

# VISHAL MEGA MART LIMITED

(Formerly known as Vishal Mega Mart Private Limited)

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**Date: August 20, 2025**

To <b>National Stock Exchange of India Ltd.,</b> Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051 NSE Scrip Symbol: VMM	To <b>BSE Limited</b> Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400001 Scrip Code: 544307
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Dear Sir/ Madam,

**Subject: Transcript of Earnings Conference Call on results of the Company for the quarter ended June 30, 2025**

Pursuant to Regulation 30 read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of Earnings Conference Call on results of the Company for the quarter ended June 30, 2025, held on Thursday, August 14, 2025. The copy of transcript is also available on the Company's website at <https://aboutvishal.com/>.

You are requested to kindly take note of the same.

Thanking you.

For **Vishal Mega Mart Limited**

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**Rahul Luthra**

**Company Secretary & Compliance Officer**

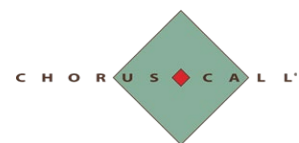
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“Vishal Mega Mart Limited  
Q1 FY '26 Earnings Conference Call”  
**August 14, 2025**

E&OE: This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on August 14, 2025, will prevail



**MANAGEMENT: MR. GUNENDER KAPUR – MANAGING  
DIRECTOR AND CHIEF EXECUTIVE  
OFFICER  
MR. AMIT GUPTA – CHIEF FINANCIAL  
OFFICER**

**Moderator:** Ladies and gentlemen, good day and welcome to the Vishal Mega Mart Limited Q1 FY26 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involves risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rahul Agarwal from Strategic Growth Advisors. Thank you and over to you, sir.

**Rahul Agarwal:** Hi, good afternoon everyone and thank you for joining us on Vishal Mega Mart Limited Q1 FY26 earnings conference call. We have with us Mr. Gunender Kapur, MD and CEO and Mr. Amit Gupta, CFO. I hope everyone got an opportunity to go through our financial results and investor presentation uploaded on the company's website and stock exchanges.

We will begin the call with opening remarks from management, following which we will have the forum open for question and answer session. Before we start, I would like to point out that some statements made in today's call may be forward-looking in nature and the disclaimer to this effect has been included in the earnings presentation shared with you earlier. I would now like to invite Mr. Gunender Kapur, MD and CEO to give his opening remarks. Thank you and over to you, sir.

**Gunender Kapur:** Okay, thank you very much, Rahul. Very good afternoon, ladies and gentlemen and welcome to the Vishal Mega Mart earnings call. I will very briefly take you through the key highlights for Q1 FY26 and then we will maximize the time for Q&A.

Our business grew by 21% in the quarter. This was based on a same store sales growth adjusted of 11.4% and of course, new store openings, which were in an absolute sense, 23 in number. The gross margin of the business improved from 28.2% to 28.4% in Q1 FY26. The EBITDA margin improved from 14.1% to 14.6%. On an adjusted basis, which is pre-ESOP charges and pre-Ind AS 116 it improved from 9.3% to 10.3%. Our PAT improved from 5.8% to 6.6% and our PAT adjusted for ESOP charges improved from 6% to 6.9% this year. I'm sure all these numbers are with you.

In this quarter, we've opened as I mentioned, 23 new stores and we've also opened in the Q1, a store in Maharashtra and Gujarat, as a pilot and I had spoken briefly about this in the last earnings call. As of June end, we now have 717 stores. We are present in 472 cities.

We've added 16 cities (Note: This was said erroneously. It is 14 cities) in this quarter with a total trading area that is 12.4 million square feet. The contribution of our private brands continues to improve in the current quarter in Q1 FY26 i.e. it is 75.8%, which is 170 basis points improvement Y-o-Y. Our QuickCommerce business has expanded now to 670 stores across 445 cities in the country and the number of consumers and customers who are registered on QuickCommerce has increased to ~10 million people. So with these very brief comments on the quarter results, I will now open the floor for questions. Thank you.

**Moderator:** Thank you very much, sir. We will now begin the question and answer session. We have our first question from the line of Vivek from Jefferies. Please go ahead.

**Vivek:** Hi, GK. Hi, Amit. A few questions, please. First, before I ask you about your business, can you just talk about what trends are you seeing on the ground, briefly about the consumer sentiments, et cetera, whatever you're picking up?

**Gunender Kapur:** Sure. Firstly, hi. Good afternoon, Vivek. I can share a very personal perspective. I think the expectation continues that the consumer demand will improve after the changes which were announced on income tax. That expectation continues.

While we do not quite operate in the rural areas, as you know, all our stores are in the urban centers. I have heard in the marketplace that there is some uptick in the rural demand. So, yeah, firstly, expectation that the consumer demand will improve on the back of more money in the hands of consumers and market sources say that there is some uptick in the rural demand. So, yeah, that's what I've heard, Vivek.

**Vivek:** Got it. The second question, GK, last quarter, you had mentioned that, you know, operating leverage benefits, whatever that you derive, this will be plowed back into growth. And this quarter, of course, it's a welcome thing that margin has moved up. But how do you think about from a four-year perspective or medium-term perspective on the, let's say, pre-Ind AS margins? Because I think that's more relevant after the rental cost.

**Gunender Kapur:** So, Vivek, if I recall correctly, and I may be wrong, we had said that the gross margins will remain flat. And as you would notice in the quarterly results, gross margins have improved but slightly from 28.2% to 28.4%. And as a combination of this and the operating leverage, the EBITDA margin has improved from 14.1% to 14.6%.

So, I would just, Vivek, for the sake of clarity, repeat that we will keep our gross margins constant. And any improvement in the gross margin would be significantly invested back in growth and improving quality of a business. But our EBITDA margin will continue to improve basically at the back of operating leverage.

**Vivek:** Okay, got it. And my bad if my understanding was incorrect. Lastly, GK, if we look at some of the retailers in India, decade back or 20 years back, they started with a journey where own labels started at a smaller proportion and ultimately, in at least fashion side, it has become 100% of

their overall retail sales today. Where do you think your own labels will settle at in the next five to 10 years?

**Gunender Kapur:** So, firstly, Vivek, in the clothing business, 100% of our business is private brands now. So, clothing specifically, yeah, it will stay at 100%. But the improvement will largely happen in general merchandise and FMCG. So, the increase that we are seeing in the overall gross, overall contribution of private brands in this quarter, it's mostly in FMCG and general merchandise.

That trend will continue, but it may not grow at the same pace as we've grown historically in terms of percentage, because quite obviously, the easier and the larger opportunities have already been exploited. So, apparels, we'll stay at 100%. GM and FMCG will continue to improve over the years. That is where we are at the moment.

**Vivek:** Okay, and just one follow up.

**Moderator:** We'll request you to rejoin the queue, please, as there are several participants awaiting their turn.

**Vivek:** Sure. Thank you.

**Moderator:** We have our next question from the line of Percy Panthaki from IIFL Securities. Please go ahead.

**Percy Panthaki:** Hi, team. Good morning. Congrats on a very good set of numbers. My question is on the margins. So, this quarter, pre-Ind AS basis, you have almost touched 10%. Just wanted to know your normal seasonality in a normal year is Q1 higher than or lower than the full year margins?

**Gunender Kapur:** So, I'll tell you in slight detail as to how it pans out. Our quarter one is typically good. Our quarter three, which is the festive quarter is the best. And relative to these two quarters, quarter two and quarter four, with the end of season sale, and we have events like Shraddh, which is, for example, this year in September. So, quarter two and quarter four are relatively muted. Quarter one and quarter three are very good. Between the two, quarter three is higher.

**Percy Panthaki:** Understood. Very clear. And just wanted to understand on margins, how you look, you did reply to Vivek, but just confirming that as long as you get operating leverage, you would be okay to let margins expand. There is no limit to that number. You are not capping it saying that even the operating leverage will be reinvested at some point of time.

**Gunender Kapur:** No, we are not saying that at all. But I must say that the improvements on the EBITDA margin at the back of operating leverage will be in the same ballpark as they've been in the past, which is 0.2, 0.1, 0.3. The similar ballpark.

**Percy Panthaki:** Got it. Understood. That's all from me. I'll come back in the queue because there are a lot of people. Thank you.

**Moderator:** Thank you. The next question is from the line of Latika Chopra from JP Morgan. Please go ahead.

**Latika Chopra:** Hi, GK and Amit. Thanks for the opportunity. I just wanted to double click on SSG. You know, at 10.5%, it has clearly outperformed most of the other retailers in this quarter. And despite some of the festivities moving in Q4 of last year. At a very broad level, we understand the key moat of your business. But what is driving this extent of outperformance for such deals?

Also, I heard you talking about improving demand environment. Does it give you a confidence that in sustaining this double digit kind of SSG momentum for the rest of the year? And if you could give incremental flavor also on how much of this is transaction led versus a mixed led? That's the first question.

**Gunender Kapur:** Firstly, hi Latika. And I just wish to confirm the first thing that you said. Our performance this quarter was indeed to a very small extent impacted by the fact that Ugadi and Eid Festivals, which were in April last year, this year, they were in March. So yeah, so that is absolutely correct.

So Latika, our growth in quarter one was largely driven by transactions, with a smaller contribution coming from people buying more items and people upgrading to higher price points. The largest contributor to the growth was the improvement in the number of transactions.

**Latika Chopra:** Understood. And the other part of the question was, your confidence levels in sustaining this kind of momentum of double digit SSG. Since some of your peer groups, have clearly not delivered this kind of number. So, I'm just trying to understand, clearly execution momentum would keep numbers at these levels?

**Gunender Kapur:** So Latika, I can summarize my feeling by saying that our endeavor, every quarter would be to ensure that we are consistent with our past performance. If you recall, we had said that earlier also. So, I can reconfirm that statement that our endeavor, our effort would be absolutely in a very disciplined manner, directed towards ensuring that our performance is consistent with our past performance.

**Latika Chopra:** Understood. And second piece, just on margins side, any incremental thoughts on what are you sensing on labor inflation and rental inflation in general? And how should one think about that?

**Gunender Kapur:** So, as you know, the rental inflation will happen as per the lease contracts that we signed with the landlords. And that is typically 5% per annum. The wage inflation will also happen in the ballpark of 5% to 7%. It is a bit dependent on when the state elections happen, etcetera, because that's the time the minimum wages go up. And they may go up by more than 5%, 7%, which I just mentioned.

But that's typically the kind of wage inflation that we have experienced. And our expectation that will be that it will be in a similar ballpark. Beyond that, as you know, commodity prices are more stable at the moment. And it's very difficult to predict on commodity prices how they'll pan out, given the global context. So, yes, we are just very vigilant and watching how those prices pan out.

**Latika Chopra:** Understood. Thank you so much.

**Gunender Kapur:** Thank you.

**Moderator:** Thank you. We have our next question from the line of Nihal Mahesh from HSBC. Please go ahead.

**Nihal Mahesh:** Yes. Good evening. Two questions.

**Moderator:** Sorry to interrupt you, Mr. Nihal. Can you please be a little louder?

**Nihal Mahesh:** Two questions. First in the quarter, we did mention, obviously, about the benefit of operating leverage. Just to clarify, for the other expenses, we saw a growth similar to top line, despite 10% SSG. So what has driven this kind of a high increase in the opex for us, just to understand better?

**Gunender Kapur:** So, our total expenses have gone up, basically, as I mentioned, on account of the contracted rentals going up, on account of wage inflation, on account of a marketing expenditure. And, yeah, those are the key elements which have contributed to our increase in expenses. And there is really nothing else beyond that.

**Nihal Mahesh:** Understood. GK, the second question was on the private label share. I think last quarter, you did mention that at least in the FMCG business, around 60% of the volumes and around 35% of value happens via the private label business.

Just to understand that from here, just like in apparel, is there an aspiration to take this number to 75%, 80%? You just mentioned right now on the call that maybe the low-hanging fruits have been taken. But is the aspiration to keep inching this up or the number staying at the current level is also something that you are fine with?

**Gunender Kapur:** No, our endeavor, again, would be to ensure that this number keeps inching up. But I did mention that the pace of increase as a percentage would probably be lower than where we started with the private brand agenda. But yes, I can confirm that the number will keep improving, both in general merchandise and FMCG.

**Nihal Mahesh:** Just one follow-up here, that incrementally the hindrance is more about certain categories having an adoption or from a supply chain perspective, maybe getting our offerings in place to be equally good or better than, say, what branded competitors are offering?

**Gunender Kapur:** So, it will be on two fronts. One is, of course, the smaller the category, the more challenging it becomes to create a supply chain for a private brand because the volumes are very low. So, that, of course, is one challenge. And as you would know that the larger categories have largely been done and what is left is the smaller categories.

And the second factor would be that categories which are highly emotional in nature and where the emotional content of the benefit of that category or brand is very high, we would be, our adoption would be somewhat slower because we don't advertise in mass media our individual private brands. So, quite obviously, where the emotional content of the brands is very, very high,

and you can think of many examples of that in FMCG, there, of course, our adoption in our expectation would be somewhat slower.

So, both the factors, the supply chain for smaller categories because of very low volumes would be somewhat more challenging and expensive. And also, the brands where, for example, soft drinks and things of that sort, the relevance and adoption of a private brand could be somewhat slower.

**Nihal Mahesh:**

So, that's very clear. Thank you so much and wish you all the best.

**Moderator:**

Thank you. We have our next question from the line of Gaurav Jogani from JM Financial. Please go ahead.

**Gaurav Jogani:**

Thank you for taking my question. I have only one question with regards to the competitive intensity. I mean, we've been seeing, there is a lot of expansion by players in not only the apparel space, but even the largest grocery player is also kind of expanding in the northern part of India.

How do you see these competitive intensity impacting your overall cost items, even in terms of rental? There will be more demand for the space, more demand for labor. So, your incremental addition does this impact on the cost of the items in any way??

**Gunender Kapur:**

Okay. So, quite honestly, competitive intensity has, at this level, what we are experiencing at the moment has been a feature of our industry for the last 3, 4 years, actually, after COVID. It has never really gone down in a significant way, as far as expansion is concerned by all the other organized sector players. So, that continues, and you're absolutely right there.

And our approach in this situation is to be very disciplined about our execution. And by that, what we mean is that we get properties in the right locations, and do not take a large risk there. We get properties with the right level of rentals, and do not take a huge risk there. And we execute brilliantly in terms of opening new stores and running new stores, because our goal remains the same, which is to open successful new stores. So, yeah, in summary, I can say that the competitive intensity has been at this level for quite some time.

**Gaurav Jogani:**

Okay. Thank you, sir.

**Moderator:**

Thank you. We have our next question from the line of Tejash Shah from Avendus Spark. Please go ahead.

**Tejash Shah:**

Hi. Thanks for the opportunity and congrats on a very good set of numbers. GK, just you briefly mentioned on consumer sentiment, and then very much kind of our SSG seems to be doing far better than what the broader consumer sentiment seems to be. So, just two dimensions there. Has the footfall improved for us, or the conversion rate has improved dramatically? A. And B, do you think we are gaining disproportionate market share in our level market, or is it not trackable on a live basis?



- Gunender Kapur:** Okay. Great. See, our growth, SSG, this quarter has been largely driven by increasing footfall, right, by increase in transactions. The contribution of people, existing customers buying more number of items has been lower, relatively speaking. Now, given the fact that we are largely gaining new footfall, and that is driving our same-store sales growth, my speculation is that we are gaining market share.
- Tejash Shah:** Perfect. And we were running some pilots in Gujarat and Maharashtra last time when we spoke, so any update on the same where are we on that?
- Gunender Kapur:** Okay. Great. I'm happy to report that we have opened in June quarter one store in Gujarat. Now, we have two new stores in Gujarat, one in Naroda Ahmedabad and one in Anand (Anand store opened in July 2025). And equally, we have one new store in Maharashtra in Pune Talegaon. Of course, it's too early to come to a conclusion on the performance, but I can tell you that the early signs are very encouraging. And based on that, we have actually now started looking for incremental properties in both these states.
- Tejash Shah:** Sure. And the last one, if I may, GK, there was an unfortunate incident in Karol Bagh store. So how are we ensuring or what measures are we taking so that at least on the safety side, we are not compromising for our store current network and the future network?
- Gunender Kapur:** So, firstly, the incident in the Karol Bagh store was absolutely the most horrible and deeply distressing thing which has happened to our business ever since we started operations 13 years, 14 years back. I cannot recall anything which has been more depressing and more distressing for us. And we mourn the loss of the two lives and it has been an episode which we will probably never be able to forget.
- Now, shifting gears to the second part of your question, immediately after that episode, while we are still waiting for the final conclusion by the regulators on what specifically happened there, because as you can imagine, the store was immediately sealed after the fire incident and we still do not have access to the store. So we are waiting for the conclusions to be arrived as to what exactly happened.
- But in the meantime, we have contracted the two best fire management companies on the planet and asked them to review our fire management systems and actually applied their latest technologies in our stores. So there is a very large pilot which has already started and ensuring that we upgrade our stores to the latest level of understanding, knowledge and expertise. So that's at one level. So there is -- I wish to confirm that there is a pilot which has already started with both of them. And these are the number one, number two in the world.
- At the same time, we have launched a major training campaign for our store employees. And reviewed all the SOPs at the store and the compliance of the SOPs at the stores with a lot of focus and daily rigor. So we are dealing with the issue on both the fronts.

One is to upgrading our fire management system to what is absolutely the latest and best in the world in the stores, including processes. And at the second level, to ensure that the compliance with SOPs and the daily execution of the SOPs which are critical for any fire management process is being monitored, reviewed and corrected every day of the year in 100% of our stores.

**Tejash Shah:** Thanks. Thanks, GK. Thanks for the detailed answer and all the best for coming quarters.

**Gunender Kapur:** Thank you very much indeed.

**Moderator:** Thank you. We have our next question from the line of Sagar Tanna from Alchemie Capital. Please go ahead.

**Sagar Tanna:** Hi, sir. Can you talk more about our quick commerce and how is it shaping up, especially in the three categories? And what are the trends that you are seeing in those micro markets?

**Gunender Kapur:** So, yeah, sure. So firstly, we -- as you know, we are continuously expanding our quick commerce offering to our consumers and customers across our stores. So at the end of June quarter, we were servicing 670 out of the 717 stores that we have. And the quick commerce benefit was available in 445 cities in the country. There are now ~10 million customers who are registered on quick commerce and the contribution of quick commerce to our overall store revenue is improving.

I can give you a range for the very new and highly competitive towns. It could be 2% to 3%. But in towns where we've been there for a while and which also are somewhat less competitive, our contribution is as much as 6% to 8% of the store revenue. So it's a constantly developing and evolving situation, because every day we are adding new stores, and therefore, all the stores are at very different levels of evolution. But I can confirm to you that we are very satisfied with the way it's progressing.

**Sagar Tanna:** And among the categories, where are you seeing a traction?

**Gunender Kapur:** The maximum traction is as we had expected in FMCG, food and grocery. And the other two categories, which is clothing and general merchandise is relatively lower.

**Sagar Tanna:** Got it. And my second question, sir, in-house or third-party quick commerce platforms? What are your thoughts?

**Gunender Kapur:** At this moment, in-house. As you know, we are not present in any third-party either quick commerce or e-commerce platforms, because I believe that we have a unique advantage with a very widespread store network across 470 odd cities in India. And I think that competitive advantage that we have which is that we are present in 472 cities in India with physical stock available in 472 cities in India is a big benefit for a quick commerce business. Both in terms of delivering high fill rates and in terms of ensuring that a goods are delivered on time. So we have a unique advantage. So we will leverage that.

**Sagar Tanna:** Got it. Thank you sir and all the best.

**Moderator:** Thank you. The next question is from the line of Sheela Rathi from Morgan Stanley. Please go ahead.

**Sheela Rathi:** Thanks for taking my question. Hi GK, hi Amit. So my first question was just a follow up to one of the responses you gave in terms of the key quarters for us where you called out that 1Q and 2Q are the key quarters from a growth perspective. Just wanted to understand from a profitability standpoint, gross margins EBITDA margins which would be the relevant quarters?

**Gunender Kapur:** So Sheela I must clarify I said quarter 1 and quarter 3 and I had said that quarter 2 and quarter 4 is relatively lesser. Now it is for very obvious reasons. One is that quarter 2 as you know is the end of season sale period for clothing post spring summer plus in quarter 2, we also have a Shraadh period which is quite impactful in North India where people do not buy new things.

For exactly the same reasons, quarter 4 is relatively lesser because that is the end of season sale for autumn winter season, which is January, February, March. So, these two are lesser. Quarter 1 and quarter 2, quarter 3 sorry are higher because quarter 1 is the onset of spring summer with Holi.

And quarter 3 is when we have, let's say festivals like Pooja, depending on when it falls in that particular year, but definitely Diwali, Dussehra, etcetera. And it's also the quarter when the winter season starts in Delhi. And winter merchandise is typically in clothing at a higher selling price. So, both in terms of revenue and margins, quarter 1 and quarter 3 compared to quarter 2 and quarter 4 are relatively more rewarding.

**Sheela Rathi:** Understood. Very clear. Thanks for that. My second question, GK is the consumer sentiment has been pretty muted. And obviously, your growth has been tracking much higher, given that we play in the right category and the value proposition which we have. Just from your standpoint, what are the barometers you track in terms of when you sense that there is a bit of a slowdown in terms of the demand trend? I know footfall could be one of them, but just want to hear from you. How do you track the sentiment for your business?

**Gunender Kapur:** So in terms of our business indicators, Sheela, you're absolutely right. I mean, it is the footfall, it is the average bill value and the split of average bill value into two components. One is the number of physical items that each customer is buying on each trip. But there is a second dimension to that, whether people are upgrading, i.e. are they buying more expensive brands or are they down trading, i.e. they are shifting from more expensive brands to somewhat cheaper brands.

So, we look at all this. And what we also do, obviously, is that we have a very wide network and we travel to our stores extensively is to talk to consumers and customers and try and get a sense as to how they are feeling. Equally, we obviously talk to our competitors at the local level and visit their stores and so on. So, firstly, I'm always very cautious in giving a response to questions

like how is consumer demand shaping up, because it's a combination of all this. And it is not backed by any very extensive customer survey or consumer survey.

At the same time, of course, we track all the developments which are happening in our economy. For example, I briefly mentioned one of them that the lowering of taxes from 1st April and more money in the hands of consumers, especially the middle class is something which we believe will help consumer demand. So, yes, it's all of that.

**Sheela Rathi:** Right. And are there any changes you are seeing in your business in the last six, nine months in terms of the bill size or the kind of items consumers are buying? I'm just trying to get more information from you as to what is helping us and what is not working for us?

**Gunender Kapur:** So, I'll tell you what is helping for us, Sheela. One is, of course, the increased footfall, which I mentioned. So, we are gaining new customers. That's a very positive thing for us. The second thing which I can mention is that we are constantly trying to upgrade customers to the next price point in every category. And I can say that the agenda is making good progress.

**Sheela Rathi:** Understood. Thank you, GK, for patiently responding to every question. Thanks a lot.

**Gunender Kapur:** My pleasure. Thank you very much.

**Moderator:** Thank you. We have our next question from the line of Jignanshu Gor from Bernstein. Please go ahead.

**Jignanshu Gor:** Hi. Congratulations on a great set of numbers, GK and Amit. And thank you for taking my question. I wanted to just ask two questions. One is regarding what we call, what we are seeing as a quick commerce initiative. So, what is our strategic objective in launching this year? So, are we seeing a lot of demand for delivery of items and hence we launched it?

Do we see it as a mechanism to get more customers? Is it a defensive approach to protect customers who might be shifting? So, what's the thought process behind it and how should we look at it? That's my first question?

**Gunender Kapur:** Okay. So, if you allow me, I'll answer this first and then we'll go to your second question. So, firstly, from first principles, we are interested in quick commerce. And let me share our thought process. Firstly, carrying food and grocery and large bulky items home from a store is a challenge for all middle-class customers, and especially those who do not possess cars or four-wheelers. So, they have to carry food and grocery almost every month in the buying cycle.

And even large items from general merchandise, etc., home from the store whenever they buy it. And that's a huge challenge for our lady customers who do not have cars and so on, because the urban transport system is a very congested.

And secondly, the availability of that as you go outside the larger cities and towns and metros is somewhat limited. So, we saw that as a clear area where we could provide relevant help to our consumers and customers. So, that's point number one.

Point number two, of course, is the fact that, and this is especially true amongst younger customers, that their lifestyles are such now that they never actually get an opportunity to visit any store, any physical store.

And their life is digital now. And therefore, their shopping is also digital now. And we thought that if we are not present in that space with a very compelling offer, we may lose out on the younger customers who lead largely a digital life.

And as you know, we spoke about this earlier also, young people are very important for us because young people consume a lot of fashion. So, for these two very fundamental reasons, we were interested in this opportunity. And of course, the added fact then was that, we have presence in 472 cities with physical stock.

And there was an opportunity to make the stock fungible across the two distribution channels, online and offline. And also the fact that we were closer to the customers and therefore we could deliver better. So, there are some basic first principle reasons for doing this.

And we are happy that it's making good progress. Now, just as an anecdotal fact, I'll share with you the fact that almost 20% of our consumers on Quick commerce are totally new to Vishal store. So, they are therefore totally incremental to our business. And we are getting early evidence that they, in the fullness of time, start visiting our store also. So, of course, there is the fact that we are getting additional customers, new customers.

**Jignanshu Gor:**

This is very helpful, GK. Just a very small follow-up. So, our north star here is transactions and not margins, right? And hence, do we keep pricing sort of same across our store and online or is there a delta there?

**Gunender Kapur:**

So, we keep the pricing by and large same except for when there is a very significant competitive activity. Because as you know, the competitors are different in offline and online. And therefore, there are times when our, online or offline customers engage in very, very significant competitive activity. So, there we have to respond. And tactically, for that period, the pricing could become somewhat different. But as a general principle, every day, every month, every year, the prices are the same.

**Jignanshu Gor:**

Understood. Okay. Thank you for that. And the second thing I wanted to understand is on this Gujarat and Maharashtra pilot that you are saying. So, I see 3 stores on both Maharashtra and Gujarat. And we are seeing we have started 1. So, are the other two legacy stores or have we started those after 1st of July?

- Gunender Kapur:** No. So, very well spotted, I must say. So, these two are legacy stores. We have one store in Pune and one store in Nagpur in Maharashtra, which is pre-2011. And likewise, in Gujarat, we have a legacy store in a place called Vapi. So, those are the stores which are making up the numbers.
- But I'm happy to report that in July also, we have opened a small number of stores in Gujarat, one new store in Gujarat. So, as I mentioned, the early signs are encouraging. And therefore, we are now looking for new properties.
- Jignanshu Gor:** Okay. That's very helpful. Thank you so much. Again, congratulations and all the best.
- Gunender Kapur:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Bharat Sheth from Quest Investment Advisors. Please go ahead.
- Bharat Sheth:** Hi, team. Congratulations for a good result. My question is on, say, we have 20% -- almost 50% presence between Tier 1 and Tier 2 city, and 50% on Tier 3. So, how are we seeing the traction among the different cities and what is really driving this SSG in which part of the geography?
- Gunender Kapur:** Great. So, I am happy to confirm to you that our business in quarter 1 has grown at double digits same store sales growth across all the three pieces, Tier 1, Tier 2, and Tier 3. In all the 3 Tiers, we have grown at double digits same store sales growth.
- I don't have the data in front of me, but my feeling is that the growth has been pretty consistent across the states also. So, both Tier 1, Tier 2, Tier 3, and the states, we have grown at double digits same store sales growth.
- Bharat Sheth:** Okay. My second question that we always talk about as an entry point, price point. So, how this inflationary trend over the last 2 years has really helped us in growing that business part or addressing the customer's real concern, and how do we see going ahead?
- Gunender Kapur:** So, the role of entry price point is specific. The entry price point merchandise is to facilitate the upgradation of customers from mom and pop stores to organized trade. That is a specific role for the entry price points.
- And therefore, the entry price point is not the majority of our stock. It could be in the ballpark of 10%, 15%, 20% at the most. But beyond that, as I mentioned earlier, our goal is to upgrade customers from the current price point to the next higher price point.
- To ensure that the average bill value keeps increasing, both because of the upgradation and these customers buying more number of things from the store.
- Bharat Sheth:** Okay.
- Gunender Kapur:** So, that is the totality of the game plan.

- Bharat Sheth:** Okay. And, sir, last question with your permission. So, how do we see this SKU mix change, say, Apparels grocery and FMCG? And second question, you said that we are able to improve gross margin on grocery and FMCG. So, what is, I mean, lacking on the Apparels side?
- Gunender Kapur:** No, no, no, no, I did not say on the grocery side. I said that the total business gross margin has improved from 28.2% to 28.4%. That is the total business gross margin. The improvement has been across the three categories by and large. So, it is not specifically in grocery only. The second thing which I would say is that the contribution of three categories has been quite consistent over a period of time.
- Bharat Sheth:** Correct.
- Gunender Kapur:** If you compare Q1 '26 versus Q1 '25, you will find that it is coincidentally almost exactly the same. So, Apparel last year was 47.8. This is 47.4. GM last year was 26.8, this year it's 27.3 And FMCG last year was 25.3, and this year it's 25.1.
- Bharat Sheth:** Okay. Thank you and all the best, sir.
- Gunender Kapur:** Thank you very much indeed.
- Moderator:** Thank you. The next question is from the line of Perna Jhunjhunwala from Elara Securities. Please go ahead.
- Perna Jhunjhunwala:** Thank you for the opportunity and congratulations on a strong set of numbers. I just wanted to understand, are you also trying with the smaller format, new format? And if yes, what will be the thought process over there?
- Gunender Kapur:** So, absolutely correct, and thanks for the question. We now have six stores of the smaller format, which are operational in Uttar Pradesh and Haryana. And again, I'm happy to report that both in terms of revenue and the financial outcomes, they are as per target. So, in the coming quarters, we wish to accelerate the rollout of the smaller format stores now.
- Perna Jhunjhunwala:** So, could you please elaborate a little more on this? Like what will be the product mix over there or product concentration plus size? And what will be the focus area of properties chosen? Like what target segment, et cetera, just to give some color on that?
- Gunender Kapur:** So, firstly, the size obviously is smaller. And I would say that the size would be typically 50% of our regular large format stores, because the number of customers and the affluence of the customers both in the smaller towns is somewhat lower than the larger towns. The category mix is quite similar to the large format stores, but the contribution of the lower price points to the total sale is higher as compared to the larger towns.
- But the category mix, all three categories are available and all three sell. And in the smaller towns, unlike the more larger towns like Delhi and Bangalore, our customers are not segmented into, let us say, middle and lower middle income groups. In these smaller town stores, everyone

in that town, we are seeing more and more start shopping at the Vishal store. I am just highlighting some differences.

**Prerna Jhunjunwala:** So, that is helpful. So, my second question is on account -- is an accounting question. Why do we see depreciation declining on a Q-o-Q basis? Is there any change in agreements or anything that we see that you can highlight to justify that?

**Gunender Kapur:** I am passing that on to Amit, our CFO. So, yeah, Amit, please go ahead.

**Amit Gupta:** So, Prerna, what you see in Q4 of last year is a catch-up of leases that we have renewed in last year. The right comparison would be to compare this quarter with the quarter 1 of last year.

**Prerna Jhunjunwala:** Okay. We should not read much into it. No problem. Because we have opened 23 stores, so I thought there should be an increase in depreciation. Hence this question.

**Amit Gupta:** Yeah, so if you exclude the impact of catch-up, the increase is in line with the store expansion.

**Prerna Jhunjunwala:** Sure. So, thank you and all the best.

**Gunender Kapur:** Thank you.

**Moderator:** Thank you. The next question is from the line of Aditya Bansal from Motilal Oswal Financial Services. Please go ahead.

**Aditya Bansal:** Hi. Thanks for taking my question. My first question is on the productivity levels in the South India. It seems they are like 15% lower than company level average. So, what are the initiatives that are being planned to improve the same or is there something structural which is impeding this?

**Gunender Kapur:** So, firstly, the productivity levels, specifically in terms of revenue per square foot, your observation is correct. And there are two reasons for that. One is that, as you know, the South expansion has happened and is still happening. We are expanding rapidly into Kerala at the moment and Karnataka has just, yeah, it's happened over the last 2, 3 years. So, that is one reason. The total time duration that the stores have been there.

And second and equally important fact is that in specifically Karnataka, where we have more than 70 stores now, our average store size is significantly higher than the average store size in the rest of the country. So, for example, our national average is around 17,000 square feet and Karnataka stores are close to 20,000 square feet. So, while the absolute revenue could be higher, when you look at the revenue as rupees per square foot, then it comes out to be smaller.

Now, we have reviewed this entire situation and we have found that the higher area is justified in some cases and equally in some cases, it's not fully justified. So, at this point in time, we are very busy in Karnataka to right-size the stores where the higher area is not fully justified. But good observation from you.



- Aditya Bansal:** Thanks for this. Another one was a follow-up on the store sizes. So, the smaller format that you talked about, is it restricted to newer and smaller towns or is there a conscious effort to have like larger share of apparels in certain stores, or is it because of the availability of real estate? Just some color on this.
- Gunender Kapur:** So, it is specifically for the smaller towns and typically the small town stores are open in towns where the population is 50,000 or lower. So, it is to ensure that we are reaching deeper into India and we take the Vishal offering and the Vishal benefit to places where the regular format of the store would not be viable. So, it's specifically for smaller towns.
- Aditya Bansal:** Sure. Thanks a lot and all the best.
- Gunender Kapur:** Thank you very much.
- Moderator:** Thank you. Ladies and gentlemen, that would be the last question for today and I now hand the conference over to the management for closing comments. Over to you, sir.
- Gunender Kapur:** Great, I mean, Thank you very much. I always enjoy this call now because I have so many friends on the other side who I get to meet only on the call and hopefully, I will be able to meet with them live also over the course of the next three months and that's always a pleasure. I found the questions that you asked me very, very thoughtful and very, very engaging and I did not quite realize that we finished the time. So, it was good fun. Last but the most important thing, I'm very, very grateful to you for your interest in our business. That is very encouraging and very energizing, both. Thank you very much indeed. Thank you.
- Moderator:** Thank you so much, sir. On behalf of Vishal Mega Mart Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.