

To,
Listing Manager,
The National Stock Exchange of India Ltd.,
(Through NEAPS)
Symbol: EMIL
Series: EQ
ISIN: INE02YR01019

The Secretary,
BSE Limited,
(Through BSE Listing Centre)
Scrip Code: 543626

Dear Sir/ Madam,

Subject: Disclosure of transcript of Earnings Conference Call for the First Quarter ended 30th June 2025 held on 05th August 2025.

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings conference call held on Tuesday, 05th August 2025, at 04:00 P.M. IST to discuss the Un-Audited Financial Results for the First Quarter ended 30th June 2025. The same is also available on the website of the Company at the below-mentioned link:

<https://investors.electronicmartindia.com/earning-call-transcripts-and-investors-presentation>

We request that you take this information on record.

Thanking You,
For and on behalf of **Electronics Mart India Limited**

Rajiv Kumar
Company Secretary and Compliance Officer

Date: 12th August 2025
Place: Hyderabad



“Electronics Mart India Limited Q1 FY '26 Earnings Conference Call”

August 05, 2025



E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 5th August 2025 will prevail.

Management:

Mr. Karan Bajaj – Chief Executive Officer and Promoter, Electronics Mart India Limited

Mr. Premchand Devarakonda – Chief Financial Officer, Electronics Mart India Limited

Moderator: Ladies and gentlemen, good day and welcome to the Electronics Mart India Limited Q1 FY '26 Earnings Conference Call.

As a reminder, all participants' 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 '*', then '0' on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Karan Bajaj - CEO and Promoter of Electronics Mart India Limited. Thank you and over to you, sir.

Karan Bajaj: Thank you. Good evening and a very warm welcome to everybody present on the call. Along with me, I have Mr. Prechhand Devarakonda - our Chief Financial Officer. We have uploaded our Results and Investor Presentation for the Quarter End 30th July 2025 on both the Stock Exchanges and the Company's website. Hope everyone had a chance to go through the same.

During Q1 FY '26, our revenue stood at Rs. 1,739 crores, EBITDA stood at Rs. 110 crores with EBITDA margin of 6.3%, pre-Ind AS margin stood at 4.4%. Q1 FY '26 turned out to be one of the coolest summer quarters in recent years, driven by unseasonal and widespread rainfall across April and May. This unusual weather pattern significantly impacted summer appliances demand, particularly in the air conditioners and air cooler category, which rely heavily on peak summer temperatures to drive sales.

To put this in perspective, in April and May, our key months for AC sales, saw nearly 50% higher rainfall than normal in Telangana. Over the full quarter, the state received 235 mm of rainfall versus a normalized average of 211 mm of rainfall, reflecting 11% deviation. In Andhra Pradesh, May alone recorded a sharp 148% increase in rainfall compared to the long-term average. While June was relatively drier, the overall weather conditions during Q1 subdued typical seasonal demand. Despite the softer summer season, we adapted swiftly to the evolving environment and remained profitable at the Company level, leveraging our diversified product portfolio and strong on-ground execution. We were able to pivot focus towards other categories. Our agile inventory management-targeted promotions and customer-centric approach enabled us to particularly offset the impact of cooling product sales.

While our EBITDA margins for the quarter appeared softer on a year-on-year basis, it is important to recognize that Q1 FY '25 was an unusually stronger quarter, driven by multiple heat waves across the northern and southern part of the country, which has significantly boosted cooling product sales and overall margins. Additionally, over the last 12 months, we have expanded our retail footprint by adding 44 new stores, including 8 stores during the quarter 1 of FY '26 alone. This addition of 44 stores represents nearly 20% of our current network. These additions have been primarily in the MBO format. As with any rapid expansion, there is an initial impact on margins due to the fixed-cost absorption lag.

As newer stores typically operate at lower throughput compared to more matured stores, currently many of our stores are less than 3 years old. We believe that as these stores gain traction and build a stronger presence, their unit economics will improve, which will eventually boost margins going forward. As of June 25, our total store count stood at 208, comprising 197 MBOs and 11 EBO stores. A significant portion of our store expansion this quarter was focused on Andhra Pradesh and Telangana, with 7 out of 8 new stores opened up in these states. Unfortunately, this region also experienced a particular cool summer coupled with highly unseasonal rainfall, which impacted demand for seasonal products. As a result, EBITDA margins for our South cluster stood at 6.7% primarily due to a lower contribution from air conditioners and lower fixed-cost absorption driven by the early-stage performance of new stores. On the other hand, our performance in the NCR region remained strong. MBO sales in the North stood at Rs. 159 crores, reflecting a robust 21% year-on-year growth. EBITDA margins for the North cluster improved 3.6% up from 2.6% in the same quarter last year.

Moving to category-specific performance for the quarter, large appliances contributed 48% to our total sales in Q1 FY '26. While this quarter has been an exception in terms of growth due to external weather-related factors, our continued focus on driving sales in the premium segment featuring significantly high ASPs has helped us stay ahead of the curve. Our strong partnership with pull brands continues to differentiate us and reinforce our position in the premium end of the market. Our second-largest category mobile phones contributed to put on 40% of our total revenue in Q1 FY '26. We believe the category is poised for a new wave of demand driven by upcoming technology upgrades and feature enhancements. Many OEMs are actively working on next-generation AI-enabled devices, which we expect will not only enhance consumer interest, but also lead to an increase in both ASPs and volume going forward. This positions us well to capture growth as the upgrade cycle begins to accelerate.

India's economy outlook remains optimistic, with projected GDP growth in the range of approximately 6.2%-6.8% for the upcoming fiscal year, according to various reputable government and international bodies. This anticipated growth is supported by increased government capital spending and a rebound in demand driven by premiumization alongside favorable demographic trends and expanding consumer financing. Despite global uncertainty, these factors provide a strong foundation for sustained economic momentum. Further, the Union Budget 2025 has provided significant personal income tax relief by raising the taxable income threshold, effectively putting an estimated Rs. 1 lakh crore back into the hands of the middle class. This increase in disposable income is expected to boost consumer spending, especially in the consumer durable sector.

With greater purchasing power, households are likely to upgrade and purchase new home appliances and electronics, driving overall demand growth and benefiting both manufacturers and retailers in the industry. Despite the challenges faced during the summer season, we remain optimistic about the upcoming quarters. As our newly added stores begin to ramp up, our focus will be on improving per-store unit economics and driving higher throughput. This is expected

to support margin improvement through better fixed-cost absorption and operating leverage. We also anticipate a strong festive season this year, which should further aid overall momentum. Looking ahead, we plan to open 25-30 new stores in FY '26, while continuing to optimize the supply chain, enhancing inventory efficiencies and strengthen our footprint in both existing and emerging markets.

With this, I request Mr. Premchand Devarakonda - our CFO, to update you on the financial performance. Thank you.

Premchand Devarakonda: Thank you, Karan sir. Good evening and a warm welcome to all the participants. Firstly, I would like to share a few updates pertaining to the fire incident that occurred on 29th May 2025. One of our warehouses located in Guntur met with a massive fire accident, resulting in damage to inventory to the tune of Rs. 8 crores. These stocks were adequately covered under the insurance and we lodged the insurance claim well in time, which is under the final stage of assessment by the insurers. As the claim is pending for settlement as on date, our management has decided to create a provision and disclose it as an extraordinary item in the statement of profit and loss for the quarter.

Secondly, we have reclassified sellout incentives and under various schemes of the suppliers from revenue from operations to reduction from purchase of stock in trade in the financial statement of the current quarter, which is in line with applicable accounting standards, as these incentives and discounts are directly associated with inventory purchases and not in exchange for any distinct goods or services by the Company to the supplier. The consequent adjustments made to the comprehensive financial statement are not considered material to the financial results.

Now, moving on to the financial performance for the quarter:

Our revenue stood at Rs. 1,739 crores. EBITDA for Q1 FY '26 stood at Rs. 110 crores. EBITDA margin for Q1 FY '26 stood at 6.3%. Pre-Ind AS EBITDA for Q1 FY '26 stood at Rs. 75 crores with a margin of 4.4%. PAT for Q1 FY '26 stood at Rs. 22 crores. PAT for Q1 FY '26 excluding exceptional items stood at Rs. 30 crores. Like-to-like sales growth for the quarter was negative 18%. Annualized ROCE and ROE for Q1 FY '26 stood at 13.4% and 7.7% respectively. The working capital days as on 30th June 25 stood at 60 days and pre-Ind AS cash flow from operations stood at Rs. 390 crores.

With this, we can now open the floor for questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Subhanu from 3Head Capital. Please go ahead.

Subhanu: Hello, sir. Am I audible?

- Karan Bajaj:** Yes.
- Subhanu:** Why is your North cluster EBITDA margin very low than the South cluster?
- Karan Bajaj:** Sir, North as a cluster is a very new cluster that we started off 3 years back. So, if you look at the total number there, the productivity of store throughput per store is divided between all the new stores that we opened up. We are expanding in that periphery. We opened up stores which are almost out of the 30-odd stores that are operating in that region, 20-odd stores are less than 24 months in that region. So, usually, we take around 3 years plus for a store to get matured and that is where you will see the productivity of the store. If you are adding up stores in an existing cluster like Hyderabad, where you have matured stores, so you will not see an impact on the EBITDA there. But because of the new store addition in a newer cluster, the number of stores are much higher. You will see this kind of a number which is improving and once the stores reach a certain maturity level, you will see the similar number of EBITDA margin that you would see down South as well.
- Subhanu:** Mainly high operational cost.
- Karan Bajaj:** Sorry, can you repeat your question, please?
- Subhanu:** My understanding is mainly high operational cost.
- Karan Bajaj:** Exactly. You can attribute a high operational cost because the throughput per store today is much lesser than what the existing markets would do for us in South. So, that automatically would say your rental, your manpower, your electricity, marketing, all expenses would be definitely much higher in terms of the percentage cost there. But once the productivity of the stores, let us say, crosses Rs. 40 odd crores, then you will see a similar number back home that you do.
- Subhanu:** How many stores you are expecting going forward in North cluster?
- Karan Bajaj:** Sir, right now in the pipeline, there are 8 more stores. So, that will add up. So, we are opening up 2 more stores for this month in Delhi and probably 2 in the next month. So, you will see around 6 more stores coming up at least before Diwali in that cluster.
- Subhanu:** Understood. Thank you.
- Karan Bajaj:** Thank you.
- Moderator:** Thank you. The next question is from the line of Yash Sonthalia from Edelweiss Public Alternatives. Please go ahead.
- Yash Sonthalia:** Hi, team. Thank you for taking my question. So, I have two questions. I hope I am audible.

- Karan Bajaj:** Yes, you are audible, Yash.
- Yash Sonthalia:** Yes. So, my first question is on Y-o-Y basis, our gross margin has declined by 1%. So, I wanted to understand it better by how can we break it up between the change in mix of product mix change and the part contributed by the discounts we provided in the quarter?
- Premchand Devarakonda:** Yash, it was mainly because of the reduced throughput coming in from the cooling products, mainly air conditioners and coolers. In the last year, in the 1st quarter, these air conditioners and coolers contributed almost 40% to the topline. This time, the same thing has dropped down by almost 40%. So, as a result, because these cooling products will give us the highest gross margin. So, because of this drop in the contribution from these cooling products, this year, the gross margin got impacted. So, that was the main reason.
- Yash Sonthalia:** And any impact or any discounts we provided and loss we take on our books to liquidate the inventory?
- Premchand Devarakonda:** No, not yet. See, those things, that situation has not yet arrived. So, it will take, we will see the trend in the upcoming festive season, then we will take a call. As of now, it was total demand slowdown for this product because of the unfavorable weather. It was favorable to the farmers, but unfavorable to us. So, that was the reason. As of now, we did not liquidate any inventories by offering additional discounts.
- Yash Sonthalia:** Understood. And sir, on the inventory part, can you help me understand what was our inventory at Q1 in FY '25? and what is the inventory as of now? Just wanted to understand how much of extra inventory we are carrying because of this additional rain in the quarter?
- Premchand Devarakonda:** Q1 of FY '25?
- Yash Sonthalia:** On a Y-o-Y basis, like how the inventory has increased, like in Q1 FY '25, what was our total inventory and in Q1 FY '26, what is our inventory where we are standing?
- Karan Bajaj:** Yash, it would be majorly the cooling product category where the inventory would be a little higher by around Rs. 250 odd crores for air conditioners majorly. Air coolers, we do not carry much stocks with us anyways. So, almost Rs. 250 crores of AC inventory is a little higher, which we plan to liquidate up till December this year.
- Yash Sonthalia:** Understood. Very clear, sir. And one last question, like what the sales mix you give on Y-o-Y basis, not only large appliances, I can see small appliances and mobile sales are also down or flat. So, are the reasons similar because of rains, people are not coming, the footfall is lower or is there anything else we are also facing in the quarter?

- Karan Bajaj:** Small appliances would even contribute the category from air coolers. Air coolers are practically flat this year, like they were practically 0 this year. They were very low in terms of sellout. So, that category.
- Yash Sonthalia:** I thought you have a very miniscule part of air coolers. So, that would not impact a lot on small appliances. But very clear.
- Karan Bajaj:** But quarter 1, if you see last year also, the number is quite big, significant number.
- Yash Sonthalia:** Got it, sir. Thanks a lot for answering my question.
- Karan Bajaj:** Thank you, Yash. Thank you.
- Moderator:** Thank you. The next question is from the line of Mehul Desai from JM Financial. Please go ahead.
- Mehul Desai:** Hi, sir. Good evening. My first question is on the topline. Can you just give some flavor on how the exit trends have been in July so far? And how do you look now the balanced 9 months of FY '26? Do you still think that low double digit kind of revenue growth is possible this year?
- Karan Bajaj:** Hi, Mehul. How are you? All good from our end. And things look very good. July has been an exceptionally great month, especially for AC and other categories. We were expecting that to happen anyways because organically last quarter didn't do that well for cooling products. So, ACs have seen the major jump this quarter as well. Whereas mobile, televisions and refrigerators, all categories have seen a higher double digit growth this year in the month of July. And August definitely, we are quite optimistic because big couple of big festival periods there and especially 15th August comes over a weekend this year. So, we are quite optimistic on that sellout. Mobile phones started doing very well, especially the new Z Fold 7 that we launched recently that has almost seen a 50% jump from last year what it was. We are anticipating Apple to launch the new product by September last week, or third to last week. So, we are going to see good sales coming in from iPhone 17 as well. And then around 20th of September, we start off our festival period, 22nd is the first Navratri. So, we see that 10-12 days of festival sales do dropping in the 2nd quarter as well. So, we are quite optimistic on how things are shaping up in the quarter 2. And we are going to look at least higher double digit growth this quarter.
- Mehul Desai:** And for the full year sir, because second half also the base is quite weak for you. So, from that perspective, I think overall, while we used to guide 15% kind of revenue throughout --
- Karan Bajaj:** Yes, that will be in line with that only. Definitely, it will be in line with that only. We are expecting that to be probably a little better than what the expectation should be.

- Mehul Desai:** Understood. And on the margin front, the 6% kind of EBITDA margins are sustainable for you think that should sustain, right? Given that the growth will improve, if in a week quarter you have sustained 6%, do you see that in the balance 9 months also?
- Karan Bajaj:** That is how we are hoping to pan out in the coming quarters as well. We are quite optimistic on that as well.
- Mehul Desai:** Understood, got it. And from the inventory perspective from a full year, obviously, as you said, the Rs. 250 crores inventory is there. So, from a full year perspective, will the inventory days or the overall inventory will be higher at the end of FY '26? Or you think that should not be a major impact and you will be able to liquidate?
- Karan Bajaj:** See, by this end of quarter 2, and probably the middle of quarter 3, we should be liquidating the stocks, especially the ones that are holding up our numbers quite high. So, that number of inventory days anyway, organically by 31st December, it will come down to an organic number less than 60 days.
- Mehul Desai:** Understood, got it. And sir, other expenses have been lower this quarter. Is it due to ANP, lower ANPs? Or what has led to this 1% decline in other expenses this quarter?
- Karan Bajaj:** Sir, first of all, we had reduced the marketing cost. Because if the downfall, we dropped our major marketing expense that we would do. If you see, the marketing expenses, if you compare quarter 1 versus quarter 1, it was quite reduced. Because there was no point of spending money on marketing in a big way like we usually would do. Because there was no summer this time.
- Mehul Desai:** Understood. Got it, sir. Thank you, thank you so much.
- Karan Bajaj:** Thank you, Mehul. Thank you.
- Moderator:** Thank you. The next question is from the line of Umang Mehta from Kotak Securities. Please go ahead.
- Umang Mehta:** Yes, thank you for the opportunity. Karan, just a follow up link to Mehul's question. So, you mentioned that July has seen a decent pickup in ACs and other appliances. Could you comment on the trends on a same store basis? Is it that ACs and other appliances on the same store basis has also seen a?
- Karan Bajaj:** Yes. In fact, all clusters, not only same store in a certain cluster, but across, so Hyderabad is a major cluster, it has definitely seen the highest among the older clusters between Telangana and Andhra.

Umang Mehta: Understood. And the concern on real estate sales, which you had highlighted last quarter, has anything changed on that front? Or just from a slightly maybe medium-term perspective?

Karan Bajaj: Sorry, I didn't get your question, Umang, real estate?

Umang Mehta: You had highlighted some issues in Hyderabad real estate-related market?

Karan Bajaj: Yes, there is a slowdown in the real estate trends across the country. In fact, I was talking to somebody in Karnataka also very recently, the Bangalore was also seeing a similar trend. But that is going to pick up and it is seeing again a positive sell-through coming through in the real estate as well. But usually, if it starts off now, the impact or the benefit to us comes a little later, because in the time the positions are given, handovers are done, customers start moving into the newer apartments or houses. So, that would be a 3-6 month trend, which we will start seeing that number coming for us as well.

Umang Mehta: Great. Thank you and all the best for the rest of it.

Karan Bajaj: Thank you, Umang. Thank you.

Moderator: Thank you. The next question is from the line of Akhil Parekh from B&K Securities. Please go ahead.

Akhil Parekh: Yes, hi. Thanks for the opportunity. My first question is on the margins in the North cluster. We have seen 100 bps of improvement on a Y-o-Y basis, probably because of operating leverage kicking in. So, do you see that 100 bps of improvement to continue for at least next 3-4 quarters in FY '26?

Karan Bajaj: Yes, quarter 2, quarter 3, it will definitely go up from here on. But I would not be able to attribute exactly how much will it grow from here on every quarter to quarter. But eventually by, say, next year, we should be looking at least a 5% plus EBITDA margin in that cluster.

Akhil Parekh: So, end of FY '27, you are saying we should be doing 5% in the North cluster?

Karan Bajaj: Yes.

Akhil Parekh: And any quantum in terms of what kind of sales level the North cluster needs to reach to clock the margins which are in line to the South cluster?

Karan Bajaj: Sir, we are looking at Rs. 750 crores for FY '26, Rs. 750 crores plus.

Akhil Parekh: So, Rs. 770 crores is what the North cluster needs to clock to reach 6%-6.5% of EBITDA margins. Is that correct?

- Karan Bajaj:** 5%+.
- Akhil Parekh:** For 5%+. No, I was asking to reach the South cluster?
- Karan Bajaj:** It will become Rs. 1,000 crores. Then it reaches Rs. 1,000 crores by next year. That is when this number will be in line with what we do in Hyderabad.
- Akhil Parekh:** Great. Good to hear that. Second, on AP and Telangana as a market, right, last year, last 2 quarters, we had highlighted that there were challenges overall in terms of the growth in these two geographies. So, has the situation normalized now? Obviously, 1Q was an aberration because of the early monsoon. But except that, do you think now the things would have normalized?
- Karan Bajaj:** Yes. We have seen a positive uptrend in all categories, especially mobile phones, panels, yes. So, we have definitely seen that for the last 2 months. So, even if June, July, both the months did well there. And we are looking at a positive trend going forward as well in the Hyderabad cluster.
- Akhil Parekh:** And the third and last question on the growth front, right, you are saying that we are still confident of achieving 15% plus topline growth for FY '26, while we had a decline of 10% in 1Q. It means that we should be doing 20% plus for the remaining 3 quarters of FY '26. So, do you think that is achievable?
- Karan Bajaj:** 100% sir, because the stores that were in pipeline, especially in the clusters in AP and Telangana are moving towards the matured store trend. They are delivering. All categories are performing well. We are quite optimistic with new technologies coming in. Like we are seeing now, more or higher ASP products selling much sooner than the entry level ones. The focus on the premium is definitely helping us out there. iPhone sales infact for the 1st quarter also was very positive even after no new launches. So, 17 is going to get launched by the second-third week of September. That is definitely going to bring in a big change this year. The value addition is going to be much higher. Product like Samsung Z fold did very well. So, it is still continuing doing very well after the launch as well. Audio devices, built-in devices, those categories are picking up really well. So, I think overall, we are going to see a positive trend this year. We are quite optimistic on that. And then definitely, AC was not under our control, but the weather went bad. But definitely there is going to be an upsell coming through in the 2nd quarter, the 3rd quarter, because there is going to be a change from January as well as the pricing expected to grow, to increase on the AC as a category, because there is going to be a revision on the star rating. So, we are quite optimistic that we will be able to sell out ACs, what we couldn't do in the summer quarter versus in the festive period, definitely it is going to be much higher than last year.

- Akhil Parekh:** So, that is really good to hear. If I can squeeze in just one more question on the NCR store expansion front, going forward, will we continue to kind of lease out the stores, right? And we are not looking to buy out the stores basically?
- Karan Bajaj:** Sir, not really. Most of the acquisitions that we have done in the recent past also are one of the properties that we have bought out in the recent past, are yet to open up stores, yet to start operations in the next, say, a month or so. Rest whatever stores are coming they are all on lease.
- Akhil Parekh:** Yes, that is what my question is, we are not looking forward to buy out the properties going forward?
- Karan Bajaj:** Yes. Most of the prime locations that we plan to initially buy properties, we bought out those properties. So, now it is majorly the peripheries and the smaller markets where we usually end up leasing out stores, even down South. So, that is the strategy that we had planned for Delhi region now.
- Akhil Parekh:** That is all from my side and best luck for coming quarters.
- Karan Bajaj:** Thank you.
- Moderator:** Thank you. The next question is from the line of Jitaksh Gupta from Tikri Investments. Please go ahead.
- Jitaksh Gupta:** Hello. Hi, sir. Am I audible?
- Karan Bajaj:** Hi. Yes.
- Jitaksh Gupta:** Yes, sir. Sir, I just wanted to understand the competitive landscape, the market of the Andhra Pradesh and Telangana because we see a revenue drop is in double digits. So, just wanted to understand the market scenario?
- Karan Bajaj:** Majorly, any bad quarter in terms of numbers going down, you have to make sure that your market share is intact, so on growing, so that is one thing that is positive clusters where we are new or cities where we are new in AP and Telangana also, we are still capturing the market there and our market share is increasing definitely there. We are sustaining our previous market share numbers for the matured markets like Hyderabad, Warangal, Vijayawada and Vishakhapatnam. Those markets are already intact. What happened was for the summer quarter was definitely not expected, the rainfall spoiled the whole season for us. But as we talk now also, we are gaining share in the newer market that we are opening stores in this region. Our biggest competitor in Andhra is Sonovision and that is spread across the whole of Andhra Pradesh state and the biggest challenge there is that every city would have a regional mom and pop chain with 10 or 5 stores in the cities like Guntur, Vijayawada, Nellore, Bhimavaram, and Rajahmundry. So, when you

are competing with them, it is a different play altogether. It is not like as simple as what you are doing with the organized play. So, you know the structure, you know what they are playing on the products of the brand. But with mom and pop stores, the play is very different. So, it is more like a local approach that has to be in place. So, our teams on a daily basis look into that to make sure that we don't lose out our customer or how do we improve our shares in those markets.

Jitaksh Gupta:

Understood, sir. Thank you.

Karan Bajaj:

Thank you.

Moderator:

Thank you. The next question is from the line of Rupesh Tatiya from Shree Rama Managers PMS. Please go ahead.

Rupesh Tatiya:

Yes, thank you. Thank you for the opportunity and it is nice to connect with you, Karan. My first questions are a little bit follow ups on NCR. For NCR, buying out of properties phase is now over, whatever there are some pending properties where we have to open stores, but the buying out of properties phase is now over.

Karan Bajaj:

That is correct.

Rupesh Tatiya:

And then maybe the CFO, sir, can give because of this buying of properties, there was a significant jump in the depreciation. If I am looking at the numbers, FY '23 was 85, it went to Rs. 130 crores, roughly. So, where will this number, the rate of growth of this number should slow down now, right? Is that a fair assumption to make? Or maybe if you can give some number for where would the depreciation be in FY '26?

Premchand Devarakonda:

Sir, here, when you look at depreciation, you have to look at the depreciation on the tangible assets, which are in use, and the depreciation on account of leasehold what is the Ind AS 116 adjustment. So, that will keep on increasing. See, you please consider the depreciation would be in line with the topline growth. That means, it will remain as a, if you take a percentage, so it will remain more or less same, like earlier years, because we are, it is not only because of purchase of assets or investment in assets, it is on account of the Ind AS 116 adjustment. So, when we make that Ind AS 116 adjustment, we will create leasehold asset, on that leasehold asset, we charge depreciation. And our expansion plan is in line, if you look at our expansion plan, year-on-year, we will be adding at least 30 stores. So, those stores may be leasehold properties, but we have to create a leasehold asset in the books and charge depreciation. That is why please consider depreciation will remain more or less in the same ratio as the current quarters or earlier years.

Rupesh Tatiya:

So, I understand how the leasehold assets are created. Sir, my question was, from FY '23 to FY '25, our depreciation grew by 50%, whereas our sales grew by 24%. And this variance occurred because we bought large number of properties in Delhi because of nuances of that market, right?

But now what you are saying is from here on depreciation will go in line with sales. That is the correct summary?

Premchand Davarakonda: Yes. You have to consider that depreciation on leasehold assets also.

Rupesh Tatiya: That I understand, sir. Leasehold assets also get counted in depreciation that I understand. But because of the property, there was this divergence that was created because we had to buy properties in Delhi.

Karan Bajaj: Correct. Because the last two financials, if you see, we have added up the majority of the properties in NCR at a very big cost. So, that definitely is going to impact. But going forward, if you see, as you correctly said, the major addition from depreciation going up would be from the Ind AS adjustment and not from buying properties.

Rupesh Tatiya: Correct. So, that is the clarification I was looking at. And then, Karan, what is the peak number of stores we are looking at NCR? 50 is the number we should look at?

Karan Bajaj: Sir, if you see in Delhi, then Faridabad, Noida, Greater Noida, Ghaziabad, Gurgaon, these satellites are also growing equally big today. So, you have covered Delhi city-by-city, Central, North, South, and West. But apart from that, if you see, in Gurgaon, organically, you will open 2-4 stores. Another store is opening in Faridabad. In Greater Noida, you will open 2 stores. Then, in Gurgaon, Faridabad, Greater Noida, Ghaziabad, then in all these peripheries, you will do Manesar. So, I mean, in Meerut and all these peripheries, if you consider, it is expanding in UP, it is expanding in Haryana. So. if you add all these, sir, 50-55 stores will be there for the next 2 years. That is the plan.

Rupesh Tatiya: So, NCR will still continue to grow. And then, have you identified a new region, new state, other than NCR?

Karan Bajaj: Our homework is on, I think, in the previous few calls also, we had discussed. So, Orissa is a market. UP is a market and peripheries of NCR. So, those are the markets where, say, in Gurgaon, you have Manesar, Rohtak, Sohna. In Haryana, you have these 3-4 small towns. Then, you have Saharanpur, Muzaffarnagar, Meerut, in Western UP. In these peripheries, there will be some expansion. Apart from that, in Orissa, there will be 2-4 stores. So, that is the main market that we are looking at right now.

Rupesh Tatiya: So, NCR expansion, Orissa, and then a little bit of Western UP. These are the next areas?

Karan Bajaj: And AP and Telangana will definitely, sir, your penetration in Tier-3, Tier-4 towns will continue to grow parallelly.

- Rupesh Tatiya:** Perfect. And what is the debt position at the end of the Q1, short-term, long-term, and lease liabilities, if you have those numbers available?
- Karan Bajaj:** Sure, sir. So, sir, your total borrowing on 31st March was around Rs. 983 crores, which has come down to Rs. 689 crores, out of Rs. 689 crores, Rs. 250 crores is for land and building. And the rest of it is for the working capital requirement.
- Rupesh Tatiya:** The other thing, Karan, is because we are doing such a significant expansion, almost 30-40 stores, and then this expansion will continue for another 2-3 years, my at least, humble suggestion is that can you figure out a way to present the data as mature stores in maybe 2-3 year store, newer stores, and give some indication of profitability?
- Karan Bajaj:** We will mark down stores which are matured, which are in the process of getting matured, and the newly opened stores. You will have a fair idea that how much percentage of stores that we are operating out of 208, almost 50% are less than 3 years, 20% are less than 12 months. So, you will get a fair idea. And then from there, you can understand the numbers better.
- Rupesh Tatiya:** Because there are significant front-loading of the cost, but the revenue is a little bit back-ended. So, out of this 208.
- Karan Bajaj:** Point taken, I will share that with you, sir, after making it.
- Rupesh Tatiya:** And how many are matured in 208 and how many are maybe 2-3 years old?
- Karan Bajaj:** Sir, almost 45 stores have been opened in the last 3 quarters.
- Rupesh Tatiya:** Correct.
- Karan Bajaj:** Eight stores have been opened in this, sir, in your quarter 1, FY26, and almost 40 stores were opened in your last year. So, altogether, almost 50-55 stores have been opened in your last 12 months. And apart from that, in your last year also, almost 40 stores were opened. So, almost out of 208, 85-90 stores are less than 24 months.
- Rupesh Tatiya:** Correct. So, almost 40% of the stores are probably not even breakeven?
- Karan Bajaj:** Yes. No, operational breakeven is done, sir. But the maturity point, we consider Rs. 25-Rs. 30 crores or Rs. 40 crores. That maturity point is yet to come, sir, of those stores.
- Rupesh Tatiya:** That is perfect. And then the final is a little bit non-numbers related question. NCR is a different market than Andhra Pradesh, Telangana, I think when a customer walks into NCR, he is probably not looking to buy one AC. He is probably looking to buy 2-3 ACs. The brands probably are different, brands don't travel. There are regional nuances. So, I did go and visit

some of your stores. And in general, the feedback is that the employee training probably needs to be picked up a little bit is what my feeling was. I may be wrong or it might be something else. So, maybe you can give some color on that?

Karan Bajaj: We will definitely improve on that. Yes, sir.

Rupesh Tatiya: But you can give some color on that. What are you doing to make sure that NCR, we are best in class in terms of sales and marketing?

Karan Bajaj: Sir, as you said, first one year of us operating in NCR was the learning where we stood more premium down South and we were emphasizing with limited brands. So, that is why we added up brands like Lloyd, Blue Star, Haier, and those categories where it was needed, especially the entry-level product category for NCR market. So, that was a major change that we did, number one. Number two, sir, most of our employees except one category head, the rest of the employees on the floor are from the brands, the respective brands. So, at the point taken because down South, definitely the throughput is higher. They definitely have better training standards or more matured staff or well-trained staff down South in our stores because the productivity is higher. Whereas North, because we just started off right now, the brands give us all the employees, all the sales team come in from the respective brands, but we will talk to them and try to fix up. That is a daily engagement that we have with them, with the manufacturers to make sure that the training and quality of manpower is improved in our stores up North as well. So, that point taken, I think I will go back to them again, have a discussion before Diwali to have that improved as well, sir.

Rupesh Tatiya: Thank you. Thank you for answering all my questions.

Karan Bajaj: Thank you, sir. Thank you for your feedback.

Moderator: Thank you. The next question is from the line of Rajiv Bharati from Nuvama. Please go ahead.

Rajiv Bharati: Good afternoon, sir. Thanks for the opportunity. So, Prem sir, to start with on North cluster, can you tell the gross margin last year in North cluster and this quarter also, Q1 versus Q1?

Premchand Devarakonda: Gross margins, just hold on.

Karan Bajaj: Gross margins will be in line with what you do in Hyderabad. So, that is, there will be like 1% 0.5%-1% lesser than what we are doing right now in Hyderabad. So, it would be in the range of around 13.2%-13.3%.

Rajiv Bharati: So, I was just wondering whether the increase in EBITDA margin pre-Ind AS, has there been anything to do with gross margin as well or is this purely operating leverage because very highly competitive?

Premchand Devarakonda: It was mainly because of the improved throughput.

Rajiv Bharati: Sure. So, I was wondering because of product mix, it should have deteriorated actually, the gross margin and that is why that EBITDA margin improvement is kind of getting earned because of that?

Premchand Devarakonda: Say it again, sir. Hello.

Rajiv Bharati: Yes.

Premchand Devarakonda: Can you please repeat that?

Rajiv Bharati: Yes. So, I was under the impression because of weak demand, your AC sales were weak. So, gross margin should have taken a hit and that is why the EBITDA margin improvement is actually depleted on its own. It could have been higher. If we get a feel of what is the gross margin swing between the quarters?

Premchand Devarakonda: Had AC category done well, would have been in a better position. The EBITDA margins would have been better by at least 1%.

Rajiv Bharati: Yes. So, the point is you said that let us say, we will get to this 5% margin profile. We are already, nearly there on the 5% margin?

Premchand Devarakonda: Exactly, sir.

Karan Bajaj: Sir, what happens now is that in the next quarter, 6-8 stores are opening. Then the denominator is so small that it will add up to 10 on 30 and then it will become 40. Then the number will look the same. Now, you understand that the overall number is being divided, so the base number is quite low there.

Rajiv Bharati: So, I was also saying because as we move through the year, the gross margin should actually improve from here onwards if given a normal condition like we have seen?

Karan Bajaj: Correct. And sir, if you see, if I divide it store-wise and see, the 30 stores, almost 8 stores are 24 months old or 30 months old, sir, there you will see that the blended margin is higher. GP margins is higher. The EBITDA margin is also higher.

Rajiv Bharati: Got it. Sir, you said the AC inventory is close to Rs. 250 odd crores. That is what, 65,000 units left, is it?

Karan Bajaj: AC inventory is more than Rs. 250 crores. Usually, sir, from last year this period we have ended with around Rs. 70-odd crores of stocks, which this year it was supposed to be organically 100, this year it is 350 instead of 100. We have more than Rs. 250 crores of inventory. Because your

display stocks has increased. You have opened more than 50 stores. So, 50 stores multiplied by almost 8,000 units went on display net-net, big backup stock and after doing this, the regions that you have expanded in Tier-3, 4 towns, your backup stock has also increased. So, sir, the changes that we attribute, the changes that should have been Rs. 100 crores in the last Rs. 70 crores in the exit season, which is Rs. 250 crores higher than last year's number, that way.

Rajiv Bharati: So, what, 90,000 units, is it?

Karan Bajaj: Approximately, yes, 89,000 to be precise.

Rajiv Bharati: Yes, so from, let us say, from Q2-Q4 put together, how many units did we sell last year?

Karan Bajaj: Sir, from Q2-Q4, last year, the number was around, say, 70,000-73,000 units, but that was after a bumper summer. So, this year, we are attributing, that number will be go beyond 70,000 number because this time summer was not very prolonged.

Rajiv Bharati: And can you talk about, let us say, OEM support, what are we getting in this case for AC merchandise in particular?

Karan Bajaj: Not much. But there is no desperation that can be seen as such because organically if you see July around Rs. 30 crores to Rs. 35 crores ACs have been sold so it has not reached to point of desperation where manufactures will support but one good positive at the end of this is that the rating changes from December. So, from October, no manufacturer will have supplies for the older stocks, which we will be carrying during Dussehra and Diwali period, right? So, the stocks that are going to come will come with a new rating from 1st January. So, the price will be much higher than what the rating saving would be on the ACs.

Rajiv Bharati: Lastly, on the SSGs, AP in particular has seen very sharp decline, right? So, can you comment, is there competitive intensity there, which is hurting us or any other factor, which is oneoff?

Karan Bajaj: Sir, in fact, the market share is growing there, number of stores are also adding up there. Sir, you have seen a major decline there due to the hit of the AC category, sir.

Rajiv Bharati: What is it like for Hyderabad also? My point was that?

Karan Bajaj: Hyderabad?

Rajiv Bharati: So, you say Hyderabad, then Telangana upcountry, there the decline, AP in general has even bigger decline than those two?

Karan Bajaj: Those two are Hyderabad and Telangana, correct.

Rajiv Bharati: Yes. So, I was wondering, is it specifically something in AP which is hurting us?

- Karan Bajaj:** No, not really. In fact, AP is also doing very well for us. If you look at daily traction, our AP is also performing, we are opening more stores there. So, sir, AC was the major contributor for that region, if you ask me. The rains were much heavier, the throughput on other categories also got a little impacted, but it is not that we are losing market share, in fact, we are gaining market share and the penetration in Tier-3, 4 towns is increasing. We opened more stores in Vijayawada, Vishakhapatnam, Guntur, Nellore, Rajahmundry, the existing markets also. So, I think that is working towards our favor to grow in that category, to grow in that market, sir.
- Rajiv Bharati:** Sure. Sir, lastly, what is the CAPEX we did this quarter?
- Karan Bajaj:** CAPEX this quarter? One second, I will just tell you. I do not have the number on top of my head right now. One second. Around Rs. 56 crores.
- Rajiv Bharati:** Thanks a lot and all the best.
- Karan Bajaj:** Thank you, Rajiv.
- Moderator:** Thank you. Ladies and gentlemen, we will take that as the last question. I now hand the conference over to management for closing comments.
- Karan Bajaj:** I would like to thank all of you for joining the call. I hope that we were able to answer all your questions and for any further inquiries, you may get in touch with our team or Mr. Deven Dhruva from SGA. We will be happy to address all your queries. Thank you once again.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Electronics Mart India Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.