obviously, last quarter also we had only same store sales growth of 8% in fashion so I think with the same store sales growth which we aspire to have is more than 10%. I think we shouldn't face this problem. Even there are a lot of expenses due to the new openings and the growth that we are having, so we are anticipating a lot of store opening. So you will understand that when you have store openings and when you have growth, you have a lot of expenses which cannot be attributed to the CAPEX part. Those are expenses which always come down to the profit & loss account and which hits your margin. So ultimately, you are investing even in the growth part but you cannot capitalize everything. So there are a lot of expenses of those nature which will come into your way but you have to also see the quantum jump that you are having at the EBITDA level.

Lokesh Bhandari: Okay fine. Second question is on diesel price increases, so how is it going to affect your transportation cost because you have centralized distribution, so I

just want to know if you are planning to open warehouses in other states or whatever plan that you have.

Lalit Agarwal: As I have already briefed on Anirudh's question, we do not intend to open any other hub or any other spoke in any small regional territory for distribution center; we will concentrate on the central warehouse scheme. And yes, there is a small rise in the diesel cost...there is a regular rise in the diesel cost, it would also affect electricity, it would also affect transportation, it would reset every other thing. So I think that would not be significant enough to make you create another distribution set up. So I think that should be manageable.

Lokesh Bhandari: Okay sir, thank you.

Lalit Agarwal: Thank you.

Moderator: Thank you sir. Ladies and gentlemen if you have any questions please press * and 1 on your telephone keypad. Next question comes from Ms. Veena Patel from I Wealth Management Limited.

Veena Patel: Good evening Mr. Lalit and Mr. Deepak.

Lalit Agarwal: Good evening Veenaji.

Veena Patel: Sir you just mentioned about your store opening plans for this financial year, where you mentioned in the next quarter around 7 stores, that will be September quarter, and then in December quarter you have 8 stores opening and finally around two to three stores will be opened. Sir can you just brief us about how many will be the addition of the square feet area?

Lalit Agarwal: On a rough estimate...I don't carry the exact data, on a rough estimate; store per square feet would be 8,000 square feet per store. So 7 stores would mean around 56,000, to 60,000 square feet so 60,000 square feet a quarter is what we are targeting. So 60,000 square feet would be added up in this quarter or maybe 65,000 in the next quarter.

Veena Patel: Yes, I just want to have an idea about what would be the average size of this store?

Lalit Agarwal: That's what we are concentrating on 8,000 to 8,500 square feet and we have been able to achieve the same. So we are also getting those kinds of properties, so there are properties which are outside 7,500 square feet and there will be property of 9,500 square feet, so almost similar.

Veena Patel: Okay thank you sir.

Lalit Agarwal: Thank you.

Moderator: Thank you sir. Next question comes from Mr. Anirudh from Anand Rati. Go ahead sir.

Anirudh: We are having one type of retail stores and that is basically V-Mart. So is there any plan to enter any of the specialized retail stores? Also regarding creation of more brands in the retail; if we look at our competitors they have been creating more and more brands in the retail formats; so do we have any plans in FY14 or FY15 in this regard?

Lalit Agarwal: Anirudh, once again your question is almost similar and you are trying to divert and de-focus me. I am so sorry I am not going to encourage you. I will not get de-focused, we will not divert. We only want to concentrate and work actively towards the model we believe in and work actively towards the model which is successful, tend to be successful in these kind of Indian territories and geographies and we have been one retailer who have been out of the box, out of the blues, not creating losses for ourselves. We have been trying to create a positive operating margin and create an operating PAT level. So we do not want to defocus, we still believe that the model that we have is the perfect model which is required for Indian environment and this is the model which will give you profitability and this is the model which has a lot of potentiality and productivity left. So you can always repeat and duplicate this model across geographies and you have a lot of market untapped still where you can do the same. If you have the confidence in the model then you should better put all your money in this model.

Anirudh: Okay. So we will have a clear...strong focus on our current business model and expanding it in similar fashion.

Lalit Agarwal: Yes sir thank you.

Anirudh: Okay sir thank you.

Moderator: Thank you sir. Ladies and gentlemen if you have a question please press * and 1 on your telephone keypad. There are no further questions on the floor. Now I hand over the floor to Mr. Anirudh for closing comments. Go ahead sir.

Deepak Sharma: I would like to interrupt here and I would like to sum up our overall presentation. I would like to just emphasize some of the basic fundamentals that our business is hinging on and I would like to stress on the fact that all these fundamentals continue to be very sound. Our footfalls are growing at a healthy rate of 5%, 6%, the conversion rates are up from 66% to 68%; the sales per square feet is up 5%. Our sales mix is growing in a direction which we would like to go to. We are maintaining our margins across all the sales segments that we have. Over and above that, the most important aspect in terms of inventory management, our inventory days in terms of sales is continuously on the decline and we continue to maintain a very strong grip over the shrinkage as a percentage of sales. In addition to that we are constantly generating cash at the operation level and we continue to maintain a very strong oversight over the financial parameters and they continue to be growing on a healthy pace. So overall the management is maintaining a very strong oversight over these key financial aspects and we hope that these good signs will continue over the next quarters of the current year. I will now ask Lalitji to give you a little idea about the promotion campaigns that we have done during the year.

Lalit Agarwal: Yeah we keep on doing some or the other activities in our stores. We have had good activities where we started with T-shirt mela for the youth segment, where there were different schemes and lots of varieties of T-shirts across the segment

for men, women and kids, girls and boys both. Then we had a good wedding season, where we launched a good wedding collection which also gave a very good boost of sales in the month of May. During the end of May, in the vacation time we had summer carnival that was intended for peak summer and then the kids carnival, and in the vacation where we understand the kids with their families were out on shopping, the kids are out in the market and we wanted to catch up to those and we also once again closed this June with jeans festival which once again targeting the youth segment. So we intensely target the youth and then for the elders we had the Father's Day towards the end of June also. We keep on having all these kinds of activities and I think I should close this concall.

Anirudh: This is Anirudh here; I would like to take this opportunity to thank all the participants for being on the call. I would also like to thank the senior management of V-Mart Retail Limited, Mr. Lalit Agarwal Chairman and Managing Director as well as Mr. Deepak Sharma, CFO. Thanks a lot sir for being on the call.

Lalit Agarwal: Thanks everybody.

Moderator: Thank you sir. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a good evening everyone.

Note: 1.This document has been edited to improve readability.