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7th May, 2025

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Sub: Transcript of the Conference Call held on 5th May, 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 April 29, 2025 (Ref. No. CS/S/L-859/2025-26) regarding the intimation of the conference call with Analysts and Investors held on 5th May, 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
Q4 FY '25 Earnings Conference Call”
May 05, 2025**



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

MODERATOR: **MR. JAY GANDHI – HDFC SECURITIES**



Moderator: Ladies and gentlemen, good day, and welcome to the V-Mart Retail Limited Q4 and FY '25 Earnings Conference Call hosted by HDFC Securities. 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 the star then zero on your touch-tone phone.

I now hand the conference over to Mr. Jay Gandhi from HDFC Securities. Thank you, and over to you, sir.

Jay Gandhi: Thanks, Steve. This is Jay from HDFC Securities. Welcome to V-Mart Retail's Q4 FY '25 Earnings Call. From the management at V-Mart, we have Mr. Lalit Agarwal, Managing Director of V-Mart Retail; Mr. Anand Agarwal, CFO of V-Mart Retail.

Before we start, we would like to point out that some of the statements made in today's call may be forward-looking in nature, and a disclaimer to that effect has been included in the earnings presentation. Kindly note that this call is meant for investors and analysts only.

With that, I hand over the call to you, Lalit ji, for your opening remarks.

Lalit Agarwal: Good morning. Good morning, everyone. Thank you for being in the call early in the morning. Sorry for keeping this call during the market hours. But yes, it was a weekend before we announced our result. So, we had to do a call today morning.

But anyway, good healthy signs being visible. We are able to see continued growth in the market from the retail perspective in the Tier 2, Tier 3 cities largely. We've also seen some -- upswing in the Tier 1 markets as well because of the fashion changes, which is being visible. But otherwise, the economy looks -- a little confused, and not that it is very low, but there's a lot of hue and cry over the effect of the tariff in U.S. and stuff, media is covering a lot of those stuffs.

So, consumer is little confused in -- what kind of decisions should they take, what is the impact which is going to come on. But -- over the period, it is -- being seen positive. So we -- don't see a large impact coming in our -- consumer market, in our consumption market in the smaller town. So overall, industry has been doing fairly okay. We see growth coming in from most of the value retailers.

The bigger retailers or the branded retailers still continue to show a little neutral or negative signs as well. Their consumption at that level seems to be little impacted. Otherwise, store openings from the competitive side has been fairly agile. They have been very fast. They have been very -- there's been a lot of competition, a lot of stores which are getting opened up.

Everybody has some plans to open up some retail stores in the markets where we exist or which are likely market for us to open up new stores. So we are seeing a lot of dynamism. But yes, we are also seeing a lot of movement from unorganized to organized. Consumers are definitely believing more in the organized frame. So the organized retail percentage is moving up, and that is being shared by all of these retailers which are opening stores in those markets, including us.

So that's a good sign for organized retail in India, and then -- but that could be a little detrimental for the consumers -- for the smaller, what we call the mom-and-pop stores, and those people who try to sell from those traditional mode of selling. So -- but yes, I think overall, the fashion element has gone up. The consumption also is getting derived from that particular side. Youth is the key driver of consumption now.

We're seeing a lot of movement in that. And we have also seen a lot of work being done at V-Mart in trying to attract the young audience, the Gen Z audience, which we have been focusing on. So relatively, we used to receive around 22%, 23% of youth, which is under 25%. And now we see that has gone up to 30%, 33%. So that's a positive sign. That is also a sign that we are being accepted by the young crowd. And that is the largest population, which is becoming more bigger decision maker and more bigger consumption maker.

So that -- aspect is very, very highly being focused on. We believe that they are just not the consumers, but they are also decision-makers for the family because they are the guys who the people who have more information versus the elder ones. So that is how the whole consumption piece is tweaking, and that is where we believe that being a content which company -- being a company with an omnichannel, with a digital presence, being with the presence in the store and the kind of variety and the kind of products that we display and highlight, we need to be a little more interesting to the youth.

So that is where our focus is. That is where our entire merchandising team, the design team, the sourcing team are getting aligned. The whole technology piece is trying to understand, and analytics piece is trying to understand a little more. So, we are building those infra. We are trying to align and integrate these teams together to create a better outcome. And that is -- there are a lot of stuff which are going on.

There are a lot of stuff which are on the planning piece, a lot of integration, a lot of automation is something also that we are looking forward to. Overall, business seems to be good. Vendors community is also growing. The manufacturing capabilities are also becoming a little larger. People are investing in the manufacturing. People are investing in apparel manufacturing as well and which is a positive sign.

And there are also large opportunity of exports. So that could also become a little bit of threat if there is a larger opportunity of exports for Indian manufacturer. So there is one risk that we see that the amount of manufacturers available -- good manufacturers available in the market could be a little constrained going forward if continued overexpansion or overinvestment doesn't happen in this particular sector. So -- but yes, that's a good sign for apparel and textile industry in India, and that is what we are all aiming for.

So overall, I think monsoon seems to be looking good till now. We believe the farm income and then the rural income is supposed to grow. There's going to be more employment. There's definitely going to be more economical betterment or better consumption that the consumers would have. And that is what we are expecting.



So we believe the rate of growth that we have seen for the last year should continue even forward, and that is what we are expecting. There is definitely some shift of festivals. Last year, we saw Eid coming in the March. This year, in the first quarter, we don't have an Eid. So the April month was not -- month-on-month, year-on-year was not great, but period-to-period, what we compare post Eid to post Eid, we are seeing some growth -- continued growth coming in.

So that is what we will have. We will definitely focus on strategizing, building the new stores, focusing on adding similar -- 13% to 14% of retail area -- net retail area in the coming year. We may be a little more aggressive if we get good properties. So we are looking forward to all of those.

We still continue to be very economical in our property selection, very conservative in our selection as well as the rentals that we pay for those properties. So we don't want to make mistakes. We are trying to cut down those mistakes. We are trying to learn from our past mistakes because we have closed down a lot of stores. We closed down some stores in last year as well. We are list of the learnings that we have and how do we not make those mistakes and then open those stores which have more rate of success.

We continue investing in our team. We believe the team is very, very important in the scalable growth of the business. And then we see a lot of opportunity -- large opportunity coming in. So we have also - we had issued a big ESOP plan for the team that is where you would see some expenses coming in. And we believe in that strategy that we need to partner with our people. We need to really partner with our vendors.

And how do we really create an ecosystem which can create value for everyone. That is how we are trying to grow the organization, and that is the whole philosophy. So you will see some expenses coming in on that account as well. But that remains our focus to create efficiency in our system, bring in automation, bring in the scalability aspects wherever required, whether it is in terms of process building or in terms of team building and integrating with technology.

So I think that is where our large part of our time, management's bandwidth and senior management bandwidth is being devoted. The Board is very actively looking into all of these areas. Yes, we continue to be very government-oriented company. We still continue to also invest in the ESG measures and the social measures and the environmental measures. So we will definitely want to be a sustainable and a little more ethical retailer. That is how we are.

But I'll hand over to Anand. Anand has got to explain and tell you. So over to you, Anand.

Anand Agarwal:

Thank you, Lalit, and good morning, everybody. Q4 has been a fairly strong quarter with good profitability, reflecting both strategic execution and improving consumer traction in almost all our core markets. Broad-based improvements across both V-Mart as well as Unlimited led to an 8% overall like-to-like growth with Unlimited actually registering a much stronger 10%.

This quarter also faced a lot of weather-led disruptions with winters tapering off earlier than expected after a delayed onset. So January and February saw much softer sales, but festive demand around Holi and an early Eid in March provided a good recovery tailwind.



Overall, this was the sixth consecutive quarter of sustained growth, reflecting the continued impact of the systematic changes introduced in product upliftment, particularly in terms of assortment, design, quality and replenishment. Overall revenues grew by 17%, reflecting internal efficiency improvements and benefits coming in from benefits from the strategic closure of the underperforming stores of the previous year as well as the changes done -- on the product side.

The sales per square feet and the sales per store, both the matrices continue to improve in line with the SSSG. Apparel ASPs degrew marginally primarily due to lower winter and higher summer seasonal mix in the quarter. There is no further correction planned in ASPs, which should remain in the similar range going forward, except for any seasonal mix-related changes.

On the gross margin side, the total margins at 33.1% was 140 bps higher than last year, mainly due to the higher full price new merchandise sell-throughs from an early summer launch despite a 47% lower revenue contribution from LimeRoad marketplace business, which flows in 100% into total gross margins. Marginal drop in provisioning against inventory resulting from better aging profile also helped the gross margins to grow stronger.

The smaller winter window led to lower discounted sales this year, which may lead to slightly higher winter liquidation next year, but nothing substantial. Going forward, I believe the gross margin should not grow any further but may remain largely range bound as we stand ready to grow market share in core growth categories.

Moving to expenses. At an overall level, total expenses were 130 bps lower than last year, in line with the 3% reduction in quarter 3. This continued reduction is due to the operating leverage arising out of the sustained SSSG, the reduction in LimeRoad marketing expenditure and also the favorable impact of closure of the unprofitable stores done in the previous years.

The manpower cost for the quarter was up by 45%, mainly due to the increased ESOP expense and increased sales incentives, which were in line with sales growth. Previous year, in fact, had a reversal of ESOP-related expense, and hence, the growth in the manpower cost in the current year optically looks higher. With a normalized base, the ESOP and therefore, the employee expense should now get normalized going forward.

ESOP expense for the quarter accounted for almost 1% of revenues and 0.5% of revenues for the full year. The other expenses declined by 10% due to decline in the LimeRoad business and the consequent logistics costs, reduction in marketing costs for both online as well as offline businesses and other efficiency improvements apart from the benefits in -- coming in from L2L.

Coming to EBITDA. For the V-Mart core business, EBITDA for the quarter came in at 9.5%, which was 170 bps higher than last year and Unlimited at 10.8%, which was also 170 bps higher than the previous year. For total V-Mart, including the 43% reduced loss from LimeRoad, the total EBITDA for the company came in 69% higher at 8.7% for the quarter. Without the ESOP expense, the EBITDA actually stood at 9.6% for the quarter and 12.1% for the full year.



Moving on to the change in the accounting for operating leases and the resulting exceptional gain. During the quarter, we undertook a reassessment of our lease term estimates in accordance with Ind AS 116, which is for leases, reflecting a strategic view of the store portfolio.

As a result of this exercise, the company recognized a net exceptional gain of INR24 crores, which has been disclosed separately in the financials. This is a onetime noncash accounting gain and supports the strategic plans for sustained higher new store growth.

Going forward, this change shall result in roughly 50% lower accounting losses for a new store in the first half of its entire lease cycle versus the old practice. This change does not impact the pre-Ind AS P&L in any way, which we shall continue to share as in the past in our investor decks going forward as well.

We have provided a detailed note and reconciliation of the pre- and post-Ind AS impact on the P&L in the investor presentations for reference. Additionally, I'll be happy to take up any additional specific queries related to this separately one-on-one by pre-appointment after the call in the interest of time for the call.

Moving on to working capital. The quarter closed at INR987 crores of inventory, which was at 102 days. There has been a slight buildup in the inventory at year-end as we prepare for peak summers and wedding season and also in preparation for new store launches planned for Q1 in the current financial year. Overall, the inventory remains healthy.

There is a lot of work which has been happening on the product side, which includes technology-led improvements in designing, sourcing, quality control and replenishment cycles, leading to overall improved sell-throughs and thereby better inventory health. Capex for the year was at INR122 crores, which included spend on 62 new stores and the upgradation of existing stores.

We have been pressing the pedal on renovations of the existing stores with better results. The working capital has increased temporarily, mainly due to inventory upstocking, but remains in a comfortable range. Increase in the working capital led to a negative net free cash flow of INR31 crores for the year despite an improvement of 38% in the overall cash conversion cycle during the year.

There is no long-term debt on the books, and we remain comfortable on the cash front with ample working capital limits available to leverage future growth, which will be financed through internal accruals. Coming to the store expansion and the outlook, we opened 13 stores this quarter and 62 YTD with nine closures.

The guidance for NSO remains at the same around 12% area addition every year, net of 1% or 2% mistakes that may still need closures every year. We celebrated our 500th store opening in the first week of April. And as on date, we now operate a total of 503 stores, having opened six stores -- six new stores in the last 1 month.

So that is all from my side, and I now request the moderator to open the house for questions. Thank you.



- Moderator:** The first question is from the line of Sameer Gupta from India Infoline.
- Sameer Gupta:** Sir, firstly, on LimeRoad. So there was an expectation that this will be EBITDA breakeven at exit of FY '25. But last 3 quarters, the absolute amount of losses here at around INR6 crores to INR7 crores has remained steady. So, if you can just update the outlook on this going forward as to when do you expect the LimeRoad level EBITDA level breakeven?
- Anand Agarwal:** So LimeRoad, I think we have talked in the past in the last quarter as well. We expect the LimeRoad business to continue to build towards the omnification for the V-Mart setup. And thereby, it is going to continue to be in a buildup phase for some time, while we still keep on reducing the e-marketplace exposure.
- And thereby, as a result, we will see continuous improvement in the operating results for LimeRoad, but we are not anticipating or not saying that we will be breaking even in that business in the current year also. So there will be some amount of marginal losses, but they will continue to keep coming down every quarter as we progress. So the last year losses were almost 55% lower than the previous year losses.
- And we also anticipate for FY '26, while it may not be a breakeven business for the full year, but it will remain in a very comfortable range of definitely less than 50% or roughly around 50% of losses that we did this year.
- Sameer Gupta:** Got it, sir. Got it. This is helpful. Secondly, sir, I mentioned you on employee cost. Now, ESOP of around INR161 million this year, do you expect this to be a recurring expense going forward? Because this pertains to ESOPs that are vested this year. I'm sure there will be more vesting or if there are some more vesting that comes in next year. So, just from a modeling perspective, is it a part of a recurring expense? Or was it more like a one-time expense for FY '25?
- Anand Agarwal:** So some part of this expense is one-time because this was the penultimate year for the first lot of performance-led ESOP vesting, which was not, let's say, provisioned for in the previous year because of nonperformance. But this year, there was some amount of expense out of the INR16 crores, which was one-time.
- But largely, you should have around INR8 crores to INR10 crores of expenditure on ESOP going forward, which is again coming from the actuarial valuation. So very difficult to pinpoint or exactly quantify, but there would be some amount of ESOP expenditure going forward as well.
- Sameer Gupta:** Got it, sir. And one last question, if I may squeeze in. This is more from a strategic perspective. Now, sir, the whole group of value fashion, which is linked to Tier 2, 3 cities, which is yourself, Vishal, V2, Style Bazaar, all of which we track, all of these seem to be doing well. Now in your experience, what is the driver here? Is it more like overall, in general, the Tier 2, Tier 3 space, the economy is more buoyant?
- Is that some big retailers who have shut shop or are consolidating? Government spending has gone up ahead of crucial state elections. Or is it reverse migration, less number of people are now migrating to larger towns? Anything that you can point out? And how long do you think this momentum can continue?



Lalit Agarwal:

I think the momentum, as I said in my opening remarks as well, is just not momentum driven by economy. It is a major shift also happening from unorganized, which is the traditional form of retail to a little more formal retail, which is a organized retail. So that movement is continue happening because there is definitely lot of exposure of retailer, which is happening in these towns and cities. There's definitely a lot of new varieties, new ways of retail, new ambience, which is clearly created, great comfort, which is being given.

There is real value which is being delivered to the consumers. The consumers are now finding it very, very convenient to shop from organized retail. And that continues. And I don't think there's a major shift in some economical perspective, or there's a major shift in a particular retailer getting closed up or there's no such thing which is visible.

But largely, I think this is a informed market, as I said, largely driven even by the youth of India who have more information gigs and they have larger information on their mobile handset now. So they understand where to shop from, where to go, and shop to. And all of these retailers, which are opening up shops in these particular markets, are creating a better percentage of organized retail. And that is what has moved from 15 -- 15% 5 years before to now, almost 30%, 35%. In certain market, it goes above 35% as well.

Moderator:

The next question is from the line of Ankit Kedia from PhillipCapital.

Ankit Kedia:

Sir, my first question is on manpower. If I look at your store, manpower per store is significantly higher versus some of the peers in value cashing, even if I adjust for the store size. Given the technology interventions we are doing, do you think you can do with lower manpower in the store while I also understand customer experience.

Some of your peers, the staff, is not talking to the customers is only for replenishment, while in your case, they help the customer. But is there a bridge between the two where you can lower the number of employees per store?

Lalit Agarwal:

We definitely believe in a little differentiated retailing, and I do understand. There's a form of hypermarket retailing, and then there is a form of value fashion retailing and fashion retailing in general. And we believe our consumers are still a little more semi-literate. They don't really understand, and they get a little confused when they come to a larger store; they don't understand too much of the signage, they don't understand too much of the products.

So people have to assist them both for styling as well as making them understand their need or getting evolved to their needs. And people still are not very organized. Consumer are not very organized in terms of looking at the product, the kind of way they handle the product, the way they handle the stacks or handle the hangers in the store. So people are -- a little more disorganized in our segment.

And we believe we need to give a very good service, and we believe that we need to definitely provide them with assistance and make the store look better and good every time. It is also a function of the store size and the sales per square feet that the percentage of cost looks. But yes, there is an opportunity. We are definitely trying to explore it as an opportunity.

It is just not on the front-end retail manpower side, but also on the overall manpower that how do we bring up the productivity, how do we generate higher productivity from the same resources. That is where we are trying to work on. But yes, largely, this will continue as an expense in the front end. We may not be able to get compared with those little more hyper retails of the market.

Ankit Kedia:

Sure. Sir, my second question is regarding your warehouse. Given that over the next 2 years, we could add 130, 140 stores, do you think at the back end, at the warehouse now the first leg of the warehouse was done 2 years back? Now, over the next 2 years, you need to expand your warehouse further for 600, 650 stores over the next 2 years, and we can see some capex coming next year for the warehousing?

Lalit Agarwal:

Yes, there will be some incremental investment that has to go in because we did not prepare ourselves for the next 7 years. We definitely prepare for the first 3 year. And then there will be an incremental capex, which will go on, but not a massive capex, but yes, a small capex, because the area that we built was around 5 lakh square feet.

The opportunity to build an area in that particular warehouse land is almost around 8 lakh square feet. So we may build it maybe after one more -- 1, 1.5 years. But yes, within the warehouse also, there are a few automation investments, which will get added on. So there will be some capex and some regular capex, which will also come in the next year.

Ankit Kedia:

Sure. And my last question is for Anand. Anand, this time, if I look at from a post-Ind AS perspective, unlimited margins are higher than V-Mart EBITDA margins. On pre-Ind AS basis, if you could just say, are the Unlimited margins continuing to be high as V-Mart or they have reached the V-Mart levels and they can sustain or get better from here?

Anand Agarwal:

So Ankit, while the pre-Ind AS EBITDA margins for Unlimited are getting better, but they are still not -- still not as good as the V-Mart margins. But as I have been stating for the last many quarters, as we grow and as we include or have more number of Unlimited stores, new stores in Southern territory, we will continue to build up or improve the EBITDA margins for the Unlimited as a chain.

The primary reason -- underlying reason has always been that the legacy stores, roughly around 51, 52 in numbers, where the operating efficiency or the sales per square feet is still marginally lower than the entire chain. And the rental costs are still slightly higher, but they are not unprofitable stores. They are profitable stores, and we keep continue to build on them. But as we increase the ratio of the new stores, which perform at much higher profitability levels with lower rental cost, the entire chain's profitability will keep on getting better and slowly equate the V-Mart numbers in the coming years.

Moderator:

The next question is from the line of Tejash Shah from Avendus Spark.

Tejash Shah:

Sir, first question is, what would be the store expansion target for the current fiscal year? And what would be the composition? Will we go deeper into the existing market? Or will we add new states or new geographies for the year?



Lalit Agarwal:

Yes, as I said in my opening remarks, we would continue to add between 13% to 15% of retail area on our existing base. And that could turn out to be around 65 stores or something in particular. And we would definitely -- we are almost -- we have almost reached all the states in India. We would want to penetrate into most of the territories. So we've divided our -- geography into five different zone.

And each zone, there is a target which is issued. So the zones are, as you know, we've got a Northern zone, you've got UP as a zone, you've got Bihar as a zone, you've got South as a zone, you've got East as a zone, East and Northeast. So there is -- this zonal team has got their targets. They will penetrate. We'll penetrate into the existing cities as well as the new towns.

So some -- almost 30% to 35% of our new store opening should also come from the existing cities where we see a lot of opportunities for adding up more stores. So that is how we would focus on. We will continue to focus a little more on the Southern India part as we see more opportunities in that particular market.

So we will continue. There are some markets in Southern India like Tamil Nadu and Kerala, which are looking good. We will continue to invest in those markets. Plus, there are other markets in the Northern zone, what we term, which includes parts of Uttarakhand, Gujarat, even Madhya Pradesh, Rajasthan.

We've not been too much -- we don't have too much of penetration in these states, but we want to continue -- we want to expand to these markets a little more. And then also continue our expansion in both the strong dominant territory, which is UP and Bihar, where we still see a lot of opportunity in this market.

Tejash Shah:

Got it. Sir, second, gross margin expansion was strong this quarter. And then you have indicated a very strategic intent in past to moderate it. Obviously, on a Y-o-Y basis, it actually evens out. But just wanted to know, was there a Eid effect in seasonality for the quarter where we -- where the discounted sale was not there and hence, gross margin reflected strongly?

Lalit Agarwal:

So you're absolutely right. I think Anand has also mentioned in his remarks. There has been one bad winter in this particular quarter, where the whole January and the February month where we do sell a lot of winter inventory and discounted winter inventory also gets liquidated. And that also got affected because of the erratic weather and early summer, which came in. And so the summer basically -- and we launched our summer collection very fast.

So we got a very good full-price sell-through of summer inventory, which also increased the gross margin. And even the Eid factor, which has got preponed and both Holi and Eid both got preponed, that also added to the gross margin. But yes, it is one-off the case. But overall, we haven't increased our gross margins.

We haven't seen any increment in our gross margin. We would definitely still want to focus more on liquidating the old inventory or the inventory which is still not discarded as a seasonal inventory, which we feel against what we targeted, there has been a little higher leftover of the winter inventory. So that can -- that we are discounting in the next year.

Tejash Shah:

And sir, lastly, on our ESOP plan. So, just wanted to know, are there any specific performance target linked to it? And then is the structure geared more towards incentivizing retention or performance? The question is also because we are hearing from other retailers that there is a very genuine squeeze of quality manpower in retail now. So if you can club the thoughts on that and share your insights there.

Lalit Agarwal:

So I think, Tejash, one, we've got this ESOP policy that we have is a long ESOP policy. Earlier, we used to have a term-based or tenure-based ESOP. In the last 4 years back, we passed resolution from our shareholders that we would have a performance-linked ESOP. And that is where we had issued a 4-year performance-linked ESOP, which is largely driven from a goal or a target of at least 20% growth year-on-year that we should target, and 90% achievement of that, we've got some process of issuance of ESOP where we have more details in our annual general report.

But largely, this is a philosophy that the organization has been believing in that we always believe that our people are our biggest asset, and they should also create similar wealth as the shareholders create. And they should be a part of our ecosystem and they should also become part of our -- as a part of our shareholder team. So that is what our philosophy is. So there are more than 80 people who are covered under the ESOP scheme. There's a large team which is there.

Most of this team is also a old team, which has been existing there. We just don't -- we don't fear because it's not coming out of the fear that the people -- we lose out the people, but it is coming more out of the feeling that we all should create value and we should all create even wealth for the team going forward. So that's the whole perspective. But yes, on the financial side, maybe Anand can help you. Anand, can you answer Tejash's question?

Anand Agarwal:

Yes. Tejash, I think Lalit exactly said that. So this is purely a performance-linked ESOP scheme. So as mentioned, this is again linked to the performance of the company and therefore, the contribution of the employees.

And it is spread over 4 years. So in year 1, you get certain ESOPs and year 2 you get certain ESOPs and so on and so forth. And it's a rotating cycle for the policy. And more details, you can get on to a separate call, but there are more details also available in the annual report.

Moderator:

The next question is from the line of Lokesh Manik from Vallum Capital.

Lokesh Manik:

My first question was on SSG growth. So if you can share our vision in terms of how do you expect -- what are the growth drivers going forward, because we are mostly volume-focused, our philosophy is volume-focused. So do you see control and conversion driving SSG growth? Or do you see more category addition on the non-apparel side to drive this growth within apparel, getting into more subcategories? How are you seeing the SSG growth going forward?

Lalit Agarwal:

Yes, Lokesh, good question. Largely, we believe that we definitely have 2, 3 mechanism of bringing in additional revenue or the growth. One, definitely, we believe that we should continue the repeat consumers inflow in the market -- in the store. So our repeat sales or repeat consumer

sales is almost -- in V-Mart almost 70% of our total sales. So that is the biggest cohort of consumers who come back and shop from our stores.

Two, we believe there definitely has to be some new inflow of consumers. There are no consumers in the market. There are more consumer -- there are newer consumer -- set of consumer which are coming in largely from teenage group or from the young group. So we will definitely have -- more consumer walking into our store. But definitely --also, we would believe that -- it would also -- we should also try to increase the frequency of our existing consumer and have a little larger bill values of our consumer.

And larger bill value would come both from selling or contributing more to their wardrobe and also adding certain newer categories or certain newer items like maybe we just initiated and launched in some stores, our beauty segment and our jewelry -- artificial jewelry segment, which has seen some good traction. We also launched a wearable segment, which is the smart watch and there will be the speaker.

And they also have shown some promising signs. So some growth could come from that particular side, but which is going to be very, very small. But larger growth will come from bringing in the newer generation consumer, which is the Gen Z consumer, and that is what -- where we grew from our base of 22% to 32% now. And that is where we would continue to focus on and that should drive our same-store sales growth.

Lokesh Manik:

Great, Lalit ji so just a clarification on this. So hypothetically, if we were to see much higher growth in non-apparel and the wearables and the beauty and the artificial jewelry, would you still stick to 80% apparel portfolio mix or you would be willing to be a little agile and then let that come down to 70%? How do you see that going forward?

Lalit Agarwal:

It won't be so much of shift because these are -- I mean, we call it as a non-apparel, but these are even fashion items. So we consider them as fashion and these are fashion accessories and fashion additional items. So I don't think it is going to be a major shift. But yes, there could be a 2% or 3% shift which can happen over the period of time.

Lokesh Manik:

Great. My second question was for Anand. Anand, so going forward from now and after the lease adjustments, would the pre and post Ind AS PBT be the same?

Anand Agarwal:

No, Lokesh, the pre and post PBT will not be the same. There will still be an impact of Ind AS adjustment. The change which is -- which will happen is that the significant delta between the 2 pre-Ind AS and post-Ind AS that used to be roughly around INR60-odd crores or which will keep on growing had the policy changes not happened, will continue to come down or will come down materially.

So for a new store, roughly, the expenditure that we would book in our P&L would come down by almost 50%. But for a continuing store, because there is multiple stages of the lease contracts, so it is very difficult to quantify at this stage. But because we've been following the Ind AS regime -- Ind AS 116 regime for the last 7 years, there are various stages of the unwinding, which will happen.

But suffice to say that the pre-Ind AS and the post-Ind AS EBITDA will not change, but the pre-Ind AS and post-Ind AS PBT will definitely still have some difference, but it will not be as stark as it used to be.

Lokesh Manik:

Great. And just last question on the GST credit accumulation of about INR100 crores, which was last year FY '24 number. I don't know the number this year. But what is the strategy to utilize that? I mean that's an unused fund left at the government level which then requires you to take debt to fund the cash flow situation.

Anand Agarwal:

That's a very, very pertinent question, Lokesh. Very, very good question. And that remains a challenge --and that remains a challenge for a growing business. And in fact, in this year, there's been an added complexity being added by the government in terms of the reverse charge on rentals for smaller landlords as well. So that balance continues to grow.

There is a net addition of probably INR14 crores or INR15 crores in this year as well, almost INR20 crores this year. So that remains a challenge. We are identifying certain areas wherein we can mitigate some part of that challenge, but very, very difficult to surpass this given the state of affairs that we currently are in.

Lokesh Manik:

Anand, do you see this if your growth in non-apparel, this arises because of the GST difference between expense and sales is at 5% because of your apparel and expenses are at 18%. So the non-apparel category can compensate for this. Do you see that happening so you can get and plus you can grow the non-apparel side also?

Lalit Agarwal:

So Lokesh, this happens largely because you keep investing into newer store expansions as well. All the new store expansion, which we do, which is the capex investment and all of this capex investment also has a very large portion of GST, which is almost towards 28%, 18% to 28%. And that whole accumulation of asset GST credit is something which creates a larger part of that credit dues which we have.

So for practical purposes, I would call out that we need to include that as a part of our capex investment because we may not be able to get back this money from the GST authorities, and it will be very difficult for a growing organization to which is always increasing in the inventory as well as increasing in the assets to actually nullify this particular problem.

Lokesh Manik:

But if you spend 18% GST products, then you can take an input tax credit.

Lalit Agarwal:

No, but we still have the 80% input credit that you asked. So you -- there will be the EBITDA - difference will be only a small margin.

Moderator:

The next question is from the line of Bhargav from Ambit Asset Management.

Bhargav:

Sir, my question is on the average transaction size. So if you look at the transaction size value, it's flat on a Y-o-Y basis at close to about INR977. Is it possible to sort of see an increase in this amount going forward?



Lalit Agarwal:

The average transaction value is -- I understand what you are asking. But for us, the average transaction size as we're going forward and as we see more and more youth coming into the market and into the store. And generally, we have seen that you don't do a bigger size basket. They come and buy one piece, one odd piece.

The frequency of coming in is much larger, but their number or the bill size is a little lower and that is what we are also focusing on. So we may not be able to immediately transact the higher ABB. So we still believe that we want more consumer to come in multiple number of times and check out the inventory regularly.

And we are also focusing more on fast fashion. We are focusing on larger drops at the store at every week level. So we do believe that consumer will want to come back and want to shop again and again. And that is what we are trying to promote, not promote too much of overbilling, overbilling by the consumer at one point of time.

Bhargav:

So I mean, in terms of cross-selling, we don't believe that in our stores, there is a potential for cross-selling other categories?

Lalit Agarwal:

Definitely, there is and that is how you've got almost -- the 4 pieces in the basket that we have. And that definitely is an outcome of cross-category sales. But as I said, going forward, if I ask - if I say that, okay, we'll be able to grow this ABS or the average bill size a little more higher. It is still difficult. It will definitely come in.

And what we see the difference is whereas -- wherever there is a higher per capita income, we are seeing a very high ABS. But states like Bihar and Odisha, where there's a very low per capita income, the bill sizes are really very low. So it also depends upon the economy of the country and then also the state of the small towns in India, which is also the rural population.

Bhargav:

And sir, my second question is that this decline in conversion is more a function of increase in footfalls, right? There has been a substantial increase in footfalls and hence, the drop in conversion.

Lalit Agarwal:

Yes, because we believe now the consumers are just not coming to one store. They do check out with multiple stores, and they want to because, in the same lane, in the same road, there are multiple stores which are there. So they would come to one store, go out, check with other stores, and then come back to shop again.

So there is a higher inflow of consumers and an outflow of consumer that happen, but they do - but the consumers are definitely more aware, they want to be more informed and they definitely want to take the decision after checking out the complete market. So that philosophy we are seeing more and more happening. Anand wants to add something?

Anand Agarwal:

So Bhargav, while the full year conversion numbers, at least in the third quarter were coming on the declining side, but if you look at the quarter 4 numbers, the conversion actually has inched upwards. And it's now largely stabilized. In fact, what Lalit has been saying exactly has been now holding true.



So we have come to sort of a plateau where we should see either stabilizing around these numbers or marginal up or increase, but we should not see any significant reduction going forward.

Bhargav: And sir, my last question was on the RFID status. Is there any progress on that front?

Lalit Agarwal: We are trying to evaluate the ROI also of RFID because as of now, I'm not able to see a lot of ROI of the RFID, but still, we are piloting with one segment of the business and or one -- few stores in the business. And once the success -- looking at the success of the whole pilot store and the pilot area, we'll take a call maybe after 6 to 8 months.

Lalit Agarwal: Great, Moderator, maybe we can end this call. If things are not getting connected.

Moderator: Yes, sir.

Lalit Agarwal: Yes. So, I think let me put a final comment. If there are any questions left, maybe you can connect directly to the team. And thank you for being there. It is definitely a very good opportunity -- yes. So it looks like there's a great opportunity in the market. There's definitely a lot of consumption upswing that we would anticipate coming forward in the next 3 to 5 years. We definitely are getting graded up, prepared for all of the same.

The entire market is very, very booming, there a lot of action happening in the value retail space. We would continue to focus on our key things. We are in no hurry to reach to a certain location or a certain geography or a certain number of stores. We continue with our expansion plan at that level.

We would continue with our similar growth rate of between 17% to 20% overall level and have the trust in us. We are seeing a lot of positive things happening in the organization as well as in the market. Thank you so much for being there. Have a good day.

Anand Agarwal: Thank you. Bye.

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