6th August, 2025

To,

BSE Limited
Corporate Services Department
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001

BSE Scrip Code: 540376

National Stock Exchange of India Ltd.
Corporate Communications Department
“Exchange Plaza”, 5th Floor,
Bandra – Kurla Complex, Bandra (East),
Mumbai – 400 051

NSE Scrip Symbol: DMART

Sub: Transcript of Analyst/ Institutional Investors Meet 2025

Dear Sir/ Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, please find enclosed herewith the Transcript of conference call with Analyst/ Institutional Investors held on 30th July, 2025.

The transcript of conference call is also available on website of the Company at https://www.dmartindia.com/investor-relationship.

Kindly take the same on record.

Thanking You,
For **Avenue Supermarts Limited**

Ashu Gupta
Digitally signed by Ashu Gupta
Date: 2025.08.06 18:10:15 +05'30'

Ashu Gupta
Company Secretary & Compliance Officer

Encl: As above

“Avenue Supermarts Limited

Annual Conference Call”

July 30, 2025

MANAGEMENT: **MR. NEVILLE NORONHA – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – AVENUE SUPERMARTS LIMITED**
MR. ANSHUL ASAWA -- CHIEF EXECUTIVE OFFICER (DESIGNATE) – AVENUE SUPERMARTS LIMITED
MR. RAMAKANT BAHETI – GROUP CHIEF FINANCIAL OFFICER – AVENUE SUPERMARTS LIMITED
MR. NILADRI DEB – CHIEF FINANCIAL OFFICER – AVENUE SUPERMARTS LIMITED
MR. VIKRAM DASU – CHIEF EXECUTIVE OFFICER – AVENUE E-COMMERCE LIMITED
MR. RUSHABH GHIYA – INVESTOR RELATIONS – AVENUE SUPERMARTS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Avenue Supermarts Limited Annual Conference Call. 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 call, please signal an operator by pressing star then zero on your touchtone phone.

I now hand the conference over to Mr. Rushabh Ghiya. Thank you and over to you, sir.

Rushabh Ghiya: Thank you. Good morning, all. Welcome to our annual investor and analyst conference call. I have on call with me Mr. Neville Noronha, our MD and CEO, Mr. Anshul Asawa, CEO Designate, Mr. Ramakant Baheti, Group CFO, Mr. Niladri Deb, CFO, Avenue Supermarts Limited and Mr. Vikram Dasu, CEO, Avenue E-Commerce Limited.

We hope that you have had a chance to look at the presentation which was uploaded on the exchanges, as well as on our website. We will start the call with Neville briefly taking us through the presentation and post that, we will open the session for the Q&A.

Before that, I would just like to draw your attention to the Safe Harbour Statement for good governance and then I will hand over the call. Thank you. Over to you, Neville.

Neville Noronha: Thank you, Rushabh. As has been a template every year, we will rush through the presentation which is already uploaded on the exchange and then we will open for Q&A. I will take the first few pages to broadly give you a view of the business and the operating and financial summary will be then taken by Niladri, our CFO.

We go to Page 5. So, just to give a broad sense and colour about the business, I think the last year you would say, in spite of the competitive context in the offline and the online space, our business has been resilient overall in delivering us the desired growth rates.

As far as share of revenue is concerned between food, non-food and general merchandise & apparel, it has again remained reasonably consistent and we are quite happy with the outcomes. Obviously, there is an opportunity to do better and we can talk more as we take questions. But broadly the sense is that it is resilient, competing very well and we see a tremendous headroom to grow both in the offline and the online channel, but obviously doing it in our own methodical way of growing the business.

Go to the next page. Again, gives you a good consistent view about how we grow. So, if you look at how we have added stores, it has been an even addition across all states like we have always spoken about because it gives us a better sense on the customer profiling and also operating leverage gets better and better, if we have more and more stores opening in the same region.

So, we have remained true to that concept, but no doubt there is a huge opportunity to grow in the North of India and that is where the white spaces are and we will talk more about that as we take questions.

Go to Page 6, DMart Ready Business. Again, like I mentioned in my Q4 comments, I think it has been a year of evaluation, reflection. While some of you may think that, that should have been the year for speed or accelerated expansion of e-Commerce, we looked at it in a different way because we pivoted from the pickup, plus home delivery to a more focused home delivery business because that is how the market evolved.

And I think we have some interesting things to talk about on that topic and we are more confident now about how we should approach the DMart Ready Business in the near future. So, that is why we have maintained. In fact, we are now actually in 24 cities. We have withdrawn from one city but like I said, we will talk more about that.

Let me go to Page 8. We have opened 50 stores last year and we hope to continue the acceleration and actually try and open as many more than we have opened in the past. Like we have always said that the right method of expansion in the offline space is to open on an average every year at least 10% to 15% or maybe 10% to 20% of your base stores – every year. So, that allows us to get a good CAGR growth rate from an overall revenue standpoint.

We continue to say that India is a huge, huge opportunity from an overall retail space perspective for value retail, for a format like DMart and we continue to remain very, very bullish on the offline space and also, we see a lot of opportunities in the online space. But since we are talking about store additions right now, we believe that we have an immense potential to grow in the country across population strata. So, we remain consistent to that.

Before we go to the operating and financial summary, since this is my last session of the Analyst Meet under this title that I hold, I just want to take a moment to say thank you to all of you for being a tremendous support and also to kindle that alternate thinking through the Q&A which I thoroughly enjoyed with each one of you.

So, thank you so much for pushing us harder and also patiently listening to our responses and appreciating what we have been doing for so many years. Thank you so much and with that I hand over the next session to be done by Niladri, our CFO. Thank you.

Niladri Deb: Thank you, Neville. Good morning, everybody. I move to slide number 10 which is the operating & financial summary. We had about 35.3 crores bill cuts in the year just gone by. Like-for-like growth for 24 months plus stores was about 8.4%. We added 2 million square feet of operating space and our revenue from sales per square feet came at about close to INR34,000 per square feet.

On Slide 11, we have mentioned our revenue from operations, disclosed earlier at INR57,790 crores, EBITDA margin of 7.9%, a PAT margin of 5.1% and we generated net cash from operations of INR3,700 crores plus. On the days inventory, days payable, so we continue to have inventory close to 31 days and payables continue to be tight at about 7.2 days. We have historically maintained a 7 to 8 days payable terms across. Debt equity ratio is negligible because the debt that you see on the balance sheet is only due to reclassification of AS116 assets, the lease ones. Fixed assets turnover came in at 3.4. Inventory turnover ratio was 13.6 times and the return on net worth, the return on capital employed came in respectively at 14.1% and 17.8%, a slight moderation from the prior year numbers.

Moving to Slide 13, the standalone sales grew by 16.7%, EBITDA grew by 10.8% and PAT excluding tax gain grew by 7.3%. We delivered PAT of INR2,891 crores excluding the tax gain, including tax was about INR2,927 crores. On a consolidated basis, the sales were about INR59,358 crores and the PAT including tax was about INR2,707 crores at 4.6% margin.

We have also listed in Slide 14, financials of the key subsidiaries for us. Avenue E-Commerce grew sales by about 21% and the loss slightly widened to about 7%, the loss was at INR247 crores. Align Retail, which is our subsidiary business which does packaging of grocery items, grew about 19%. The PAT grew by about 13% and Food Plaza, the food stalls that we have at our stores, they grew by about 28%, though we registered a loss because of the expansionary phase of the business. That's all in the operating and financial summary.

Rushabh Ghiya: We can open the session for Q&A now. Rayo, you can continue now.

Moderator: Sure, thank you very much. We will now begin the question and answer session. First question is from Abneesh Roy from Nuvama. Please go ahead.

Abneesh Roy: Yea, thanks. My first question is to CEO-designate Anshul. So, you spent 30 years in Unilever, an FMCG company. Now, FMCG company versus retail, overall landscape is very different. I wanted to understand how do you see these four to five months which you have already spent in DMart and now you will be taking over as the CEO in some months. So, I wanted to understand from an experience perspective and overall landscape, what will be your thoughts?

What made you join a retail sector? Last 10 years in Unilever, you spent in Europe and 10 months in Thailand. In last 10 years, India has changed dramatically and we did see another FMCG company CEO change happen. So, I wanted to understand given India has changed dramatically, how would you see, what will be your initial thoughts on the massive consumption change which has happened and what will be your key thoughts from that? Will the priority be more on doing the same, but increase the speed given now you have entered the UP market? That is the first question.

Anshul Asawa: Thank you, Abneesh, and good morning, everyone. It's my first time here. So, I'm looking forward to engaging with all of you in the years ahead. Abneesh, you made a lot of comments about me and my experience. I'll focus a little bit on a couple of things which I picked up from your question.

So, first and foremost, yes, indeed, it's been 10 years that I've been away from India. I'm coming back after 10 years and India has changed quite dramatically. I personally have enjoyed the dynamism that this market, the people here have and also the opportunities that exist in business and especially in a business like retail, modern retail that DMart is part of.

Now, 30 years in an FMCG company, a company like Unilever have been highly enriching, lots of different experiences across geographies. And I think one thing remains consistent between I think FMCG companies and now that I moved to DMart – Organizations succeed only when they are customer-centric, and I think that is true in FMCG and that's even more important in retail.

In my last four months that I have spent in DMart, and I must say that we've had between Neville and myself a very structured and planned approach of this transition. So, the first four or five months, I've really spent in trying to understand the organization, the operations, the people and the culture of this business. I've spent a fair amount of time in stores, in the distribution centres.

I've travelled now to many of our key markets and met a lot of people. And I think that has really helped me in these last four months to understand this organization and of course also understand the opportunity that lies ahead. So, I think that has been very, very well planned and I think also during the course of the day, we will also possibly talk about the transition timelines. But so far whatever we have planned between Neville, myself and the Board, we are on track as far as that plan is concerned.

Now, I think you also mentioned if there is anything different or anything that I am planning to do as I transition into this role. So, at this point of time, very initial observations. I think the business is on very, very strong fundamentals. It's been built over the last 20 years, of course, with the vision and leadership of Mr. Damani but also a very strong management of Neville and his team.

And what I see at least is that these fundamentals and the culture of this organization doesn't really need to change. Yes, of course, there are opportunities to improve. There are opportunities to accelerate and we can talk about them in the coming days. But what I see is a strong business which now needs to be scaled up. A business where we need to have capabilities spread across more and more of our geographies. We need to have a talent pipeline which is able to tap this opportunity that lies ahead of us.

Abneesh Roy: So, thanks for the detailed answer. My last question will be to Neville. Neville, if I see slide number 5, two of your categories have declined as a percentage of sales. So, Foods has gained. So, if you could elaborate the dip in the margins which you have seen in the last one year, how much of that is because of the mix gain? So, Foods is, say, higher by 78 bps as a mix and we are seeing, say, 40 bps drop in terms of the EBITDA margin. If you could explain that bit.

Second related question is from FMCG yardstick. I do see most FMCG companies now seeking more on a profitable growth rather than just promotion. Of course, toothpaste is one clear aberration. So, in your stores, are you also seeing now that it's more of an innovation-led drive and less competition, say, from the local players, from FMCG perspective, if you could highlight, that is there more rational competition and are national players coming back in the core non-foods and core foods category, in both the categories?

Neville Noronha: So, Abneesh, broadly on the gross margin, I think the gross margin has slightly been better this year than last year. If there has been a slight deterioration from a perspective of what we aspire to, what we delivered, I think there are two things that are happening and which have remained consistent throughout, that there is continuous competition in the FMCG space. From a price-led, discounting-led perspective, FMCG continues to be very, very competitive on pricing. And at the same time on the non-FMCG piece -- within the non-FMCG, the mix is shifting more towards lower-priced products.

So, to that extent, there has been a margin-mix impact. But overall, there hasn't been any major adverse impact which we need to worry about. In general, like I said earlier also, alternate modern trade formats are emerging. And within that, when you look at the general merchandise and apparel segment, obviously we see that in the apparel segment, there is more innovation and there is more competition.

So, apparel continues to be a little softer compared to general merchandise. But like I mentioned even earlier, apparel is a smaller contributor to the GM&A business. So, it doesn't affect the P&L to that extent. So, I hope I have answered that question.

On the overall scheme of things of innovation-led opportunities, I think the D2C brands are doing a significantly better job than the incumbent large FMCG companies. And wherever we see an opportunity to capture that through the offline and the online space, we try and do that. Large FMCG companies are trying hard, but I think there are fundamental challenges there and we all know about that. But yes, from an innovation standpoint, we see newer companies doing a better job there, number one.

Number two, DMart as a platform, I think we operate on the principle of value. So, the format automatically creates a level playing field for anybody who has good products and can deliver at great value because our philosophy is simple. We have a very clear-cut principle about how much margin we should retain. Everything else goes to the customer. So, whichever company has a great product, has understood the segmentation clearly, DMart is the platform to be, because we are fair to everyone. It doesn't matter who is big, who is small. So, it's a great equalizing platform and if the product is great, customers like it, it will sell. That's the broad philosophy. I hope I've answered the question.

Abneesh Roy: Yes, thanks. One last follow up and I'll end there. Sir, when I see your foods, that is an interesting mix of commoditized categories and branded FMCG kind of category. So, I wanted to understand the logic of putting both together because both are so different, right?

On the one hand, you have groceries, fruits and vegetables, which are, I think, completely commoditized and then dairy and staples also, which are almost commoditized. Putting that in the same bucket, which has hardcore branded foods, what is the logic behind that?

And from a growth perspective, is there something which is different? Ideally, shouldn't you have the branded part of this bucket in the non-foods? What is the logic behind separating those two?

Neville Noronha: What do you mean by doing both? We've been doing both since our inception. I mean, I've not understood the question. We really don't look at it from a brand versus non-brand. We are not a FMCG company. We are a retailer. So, we will ensure that whatever customer wants is available. In fact, what does a value retailer really try to do?

I mean, we love products which have very, very small markups because of the branding strength, right? That's our job. I mean, how do you keep pricing under control? Retailer does that job. A value retailer does that job. So, in fact, I would be very happy to sell everything commoditized, where it is cost of production plus a small margin and give it to the customers. So, I would think about it the other way around. Makes sense?

Abneesh Roy: No, why I ask this was you can see in the first category of foods, which is 57% of your category and which is growing also, we don't get a clear picture. Is the fruits and vegetables or the grocery or the staples' part which is driving growth or say the branded because the margin profile will be different between both these two, within the same bucket?

Neville Noronha: Yes, we don't disclose it, Abneesh. I now get what you're trying to ask, but we are selling what the customer wants. Margin is secondary. First, what customer wants is what we deliver.

Moderator: The next question is from Aditya Soman from CLSA.

Aditya Soman: Hi. Good morning. And Neville, firstly, thanks for your very honest answers and always engaging conversation. So, we'll miss you on these calls. But in terms of questions to hear, firstly, you talked about sort of the white spaces in North India and we saw you open a store or two in UP.

So, can you talk more about how this new cluster will evolve for you? Any differences that you're seeing compared with the earlier clusters that you opened as you expanded in other states in North India? And what took you or what finally made you make that decision to enter a state like UP?

And the second question is on private labels or exclusive brands, as you call them. So, you have two types. Obviously, one is -- the ones that are distributed by Align Retail, which are mostly DMart Ready products. And then there are these exclusive brands that I see you build. Any sense on the scale of the brands outside of Align Retail, since the Align Retail ones we can calculate, but the ones outside of Align Retail, I see that in terms of shelf space, they are now very prominent across home and personal care categories. So, those are my questions.

Neville Noronha: Thanks, Aditya. Yes. I'll take the two questions separately. So, obviously, North India and UP being a very large part of it, that's where large clusters of population is there. And you also have very, very large cities there, which we've totally, I mean, I would not say defocused, but because we are a West focused and a South focused retailer, we came in here late.

So, we see a huge opportunity. If you want to accelerate store expansion, which probably over the next six months to eight months, I'm going to put disproportionate time personally also, because North of India is what I'm going to handle from a real estate standpoint. So, that's the whole thing. That's the logical reason why we are now doubling our bets on North India.

And on the follow-on question related to that, on what are we seeing different in North India, actually, the beauty about the model is that, it works everywhere. I mean, the fact that a DMart now is equally successful in the Punjab, as well as Tamil Nadu, as well as Rajasthan, Gujarat or in AP, in fact, simplifies a lot of things from an operating standpoint. So, I think that is very refreshing, that our model is acceptable everywhere.

So, in fact, going to newer states is not a complicated thing, except for supply chain, obviously, and we know how to figure that out. But from a customer standpoint or consumer standpoint, the more and more we are growing and going to newer places, it is building more and more confidence for us that this model works everywhere, right? So, that's to answer the first question.

The second question on private labels, I have been asked this question multiple times, I respond in the same way all the time, and this time also I'll answer the same way, that private label optically seems to be a very, very interesting, large opportunity as a margin maximiser. And yes, we do agree with that, but it's a long game. It needs a lot of effort, you have to run this business like a FMCG business, but without the overheads of the FMCG business, if you know what I mean. So, it's not very easy, and you are competing with the strongest of brands and the brightest of minds, where retail has a limitation.

Yes, so, private labels have great opportunity if there is a decent ecosystem of high-quality manufacturers available to deliver the products to us at the right cost. And then India, like I've always said, has very, very smart entrepreneurs. We tend to look at the FMCG segment only from the MNCs or only from the top three or four FMCG companies' point of view who probably will have decent margins.

But there are a lot of local entrepreneurs who run the FMCG business with very strong brands at decent margins. So, we have to look at it from an overall perspective and then decide, does this sub-segment really have an opportunity to have a private label? So, from that standpoint, it's not as simple or as easy as somebody else would imagine. We don't consider it to be that easy. So, it will be a slow and steady approach to private label.

But in general, if you want a broad colour, I think, we are reasonably pleased with how our private label team is running the business. So, from that extent, I think, we are pretty happy about our progress. But I can't give you numbers and can just give you a broad colour.

Aditya Soman: Yes. Fair enough, Neville. Thanks for these replies. I mean, just maybe on the private label point, just pushing on a little bit. I mean, if I look at a category of liquid detergents, fairly large category, growing very rapidly. I've seen that now you have two brands operating in that space, I think, and which is a space, again, multiple new entrants. So, as you mentioned before, some of these D2C brands also pushing in that space.

With all these D2C brands, obviously, a lot of these are using same manufacturing facilities that I see that you are using for your private brand. So, does that mean that you're already -- I mean, there are already manufacturers that are coming up as we push away from, let's say, the two or three dominant brands in the past? And that gives you an opportunity, maybe not like a very short-term, but over a five-year, seven-year period to grow that business meaningfully.

Neville Noronha: So, actually, Aditya, lovely category you've picked up. In fact, that makes my response that much more easier. If you look at the liquid detergent category, right? It was always being dominated by a premium, high selling price per litre kind of category, the two largest MNCs. And suddenly, what did you see? You saw huge disruption there. You had some other guys coming in and positioning it at the mid-tier segment, and the cost per litre just plummeted.

So, when you have FMCG companies operating like that, with that kind of razor-sharp focus, looking at segmentation opportunities and all of that, and these are categories which are getting created. Private label has a space where a category is already very, very well evolved. It has been there for a very long time, strong brands have got created, and when brands become extremely strong, they keep fatter margins. And they're very consistent, month-on-month, year-on-year, growing with a very good, decent size base. It is in those places that a private label has an opportunity.

Creating categories is not our job. Creating categories is a brand company's job. We should be focused on being a very strong retail operator. First priority is running the retail business, not to create brands or not to create a private label portfolio. So, I hope I've answered the question, especially on new categories. I always tell my team, that beware, don't even go there. That is the job of the FMCG company, not ours.

Aditya Soman: No. I understand. Very clear. And lastly, all the best for whatever role you take up next.

Moderator: The next question is from Sheela Rathi from Morgan Stanley.

Sheela Rathi: Thanks for taking my question. Just to follow up on private labels, because you had a discussion on that. While I hear you on the FMCG side, but when you think about general merchandise and apparel part of our portfolio, is there a case to take private label share higher at the earliest? That was my first question.

Neville Noronha: Yes, Sheela, I've answered this over the last four years to five years. There is no reason for you to see any of the products that are on shelf on general merchandise and apparel to not be a private label. They are actually all private labels or pseudo private labels. Some manufacturer putting his own label, doesn't allow him to charge any major premiums.

When we negotiate with them, we always negotiate cost of manufacturing plus his margin and that is the selling price to us. That is our margin and that's how it is. So, when you walk into a DMart store and you look at the apparel or you look at the general merchandise, a very small component of that is really a brand from the true sense of a FMCG branding standpoint. And I've commented on that earlier also.

Sheela Rathi: Largely it is close to being a private label for us.

Neville Noronha: Yes.

Sheela Rathi: That's what you're trying to say.

Neville Noronha: Yes. Yes.

Sheela Rathi: Second question, you talked about new D2C brands doing better than FMCG. Now, what are your thoughts on onboarding D2C brands on the platform? And particularly premium D2C brands on the FMCG side, because I see that is still missing, at least on the DMart Ready platform?

Neville Noronha: That's because they have their own perception. I'm not complaining. D2C brands are the premium guys. They are very clear about their positioning, right? So, for all elite residents or businessmen in India, they all think that DMart is meant for the middle class and the lower middle class, right? That's the perception. Can't help it. So, they decide not to come. In fact, we break our heads chasing them saying why don't you launch? And they refuse to launch, by the way. Yes, so it's not us. It's the other way around. Number one.

Sheela Rathi: Sir, is the reality different? That the DMart Ready customer is different from the DMart offline customer?

Neville Noronha: Yes. But I'll answer the question more holistically. When you look at a DMart shopper, a DMart attracts all population strata of society within a 3-kilometre to 5-kilometre radius. It's a misconception that it is only for middle class and lower middle-class people.

But in any typical population strata structure or any structure, you have a pyramid, right? So DMart shoppers reflect the socio-economic strata of society within that physical radius. So, obviously, optically, when you see in a DMart store, what do you see? You'll see relatively lesser rich people shopping compared to the middle class and the lower middle class, right? So that's one point I would like to make.

On DMart Ready - DMart Ready, obviously, is a relatively higher order socio-economic strata of society, who would like the material to come to the home and are not as price sensitive as a DMart store shopper. So that's the difference. Yes.

Sheela Rathi: Understood.

Neville Noronha: And one more part of the question, which will kind of close the whole thing. We do not like to launch a very, very small revenue size D2C brand. So, whenever a small revenue size D2C brand comes to us, we tell them, please build decent size, because decent revenue size indicates that it is acceptable to the larger ecosystem of consumers. Because only those kinds of products make sense to us in our store format, as well as our e-commerce format. So, to that extent, we are different. We don't believe in the long tail, even in the e-commerce format.

Sheela Rathi: Sorry, just one clarification. So, you're saying that if we launch a new D2C brand, it has to be launched both online and offline.

Neville Noronha: No. No.

Sheela Rathi: It may not be.

Neville Noronha: Not necessary. They're mutually exclusive.

Sheela Rathi: Right. Okay. Now, just a couple of questions on the recent quarter, Neville. First is, we talked about deflation in staples, which resulted in some impact to our P&L. And just want to understand that in the past, what kind of inflationary benefit we have seen? I mean, how should we think of this playing out and how it has played out in the past?

Neville Noronha: I'll make an attempt to answer this. Whenever inflation, in fact, I was just reviewing the commodity business yesterday. It's fascinating when you see some of this data, but I'll just give you some colour without giving you any specific numbers. But in general, what happens is, whenever inflation is in the range of, say, 5% to 7%, consumption trends don't change so much at a product or a category level. When inflation rates go double-digit or higher, you see a huge swing in consumption.

Like I'll just give you one example that I was reading yesterday. Coconuts. Coconut's inflation is 50%. So, when inflation went up by 50%, consumption dropped by some 20%-25% in volume terms. Indians continue to be extremely value-conscious shoppers. And this plays out, we see this even in fruits and vegetables.

So, anybody who says that we use analytics to review and forecast how much of vegetables I need for the next year will go horribly wrong, because it is totally dependent on the pricing. You'll always have a range of three or five vegetables that need to be sold at a particular rate per kg. So, if they don't fall within that, something else has, whatever substitutes that, that sells more.

So, from that standpoint, Indian consumer is very, very price sensitive. Like for example, think about it. How much of coconut is consumed as a value of the overall grocery basket value? It is a small percentage, but still consumption drops. Yes, so that's the broad colour of it.

Sheela Rathi: Neville, so we have seen the contrary -- I mean, the contra benefit right now. Is that what you're saying, that there is deflation in staples? So probably there is a volume pickup, which you would have also noticed?

Neville Noronha: Yes. Exactly, huge volume pickup. So, whenever there is a deflation, you get huge volume pickup in those categories. Because people buy more of that and substitute something else.

Sheela Rathi: Okay. My final question is, even in the last quarter, we talked about that we are making investments to build a superior tech related investments for e-commerce. Just want to understand that, I believe it's going to be ongoing, but, I mean, to what extent this is going to continue for us to achieve a certain scale, and scale up the e-commerce business faster? I mean, how long do we need to be making these investments to accelerate the pedal there?

Neville Noronha: So, our scale up on e-commerce has got nothing to do with our tech investment. Our tech ecosystem is very, very robust. It works really well. I don't think it's related to that. It is the choice that the organization has taken in terms of what should be the speed and scale at which the e-commerce business has to grow. So, it is more a decision making, a thought process rather than the capability of build-up. All tech is already built up. The tech works well, everything is fine. And it's also scalable.

And I think I spoke about that even last year, that there is no limitation on the tech standpoint. But it's the choice that the organization has taken in terms of how it has to calibrate the growth for the e-commerce business.

Sheela Rathi: Understood. Thank you. And thank you, Neville, for all the teachings and engagement. My best wishes to you for your future. Thank you.

Neville Noronha: Thank you so much, Sheela. Thank you.

Moderator: Thank you. Next question is from Amit Sachdeva from UBS. Please go ahead.

Amit Sachdeva: Anshul and Neville, thank you so much.

Moderator: Amit, we can't really hear you. If you're on a headset, request you to use the handset.

Amit Sachdeva: Okay. I'll speak louder. I would say thank you so much, Neville, for the opportunity and thank you for your leadership. I find it very encouraging to hear that there's a greater focus on the network rollout. So, my first question is that, given this impetus, given the whole ecosystem around retail is changing, does that change the ambition on structural growth that you're targeting for, say, next 5 years? [inaudible audio]. That's the kind of every year you want to target. That's been in the past as well. Does that change?

Rushabh Ghiya: Amit, I'm sorry, but your voice is not very clear. Can you repeat the question? You want to dial in back? We can carry on with some other questions while you join back.

Amit Sachdeva: Let me dial again.

Rushabh Ghiya: Yes, yes. Thanks for that. We can move to the next question and we will let Amit come in again.

Moderator: Yes, we'll move to the next question. Next question is from Keshav Bahety from Jefferies. Please go ahead.

Vivek Maheshwari: Hi, this is Vivek. Neville, firstly, thank you for a great letter. Really enjoyed reading it. One thing I was very curious to ask you, when you look back, are there any areas that you think you could have, I mean, DMart has obviously done extremely well under your leadership, but are there any areas that you think you could have probably, not done better, but done things differently when you look back?

Neville Noronha: I think better would be a better thing to say. Differently, no. I think if I could have, and this question I've asked myself multiple times over so many years, and I don't think I would have done anything differently. We are all very proud of what we've created. But better, I can definitely say this, that we could have accelerated store expansion better. I think that job is unfinished, so I'll continue to chase that for whatever period I'm here. And we'll accelerate store expansion.

Vivek, we are very, very clear about this, that great respect for what has happened in the quick commerce space. In fact, I acknowledged this a couple of years back also saying that this will become a very large business. So great stuff. They've done amazing work. But the country with its size of population, diversity, geographical space, all of that also creates a huge opportunity for a brick-and-mortar business, an efficient brick-and-mortar business like ours.

So, we continue to remain very, very bullish on the brick-and-mortar business. That doesn't mean that we don't understand what the opportunities are in the online space. We will also play in the online space, but through our own model. Like I've spoken earlier, we will create an online model which suits us.

We want to create something which is unique and hard to copy. That's our principle. That has always been our principle, right? But coming back, the only thing I could have done better is probably accelerate store expansion more. We should have been maybe 600 stores by now or maybe 650 stores by now. So, to that extent, yes, that could have been better.

Vivek: Okay, got it. And in that context, and I'll come to quick commerce for sure. But in that context, do you think, I mean, you have, I would call it still an experiment. So, you have experimented with long leases. Do you think that could have been an answer? And that could be the answer going ahead?

Neville Noronha: No, Vivek. I answered that earlier also, in the previous analyst meets also, that long lease doesn't solve the problem of availability of high-quality or decent quality real estate. We just need to hunker down and put in more bodies and more minds and more acceleration on property acquisition, which we continue to do.

Like I've said earlier, see, real estate is a very, very micro market business, right? You don't have, or people are trying, but you don't have a pan India real estate operator. So, developers, land acquisition, everybody tries to focus on their micro markets. In fact, somebody recently told me it's not even at a city level. A lot of the developers are like, only operating in Kandivali-Borivali or some are only around in Chembur. So, things like that.

Think from that perspective, that here is a retailer. He's a retailer. He's not even a real estate developer. And he's trying to acquire real estate all across the country. It's not easy. But we like to do stuff that is difficult because then that's how you create moats. So that's the way we think about it.

Vivek: Okay. And the last follow up on this. So, Neville, the reason of owning the land is mainly because of the constraint in securing the long leases. Is that the reason?

Neville Noronha: One of the reasons.

Vivek: Sorry?

Neville Noronha: It's one of the reasons.

Vivek: One of the reasons, which is what, in case it's, let's say for whatever reason, because you have, I'm sure you will have tremendous amount of feet on street in the areas that you operate in. Even if there are long leases, I'm not sure you will change, you will want to have those long leases, even if the real estate is good, which means that it is beyond just the availability, right?

Neville Noronha: Yes. So obviously availability and this has come from the promoter thinking, right? I mean, we are there for good. I mean, we want this business to survive beyond our lifespans, our children's lifespans. That's the thinking. That all comes from Mr. Damani. And I mean, I was a kid when I joined DMart. I was just 28 years old. And imbibed those values, we saw that it works.

And we strongly believe in that principle. And at the same time, I mean, that doesn't prevent us from being agile and everything else about how the business has to be run. But the real estate strategy is very clear that we are there for good.

Vivek: Perfect. This is useful. Second on quick commerce, everyone's favourite subject. So, you mentioned that India is not one, there are different set of customers. But when I just see only sitting in 2024-2025, when I look at the products listed on your platform, DMart Ready versus the quick commerce platform, and at least in terms of pricing, whether of individual products or as a basket, it's not very different.

So as a user, when I want to -- even if I'm in a relatively smaller town, as compared to Mumbai, Delhi, why? I mean, what's the proposition that you offer is, the competition is offered around the same pricing, but the convenience of 10 minutes, as against in your case, it's still a bit elongated cycle.

So, is this -- you expect this quick commerce competition to be very different in the next decade, which is why you are stuck to your guns, or is there something else that you will say, which is a different proposition? Because pricing wise, you are not the cheapest, I would say, or very close to where the quick commerce folks operate at.

Neville Noronha: So, Vivek, I'll answer this question a little differently, because whether it will be your word versus my word on the pricing, what is more important to look at is how am I doing as a business. Now, if you look at the last 2 years trend, in fact, the last year's trend, where there was so much of intensity of quick commerce, what has happened to our business? What has happened to the DMart Ready business?

In fact, you have to see from the context of the fact that we further shut down so many other pickup points. And at a point in time, pickup points as a business was a reasonably large share of the overall business. Today, the dominant share of the business is home delivery. The moment we shut down the pickup points, almost all or most of the business migrated to home delivery.

Now, we have delivered a 21% or 22% growth rate vis-a-vis last year, purely on the DMart Ready business. Okay. So, an objective analysis on our performance, numbers say everything, right? So, if our e-commerce business has grown at this level, and that is in spite of the limitation, we don't have enough fulfilment centres.

The more fulfilment centres we open closer to the markets of delivery; more we will grow. So, I think we are okay. We are charting our own course, and we are fine. Had our business declined, or had our business been flat, then we would have said, look, our proposition is not working within the realm of how quick commerce is evolving. It's not.

Vivek: Okay. Okay. And pardon me for just taking it a step further. If I say, Neville, that quick commerce, you reduce discounts and taxes and everything, so GOV to NOV, NOV to net revenues, we get to a market size of about, give or take, but about INR70,000 crores.

Now, you can say that, yes, you have grown 20%, but is that enough in an industry which is growing like 100%? So again, I know market shares have no meaning, but at the end of the day, you have underperformed and fairly meaningfully versus the peers, right, in a way? How would you -- yes.

Neville Noronha: I have no comment on that. We will set up our own course. You're absolutely right basis the derivation of your numbers. But we will run the business the way we think is right from a long-term perspective. Totally agree with what you're saying, from that standpoint.

But my answer, more specifically, is that one of the best ways to counter quick commerce is not actually really digital. One of the best ways to counter quick commerce is to have more and more DMart stores. Because from a value proposition, we have an amazing positioning.

So, for a value customer who's spending 5,000 or 10,000 rupees a month, he or she can really see that they will save significantly more when they come to the store. At the same time, there is a top 20%, 25% of the population of a city who wouldn't mind paying a little bit extra to get the product delivered at home. And we're trying to bridge that gap.

Let’s look at it from a standpoint that at one end, you have high convenience, high price point, and the other end is DMart stores, which is deep value. But obviously, it's not as convenient, right? But it's deep, deep value. We see a huge opportunity in between, okay? Where we deliver the product at home, but at a decent value. That's what we're trying to achieve.

Vivek: Got it. Got it. Very, very interesting as always and wishing you all the very best. And Anshul, I would also take the opportunity to welcome you and wish you all the very best.

Anshul Asawa: Thank you.

Neville Noronha: Thank you, Vivek. Thank you.

Moderator: Thank you. Next question is from Amit Sachdeva from UBS. Please go ahead.

Amit Sachdeva: Hi, thank you so much for the opportunity, Neville. Am I better and audible now?

Neville Noronha: Yes, yes.

Amit Sachdeva: Neville, thanks so much, and thank you for your leadership for all these years. And my question first was that you made two very interesting comments that we should have been 600 stores by now. And second thing you said is that the best way to respond to quick commerce is to open more stores. So, I think that's a very encouraging thing to hear.

But in that context, I also quote you that you want to open stores with 10% to 15% growth every year. Now, this is more or less what you did in the past. So, in that sense, I want to check with you, given the new realities, has the growth ambition changed a bit, because there is an opportunity to accelerate and you yourself acknowledge that to counter that you need to grow faster.

So, in that sense, that 10% to 15% kind of network area is still a very kind of, I would say, underwhelming ambition, if I may say, or in fact, the real ambition is larger and you just want to give us a number. So that's 10% to 15% is the number, or where I'm coming from, it should go back to 20% growth trajectory, rather than staying at 17%, 18%. That's the question number one, and what it would take to get there.

Neville Noronha: So, Amit, you've always been consistent with your pushing, and I appreciate that. And probably you could look at the management change from that perspective, that while Anshul focuses on running the business, probably I'll have more time to focus on adding more and more stores.

And I'm very confident that we'll have a significantly larger number of store openings in the time there. In fact, I'm very, very confident, very, very bullish that we will be able to accelerate. It will also have disproportionate time from my side to focus on this area.

Amit Sachdeva: Great. That's very, very good to hear. Just a related question, Neville, is that obviously the marginal expansion would come largely in Tier 2, Tier 3 towns. And one of the key concerns that I've heard from many is that throughput in those stores would be probably lower than metro cities, and hence incremental revenue would be lower throughput.

And hence, although area expansion would grow, but at the same time, the net revenue growth would be slightly lower. Is this something that you resonate with that the revenue growth should perhaps have a little bit of lowering down impact on the overall growth trajectory, if I assume some SSG as well? Is this a fair understanding of how it will play out or some other dynamic we need to understand as well?

Neville Noronha: So, Amit, I've mentioned this in previous analyst comments also that smaller the town, less is the revenue per square feet, but then less is the investment. End of the day, in a business, ROI is the key. So, we look at the ROI level. So, that will continue to be the focus. And acceleration of store additions will mean a better CAGR on top line growth rate. And one point, Amit, we may go on discussing about this, but judge us on our performance.

So, QC, I mean, I think I haven't been as open about our future growth on store additions. I'm just giving you colour. Considering what's happening in the country from a competitive context perspective, including QC, I think we will double down on our investments on store additions because we don't see our store financial metrics deteriorating because of online. I hope that makes sense.

Amit Sachdeva: Got it. No, that's very, very encouraging to hear, Neville. Thank you so much for that. My second question is for Anshul and you both. Now that the leadership change happens, my sense is that there is an opportunity to rethink about how organization was structured in the past and how organization will be structured in the future.

So, in that sense, the people angle will be different or the way the category leadership, assortment was designed from a people point of view? Is there a change there in the thinking? And if it is, then what key changes Anshul would see which would be a stark departure from the past and how we should think about the people leadership in managing that growth and transition? Have you made any leadership changes already or how are you thinking about that?

Neville Noronha: Amit, this is the way I think about this. I'm still Managing Director till Jan 2026. I think it will be more appropriate for you to ask this question to Anshul next year. There's a lot of discussions that we are having internally about what it should be. Anshul will have a free hand to run the business once he takes over. And, obviously, he'll come on the table with his own ideas.

Let him have that conversation with the Board and get a sense of what needs to be done. And I think this question is fair to be asked in the next analyst meet.

Amit Sachdeva: Fair enough. No, thanks so much, Neville. And just last bit, if I may, given that Quick Commerce world is around with us and if you ask any Quick Commerce people, they would tell you that assortment is evolving every month and things are changing very rapidly and there's an exponential growth even in smaller towns as well.

While they are picking up grocery business, have you picked up some learnings that you need to change assortments and you could do a little bit different than what you've done in the past? Is there an assortment thinking change because the environment is changing around you or we are still sticking to our principles of what assortment could look like?

Is there a change in general merchandise thought process and whether this business could evolve differently even though fashion is part of the drag? What I'm thinking is, are you making some real effort in changing the assortment mix? That's what the real question is.

Neville Noronha: So, Amit, this has always been the case throughout our 20-25 years of our business that nothing remains static in this business. You are constantly observing what's happening around you online, offline, what products are selling, what are not selling well. I mean, it's a continuous process.

So, our merchandising team's job, their basic existence is to look at this. You have to be relevant to the shopper and the consumer all the time. So, it's nothing to do with just QC, but in general, we keep a watch on everything and just wanted to tell you that even for vendors, our job is to reduce friction for vendors.

So, anybody who wants to come to meet us to launch products, we try and make it as easy as possible. Like, for example, we have a Tuesday walk-in. You don't need to have an appointment. So, if you are not getting an appointment, you just walk in on a Tuesday unannounced. Obviously, your waiting time will be longer, but you just sit in the reception.

Somebody will be there and you will just tell us the story about why your product should be launched. So, are you a INR50 crores brand? Are you a INR100 crores brand? You just tell us. We have some templates and if they qualify, I mean, they immediately get a meeting and the product is launched. So, that's our job. I mean, if you don't do that, you won't exist.

Amit Sachdeva: Got it. That's very, very good to hear, Neville. Thank you so much and wish you really all the best and I'll come back in the queue for more. Thank you so much.

Neville Noronha: Thank you, Amit. Thank you. Pleasure as always.

Moderator: Thank you. Next question is from Avi from Macquarie. Please go ahead.

Avi: Hi, Neville. I wanted to first check with you on the DMart Ready business. At the start of the call, you said you had some updated thoughts. Now, after two years of consolidation, how are you looking at DMart-Ready? What next phase that you're looking at? If you could share some colour over there.

And also on margins, last time you told us that there is a potential for improving gross margin here by looking at mix. But maybe it's not fallen through this year, but how should I look at that? You could kind of share your thoughts there as well, please?

Neville Noronha: This is only for DMart Ready, right, Avi?

Avi: Yes, only for DMart Ready.

Neville Noronha: So, yes, I do remember saying something around on those lines for DMart Ready, but then also there is a competitive context that plays out. So, you have to compete from that standpoint. Broadly, what we feel is that this DMart Ready business will not make you lose too much money. So that's one broad view that we have.

From a cost of operations standpoint also, we remain consistent with that view that there is an opportunity to reduce costs, but then if you're in the expansion phase, then that kind of gets postponed a bit. But in general, we believe that there is an opportunity to accelerate the fulfilment centres and try and go closer and closer to the market.

There could be an opportunity, like I said, to enhance margins. There could be an opportunity, but it's all dependent on the competitive context and the positioning of value that we continue to seek. So, I can't give any forward-looking points of view on when will it be profitable or breakeven or all that. But broadly, we feel that this is a business that can be broken even in a couple of years. So that's broadly what we feel about this.

Avi: Got it. And if I'm correct, the niche that you're targeting is this value with the bit of convenience on it, right? That's what you're essentially looking to provide for DMart Ready?

Neville Noronha: Broadly, our view is that over a period of time, customers will see the benefit of shopping or migrating from other platforms of e-commerce to us because they see value. And we will be focusing on delivering that in the most efficient way so that we can compete in the market and still account a small margin. That's the view.

Avi: Got it. Okay. Thanks for that, Neville. Now, the second bit is on the store addition. Now, clearly your comments are encouraging, even with North India coming back and your focus now being on it. Do you have a number in mind, or should we look at 10 to 15, now going to 15 to 20? Any numbers that you could share?

Neville Noronha: Very difficult Avi. We've always said that we'll not be able to give precise numbers, but we will see basis what we disclose on a quarterly basis or whatever is the criteria of disclosures on store openings. You'll see the numbers coming, but I can't give you a number.

Avi: Even for next year, Neville, any range for store addition, sorry, I'm pushing a bit, but in case?

Neville Noronha: I mean, it won't be less than 50. I mean, if you're talking so much about it.

Avi: Lastly, Neville, on the Quick Commerce bit. Now, you've been clear that Quick Commerce has been a great story, but and there has been a potential that you had said, at worst, it can be 1%-1.5% sales impact on same store sales. Now, I wanted to kind of get from you that given the performance seen in the last year, you think a lot of it is already seen for us?

And what we see in the numbers is a reflection of Quick Commerce plus a weak demand or that 1%, 1.5% was. So, I'm just trying to appreciate is that behind us or how do you see that?

Neville Noronha: I'll again give you a colour without giving you any forward-looking statement. We had a gut feel, this is a gut feel, we said 1.5%. Now, if you look at Page 10, FY24 versus FY25, like-for-like, from 9.9% we went to 8.4%. So more or less that. Now, within that if you look at city-wise, this is very interesting data, depending on which city has what level of intensity on pricing or discounting, we see an impact in our stores.

This discounting comes in waves. And when they come in waves, we also compete. And then it does have a marginal impact on our like-for-like growth for those stores or those cities. But also, please appreciate and this is the response not just to you, but to the entire Analyst community, that please remember that we also lose share to our own DMart Ready.

Our DMart Ready is also very dominant, now don't ask me how much it is percentage-wise, but DMart Ready has a very, very dominant share of DMart stores in Mumbai, because that's where we started from. So, our philosophy is very clear, we go where the customer wants us to go.

So, we will not try to restrict our growth in DMart Ready just because it's going to make us lose our sales in DMart stores. DMart stores will run on its own foundational principles and strengths and DMart Ready will run on its own. Considering the legacy and the thinking that the Promoters have about the business, they are very clear that business has to make money or at least come close to breaking even.

So that's the broad philosophy and that's why the staggered approach to e-commerce. And that's why the Management is so obsessed on trying to reach or at least be close to break even, so that we have a point of view on saying that, yes, we have to compete on the e-commerce business too. So, I hope I've given you colour.

Avi: Very clear. Thanks a lot, and welcome, Anshul, to the team and look forward to interacting with you as well. Thank you very much.

Moderator: Thank you. Next question is from Arnab Mitra from Goldman Sachs. Please go ahead.

Arnab Mitra: Yes. Hi, Neville. My first question actually on Quick Commerce is slightly different, that do you think there's anything differently you are doing in your offline business because of how big QC has become and it will become in the next two years in terms of service levels or anything of that sort? That's the first part.

And secondly, on the DMart Ready, any work you have done on slotted versus immediate delivery? I know you earlier had a view of slotted delivery, but any refreshed thoughts on that and not doing immediate delivery? Is it largely a cost-related decision or are there other things that are going on there?

Neville Noronha: So, if you're saying that we will deliver in the next 30 minutes or 20 minutes or one hour, obviously not. We don't want to do that. Can we do deliveries in the next three hours or the next six hours? Of course, yes. Our basket values are significantly larger. That, in fact, gives us a sense that customers like us. Customers who use us like us. That's very clear. The stickiness is awesome.

So, when you look at stickiness factor of DMart Ready vis-a-vis other online retailers, I think our stickiness is an order of magnitude much larger than others. So, people who know us, love us. But not too many people shop with us because we don't spend that kind of money to acquire customers. So that's one part. We don't believe in these jargons about slotted and non-slotted and all of that. We constantly are doing trials.

And, in fact, we already have around 11% or thereabouts of our orders being delivered in three hours. We have 65% of our orders being delivered in 12 hours already. We're making tremendous progress there. By the way, without impacting cost structures much. Our vision is to deliver almost all our orders in six hours. And I think for the basket value, see, the DMart Ready shopper is not shopping for immediacy.

So, delivering in six hours is decent. It's good. And that's what we're targeting. And now practically, all orders are delivered within 24 hours. Obviously, people say, what are you talking about? When everybody's delivering in 30 minutes, you're talking about 24 hours. I'm just throwing numbers. But I'm saying our philosophy is six hours. We should deliver everything within six hours.

And within that, there will be some orders, some certain percentage orders which could be delivered in two hours, one hour, three hours, whatever. So, zero to six, we should be doing everything. And the current cost structure in the current model allows for that. I hope I've answered the question.

Arnab Mitra: Just a follow up on this, I mean, I get your point that the need for immediacy may not be there. And it seems that the spread of QC is almost creating that need. The consumer is getting used to a service level, which is 30 minutes, 40 minutes, whatever that number is. So, in that context, my question was that is not going for that one less than one hour?

Is it largely a cost decision that you feel you will not be able to run that business profitably if you do it there or why not experiment with that and see if it is possible to be done? That's where I was coming from.

Neville Noronha: Okay, let me answer this way. My first priority is value and then is immediacy. So, within the concept of delivering value without losing your shirt, losing money, how much earlier can I deliver? That's the way we will be thinking about the business, rather than thinking that immediacy is the first priority. Not really.

Arnab Mitra: Sure, understood. And my second, sorry, you were saying something.

Neville Noronha: So, what I'm saying is, we love competition, right? So, we don't mind if the same shopper is buying from somebody else and also buying from us. We just want to take a larger pie of the pantry. It's as simple as that.

Arnab Mitra: Got it. Neville, my second question was, if I look at the headline return on capital, it seems to have slightly moderated last two years. Should we not worry about this? Because you think of this as a transient phase, you are accelerating store expansion. And ultimately, the health of the business is good or is there a situation where you think fundamentally the business makes a little lower ROC because of the competitive situation or anything else that has changed in the environment?

Neville Noronha: I'll give a non-financial answer with the limited financial knowledge that I have. I think the reduction in ROC is primarily because of accelerated property acquisitions and the capital employed because of that, which effectively should be seen in a positive light because that means that we are looking at a larger inventory of stores which are going to come in the future. Niladri, can you add some more?

Niladri Deb: Yes, I think it's about more properties being acquired, and which are not giving results yet because they are in various stages of construction. And obviously, they will give results in the longer duration, is our thinking.

Neville Noronha: And also, one thing, just to give you a conservative feel to this, that real estate prices are going up. So that also should be factored a little bit. We don't want to create too much of excitement on this area. But the reality is that real estate costs also are going up, which is being featured on the slide three on page 12, where the fixed asset turnover has slightly deteriorated because a combination of both, the per location prices are going up and we have some of these new stores which have opened, which are of higher value.

Arnab Mitra: Got it. And one last question you have mentioned in the last couple of quarterly releases about costs related to improving consumer experience. Could you just elaborate, is this offline, online and is large part of the investment to improve the experience to the levels you want already happened or it's a work in progress?

Neville Noronha: It's primarily offline more or less, and that's the direction I've given the team. So, I think we've done decent investments, it should remain the same. But let's see. But at the same time, don't take the number too seriously, but just as an indicator. Suppose I open 100 stores a year. Obviously, the financials are going to deteriorate, because then you'll have a large chunk of new stores where operating costs will be higher than my existing base.

So, you have to look at it from all aspects. But yes, in large metros, where the intensity of quick commerce was higher, we said, look, even if it means losing a few basis points on profitability, we have to double down on the experience in the store. And hence, there has been a slight deterioration on the margin profile of stores.

Arnab Mitra: Got it. Got it. Thanks so much. That's it from my side. And Neville, thanks a lot for the insights over the years and welcome and best of luck to Anshul for his tenure ahead.

Neville Noronha: Thank you. Thank you so much.

Moderator: Thank you. Next question is from Ishani Swain from Kotak Institutional Equities. Please go ahead. Ishani Swain from Kotak, please go ahead with the question. There seems to be no response from the line of Ishani. We'll move to the next question. Next question is from Nihal Mahesh Jham from HSBC. Please go ahead.

Nihal Mahesh Jham: Yes, thank you so much. Good afternoon, Neville and Anshul and everyone. Two questions from my side. Neville, you highlighted that obviously North India expansion right now is the pet project that you are currently focusing on. Speaking specifically of the UP market, this market is different in a way that there are certain large retailers which have a very high share of private labels in which they operate.

And where this may end up impacting is that at least from a basket value perspective, despite the value that we offer, there would be certain players who would be offering a much better deal for a certain basket that gets created. So how would we then try addressing that kind of a hindrance in a market like UP, which is unique to say to the other states in India?

Neville Noronha: Too early to comment, but we're reasonably confident that we'll be able to compete. Maybe reserve this question for next year and maybe Anshul will be able to respond to that. But I primarily don't see much of a challenge there from that standpoint. But like I said, we just opened Agra now and we'll see. But I don't see any issues there.

Nihal Mahesh Jham: We'll definitely follow up. If you're commenting something, I'll wait for my second question.

Neville Noronha: No, you ask the second question, then I'll add on to the previous question. I've just asked for some data. I'll respond to that. But you go ahead with your second question.

Nihal Mahesh Jham: Sure. Thanks, Neville. Now, the second question was obviously a lot of discussion on this call and always on Quick Commerce. Now, if I just think from a customer perspective, and this is not a question, maybe a comment from you, that when I think from a customer proposition perspective, you take that there is a certain discount that DMart still offers on the offline format versus say what Quick Commerce does.

There is a checkout time involved when you go to a store, travel time involved. And if that discount has been shrinking and maybe is not compensated enough at this point in time for a customer to step out. Are we, on our understanding, believing that the customer cohort who is obviously going to prefer moving to QC or online is small and that is based on your understanding of the market or what incrementally does a DMart store offer that it makes a customer step out, assuming that the value difference is in a way lowering over the last few years?

Neville Noronha: So, if I understood your question, you are saying what is it that DMart store offers that makes us confident about the model vis-a-vis Quick Commerce? Is that the question?

Nihal Mahesh Jham: Absolutely. Assuming the fact that the incremental difference in the value that say we are offering has been shrinking over the years, at least if you look at the prices - store versus what is available on the website for these Quick Commerce companies.

Neville Noronha: So, Nihal, the broad view is that we keep tracking data. See, not everything will have an explanation. There are certain things which we believe could be a reasonable explanation, but we would not prefer to talk about it. But let me put it in a very simplistic form. When you look at QC / e-commerce with brick-and-mortar retail across the globe, we believe that value brick-and-mortar retailers have a tremendous economic positioning. It is a moat. The brick-and-mortar value retailer has a huge, huge moat.

And because of which you see global data on all these big retailers, nothing has happened to them. And for all the, what should I say, discussion around QC, look at the operating cost of the QC, vis-a-vis look at the operating cost of value retailer like DMart. That's the moat. And we believe it will exist. That's broadly clear. And the market is huge, right? So, we just need to focus on our business.

Nihal Mahesh Jham: Sure Neville, that's helpful. Thank you so much. It's been a pleasure interacting with you. I wish you all the best and congratulations. I look forward to interacting with you again.

Anshul Asawa: Thank you. Thank you so much.

Moderator: Thank you. Next question is from Anand Shah from Axis Capital. Please go ahead.

Anand Shah: Thanks for the opportunity. Just one question there. I mean, if I look at Arnab’s question that you have been looking to improve the service levels, and then if I look at the manpower addition that you've been doing, it's sort of up almost about 20%, 25%. And it seems that post-COVID, this number of people, let's say, per store on average had gone down.

And now you have built back up in line with this focus on improving customer service as well. So, is that sort of now coming full circle? As in, let's say, on an average, if you need a certain number of manpower per store and it came down, is it now back to the optimum level or you are still looking to sort of build up?

Neville Noronha: See, store headcount, I think, let's put it this way. Probably we've overdone it a little bit. I think there is an opportunity for calibration. I think the stores can be run more efficiently with better focus on execution. If there's one thing which we have not spoken so far, we've been talking for like one hour now, but we haven't spoken about it.

I think there's an opportunity to improve execution at stores. We need to have more dedication, more focus on running the stores efficiently. So, there is an opportunity there. But at the same time, will that reflect in P&L next year? Maybe not, because if I'm going to extend or add more number of stores per year, then P&L may get deteriorated. But we are talking all in basis points.

I mean, I'm not giving any indication that there'll be deterioration beyond that. But yes, from a capability and all of that standpoint, I think we've done a decent job over the last few years from that standpoint.

Anand Shah: Got it, got it. And I mean, from a margin viewpoint, of course, I mean, it seems that the bulk of the drag on the margins has been largely because of this staff cost, whether you look at staff as well as the contractual employees and club other expenses. So, I mean, that drag, I mean, if I set aside the store expansion that you are looking to accelerate and hence you may see some more, but would that sort of now hit a sort of a bottom there at about 8% margin?

I mean, internally, would you say these are the kind of threshold margins you target or if it deteriorates and you want to accelerate business, you are okay with that?

Neville Noronha: Anand, I think that's the direction internally. We will not be bothered so much about gross margins or expenses because these move a few basis points here and there, and we really don't bother about that so much. What we really are bothering about or I would say, are paying attention to is how fast can we grow.

I think that's the bigger question to ask. What is the CAGR rate at which we need to grow? Deterioration on gross margins, a little bit of deterioration on operating costs is perfectly fine because those are always in basis points.

Anand Shah: Got it, got it. And just lastly on your focus to accelerate the store expansion. Of course, the balance sheet or the cash flow is also constrained because you have this real estate acquisition model and so you only generate so much cash flow, which you can then eventually use to build pipeline.

So, I mean, is it also coming from a fact that you've already built a pipeline as you indicated that you are now looking to execute that and open and accelerate a lot more or, you would be open to stretching sort of your balance sheet to look at avenues to sort of accelerate this further?

Neville Noronha: We've discussed this internally. Reasonable debt is fine. I mean, so if we get great opportunities from a real estate acquisition standpoint, we are happy to raise that, but limited, under control. So, that's not off the table.

Anand Shah: Got it, got it. Okay, perfect. Neville, thanks. Thanks a lot for your insights over the years and congrats, Anshul. Thank you.

Moderator: Thank you. Next question is from Percy Panthaki from IIFL Securities. Please go ahead.

Percy Panthaki: Hi, I think this question has been answered in some form, but just looking for a little more clarity on this comment you have made for the last two quarters that we are investing in increasing service levels. What exactly does this mean? I mean, can you give a couple of examples of what you have changed in the store to improve the service quality?

Neville Noronha: It's just basically focusing on having better headcount, better supervision. Better headcount so that you have a better experience as a shopper in a store, especially on a weekend. So, for example, you should not get any out-of-stocks or the relative experiences of out-of-stocks significantly reduces.

Second is that queues are not long. All checkouts are operational. Sometimes because of the over-obsession of cost control, managers decide not to hire appropriately. So, trying to pay attention to all those things because the metro city shopper has been more discerning and has now got more choice.

So, you need to get into a psychological contract that, yes, for this extra effort, which is traveling to the store, if everything else is fine and your checkout is quick, you're getting all the stuff that you want, you're ensuring browsing is good, everything is neat and clean, things like that. So, we saw an opportunity to invest there. So, that is one area.

Second is in the non-store area, we found that there has been a rapid inflation on warehousing, whether it is warehousing rentals, warehousing employees, there has been unprecedented inflation in wages there. And hence, we had to take a huge call on increasing wages beyond the usual. And that is also what has impacted the P&L.

Percy Panthaki: Understood. So, have all these initiatives which you have in mind that we should do so-and-so, so-and-so to improve the service quality, have those initiatives already been implemented or are they in process of getting implemented and therefore some sort of this cost increase will sort of continue? This is apart from the store acceleration leading to the cost increase, that point I'm keeping aside.

Neville Noronha: Yes, more or less. I answered this question just before your question by somebody else. Yes, more or less done. More or less done.

Percy Panthaki: Okay. So, as and when this initiative anniversaries and comes in the base, it will stop impacting the margin, right?

Neville Noronha: I'm not guaranteeing that. See, margins could be a factor of multiple things. But like I said, whatever we had to do for our metro towns, we have done. But then there are so many other things, so many levers, like I answered in the previous analyst questions, that there will be other levers which could impact gross margin as well as operating expenditure. And like I said to the previous person who asked the question that we are focusing on accelerated store expansion.

Percy Panthaki: Got it. Secondly, on private labels, I know there has been some discussion on this as well. But slightly different question. When you are looking at private labels, and I'm not talking about staple categories, like rice or atta or something, the proper FMCG branded private labels, so to say, in those categories, typically, what kind of percentage discount do you need the private labels to be at versus the other brands which sell the most popular selling brands in your shop? What percentage discount do they need to be at? And if you give that kind of a percentage discount, is it materially margin accretive to you?

Neville Noronha: Okay. The answer is different for different categories. But let me tell you about the broad principle on which we operate. And this has been a principle since the time private labels started. Okay. The broad principle is we follow a 20-20-20 principle. The 20-20-20 principle is, first and foremost, do we have an opportunity to at least gain a 20% share? If we don't feel that we have an opportunity to gain 20% share of that subcategory, we prefer not to operate in that category. Number one.

Number two is that a 20% share will only happen if we have minimum 20% lower price – ECP to the buyer compared to a main brand. So, does the product have the capability for manufacturing, quality, product ecosystem to be delivered at a price that is 20% lower than the main brand?

And the third principle of 20 is, can I make 20% more margin than the main brand? So, if the main brand is making a 10% margin, am I making 12%? That's it. It's as simple as that.

Percy Panthaki: Got it. So, do you have any categories which are already hitting that 20% market share within the category that you operate in?

Neville Noronha: That is exactly the question we would not prefer to answer. But yes.

Percy Panthaki: Okay.

Neville Noronha: But as long as you get the philosophy, Percy, I think obviously we are fine. Like I said, it's a long game. Private label is, I mean, what we have set out to achieve will probably take a decade.

Percy Panthaki: Sure, sure. And last question is, you are there as MD till Jan '26. But you mentioned that you will concentrate on store additions, etcetera. So, are you going to be associated with DMart after Jan '26 as well? And if so, in what capacity?

Neville Noronha: So that is for the Promoter and the Board to take a call. So, I can't comment on that post Jan 2026 in terms of what form and structure. But obviously, my association with DMart is beyond just the position I hold, right? I also have a decent equity in the company. So, I'm available in whatever form. I'm not particular about any title. But whenever, wherever the organization needs me, I'm available.

And the way we have discussed also about the transition is the real estate or project development or the staples business, these are very entrepreneurial, these take time to understand, right? So, we want Anshul to focus on the core retail business first. And then you will hear, I mean, if there's anything after Jan 2026, you will hear about it later. I don't think this is the right time or the right forum to comment on it.

Percy Panthaki: Got it, Neville. Thanks so much. All the best.

Neville Noronha: Thank you. Thank you, Percy.

Moderator: Thank you. The next question is from Fatema Pacha from Mahindra Manulife. Please go ahead. The line seems to be on hold. We move to the next question. Next question is from Mihir from Nomura. Please go ahead.

Mihir: Hi, Neville. Hi, Anshul. Thank you for taking my question. Quite a few of the questions that have already answered, despite coming early in the queue. But can you share qualitatively if the number of D2C brands or the new players that you spoke about that you stock in your stores now, what you used to stock earlier, have seen an increase and how the sale contribution for them have gone up? And more essentially, are these not margin accretive for you? So that's my first question.

Neville Noronha: So, it's a sea of products. I mean, are you saying that this is kind of moving the needle much on our profitability? Of course not. They're very small. So, from that standpoint, no. But it's good to have them because the more successful products you have in the store, this is our metric of what is success, it means that you're making the format or the model of DMart more aspirational for people to come to the store and shop, right?

So, we are always on the lookout for successful brands to give good throughput. And when you see good outcomes, it also puts pressure on the incumbents. So, when they see a D2C brand being showcased in the store well, they know that DMart doesn't do face-ups just for the heck of it. We do increased face-ups if the sale is good, right?

It automatically puts the competitive forces in motion. So, it is cumulatively beneficial for everyone. It helps the incumbent supplier to be more competitive. It helps the customer. It helps us. So, it's a win-win for all. So that's the way we look at it.

Mihir: Understood. Neville, one question on Quick Comm. And I know you've answered it in some form, but some more insights if you can share. Now you have more data to analyse. You have had more time to see how Quick Comm is shaping up. What is your reading of the shifting consumer preference towards convenience versus value? And how do you see this over the medium term when Gen Z population becomes a larger part of the population versus now, and they prefer more convenience versus value? So, your thoughts on those.

Neville Noronha: Yes. If I zoom out and look for the next 15-20 years, I think Quick Commerce has emerged not really because retail has not been doing a good job. I think the biggest headache for every retailer is real estate cost. So, if real estate cost for a physical operator is made more reasonable, I think you will see more physical retail coming. But provided it is like that, right?

So today, what is the arbitrage that Quick Commerce is really playing on? The biggest arbitrage they're playing on is the cost of rent to them is significantly lower compared to a retail or regular retail operator, right. So that's the way we are looking at it.

Probably I lost the flow. Did I answer your question?

Mihir: Yes. I mean, I was just thinking that you're right. I mean, I understand the convenience and the value part is very different. But a larger part of the population will be turning towards convenience as time goes by, maybe 3-5 years, 10 years out, versus you're focused more on value. So, I was just asking from that point of view, how are you thinking of insulating your business going forward?

Neville Noronha: Yes, sorry. I missed the flow of thoughts here. So, one is this, one is real estate. The second I felt is that another reason why QC is doing better is because of the infrastructure, right? In India, to move, especially in the metro towns, to move from point A to point B is very challenging. So that also becomes a limitation factor for physical retail to expand.

So, if those things get solved, quite likely you will see a reversal. So, there are multiple levers to operate. But at the same time, keeping all of that aside, if I say that, look, I have a model in the brick-and-mortar piece, which allows me to compete. And see, what is the moat for DMart? The moat for DMart is its gross margin. So, I think we are fine. We'll compete. I mean, anybody else becoming whatever times larger is fine.

Point is, are we growing at 18%, 20%, 25% CAGR? I mean, that's the opportunity that the market is offering. So, like I said, when I answered this question a couple of minutes back, that we will worry if our like-for-likes are not growing. We will worry if our CAGR growths are not happening. We will worry if it is new stores where we are going in, we are not getting the desired ROI. Then it's the question of, you know, is this model working, considering the competitive context that is emerging in the market, right? That's the way we'll think about it.

Mihir: Understood. And lastly, just a continuation of the margin side from this lens, apart from the mix what are the other levers you see? Because I heard you when you spoke about revenue per square feet and so on. But where do you see the levers for more efficiency? I understand you spoke about efficiency as well. But then how should one we think about margins? Because tailwinds seem to be very limited.

At the same time another big retailer is increasing its private label contribution. Quick Comm with large funds at their disposal are creating pressure on discounting. So, there are more tailwinds to, you know, for margins to be downwards versus upwards. So essentially, how do you see this? And what is the threshold of margin that you think that you will settle at in the medium term?

Neville Noronha: See, I'll not answer medium term, I'll give you a more longer-term perspective. Let's look at 5 years, 7 years, 10 years ahead. I think broadly, there are two levers. One is the private label lever, okay, which has tremendous opportunity. And one is getting into horizontals, which we are not into right now, but it suits our format, which I've written in my annual letter too.

See, when a country grows, and I've answered this in previous analyst meets as well, when a country grows at 7%-8% GDP, DMart kind of store will automatically be an ideal platform to have so many other categories. Like, for example, go to any developed country retailer, value retailer like DMart and see what all they sell and look at what we sell, right? So automatically, when prosperity improves, your customers, I mean, products and sub products have more and more segmentation and sub segmentation. As more and more of that happens, the opportunity to make more margins automatically emerge.

If you take a long-term view, considering our format, considering the way we construct our stores, I think there's an infinite opportunity from that standpoint. Does that mean margins will go significantly up? No. We are very clear, we'll not earn more than 15% or thereabouts. So, it's great value. So once a customer comes into the store, whatever she wants, horizontally more and more, if it suits the format, we will make it available. That's the way we are thinking about it.

Mihir: Understood. Thank you very much, Neville. It has been a pleasure listening to you and wishing you all the very best. And Anshul, wishing you best for the new role as well. A big shoes to fill. Thank you so much and all the best guys.

Anshul Asawa: Thank you.

Moderator: Thank you. The next question is from Parth Shah from Bernstein SG. Please go ahead.

Parth Shah: Yes, hi, thanks for taking my questions. Am I audible?

Neville Noronha: Yes, hi.

Parth Shah: Yes, hi. So, my first question is on the new stores that you have been opening up in the non-metro tier I cities. So, I wanted to understand how they are ramping up in terms of revenue. Is it faster or slower? And within that context, I think you spoke about this a little bit earlier as well. What do we try to optimize for? Because we obviously have lower revenue per square feet. So, do we open smaller stores and try to protect the margins? Or is it just the same size of stores that we look at?

Neville Noronha: Yes, so I think this is all derived numbers. You have to just derive it. But I think our new store average has remained consistent in fact, or larger than our base in certain years. So, we don't really look at it from that standpoint. All our stores more or less hover around 40,000 square feet. And we will continue to be around that space.

Secondly, we have a broad base template on store openings, because we open in the same state, same cities or vicinity of the same cities. The template of assortment remains more or less the same. And we just focus on giving great experiences, consistent experiences on availability, checkout, pricing, all of that. And see in value retail, the lesser variables to operate on, depending on which city and which region you are, it is better to execute.

So, we try to keep our variables as few as possible. And wherever there is a local nuance that is in play, we would rather want that local nuance to be handled by the local teams because they get it better. So, it's a right mix of central command and control and local command and control. So that's how we operate. And new stores' throughputs will always be significantly lower than the older stores.

But which is okay, we have now data on how this trends. And the trending has been the same. As they age, the revenues just rapidly go up. So younger the store, the CAGR growth rates are significantly higher compared to the older stores.

Parth Shah: Yes, got it. That's helpful. And the second question I wanted to ask was on the cost side. Obviously, the employee cost has gone up quite a bit in the last 18 months or so. But we've also seen a significant number of employee additions also in the last two years. So, what exactly has led to this in terms of is it you know have we seen higher attrition or are we trying to build some new capacity, capabilities or anything like that if you can comment on that?

Neville Noronha: DMart employee attrition actually has fallen from last year, which we have published, I think it's fallen by almost 2% to 3%, from 13.9% to 11.3%. So, attrition has gone down. And given that our senior leadership attrition is actually very, very low. That's something I've also personally paid attention to. So that's okay. What has happened is, like I mentioned earlier, headcount has increased significantly in stores to improve service levels, which we spoke about.

Cost of employee increased significantly in warehousing space, which I told you about. There is a certain component of headquarter costs also which we have increased. So, what I've personally spent time on over the last two years, considering my decision on not continuing is I have paid disproportionate time in building a solid team at corporate office, visualizing what this company would be in the next 10 years and building those blocks right now.

Some part of the cost is also being built because of that, but that's a work in progress. It will take another couple of years, but the start has been done. So that's the way to look at it from a cost standpoint.

Parth Shah: Got it. Thanks. And all the best for the future.

Moderator: Thank you. Next question is from Ashish Kanodia from Citigroup. Please go ahead.

Ashish Kanodia: Hi, Neville. Thank you for the opportunity. The first question is on the accelerated store expansion. So, you have been talking about that real estate, good real estate at the right price is always a challenge in India. Now, if I look at all the comments you have made during today's call, is there also a reason why there is an acceleration because maybe from a guardrails point of view in terms of what is the per square feet rate you want to pay depending on the micro markets in terms of revenue, cost, gross money, etcetera.

There is some you are maybe dropping the guardrail a bit on the cost, at least on the land acquisition side, given how the competition both on the offline and online side is shaping up. Is that also one of the reasons?

Neville Noronha: Yes, you're saying why are we accelerating?

Ashish Kanodia: I'm saying I understand you're accelerating, but I'm just trying to understand the reason that is it purely because of management time being spent there or is it also a factor of maybe looking at buying some of the expensive real estate as well?

Neville Noronha: Not really. Are you saying that because we are imagining the real estate price will go further up, so we are trying to build a land bank? Is that what you're trying to say?

Ashish Kanodia: No. So, what I'm saying is that real estate has been a challenge like quality, good quality real estate always has been a challenge. So, from a guardrail point of view, I'm just trying to ask, like, when you look at the guardrails. So, if you want to take this as an example, INR10,000 per square foot for the land, now you are maybe willing to pay INR11,000 because maybe you think that the competitive intensity is increasing.

Plus, if you add more stores, it also helps you with the DMart Ready because it also helps you with that. So, is that a thought process or there's no change in the guardrails?

Neville Noronha: Okay, let me put it this way. I get your question now. DMart operates on the principles of DMart. Even the real estate strategy is, how many stores we need to have because it is a profitable business, and it just adds on. The CAGR on top line as well as the CAGR on bottom line just moves. So, we look at it from that standpoint.

DMart Ready expansion will be seen from a different standpoint. We don't think about, oh, because I'll have more DMart stores it will become better for DMart Ready? Not really. We don't think about it like that. We just feel that now is the time for us to accelerate faster. And probably with the re-org, hopefully, the acceleration, not hopefully, I'm reasonably confident that it will be faster.

Ashish Kanodia: Sure. And then when I look at your comment on the North or UP, and if I just look at last 8 years, 10 years track record, typically what we have seen is whenever you enter into a new state, the initial two, three years is more about four, five stores, seven stores, because there are always these micro nuances of one, the consumption in some categories within that state. And then, of course, the supply chain also comes into the picture.

Is that how maybe the UP or North will also ramp up or do you think given the scale and size which DMart has today, maybe the supply chain has become much more efficient and the ramp up would be much faster versus historically what has happened with the new state being added?

Neville Noronha: Okay. Ashish, good question. I'll reiterate, we remain steadfast in the positioning, like you mentioned, that new states will always be more calibrated in growth compared to existing states. I always tell my team that one of the greatest gifts we have got is to be in the right industry and in a country like India, which is 130-140 crores population.

The size is on the plate for all of us to take. So, while we are overemphasizing on North, we should appreciate that this country has an opportunity in a lot of the other states, where we are already operating. If you see even the number of stores that we added last year, it has been equally distributed reasonably across all our existing markets.

So, we'll continue to do that too. So, my colleague Ramakant Baheti, who's sitting next to me, has been a stalwart in real estate acquisition. I'm just joining him and saying that, look, I do North India, you do the rest, because even so far because we consider this as a very, very complicated sector or department, we continue to be deeply involved and personally involved in acquisitions.

But the strategy remains the same, that new states we will be more calibrated, but we just have confidence because of the historical knowledge about worst case scenario what will happen. From that standpoint, we are a little, I mean, I'll not say a little bit, reasonably more optimistic and aggressive in terms of going to the market. But you will in the future also see a lot of the stores coming in the rest of the states also.

Ashish Kanodia: Sure, Neville, that's helpful. And then just Minimax, I think this is, if I'm not wrong the third year of the format like 17 stores like, what's the thought process and have you seen this becoming maybe an answer to opening much more number of stores in cities like Mumbai, where sometimes the real estate availability is a challenge. So, what's the thought process there on the Minimax side?

Neville Noronha: Yes, so, it was an experiment, everything has been tried. I think now it's very simple, two prongs, DMart stores, current format, 40,000 sq. ft., 30,000 sq. ft., whatever that is. And second is DMart Ready, home delivery. That's it. Two things, rest we should not distract ourselves. We are very clear about it.

Ashish Kanodia: Got it. And last one is I think when I just look at the discussions we had and if I just kind of look at also the last two-years performance. So, say in the last two years, there has been the EBITDA growth or the PBT growth has been, below your revenue growth, partly because of competitive intensity, partly because of investment in improving the service level, etcetera.

Now, when you look at the next two, three years and I think in one of the comments you said, I'm not taking the 100-store count, but you said if tomorrow, if I open 100 stores the cost will be much higher, because the store takes time to reach the throughput maturity, etcetera. So, when you look at all these things, the next two, three years, while I understand there will be acceleration in store expansion and acceleration in top line.

But is it a fair way to think that it will also come and maybe it would only be in few basis points, but at the cost of some margin? So maybe PAT growth, what we have seen last two years being slightly below your top line, that's how it might do given the thought process of accelerated growth, improving services, etcetera?

Neville Noronha: Yes, Ashish, we don't over think so much on all these things. More or less, we know we're running a business, as if we own the business, actually a lot of us own some parts of the business. So, we know in the long term that this is beneficial however, in the short term, if there is a deterioration in P&L, profitability, opex, like I said, all will be an impact in basis points, then why not capture the market.

If we have the ability and the management bandwidth and I hope Anshul does a better job than me in building that management bandwidth to run the stores well, then we can accelerate.

Ashish Kanodia: That's fair. I just wanted to get views on that. Thank you, Neville, and all the best to you.

Neville Noronha: 100 Stores opening was just an example, please don't release analyst notes saying that DMart will open 100 stores.

Ashish Kanodia: No, that is why I gave my disclosure as well. Yes, thank you. Thank you, Neville, all the best to you and Anshul and the rest of the team.

Moderator: Thank you. Next question is from Latika Chopra from JP Morgan. Please go ahead.

Latika Chopra: Hi, Neville, always fascinating to hear you. Quick questions after hearing what you mentioned. First one is in Quick Commerce. I just wanted to get your thoughts on how do you view the Quick Commerce acceptance in smaller towns? Is there a credible opportunity in these smaller cities, any on ground colour you have, given some of the QC players are now expanding into Tier 2, Tier 3 cities?

Neville Noronha: Latika, I've spoken enough. Like I said, I have a very high regard for what they have done, amazing stuff. But such pointed questions on that business of which I have no experience and I'm not the right person to answer that question. You should ask this question in that company's Analyst Call.

Latika Chopra: Okay I was just looking more from you talked about some impacts.

Neville Noronha: Sorry.

Latika Chopra: You did talk about the impact of the business in the large metro cities, but I was just trying to get a sense from a consumer perspective?

Neville Noronha: I'll tell you how it impacts us. I've mentioned this earlier. So, if it's an impact on DMart I can tell you there has been zero impact in non-metros. In fact, we're doing very well in the non-metros. Because like in one of the earlier analyst meets also, I have spoken about that, while DMart stores in Mumbai or Bangalore are very crowded and very busy, because the size of the stores is relatively smaller, all of that.

In a small town or a non-metro town, our stores are much larger and infra is much better. And the whole experience, the whole shopping experience of going to a DMart store is actually quite pleasurable. So, when you have pleasure and value, I mean, it's a solid, solid moat. It's an awesome moat.

Latika Chopra: Makes sense. Thank you. The second one was on the category makes shift in pre pandemic to now we've probably seen a major shift in general merchandise and just kind of moderated from 27%-28% to now about 22%-23%. As make plans over the next 5 years or 10 years do you see a case where this salience could go back to different levels or this is pretty much likely to be in this range?

Neville Noronha: I have a different take on that. I have answered that also in many previous Analyst Meets. While I understand the concern of general merchandise and apparel contribution *(inadvertently mentioned as 'margins')* going down, but triage data with how my PATs have trended over the same period. Number one. And number two, how is my gross margin trended over the same period. So, if having more and more shoppers coming and buying more and more FMCG and grocery and all of that.

And hence driving footfalls and making the business more and more strong, then why not? So, we are not really worried so much that my GM and apparel contributions have gone down. Obviously, it would be nice to have it better than what it is today, but you have to also consider the comments I've made again on this topic that whenever we start a new store the general merchandise and apparel contribution is significantly higher.

And as it ages, the FMCG business contribution increases because more and more people in a shorter area start buying more and more and more and more people come to the store. So, the basket shifts. So, that's why it's a secular trend where the stores' grocery and FMCG buying contribution keeps on increasing. It's a lot to do with that.

Latika Chopra: Sure. Clearly, your gross margins have held steady, so that's commendable despite the category shift. The last bit was on DMart Ready. You have talked about more confidence in the model. I just wanted to check. You have clearly refrained from spending much on advertising this platform. I just wanted to understand any change in approach or thought process here to create more awareness beyond existing customer base of DMart about this platform.

Neville Noronha: I'll ask Vikram Dasu who is with me here, the CEO of DMart Ready, to respond to this.

Vikram Dasu: Hi Latika. We have spent the last few years sort of finessing the model and making a few course corrections as Neville alluded to earlier, last year and also this year. Pivoted is a loaded word, but we've course corrected a little bit and have started focusing more on home delivery. The whole idea of not going to town in a big way in terms of advertising was to make sure that we stand by the promise that we make to the customer.

I think we are in a better position today than we were earlier. You may not have noticed it, but we have started ramping up our outreach efforts and you'll start to see more of it in the coming months. That's what I would like to submit here.

Latika Chopra: That's encouraging to know. Thank you so much. All the best, everyone. Thank you.

Moderator: Thank you. Next question is from Jiten Poojara from Janchor Partners. Please go ahead.

Jiten Poojara: Thank you so much. I really appreciate all the discussion on the industry. I just have one broad question. We are long-term owners of businesses. If you think from a 10 to 15-year perspective, and obviously DMart has always been positioned as a value company. I'm sure you've thought a lot about this.

What about positioning DMart even further as a value company by reducing the gross margin and making the position even stronger versus what's happening in the industry? What are your thoughts about that?

Neville Noronha: I think where we are today is fairly okay, right? If the competitive context around you is at a level very different, or I say higher than you relatively, then I think we are okay where we are. That would be my response to your question.

Jiten Poojara: The reason I ask this question is because there's a lot of data that shows that the difference in pricing has been reducing. The biggest moat, obviously, as you said, the gross margin of the company, which in other words, I would say the value perception and the actual value promise that the end consumers feel when they walk into DMart.

Are there other ways to kind of sharpen this continued moat of DMart? One is actually providing even better pricing, but are there other ways that you can do this?

Neville Noronha: Okay, let me put it this way. I get the question now. Good, it makes us think harder. See, you can continue to remain at the same gross margin and still make the price lower for the customer. If the relationship with your supplier is such that the more the supplier is transparent with you and the more the mutual benefit is appreciated on both sides, over a period of time, there could be an opportunity to bring the price further down for the shopper, even without me further reducing my margin. Makes sense?

Jiten Poojara: Makes sense. Also, just one follow-up on that is, you know, DMart Ready in terms of positioning and pricing, how should we think of it from a 10–15-year perspective? Because it will provide some convenience, not as much as QC probably, but still more convenience than a physical retailer. So, in terms of the price positioning of DMart Ready versus DMart physical large stores, how are you thinking of positioning this from a longer-term perspective?

Neville Noronha: So, the positioning is that we stand for value. So, we would want DMart Ready also to stand for value. But will it be as cheap as a store? Obviously not. Then you will never make money, right? So, our philosophy in the longer term is at a small incremental cost because we are doing two things extra for the shopper. We are picking for the shopper and we are delivering it to their home. Eventually, basic laws of economics will prevail, right? There has to be a cost associated with that. So, if you are able to recover that, I think we are okay.

Jiten Poojara: Okay, got it. Thank you.

Moderator: Thank you. Next question is from Gaurav Jogani from JM Financial. Please go ahead.

Gaurav Jogani: Thank you for taking my question. Neville, my question is with regards to the revenue per square feet. Now, if you look at the revenue per square feet in FY20, that was around INR35,500 odd and right now also we are clocking at the same mark. Now, despite five years hence and then inflation etc., that has not increased and the costs though at the same time are increasing, which are keeping a drag on the margins.

So, what is your thought on this? How much of this revenue per square feet do you think is impacted because of the Quick Comm guys operating in the metro towns and taking away some share from there?

Neville Noronha: Gaurav, again on a lighter note, I have answered this earlier also that these are metrics we hardly look at. I think the only time I look at turnover per square feet is just three or four days prior to the analyst call. But otherwise not, and it is for a reason.

The reason being that if 88% *(inadvertently mentioned as 92% on the audio call)* of my property is ownership, we take a call on what money this location will make basis what we are going to invest in that store. So, turnover per square feet is a vanity for us from that standpoint. For us, ROI at the store is what we look at. So, from that standpoint, we are pretty okay.

Gaurav Jogani: So, I would put it the other way around. So, if you look at your cost per square feet, those are increasing at a higher pace versus your sales per square feet and which in fact is impacting your margins. So, how do you look at that point is the larger question?

Neville Noronha: My margins are, if you are talking about gross margin, my gross margins are getting impacted because of competitive context.

Gaurav Jogani: No, the EBITDA margin only, the overall EBITDA margin that is.

Neville Noronha: My EBITDA margins are getting impacted because of my opex. My opex is getting impacted primarily because of my employee costs. And like I mentioned earlier that real estate costs are increasing. The amount of money that is required to buy new real estate per square feet is definitely going up. But broadly, ROI is the key.

Gaurav Jogani: Sure. And Neville, my second and last question is with regards to, using your DMart stores as a fulfilment centre. So, you did allude, you know, that probably if you have more fulfilment centres, you can deliver faster and better. So, is there a thought, wherein you can do a three-hour, six-hour kind of a delivery and that could help you to accelerate your DMart Ready or delivery business?

Neville Noronha: So, this is also a question that has been asked earlier and I have answered also earlier, that our existing stores operate at very, very high efficiency. Having a DMart Ready store there, that is actually detrimental to the operations of the DMart store. And there is no dearth of FC availability.

Now, considering our model, we think we can even operate at a smaller sized FC. Earlier, we had our own issues on having confidence in running fulfilment centre at a smaller scale. We've done a few tests and trials. And now we can actually run a fulfilment centre at smaller scale, but we need it to be separate from the store.

And if you look at how competition also has done it, right, they've just gone ahead and opened FCs or dark stores, as they call it, at a very, very high pace. They are able to do that because availability is very easy. But we are very clear now that that has to be separate from the store.

Obviously, there will be some locations we can have together and we have, but otherwise, in general, it has to be away from the store.

Gaurav Jogani: Sure, Neville. Thanks. Thank you for all your insights all these years and welcome, Anshul.

Moderator: Thank you. Next question is from Jay Gandhi from HDFC Securities. Please go ahead.

Jay Gandhi: Yes, hi. Thank you for the opportunity. So, my question is on distribution centre. For the past couple of years, you nearly doubled the distribution centre count. I just wanted to understand how concentrated this expansion has been. I mean, if you could give me a ballpark of other top three states have, or which are the top three states?

Neville Noronha: This is for the distribution centres, right?

Jay Gandhi: Yes.

Neville Noronha: Yes, so distribution centres is a function of how many stores we add and what is the concentration of the stores we have. So, this is an ongoing process. And don't go by the numbers, honestly, because distribution centres are a function of what size. So, if I get larger distribution centre, the number of distribution centres will be lower. And if you don't get very large distribution centres, you have to make do with smaller ones, then the number of distribution centres will be larger. So, don't go by that number.

For us, DC makes sense when we have a decent size cluster of stores, such that the trade-off of getting them supplied from a longer distance versus supply from a shorter distance, that's broadly the math. But DC number is not a great indicator according to me.

Jay Gandhi: Okay, but at least the concentration of expansion, maybe the numbers may not be important, but even if it is concentrated in terms of its nature of expansion, maybe perhaps that could help me understand where the focus is in terms of expansion.

Neville Noronha: Yes, so broadly the focus on expansion now is almost everywhere except Northeast and a few states east of the country. We will be looking at, everywhere broadly.

Jay Gandhi: Right. No, fair point. No, just another question on the overall expansion. See, Delhi NCR a couple of years back was about eight stores. It's still about there and thereabouts, nine-odd stores. Just want to understand, are there any operational bottlenecks there or regulatory bottlenecks that perhaps stops us from expanding there in a meaningful way?

Neville Noronha: So, NCR, some pockets, there's no real estate. That's the problem. The number of options available are very, very few, but we're trying our best. But we still believe that NCR kind of location, even in the current situation, can, like if I take a five-year horizon, can we have 100 stores in NCR? Of course, you can have.

Jay Gandhi: Right. No, fair. Now, just shifting to DMart Ready. Now, from a proposition perspective, I just wanted to understand. Right now, I presume you offer a standardized offering of free home delivery, about INR3,000 or there's a certain threshold, right? Now, if, is it possible at similar profitability as today, can you reduce this basket size to probably about 20%-25% odd from where it is?

Would that be a lever for market share gains, even in the metro markets, especially if you combine this with your focus on trying to reduce the service level times to six hours at some point?

Neville Noronha: We keep evaluating. If there's any change, you'll see it. But yes, I mean, these are all thoughts that we have on the table all the time about what are the gain-loss depending on the decision we take. But yes, it's not something we don't think about.

Jay Gandhi: Right. But at current cost structure, obviously, a lower price, lower basket size may not be as profitable, right?

Neville Noronha: Yes. For us, the basket size is the holy grail.

Jay Gandhi: Fair, fair. Well, thank you. Thank you so much.

Moderator: Thank you. Next question is from Fatema Pacha from Mahindra Manulife. Please go ahead.

Fatema Pacha: Hello, sir. Sir, I think DMart has been the poster boy of running retail in the country, and I think a lot of, I'm sure a lot of takeaways from the way you did the merchandise and the way the retail was run. But there's some business models that are getting listed recently, and maybe we're also getting a look through of how things are being run by other companies.

So just wanting to understand that there are companies who are practically running at a 14% EBITDA margin, and in a way, having like, right from shampoo, like, obviously, I'm not doubting that you need to have a L'Oreal or a Pantene or a Dove, but also having the option for the lower end customer who cannot afford a Dove, but who is actually maybe, using a soap today or a Shikakai or something like that, if you could migrate him to an unbranded shampoo or something like that.

And just, basically just helps in that ladder of premiumisation, because a Lever or a P&G cannot do it. But maybe for you, it makes sense, plus it adds a lot of gross margins to you as well or you think this business model will not make sense.

Neville Noronha: Fatema, if I heard you right, you're saying that other retailers have L'Oreal, Pantene and Dove, and we don't have it? Is that what you meant?

Fatema Pacha: No, no, I'm saying that you, you definitely continue to have it, but also have an option for customers who cannot afford it, in terms of, your own private branded shampoos, which they can take and start using, in a way migrating them from a soap format to, unbranded shampoo format. And then eventually, maybe they will upgrade to the Levers or the P&G. And in the process, you may good gross margin as well, right?

Neville Noronha: Okay, this all we keep doing, it's all a work in progress. But for us, the first thing is, what does the shopper want? And what is the trust that we want to build with the shopper? See, in a shopper's experience three people are involved - shopper, the OEM and the retailer. We are custodians of the shopper's interest, right? So, first is, we must ensure that we have the confidence in what we're selling.

So, margin is not the driver, or profitability is not the driver of decision making on assortment. The first criteria is to ensure that we have products that we are confident about, are safe, and have the utility and the performance capability at that price for the shopper. So, it's like a work in progress. I understand where you're coming from.

Fatema Pacha: So, the only question I have is that India has very high real estate cost and you have alluded to that, right? And we have seen most of the multi brand retailers, you go to a Shoppers, you see all these big brand retailers, all of them have had the same issue as you in terms of high real estate cost and low margins, because eventually when you sell a branded product, your margin can be only this much.

And hence, everybody in a way has tried to increase their private label from 20% to 30% to 50% to 70%. So, that is how the real estate in a way as a cost is so prohibitive in India is getting combated. Because the customer at the margin can only afford this much. So, you cannot charge the customer more, that is a given.

So, the only thing is that if you could have your own private label at 20%, 30% lower than a Lever, a P&G brand, just in case if that guy cannot afford the Lever or a P&G product, he can take your product and you make good margin either way? So, your flow through is good.

Neville Noronha: Correct. We're doing that. But should we push it beyond a point? No. I mean, let the customer decide. We are very particular about which segments and sub-segments we have private labels in. If I don't have confidence in having a private label in a shampoo category or a toothpaste category, then I will not bring the private label on the shelf. Because it's a question of DMart's reputation.

Fatema Pacha: But any target for this 25%, 30% maybe say in 10 years can go to 40% or something like that, or you wouldn't?

Neville Noronha: No, no. We don't work like that. It's an everyday thing. I mean, see, targets are great up to a point. After that, targets are detrimental to everybody's interests.

Fatema Pacha: Sure. So, pre-COVID, our apparel used to do well. But obviously, post-COVID, things haven't worked out well. Any breakthrough there? Because we are yet seeing some of these diversified retailers being able to get their act on the apparel retail. Because that is also a good gross margin business. And that people at the margin are okay with the private brands?

Neville Noronha: Fatema, I've answered on the apparel business earlier also. We are primarily a food grocer. And being a food grocer has limitations on doing apparel up to an extent. The market allowed us to do a very long, broad-range apparel business because competitive intensity was not so much.

As and when you had more and more specialists coming into the apparel business, we pivoted to focusing more on the basics, more and more. Because you have to align your format to what works for you.

So, it is the basic apparel only that makes sense for a business like ours. And we pivoted to that because for us, stock turns are very, very important. And salience to the format is very, very important.

Fatema Pacha: So, this last question, do you theoretically think that your TAM is more than 1,000 stores or at least 1,000 stores?

Neville Noronha: We spoke about it, I think, again sometime back. I think this is a back-of-the-envelope calculation. We have, broadly, for the country, around 1,800, 1,900 stores as a gap across the country.

Fatema Pacha: So, that is your TAM in a way?

Neville Noronha: Broadly, yes. It's a very conservative outlook. But, yes, as on today, yes. So, 2,200 is approximately the number of stores, out of which 400 something is what we already have. So, 1,800 approximately is the opportunity.

Fatema Pacha: Thank you so much.

Neville Noronha: You're welcome.

Moderator: Thank you. The next question is from Amnish Aggarwal from PL Capital. Please go ahead.

Amnish Aggarwal: Yes, hi, Neville. Just a couple of questions. First being that DMart had raised a QIP. I think we raised around INR4,000 crores pre-COVID. And over the years, we have seen that the cash balances are coming down as we have been, you can say, doing a lot of capex. And you elucidated that you will be doubling down on the store openings and so investment in real estate and all and reasonable amount of debt is good.

So, till now on a net basis, we don't have any debt if we don't assume the lease liabilities. So, what's the management thought process on, you can say, having a reasonable amount of debt, what sort of debt equity in this kind of a business would be comfortable? That is the first part of the question.

The second is, over the last 5 years, we have seen our ROEs also coming off from 18% to 14%. So, what's the target ROE which DMart is looking at?

Neville Noronha: So, debt, we will prefer not to give a number. We have given colour on that in terms of how we are okay with raising reasonable debt to ensure that the expansion is not kind of slowed down. So, from that standpoint, we have already given colour. But beyond that, I don't think we would like to comment.

In general, even on ROEs or return on net worth, I think we are okay. Like I said, a few basis points here and there, deterioration on P&L, they're perfectly okay. We're playing this for the long game.

So, we are very conscious about how we acquire real estate and at what price we acquire real estate. And there's now reasonable understanding on all of these aspects because of being in the firm for so many years. So, we will continue to ensure that we buy with a very, very conservative lens. But beyond that, Amnish, we can't comment.

Amnish Aggarwal: Yes. So, my second question is regarding DMart Ready, where after being, you can say, having losses within certain band, we have seen increase in particularly our transportation cost and the labour cost.

And given the fact that I think during our quarterly results also, we highlighted that labour costs have been going up. So, do you see that the margins of DMart Ready, and they remain under pressure for a slightly prolonged period? And do we have any, you can say, target for achieving the break even at the EBITDA level in this format?

Neville Noronha: So, it depends on EBITDA as per IND-AS, I think it'll be faster. But obviously, rent comes below EBITDA. But anyway, that apart, transportation costs have increased because home delivery has significantly increased. So, look at it like that. But what happens also is that the more home delivery business we get, the opportunity to earn better gross margin improves.

And also, like I said, wages went up. We all know that this industry has gone through fire as far as hiring new delivery boys and girls are concerned. So, the wages there have significantly increased. But that's a market phenomenon, demand-supply. So, that is the reason why those numbers look like that.

But in general, our view is that at the P&L level, PAT, we have to break even at that level, not EBITDA. So, all attempts are being made to grow at a reasonable level, and at the same time, try and be as close to break-even as possible. We can't give a clear number, but we're working on it.

Amnish Aggarwal: Okay. And finally, just one bit more. Any dividend policy which you have framed or which you are targeting?

Neville Noronha: Board has to decide that, not me. And this is not a forum to comment on that.

Amnish Aggarwal: Okay. Thanks a lot.

Moderator: Thank you. The next question is from Tejash Shah from Avendus Spark. Please go ahead.

Tejash Shah: Hi. Good afternoon and thanks for the opportunity. Neville, first of all, thanks for a truly fruitful and engaging association over the years. It's been really, really enriching for us as well. So, you have been today candid about, and then you have been in the past also candid about your dissatisfaction with the pace of store expansion.

Now, given that external constraints like format, availability, and execution challenges remain the same, I'm just wondering what levers you can actually pull to accelerate from here on? Or was it always just a matter of focus, but you are now saying there'll be more increased focus from your side to accelerate the same?

Neville Noronha: Yes, very simply was, we'll make it happen. What else can I say? But we'll make it happen. That's all I can say. That focus is needed. We'll get it done.

Tejash Shah: And last call, you had highlighted UP and Odisha as well. So, usually we have not seen we adding two states in the same year. So, is it like Odisha will be first to populate or UP or you have bandwidth to populate two states at the same time?

Neville Noronha: Possible to do both states, but we'll see more stores in UP for obvious reasons. We have inventory there. We have acquired some locations there. So, you'll see that coming. And obviously, UP has a larger opportunity compared to Odisha, from the city and all of that standpoint.

Tejash Shah: And last, just referring to the last year's call, among the two new initiatives that we had, Minimax and which you spoke about today, the other one was actually Reflect Healthcare on pharma side. Any thoughts there whether we have reached to a point where we can scale it up?

Neville Noronha: Yes. Pharma also has a great opportunity. It's a work in progress. We have started. We have seven pharmacy stores now operational and encouraging results. See, all these subsidiary businesses should not be seen as a revenue by itself. These all complement and make the main DMart store format stronger. The reason why they have been built as a separate business is because the nature of the businesses is different.

It needs a different lens of running those businesses and that's why they're separate. But encouraging results and all these businesses or all these companies are created to complement the main business. So, no matter how successful we get in the pharma business or no matter how successful we get in the pizza business, at least my advice to the incoming management team is don't go outside DMart stores.

Do this for DMart to make DMart stronger. Because sometimes there are these aspirations to say, hey you know what the P&L is looking good. Let's open some pharma stores independently or let's open some pizza restaurants separately. We shouldn't be doing that. We do whatever we do to make the DMart store stronger and stronger. That's the principle.

Tejash Shah: Perfect. And then last one for Anshul. Anshul, as you prepare to take on the CEO role, what aspect of the company strategy do you see non-negotiable and where do you see room to challenge this? Perhaps a bit early, but at this point, how do you assess this?

Anshul Asawa: Yes, I think it is a bit early and possibly next year I'll be able to give a more concrete sense about it. But as I said in the beginning as well, and Neville has also alluded during the course of this meeting, that there are some very clear, strong fundamentals of a value retailer that DMart has actually pioneered here in India. And those don't need to change.

It's a simple organization. I see a sense of ownership in terms of the culture that DMart has across levels. And the principles around assortment, principles around low-cost operations, principles around customer focus. We put assortment based on customer interest rather than what we would want to push. All of these things I don't think need to change in the model. And of course, there will be areas for improvement.

Neville already has spoken about the acceleration that we need to make. But that acceleration will also require that the capabilities, the execution capabilities that we have now need to be translated into a much larger number of stores. We need to have talent which will be able to manage this much larger business going forward across geographies.

And so therefore, all of those things will be areas that one would like to focus on. So, the way I look at it, there would be more of the same with, of course, improvements that we would need to make to be able to manage a stronger and a bigger business going forward.

Tejash Shah: Very clear. Thanks and all the best to the team for future.

Anshul Asawa: Thank you.

Tejash Shah: Thank you.

Moderator: Thank you very much. We'll take that as the last question. On behalf of Avenue Supermarts Limited, that concludes the conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.

Disclaimer: This transcript has been edited to remove any grammatical inaccuracies or other inconsistencies that might have occurred inadvertently while speaking.