



V2 Retail Limited

04th August, 2025

BSE Ltd.
Corporate Relation Department,
Listing Department,
Rotunda Building, PJ Towers,
Dalal Street, Mumbai – 400 023.
Scrip Code: 532867

National Stock Exchange of India Ltd.
Listing Department
Exchange Plaza, C-1, Block- G,
Bandra Kurla Complex
Bandra (East) Mumbai–400 051
NSE Symbol: V2RETAIL

Sub: Transcript of Earnings Call Q1 & FY 2025-26 - Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Pursuant to Regulation 30 read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI Listing Regulations), please find enclosed the transcript for the conference call with the Analysts/ Investors for the Q1 & FY 2025-26 Financial Results of the Company conducted through digital means on Thursday, July 31, 2025.

The transcript shall also be uploaded on the website of the Company. You are requested to kindly take the above on record.

Thanking you,
YOURS FAITHFULLY,
FOR V2 RETAIL LIMITED

SHIVAM AGGARWAL
COMPANY SECRETARY & COMPLIANCE OFFICER

Encl.: As above



“V2 Retail Limited
Q1 FY '26 Earnings Conference Call”
July 31, 2025

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**MANAGEMENT: MR. AKASH AGARWAL – DIRECTOR AND CHIEF
EXECUTIVE OFFICER – V2 RETAIL LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the V2 Retail Limited Q1 FY '26 Conference Call hosted by Marathon Capital. 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 this conference call, please signal an operator by pressing star and zero on your touch-tone phone. Please note that this call is being recorded.

Before we begin, a brief disclaimer. The presentation, which V2 Retail Limited has uploaded on the stock exchange and their website, including the discussions during this call contains or may contain forward-looking statements concerning V2 Retail Limited business prospectus and profitability, which are subject to several risks and uncertainties, and the actual results could materially differ from those in such forward-looking statements.

With this, I now hand the conference over to Mr. Akash Agarwal, Director and CEO of V2 Retail. Thank you and over to you, Mr. Akash.

Akash Agarwal: Good afternoon, everyone, and a very warm welcome to our quarter 1 FY '26 Earnings Conference Call. We trust you've had a chance to review our results. The earnings presentation and press release are available on the stock exchanges and our company's website.

As we begin FY '26, we do so with strong momentum and a clear sense of purpose. We are operating from a position of strength backed by innovation, executional agility and the deep trust we have built with millions of customers across the country. We are not just responding to the evolving landscape of Indian retail, we are setting the pace. Our strategy is clear and future-ready to lead the next wave of growth in India's value fashion market.

Our sharp focus on customer centricity powered by deep data insights, agile merchandising and a tech-enabled supply chain continues to deliver measurable impact. We are building a business that's not only scalable, but also resilient, responsive and ahead of the curve.

The sustained and accelerating customer traction we have witnessed in this quarter is a clear validation of our strategy. It reflects our unwavering commitment to delivering fresh trend-led assortments, maintaining exceptional product quality and offering unbeatable value.

This powerful combination continues to drive strong broad-based performance across our store network and further cements our position as a market leader in India's value fashion segment. FY '26 is shaping up to be a landmark year for us and we are entering it with confidence, clarity and conviction.

Let me start with some key updates. Revenue growth accelerated by 52% year-on-year to INR632 crores. Net profit surged 51% year-on-year to INR24.7 crores marking a very strong earning momentum. The company opened 28 stores and closed 1 store during the first quarter

taking our total store count to 216 stores. The store addition momentum will continue as we have a very healthy pipeline of our upcoming stores.

Further, we've already added another 9 stores so far in this quarter taking the total count of the stores to 225 stores. The same-store sales growth for the quarter stood at 5% with strong double-digit growth in May and June offset by a temporary dip in April due to the early Eid shift into the quarter 4 of FY '25.

On a normalized basis, the first quarter SSSG stood at 10% reflecting sustained consumer demand and precision in assortment planning. There was a robust volume growth of 50% in the first quarter. The full price sales contributed 92% of our total sales. We are proud to report a consistent improvement in ROE, which stood at 27.5% in the first quarter, up from 23% in FY '25 and 10.7% in FY '24. This sharp trajectory reflects the strength of our operating model and disciplined capital allocation.

Now consolidated performance highlights for quarter 1 FY '26. As we track business performance on pre-Ind AS basis, it would be prudent to share the highlights basis pre-Ind AS numbers.

Revenue from operations stood at INR632.2 crores registering a 52% growth on a Y-o-Y basis. Gross margin stood at 29.4% for the first quarter FY '26 as compared to 28.8% in the corresponding quarter last year. The EBITDA stood at INR52.5 crores as compared to INR32.2 crores registering a growth of 63% on a Y-o-Y basis.

EBITDA margin improved from 7.8% to 8.3%. Profit after tax stood at a record INR30.6 crores as compared to INR18.9 crores in the corresponding quarter of last year registering a growth of 62% on a Y-o-Y basis.

With this, I now leave the floor open for questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question comes from the line of Vishal Dudhwala from Trinetra Asset Managers.

Vishal Dudhwala: First of all, congratulations on a good set of numbers. So I have couple of questions. First, in Q1 '26 you delivered 52% Y-o-Y revenue jump and saw ASP rise 17%, but PSF fell 9%. How are you calibrating your channel mix like digital versus brick-and-mortar and what specific productivity initiatives are you looking for to offset the footfall dilution from rapid store expansion?

Akash Agarwal: So first of all, all our sales is brick-and-mortar. We don't have any online sales. And the PSF dipped a bit because we opened a lot of new stores and the new stores typically do about 25% less in per square feet sales than the older stores. If you look at only the old stores, in quarter 1 it was around INR1,100 per square feet PSF.

Vishal Dudhwala: Can you guide looking out for FY '28, what revenue share are you targeting?

Akash Agarwal: Revenue share from what?

- Vishal Dudhwala:** Like a brick-and-mortar and your new store expansion for forward-looking?
- Akash Agarwal:** So we look at a 50% revenue growth going forward and in that we look at 8% to 10% SSSG so that's from the old stores and 40% revenue growth from the newer stores.
- Moderator:** The next question comes from the line of Abhishek from AB Capital.
- Abhishek:** Congratulations on great set of numbers. Every quarter you're following what you had guided for. So the news came out that you are doing QIP. So you had told I think in one of the interviews that you will open 100 stores and for that you don't need any external capital. So now that you are doing QIP, can we be greedy and expect more openings beyond 100?
- Akash Agarwal:** Yes, that's a very valid question. So we have got an enabling resolution approved and we are planning to raise money. It's not out of necessity or weakness. We're doing it from a position of strength. Our business has delivered one of the best quarters in recent history and I think it's a proactive move because we want to accelerate our momentum and also future-proof our growth.
- So the value fashion market in India is poised to grow for the next decade and we believe next 3 to 5 years are critical to capture disproportionate market share. So it will help us be debt-free, it will help us invest more in making our model stronger and yes, it will help us accelerate our future growth trajectory also.
- Abhishek:** Okay. And you had told that this year you will be mostly PAT positive in all quarters. Do you think you still hold that view?
- Akash Agarwal:** Yes, I think we should be PAT positive in all the quarters.
- Abhishek:** Okay. And just wanted to know how is the competitive intensity on the ground as in are you finding it difficult to find newer geographies to open fresh stores?
- Akash Agarwal:** So see, competition has become the new reality. We look at it as an external factor that is out of our control. Of course a lot of retailers are opening a lot of stores. But Tier 2, Tier 3 being our main target market, there is still a lot of availability of locations. In fact in 25 states of the country, we have a store coming up in the next 6 months. So there's work going on in 25 states of the country. So till now we are not facing. So we still have more options in terms of real estate then we can open.
- Abhishek:** Okay. And our SSG has come down a bit due to large base. Do you think it will come down further or it will stabilize at 10% going forward?
- Akash Agarwal:** I think it should stabilize at 8% to 10%. That is our target even with a higher base.
- Abhishek:** Okay. Is there any headwind that you are facing? Any concern at all that you would like to flag? Any issue, anything?
- Akash Agarwal:** No. In fact even July, we are doing better than our expectations. So the momentum is going good and we are continuing to see amazing response in our older stores as well as the newer stores.

We are still passing all the metrics that we had targeted. So hopefully, this momentum continues and everything looks positive.

Abhishek: Okay. And what is our store opening cost? Like basically I wanted to know that if we raise the QIP INR400 crores, how many stores can potentially be opened with that money?

Akash Agarwal: So first of all, the whole proceed will not be for newer stores. A lot of it will be to get better terms from vendors, a lot of it will be to repay debt and a lot of it will be to improve the back-end capabilities in terms of automation, supply chain, technology. So per store opening cost, including capex and inventory, is about INR2.5 crores. So we need at least INR250 crores every year just to open 100 stores.

Moderator: The next question comes from the line of Tejash Shah from Avendus Spark.

Tejash Shah: Congrats on a very good set of numbers. Akash, I just wanted to start with you speak very passionately about customer centricity and that seems to be working for us. As we expand rapidly, how are you ensuring that that value proposition doesn't get diluted? And if you can elaborate a bit more on what we are doing to kind of be very sharp on this particular aspect of the business that you keep pressing about?

Akash Agarwal: Sure. So I think our biggest strength is leveraging data. So we collect data from the customers and the sales at 40 to 45 different attributes of each and every article and all the space allocation in terms of category, in terms of color, in terms of fit, in terms of print type; it is done based on that data because if the customer behaviour is telling us that a loose fit T-shirt is selling or giving us a 20% higher gross profit per square feet than a regular fit T-shirt, then we increase the number of options in the loose fit T-shirt.

Similarly, if a color is giving us a better gross profit per square feet, then we increase. And the mobile number is a unique customer ID of each and every customer. So we do a lot of automation in terms of SMS, WhatsApp in order to get that customer back to the stores.

But I think the main strength is leveraging data, capturing data at so many different data points and using that to improve the offering. And that is why you can see our full price sale is 92% and even with lesser marketing spends, we're still getting more footfalls and doing a very healthy SSSG.

Tejash Shah: Interesting. You spoke about the store expansion that we will be entering new states. So what percentage of your expansion will be in existing markets and which will be completely virgin states where will you be entering?

Akash Agarwal: So about 70%, 75% will be in existing states and about 20%, 25% would be in the newer geographies. But I think in 2 to 3 years, there will not be a single state which will be a new geography for us. We want to be a national level retailer. That is our aim, that is our target. And I think in the next 3 years, we will be present nationwide. So every market, every geography will become an old geography for us.

- Tejash Shah:** And just wanted to understand, as it happens in, let's say, grocery retail when they enter a new territory or new state, it is initially margin dilutive because of the whole logistic intensity which comes there. How does it play out in your business? Are the completely 1 store states are usually margin dilutive initially?
- Akash Agarwal:** No. So our logistic cost is just 1.1% of the total business. So it is not significant enough. Even if we open a new geography, the delta or additional I think logistic cost would never exceed 0.1% or 0.2%. So that is never the determining factor of whether entering a new geography or not.
- It all depends on per square feet sale. It all depends on what kind of the offering that you give to the customer, collecting a lot of data in terms of what categories are doing well in that particular state or geography, what attributes of an article are doing better in those geographies and then implementing all the learnings that we got from the data when we open further stores in the similar geography.
- Tejash Shah:** Sure. The last one, if I may. For last almost 12 quarters, we have been kind of seems to be immune to the macro environment. We are growing irrespective of the commentaries that we hear from larger consumer players also. Now as we go to a size where macros will matter, how is your read of consumer sentiment on ground for this year or immediate future?
- Akash Agarwal:** So when you hear stories, you definitely hear a demand pressure throughout rural, Tier 2, Tier 3. But like I said, even in July we have seen good traction. It was in fact better than expected. So I think when the macroeconomic factors and the macros also start supporting us, then we can even post better numbers.
- But till now we have seen that our product strength, our pricing strength, our variety strength and the complete back-end supply chain, the availability of products. So all those strengths are working well for us.
- And I think macros matter less when there's such a big shift happening from unorganized to organized. So even when the total consumption doesn't go up, this shift contributes to a good CAGR growth for just the organized part of the sector.
- Moderator:** The next question comes from the line of Niraj from White Pine Investment Management.
- Niraj:** How many stores are you under discussions for opening them right now?
- Akash Agarwal:** I think 76 there is still work going on. And if you talk about shortlisted properties, then there are more than 150 properties that are shortlisted.
- Niraj:** Okay. And 76 is included in 150?
- Akash Agarwal:** No, 76 does not include that 150.
- Niraj:** Okay. And how much timeline generally it takes from shortlisting to opening?

Akash Agarwal: So there are different types. So one is BTS, one is semi-BTS, one is where the raw building is ready. So typically you can say 3 to 6 months.

Niraj: Okay. What is the new target for you to open the stores in FY '26 and maybe FY '27 if you can give thoughts on that?

Akash Agarwal: So this year, initially the target was 100 stores. I think we are on track. We should be opening about 100 to 120. And again the next year's target will completely depend on this year's performance. If we have another blowout year like the last 2 years, then next year we will increase the target to 130 to 150 stores.

Niraj: Okay. So what it means is that all these shortlisters don't go towards opening. Only some percentage of them go towards the opening. Is that the right way to look at?

Akash Agarwal: Yes, yes.

Niraj: Okay. But aren't you then upgrading your number of store addition after a proposal to raise the money?

Akash Agarwal: Yes. So it will be dependent on whether we go ahead with the QIP and if that happens, then like I said, we will increase the store opening target this year by 20 to 25 stores and next year by 30 to 40 stores.

Niraj: Okay. That's extremely comfortable. The other thing is you're going all over new states so are you going to put up new warehouses or only the existing ones?

Akash Agarwal: So we just finalized the new zonal warehouse in the East and then we'll have 2 zonal warehouses now; one in Gurgaon, one in the East. And we have already started the hub-and-spoke model that we spoke about last quarter. So we already have 8 hubs operational now. So that takes the load of the warehouse away. And now whatever state we enter, the hubs can easily fulfill the particular state.

Niraj: And any cost will increase because of the new East warehouse, warehouse in the East?

Akash Agarwal: Yes. So there will be a total investment of I think INR25 crores to INR30 crores in that new warehouse.

Niraj: Okay. But that would lead to a meaningful increase or aggression in the East side or is that the right way to think?

Akash Agarwal: So all the sourcing done from the East or the cities that are closer to the East warehouse will go to the Calcutta zonal warehouse and all the goods sourced from Ludhiana, Delhi will come to the North warehouse. And then each warehouse will send their goods to the respective hubs that will deliver to the stores. So we've already started replenishing once in 2 days and a lot of stores daily, which used to be earlier once a week or for the fast-moving stores, it used to be twice a week.

- Niraj:** Okay. That's interesting. And last question on the revenues per square feet for new stores. Can you share some differences of the stores that you have opened in the same state that you are present in a reasonable way versus the stores that you have opened in the new states? Any difference in revenues per square feet that you're witnessing?
- Akash Agarwal:** We did take out this data, but we did not see any significant difference. In fact a lot of newer states that we entered, the average per square feet sale for newer stores were better than the new stores that we opened in the existing geographies. So it is dependent on a lot of other factors that is competition intensity and the kind of population density. So it is not completely dependent on a new geography versus old geography. So what we have seen is average per square feet sale of newer stores is constant across geographies.
- Niraj:** And those numbers are still tracking that within definitely 2 years period the revenues per square feet per store goes to the current average. You're still seeing that happening?
- Akash Agarwal:** Yes. So our benchmark is 30% lower than old stores and currently our newer stores are doing somewhere around 26% lower than older stores. So it's well within a healthy benchmark. And from the first month itself, the newer stores are doing about INR800 per square feet of sale.
- Moderator:** The next question comes from the line of Aliasgar Shakir from Motilal Oswal Mutual Fund.
- Aliasgar Shakir:** Congratulations on quite an excellent performance. Akash, few queries I had. First is on the gross margin. So I'm seeing both on stand-alone and consol, our gross margins have seen very decent improvement. In fact stand-alone is higher.
- So if you can just explain is it a factor of mix or because one of the biggest factor that we had was we were far more competitive in the market. So have we taken any price increase and does that gap versus competition come down? And also if you can explain the gap of gross margin between stand-alone and consol?
- Akash Agarwal:** Yes. So there are 3, 4 things that happened here. So one is definitely product mix. Second, we reduced the overall marketing spend. So a lot of marketing gifts that we give to the customer as a part of bill busters is part of our gross margins.
- So that had reduced I think 20, 30 basis points. And also we made a cost committee about 6 to 7 months back and because of consolidating fabric purchases and fabric sources and doing open costing with the vendors, we were able to save about 1% of our gross margin there.
- And the difference between stand-alone and consolidated is because now we have shut down our manufacturing units. So earlier manufactured goods, part of the cost of the product used to go in manpower cost and only the raw material part of that goods were part of the COGS. So that is why there's a difference in the gross margin. But going forward, I think the gross margin that is there in the stand-alone will be prevalent and more relevant to our business.
- Aliasgar Shakir:** So sorry, I didn't get this point. You were saying manufacturing was sitting in the subsidiary basically and because of that, the margins are relatively lower there because some of the component is not like-to-like because the cost is coming in your gross margin?

Akash Agarwal: The margins are higher there because the COGS only has the raw material part of the cost of making the product. The actual salary of the tailors and everything goes in the employee cost.

Aliasgar Shakir: Got it. Which will be the same now going forward because you've shut it down?

Akash Agarwal: Yes, yes.

Aliasgar Shakir: And what is the reason of shutting down? Because I thought that that was one of our mode because of which we were able to get lower cost products?

Akash Agarwal: Yes. So the whole aim of opening the manufacturing units was to get transparent costs of making each and every category. It didn't make business sense to be opening manufacturing units for every 30 stores that we added. So it was only to get transparent cost so that we could negotiate the right prices and the right SAM minutes for making each and every product with our vendors and we've been able to achieve that.

And in fact we have given the factory to a vendor itself who's supplying it to us now. So instead of investing our own money and parking our working capital there, now we can achieve the same costs by getting it from contract manufacturers.

Aliasgar Shakir: Got it. So there is no price increase related improvement in gross margin?

Akash Agarwal: No.

Aliasgar Shakir: Okay. So in terms of the competition, we are still equally competitive and sharper pricing, right?

Akash Agarwal: Definitely.

Aliasgar Shakir: Got it. Second question I had on the SSSG. So now of course in the past your SSSG were way higher because obviously base was also low. Now we are kind of indicating a 10% SSSG. So just want to understand from an industry point of view and how it should play out for us because generally this industry is seen to be a bit cyclical.

You see 2, 3 years or maybe 4 years of very good strong SSG and then probably because of either market factors or the consumer weakness in terms of purchase, we see the SSG going back to flattish territory for few years and then again rebounding.

So I mean in the context of how the macro plays out, do you see any impact of SSG also for us? Or else if you can just give little bit insight from where this 8%, 10% SSG is likely to come? Is it going to come from increased wallet share, more footfalls? How are you guys thinking about this SSSG?

Akash Agarwal: Yes. First of all, I think our segment is the least cyclical business. I think what we are selling can be categorized as nondiscretionary looking at the average selling price and the price segment that we operate in. So I think the cyclical or the numbers that you're talking about, it relies more on one's own execution level or if somebody makes a mistake.

But I think if you're doing the basics well and you are focusing on the strengths and you keep offering what the consumer is asking you at the right price, then I think we should be able to get a 10% double-digit SSG going forward.

And out of which, I think the ASP increase would be inflationary so it should be about 3%, 4%, 5%. And the rest of that should come from volume growth that can also be from a mix of additional footfalls as well as a rise in average bill value.

Aliasgar Shakir: Got it. Understood. And just last point on the store adds. So just now you indicated that your new stores are around 25% lower than opened in the first quarter. But if you think from a year's point of view, are they breaking even in the year that they are opened?

How much time do they take to breakeven? And for whatever indication we have in terms of our growth, how much will be the drag from the new store or will they be from an EBITDA or PAT point of view accretive in the first year itself?

Akash Agarwal: So like I mentioned, newer stores start from about INR800 as the old stores are doing INR1,100 and our breakeven point is at INR500 per square feet sale. So newer stores are breaking even from the first month of operations itself. It's just that that per square feet sale is 25% lower. So there pre-Ind AS EBITDA would be 6% to 7% and the older stores would be somewhere around 10%.

Aliasgar Shakir: Got it. So they will be likely profit accretive from the first year itself?

Akash Agarwal: Yes.

Aliasgar Shakir: Got it. And just last thing is on your EBITDA margin. Now this quarter also we improved our EBITDA margin. Now I think we are hovering close to around 8% level. So you think you will maintain this and pass on the benefits to the customer in terms of better pricing or you think with your operating leverage, this margin can improve from here?

Akash Agarwal: No. With our operating leverage, I think there is scope for the EBITDA margin to improve. So there are 3 levers for that to happen. So one is the head office and the warehouse cost will be distributed over a larger area. The second is moving the per square feet sale even higher with that 10% SSSG.

And the third is better full price sale and a better product mix. But like I said, our gross margin target is the same. It is around 28%, 29%, which is already passing on most of the benefit to the consumer. So these levers can be used for the expansion of EBITDA margin.

Aliasgar Shakir: Got it. So what is that we should achieve in '26, '27 EBITDA margin?

Akash Agarwal: So the target is 10%, but anything over 8% is good because even an 8% EBITDA margin gets us a 24%, 25% ROE. But of course the target is to reach 10% in the next 2 years.

Moderator: The next question comes from the line of Palash Kawale from Nuvama Wealth.

As there is no response, we'll proceed with the next participant. The next question comes from the line of Varun Singh from AAA PMS.

Varun Singh: My first question is on store addition guidance. I think you mentioned 120 stores. Did I hear it clearly that this 120 store is net store addition for FY '26?

Akash Agarwal: Yes.

Varun Singh: Okay. So I think in front of maybe 70, 72 stores that we added in '25, around 100 or 120 stores we can add in FY '26. That understanding is correct?

Akash Agarwal: Yes.

Varun Singh: Super, sir. And my second question is on the objective of the fundraise. I'm sorry, I actually joined the call 15 minutes late so I'm not sure if you have already answered. But just wanted to get a bit clarity and understanding on the INR400 crores fundraise that we wish to do. So what's the objective of the usage of the fund?

Akash Agarwal: Yes. So it's about accelerating our momentum like increasing the store opening targets by 20, 30 stores every year. It is future-proofing our growth. It is being debt free so paying off all the debt. It is managing our working capital better in terms of being the best Paymasters in the industry so that we can even get better cost from our vendors. It is investing in infrastructure and technology. So it is a mix of all these things that the funds will be used for.

Varun Singh: Okay. Sure. But like as on today in our balance sheet, we have hardly INR100 crores of short-term borrowing and INR20 crores of long-term borrowing, INR120 crores. So I mean is that -- because any which way -- or you are saying that we don't want to invest in short-term borrowing in future?

Akash Agarwal: Can you repeat that question? I lost you for a second.

Varun Singh: I'm saying that in your balance sheet we have INR120 crores of debt as on today or maybe as on FY '25 wherein the bulk of it is short-term borrowing. So like when you say your objective is to repay the debt, you are saying that we will be free from all long-term, short-term borrowing and in future we don't want recourse to banking facilities?

Akash Agarwal: Yes, that's what I meant. So if we raise capital, then we will repay all the debt because it doesn't make sense to have that debt if you're raising money through QIP.

Varun Singh: Okay. So after repaying debt, what is the second major cost that we wish to invest? Is it store opening? And what would be third if stores end?

Akash Agarwal: Yes. So first will be repaying debt. Second will be additional if we open 25, 30 stores also, in 2 years there will be 60 additional stores. So for that 60 stores, we'll need about INR150 crores. And the rest will be for paying off our vendors, better payment terms for vendors so that we get a better pricing, more sharp pricing so that it increases our competitive advantage. And the rest would be for newer warehouse investment, technology investment, infrastructure investment.

Varun Singh: Okay. Understood. And just 1 last question. You spoke about the value chain or the warehousing part wherein we will significantly improve our supply chain, which enables us to maybe do twice 2 days drop in a week.

So in this regard, just wanted to understand that will there be a meaningful -- I understand 1% is your logistics cost, but in the cost of servicing stores from that point of view, will there be a meaningful reduction on that front? And I mean my understanding is it is margin accretive. If you can educate us a little bit on this investment and the benefits?

Akash Agarwal: Yes. So see, increasing the frequency of dispatches or fulfilment at the store, of course it won't reduce the transportation cost. But what it does is we have to hold lesser inventory at the stores. So it improves a lot of store operations and it improves a lot of inventory management at the store. So those benefits would be seen in the subsequent quarters.

So that should lead to even a better higher per square feet sale that should lead to lower inventory at the store level. So those are the benefits of this. And of course it makes the store operations a lot easier because instead of processing 7 days' worth of inventory together in a day, now the store team has to do that for maybe 2 day sale inventory.

Moderator: The next question comes from the line of Rohan from JM Financials.

Gaurav: This is Gaurav from JM Financials. My question is with regards to just a clarification on the volume and the value growth. So when I see the volume growth is around 50% for Q1 and the ASP increase comes around from INR260 to INR300 so it's around 20%-odd. So not 20% -- near 15%, 16%. So where is the disconnect because the top line growth is around 52%?

Akash Agarwal: I think that's because of the change in product mix because we have reduced a lot of general merchandize goods whose ASP was really low like INR30, INR40 and apparel contribution has gone up. So that is why we're seeing such a sharp increase in the ASP.

Gaurav: Okay. That's helpful. Akash, my next question is given that you are increasing the overall scheme of operations with practically 150 stores being added in this year or rather 125 stores being added in FY '26 and another 150-odd over the next year. So how are you building the team strength? What all additions has been done at the overall team basis? You did mention on the warehouse capabilities, but what all capabilities other than this would be required to reach to the next level of your revenue targets and store targets?

Akash Agarwal: Yes. So see, there are 3 pillars to this. So one was of course the supply chain so we've taken care of that. We finalized the warehouses. In terms of technology, we have invested in Centric PLM and Centric Planning.

So that's also a pretty significant investment that will take care of the process planning, replenishment and assortment planning part of it. And in terms of team, so we have been on a hiring phase for the last 2 years because we knew the kind of growth we wanted and we wanted to build a strong foundation.

So we have hired I think a key manager person in a lot of new departments and our business development team used to be 4 members, now it is 16 members. So similarly, that kind of expansion has happened in each and every team because again like if we want to grow at 50% for the next few years, then all the manpower and all the bandwidth is welcome.

So we started focusing on hiring 2 years back and it is still a focus and we are still hiring. But I think we already have a very good bandwidth and we showed that by opening 72 stores last year and we are well on track to open 120, 130 stores this year. So management bandwidth is not a problem because we started focusing on it 2 years back.

Gaurav:

Sure. And the leading question to this is given that now we are seeing many value retailers getting aggressive on store expansion. So if we just calculate the total store openings by you, some Zudio, Style Union, etcetera, it comes to around practically 1,000-odd stores being added during a year.

Now given this, are you seeing inflation in the rentals for the new properties or inflation or any shortage in the manpower that you are looking to hire because the talent crunch again would be limited in that extent. So any cost inflations that you are witnessing here and how are you managing this?

Akash Agarwal:

So average rental currently for us is about INR53. And if you were to look at the average rental of the new stores that we have finalized, I think it's around INR41, INR42. So in fact it is less than the average rentals we are paying today because we have moved away from the idea that in order to enter a market, you need to finalize a store right in the center of the market because we give importance to other factors like floor plate, parking that enhances the customer experience.

And we have seen that the customer -- if you have the right product and the right brand recall, then you can attract the customer 500 to 1 kilometer, 2 kilometers away from the market also. So that is really helping us find good locations with big floor plates, big frontage and at a much, much more competitive price than if you were looking for a location right in the center of a market.

Gaurav:

Sure. Any inflation in the manpower cost that you are seeing given that now there is also diversion of the manpower to the quick commerce guys also? And the lower-level employees, are you facing any challenges to hire there?

Akash Agarwal:

So the lower-level employees at the stores, they're mostly at minimum wage so attrition was always high there. That is why last 5 years we have moved away from being manpower-centric to being a lot of process focused where anyone even in 2 days can get the training and start giving output. So all our store operations does not rely on manpower. They are completely automated. They are completely process driven. So we are not facing lot of challenges there.

Moderator:

The next question comes from the line of Palash Kawale from Nuvama Wealth.

Palash Kawale:

I hope I'm audible this time. So congratulations on the good set of numbers, Akash. My first question is again on the finalizing the location. So what kind of places do you look at apart from

the parking that you mentioned? Is it also like you look for the shape and size of the floor plan that you're getting, like is it also important for you?

Akash Agarwal: Yes, definitely. The floor plan is also important. So we have about 70 different factors we look at; the distance from railway station, distance from the nearest bus station, the average benchmark sale of the competitors, the width of the access road. So we have made a model which helps us give a probability out as to how that store would do. But we have seen from our experience that how many variables you add, the model hasn't been that accurate.

So we take into contingency that if we open 100 stores, we might have to shut down 4, 5 stores. But yes, the floor plan is also taken into account when we open a store in terms of efficiency of display and the customer movement.

Palash Kawale: Okay. That's really helpful. And my next question is like in Q1, it was supposed to be a seasonally slightly weaker quarter because of shift in festive Eid. Despite of that, you have grown by 50%. So is it safe to assume that for the whole year like you'll be easily doing better than what you're guiding right now?

Akash Agarwal: We always believe in under-promising and over-delivering so I wouldn't want to get expectations too high. But yes, definitely, like I said, even in July that trend is continuing. So internal targets are definitely better, but we guide for 50% revenue growth and a little bit of expansion in EBITDA so which is anyways phenomenal in itself. So if we do anything better, it will be over-delivering.

Moderator: The next question comes from the line of Kushal Goenka from Mangal Keshav Financials LLP.

Anshul: I'm Kushal here on behalf of Mangal Keshav Securities. My first question is a follow-up on one of the participant's questions on the QIP. Sir, INR400 crores is more than the total current equity base that we have. So just wanted to know the rationale that isn't this a huge dilution and which would also harm the return ratios for the foreseeable future?

Because currently we are doing around 25% ROE if I'm not mistaken. I'm repeating this, sir, but as you mentioned in the last call also that you would not need any equity or borrowings. So what changed in 1 quarter? And when will the QIP happen?

Akash Agarwal: No. So we've always been clear that if we feel that the good performance continues and we want to accelerate our growth, then we won't look at additional debt and we would look at QIP or equity dilution. And right now also it's just an approval of enabling the QIP process. But we've always been very disciplined in our capital allocation. Our return metrics speak for themselves.

And I think if we do a QIP, it will always be in line with creating long-term value for all our shareholders. And I've already mentioned the needs and if we raise funds where it will be used. So I think it's about -- if you're doing well, it's about the next 3, 4 years is a good time to get good market share in this Indian value fashion market.

Anshul: Okay. And sir, since you are planning to become a full-fledged pan-India player so are we planning to hire more senior management like a CEO or regional heads?

- Akash Agarwal:** Yes. So we are hiring across departments and we are looking for senior managerial people also. And we have hired in fact 3 key managerial personnel in just last 3 months. So with the kind of growth trajectory we are on, we would need all the bandwidth and we are well prepared and we are looking for good people who can contribute to our business.
- Moderator:** The next question comes from the line of Vishnu Lakhani from Bastion Research.
- Vishnu Lakhani:** Congratulations, sir, for this type of presentation. I have a question regarding brick-and-mortar, which currently you are using. Are you planning to get into online or we are just going to continue in the brick-and-mortar?
- Akash Agarwal:** Yes. We are exploring the omnichannel business. But I had mentioned this earlier that we are still struggling with a good technology partner and it's not of a very urgent priority for us. Even when that omnichannel business gets mature, it would not contribute to more than 4%, 5% of sales looking at the...
- Vishnu Lakhani:** Understood, sir. Second is regarding raising capital. Sir, earlier you mentioned that we are not going to raise capital. Is there a possibility in near future that we will raise capital again?
- Akash Agarwal:** Sir, there's a lot of disturbance from your line. Your voice is not clear at all.
- Vishnu Lakhani:** My questions are already answered.
- Moderator:** The next question comes from the line of Varad Patil from New Vernon Capital.
- Varad Patil:** So what will be our total capex for FY '26? And also can you break it down into the capex for new stores, the warehouse additions that you're doing and let's say there's an 18 on top of it?
- Akash Agarwal:** So we plan to open 120 stores this year so that is around INR300 crores of capex plus inventory required for those stores. And if you include technology, warehouse; that will be additional I think INR40 crores of capex.
- Varad Patil:** Okay. For this year. And earlier you used to guide for INR2 crores capex per store including...
- Akash Agarwal:** It was always INR2.3 crores to INR2.4 crores. So, capex is...
- Varad Patil:** So, is there any reason, costs?
- Akash Agarwal:** No, capex was INR1.1 crores and inventory was about INR1.3 crores paid inventory. So it was always INR2.3 crores to INR2.4 crores and it is still at the same level.
- Varad Patil:** Okay. So INR2.5 crores is a higher end of the range that you're expecting?
- Akash Agarwal:** Sorry, sir, you're not audible.
- Varad Patil:** So you mentioned INR2.5 crores per store. So that is the higher end capex per store that you're expecting. It's not an average blended basis?

- Akash Agarwal:** No. So it was always INR2.4 crores. So I'm just rounding it up because if every quarter we're opening 30 stores, there will always be additional inventory in the system for those upcoming stores.
- Varad Patil:** Okay. So you're not witnessing any increase in capital costs from new additions?
- Akash Agarwal:** No.
- Moderator:** The next question comes from the line of Devanshu Bansal from Emkay Global.
- Devanshu Bansal:** Akash, you mentioned increasing the frequency of drops at the stores, right? So I wanted to check because we did some visits to your stores, which suggested that you also have a local warehouse, which is quite differentiated versus the other value retailers that operate in the specific areas.
- So how do you see that? Because obviously with local warehouse, we could have stocked inventory at stores and gradually sort of bring them on the main floor. So do you plan to move away from that local warehouse model by increasing the frequency of drops at your stores? Just wanted some thoughts around that.
- Akash Agarwal:** Yes. So currently, the store warehouse takes anywhere between 7% to 8% of the floor area. And now that we're doing hub and spoke and the frequency has increased, we are reducing the warehouse area to just 2% to 3%. So that gives more space for the customer, more space to display more options and less store operations in terms of put away and picking.
- Devanshu Bansal:** Understood. And currently, you mentioned that your inventory at store is INR1.1 crores and obviously with higher frequency of drops, you would be requiring lower inventory at stores. So what is your targeted inventory per store maybe going ahead down 1 to 2 years down the lane when you sort of affect this model. So what is the target of inventory reduction at stores?
- Akash Agarwal:** So currently we keep about 10 to 12 days of sales cover at the store. We plan to bring it down to just 3 to 4 days except the display stock. So there's a display stock and then there's a 10- to 12-day sales cover at the store. So we plan to bring that down to just 3 to 4 days.
- Devanshu Bansal:** Understood. And any idea as in what would be the segregation between display and cover as in broadly between...
- Akash Agarwal:** Display is always constant no matter the per square feet sale of the store and the sale is dynamic. So display is about you can say is 40 to 45 days and rest is sales.
- Devanshu Bansal:** Understood. And sir, lastly, also wanted some clarity on in-house versus outsourced manufacturing that we will be pursuing. So currently what was the component of in-house sourcing for us through our own manufacturing facility?
- Akash Agarwal:** It was about 5%.
- Devanshu Bansal:** Okay. Only 5%. And from a new store expansion perspective, what were the...

Moderator: Sir, sorry to interrupt. May I request you to join the queue again?

Devanshu Bansal: Sure.

Moderator: The next question comes from the line of Ankush Agrawal from Surge Capital.

Ankush Agrawal: Just one thing, Akash. So in last 1, 1.5 years, we have clearly accelerated the store additions. This quarter the store growth is almost 70%. And now with the fundraise also, we are looking to accelerate more even though it is good because you're seeing positive signs. But the other aspect is also that an uncontrolled store expansion is basically the primary reason why a lot of retail outlets eventually fail.

We also had a past bad experience as well. Obviously the balance sheet is different. But like back in 2017 also we added, say, 70% more stores in just 1 year and then next few quarters were not good because the SSSG was not good. So how do you see that kind of a risk going ahead now given that we are continuing to add stores at a very rapid pace?

Akash Agarwal: Yes. So first of all, whenever we talk about store opening numbers, we've always mentioned that we don't want to blindly chase growth by compromising on any of the metrics that is per square feet EBITDA, per square feet gross margin. So whatever expansion happens, it happens in phases.

So the next phase of expansion is always dependent on the execution of the previous phase. So the day we feel the newer stores are not within the benchmark of 30% of old stores, the old stores SSSG is going down or any of the metrics we see that it's not up to the mark; then we would just postpone and cancel the next expansion phase.

And second, we have never been in this position where we have the leadership position in terms of per square feet sale, in terms of profitability. And wherever we have a store, we are at least 30% to 40% higher in terms of throughput and sales than our competitors. So I think we've never been in this position of strength where we felt that we were strong enough that now we can open or grow at this speed.

And third, if you look at the last 4, 5 years, that was a period of consolidation. So if you look at the growth over 5 years, then it would not look that much. So those 4 years were about strengthening the model, increasing the per square feet sale from INR650-odd to more than INR1,100 for the old cohort of stores. So there has been a fundamental change in the business, which gives us this confidence.

And like I said, it's only after we have built a foundation now in terms of management bandwidth, in terms of technology, in terms of getting the product right, getting the supply chain right. So there's very little manual intervention in a lot of processes of the business. So that overall gives us the confidence that we can do this.

And last year also the 72 stores that we opened, the response has been phenomenal and the kind of customer feedback that we are getting. And so this I think altogether gives us the confidence that we should be accelerating growth.

- Ankush Agrawal:** Right. So just 1 thing. So in your understanding, if you're getting, say, 8%, 10% SSSG, then you're comfortable opening, say, 50%, 60% store addition. In your understanding, that is not a risk, right?
- Akash Agarwal:** So there are 2 things here. So SSSG is one and second is what percentage -- what per square feet sale are the newer stores doing? So that has to be within 30% of old stores. So even with a 10% SSSG, if newer stores are doing maybe 40%, 50% less than old stores, then we would have to rethink the strategy.
- Ankush Agrawal:** Okay. So 8%, 10% SSSG and 30% lower square throughput is the right benchmark to look at?
- Akash Agarwal:** Yes, yes.
- Moderator:** The next question comes from the line of Rohan Advant from Prad Capital.
- Rohan Advant:** Congrats on a good set of numbers. Sir, my first question is that your ability to improve your pre-Ind AS EBITDA margins from the 8% to 10% for the next couple of years in spite of such a significant ramp-up in store addition. Is that dependent on a certain SSSG number at this 8%, 10% you feel confident there are enough levers to deliver that or would you need a higher SSSG to expand margins from here on?
- Akash Agarwal:** So yes, it's a very valid question. So the aim of 10% EBITDA, for that we would definitely need a higher SSSG. I think the SSSG we need for that would be around 13% to 15%. That is why I also said anything above 8% is good. That is our aspiration.
- That is where we want to get to. So there should be higher SSSG and of course better product mix, better full price sale and of course cost leverage also. So all those 3 things need to happen for the EBITDA to expand 200 basis points in the next 2 years.
- Rohan Advant:** Okay. And at that 8% to 10%, 8% margin is defendable?
- Akash Agarwal:** No, if it is 8% to 10%, then we might go till 9%. We might not reach 10%.
- Rohan Advant:** And just lastly, on the pre-Ind AS versus post-Ind AS accounting, one of your peers has I think restructured their leases to bridge the gap between the 2. Do you plan to do something like that or you are not really thinking about it?
- Akash Agarwal:** No. So like we track business performance on just pre-Ind AS basis. So I think it would be redundant to focus on the post-Ind AS because I think for a business like ours, it's an irrelevant number. So we focus always on pre-Ind AS numbers and we always give guidance on pre-Ind AS numbers. So we don't need to do that.
- Moderator:** The next question comes from the line of Jatin Deshpande from Pkeday Advisors.
- Jatin Deshpande:** So firstly, I wanted to ask on the SSSG. So can you share the SSSG number for the stores that are greater than 2 years old if you have any idea about that?

- Akash Agarwal:** So I don't have it offhand, but what we have traditionally and historically seen is the newer cohort stores are growing at a higher rate than the old mature stores.
- Jatin Deshpande:** Right. So yes, that is the reason I'm asking is, as you say, this 8% to 10% SSSG is sustainable. So like can I assume that it is going to be the same for the next 3 to 4 years?
- Akash Agarwal:** Yes, we would like it to be the same for the next 3 to 4 years. But again it all depends on the execution. But if your business model is good, if your product offering is good, there is enough customers in the market and there is enough customers entering your total addressable market every year for a good brand to be doing a double-digit SSSG.
- Jatin Deshpande:** Got it. And my last question is on the store ramp-up that you have planned. So I have to assume that your stores do much better in our core markets like UP, Bihar. So what are your -- how you plan adapting newer stores in the new markets like, let's say, Karnataka or Maharashtra, like how you plan the merchandize and the trends there?
- Akash Agarwal:** So I already mentioned this also that the newer stores that we opened in newer geographies, they are at the same level as the newer stores in the old geographies. But whenever we enter a new geography, we collect a lot of data from the store that we've opened. And all the subsequent stores that we open in the new geography or the new state, it already has the assortment and the space allocation by using the data from the older store.
- Jatin Deshpande:** Got it. And any problem on the supply chain side? Like do we have any concentration risk from the vendor side or we have a diverse set of vendors there?
- Akash Agarwal:** So we have about 250 vendors so it's pretty diverse and we have more than 500 vendors who want to work with us. So that's not a challenge. And we are not over reliant on any single or any group of vendors.
- Moderator:** The next question comes from the line of Karthik from LFC Securities. As there is no response from the participant, we'll proceed with the next participant.
- The next question comes from the line of Rajesh Vora from Jainmay Venture.
- Rajesh Vora:** Congrats on pretty good set of numbers. Your aspiration has been to reach INR1,500 revenue per square feet per month. Is that possible in the next 3 years given this aggressive ramp-up of new stores?
- Akash Agarwal:** Sorry, can you repeat that question?
- Rajesh Vora:** Your aspiration has been to reach INR1,500 of revenue per square feet per month for V2 Retail. Is that possible in the next 3 years given aggressive ramp up of new stores?
- Akash Agarwal:** I think that's being too optimistic. Even if we reach INR1,200 PSF at the national level old and new stores combined in the next 3 years, that would be amazing trajectory for the business. Because even with the INR1,200 per square feet of sale, I think the ROE numbers are around 40%, which is phenomenal. So that would be our first target before we talk about any number higher than that.

- Rajesh Vora:** Okay. That's useful. And at that level of INR1,200 per square feet per month, pre-Ind AS EBITDA margin should be what, 8%, 9% higher?
- Akash Agarwal:** No, at INR1,200, it should be around 11%.
- Rajesh Vora:** 11%. Okay. And that you think is feasible in the next 3 years?
- Akash Agarwal:** If we continue doing the good work and if we are on this trajectory and we continue the momentum, then yes, that is the target.
- Rajesh Vora:** Interesting. That's useful. With CEO leaving recently, are you assuming that role or are you looking for a new gentleman? How are you thinking about that?
- Akash Agarwal:** So I have assumed that role currently, but we are on the lookout for a lot of positions also because with the growth trajectory, we need more people. But right now I'm handling it and I've assumed the role and yes.
- Rajesh Vora:** Okay. And last thing, what is the typical incentive structure for store staff who are doing a great job and helping the company grow pretty well consistently over the last few quarters and we have already reached 92% of MRP. So what's the typical structure? And given the aggressive growth we are planning, how can you maintain your best-in-class rigorous processes and SOPs with this kind of growth?
- Akash Agarwal:** So yes, lot of our key personnel at the store and head office, they've all been given retention bonuses. And in terms of variable salary, so each one of them have monthly, quarterly and annual targets. So they have different slabs. They can earn as much as 50% of their salary if they achieve certain targets. So last 2 years because we've performed so well, I think average everyone has been getting about 15%, 20% variable percentage of their salary and that seems to be working well for us and motivating our employees.
- Rajesh Vora:** Interesting. And does that mean that we are amongst the best paymaster on a total basis compared to our competitors where these folks can work or have been working before?
- Akash Agarwal:** Yes, definitely because we'll be able to achieve our targets. So of course with the incentives, we would definitely be paying them more than what their counterparts are earning at competitions or competitors. But we don't have the exact benchmarking. But looking at a lot of store managers and assistant store managers, the attrition has been lesser since we have announced this scheme. So it seems to be working well.
- Moderator:** The next question comes from the line of Aakash from AJ Wealth.
- Aakash:** Congratulations for a great set of numbers. So one question related to -- for last 2, 3 years we have rapidly expanded and this year again we are planning to open 100-plus stores. So many consumer companies are reporting weak or muted demand. So don't you see any risk in expanding at such a high pace in the current environment?

- Akash Agarwal:** We are expanding not for the short term or just to get profits of 1 year or 2 years. It's a long-term expansion for the next few decades. So short-term macroeconomic factors can't affect decision-making in terms of growth trajectory of the business.
- Aakash:** Okay. And last one, sir, I mean our full price sales are at 92% and compared to other retailers, this is quite high. So how are we maintaining such high full price realization? Is it a function of brand positioning or supply chain efficiency or store level execution?
- Akash Agarwal:** So it's a mix of better forecast, better merchandising, better supply chain. So I think it's a mix of all those things. The teams being efficient and offering the right kind of fabrics, colors, fits that the customer likes and we don't have to put it at a discount.
- Aakash:** Okay. And just last one, sir, on your design team. Your in-house design and product development team, they play a very superior role. So what is your competitive edge there?
- Akash Agarwal:** It's very hard to explain that on a call until and unless you go and visit our store and see our products versus our competitors because everybody on call can say their products are better or their assortment is better. So you need to actually see the product, see the pricing, see the quality to understand why our per square feet sale is higher, why our footfalls are higher, why our conversions are higher and why is profitability higher.
- Moderator:** Thank you. Ladies and gentlemen, we'll take this as the last question for today. I would now like to hand the conference over to Mr. Akash Agarwal for closing comments.
- Akash Agarwal:** Thank you all for joining us on today's call. We hope we've been able to address your questions and provide clarity on our performance and outlook. Should you require any further information or have any additional queries, please feel free to reach out to Marathon Capital, our Investor Relations Advisors. They'll be happy to assist you. We appreciate your continued interest and support.
- Thank you and have a nice day.
- Moderator:** Thank you very much. On behalf of V2 Retail Limited, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.