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29th July, 2025

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Sub: Transcript of the Conference Call held on 25th July, 2025

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and amendment thereof. In reference to our letter dated July 21, 2025 (Ref. No. CS/S/L-897/2025-26) regarding the intimation of the conference call with Analysts and Investors held on 25th July, 2025, please find enclosed the transcript of the aforementioned conference call.

The above information is also available on the Company's website: www.vmart.co.in.

We request you to kindly take the above information on record.

Thanking You,

Yours Truly
For V-Mart Retail Limited

Megha Tandon
(Company Secretary & Compliance Officer)

Encl: As above

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**“V-Mart Retail Limited
Q1 FY'26 Earnings Conference Call”**

July 25, 2025



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

MODERATOR: **MR. TEJASH SHAH – AVENDUS SPARK**



Moderator: Ladies and gentlemen, good day, and welcome to the V-Mart Retail Q1 FY '26 Earnings Conference Call hosted by Avendus Spark. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Tejash Shah from Avendus Spark. Thank you, and over to you.

Tejash Shah: Thank you, Vishakha. Good morning, everyone. On behalf of Avendus Spark, it's our pleasure to host the 1Q FY '26 Earnings Conference Call of V-Mart Retail Limited. Joining us today from the management team are Mr. Lalit Agarwal, Managing Director; Mr. Anand Agarwal, CFO.

I'll now hand over the call to the management for the opening remarks, followed by the Q&A session. Thank you. Thank you.

Lalit Agarwal: Good morning, everyone. Good morning, Tejash. Thank you so much for introducing us and hosting us. Wonderful to hear you and come back to you with our Q1 analysis.

So, nothing very different. The business looks good. Customer sentiment in in Bharat market, looks okay. I would not call it as a very high customer sentiment in terms of consumption. But yes, it's positive. It's not too bullish as of now because the period and the seasonalities are such. But we expect it to grow during festival. This is definitely something we are seeing the undercurrent is very strong.

The consumption -- the reasons for consumption have changed. The reasons for celebrations have changed. There are more occasions that the consumers are celebrating. There are more reasons why they are buying. And this is what we are seeing as consumer sentiment. accumulation of all of that is equal to consumer sentiment.

So that is where we expect more spendings to be done, could result into a lesser saving, which we are already seeing the saving rates are going down and which could be a scenario. But yes, largely, we expect because of the decisions or the way the government is behaving, the way we are seeing industrialization coming in, the way the macroeconomic conditions and the global moves are happening upon tariffs and all.

We see -- we expect all of this to get benefited for us, for our Indian consumer, for our Indian industries, and that should lead into more per capita income that should lead into more adoption, or more consumption and more fashion, fashionism will creep into the market, and that is what we believe.

Inflation definitely has been under control. That is definitely not creating any concern for the consumer, because our consumers are really worried about that staple inflation, the basic vegetable, fruits and the staple. So that inflation seems to be under control in spite of MSPs

growing, and which is leading into more money into the farmers' pocket and the related parties' pocket.

So, I think all of those are good news. Monsoon looks better. Till now, we have seen very excellent monsoon coming in. There's no scarcity. Certain territory like Bihar, we still see a little low on the monsoon. But otherwise, most of the India looks good on the weather pattern.

The income from the crop should be good. That should drive the rural consumption, that should upkeep the rural consumption. So, we are a little positive on all of those things. Definitely, consumers have their own seasonality when they buy and why they buy (Festivals).

The last quarter, we saw some marriage dates coming in the month of May. Compared to last year, we did not see too many footfall growth. But yes, there was a growth. The marriages comparatively was more, but still, we saw average consumption. We didn't see a huge consumption. Yes, the footfalls have been good. It has been positive. We are seeing a little higher footfall also on the streets, because of more stores getting opened up.

So we are getting a lot of good feedback. We are taking a lot of feedback from the customers in terms of what do they consume, when do they consume, how would they buy, what are they looking like for the future or for the festivals. So we are seeing good, good sentiment even in the consumer segment.

We definitely have seen a lot of competitor aggressiveness coming in from all the sites, right, from the national competitors, like Zudio's and others and from the regional competitors, or even the larger regional competitor like V2 growing aggressively. So, there's been a lot of store openings. There has been definitely a lot of working, which has been happening in the competition space. People are creating different strategies. Somebody is working towards very high density and high variety and high-depth kind of proposition to the consumer.

On the other side, there are retailers who are trying to create a little more experience by giving lesser assortment. But catering to a particular niche. So, there are those differentiated competition and differentiated consumer set that they're targeting, and which we are seeing in the market, which is creating more -- the good news is that, it is creating more footfall in the organized space, which is creating more belief for the consumers in the organized space. And that is becoming very evident.

And that is something which is very, very good, and that gives us a lot of confidence that people who can really deliver, people who can really work well towards giving that consumer segment that kind of experience, they will definitely get the benefits and will get the impact.

So, share of organized retail is growing and will continue to grow is what we feel. For us, we've been really focusing high on our back end, even on agility because we believe there's a lot of change, which is coming in into the market. There's a lot of change in the fashion as AI is penetrating into everybody's thumb.

So, things are moving a little more dynamic, right, from the designing, the creatives, the kind of experience that the consumer wants, the kind of fashion the consumer wants, the number of

times that the consumer wants to see differentiated fashion. So, there is a dynamic, or more agile decision-making that we are trying to get into. We are trying to work on the processes. We are trying to work on the kind of technology that we have, the way people are working.

So, we are trying to bring those into the organization, so that we are becoming a little more faster. We are becoming a little more agile. We are becoming a little more analytical and aware about what the consumer wants.

So that is how we are driving our philosophy of serving the consumer, right from forecasting to the product management and the product designing. And that is where a lot of work has to be done and a lot of work is being done, bringing in some technological tools to try and drive all of these things.

Gross margins definitely is something, we saw good gross margin coming in. But yes, going forward, we still focus that we should be focusing more on the rupee gross margin rather than the percentage gross margin. That is how there would be certain product categories where the percentage gross margin could go down a little bit, but that's the plan going ahead. But largely, we still want to maintain, because if we do that, we believe that the full price sell-through should also grow and full price sell-through should be higher.

Ultimately, all of those should result into positive EBITDA, and that's what we are believing. We are expecting a healthy consistent growth rate from the same-store, and we should be doing that as we have been performing in the past quarters. We should also open up stores. There is big pipeline, which is getting built in by the team. There's a lot of store identification that has been done. So, we are on the path to open at least 13% to 14% of our square feet area -- additional square feet area in this year.

So that is what we are on to and we are on target. We are on track as far as our expansion cycle is concerned. There may be a few closures that may come in. There are 1 or 2 closures that we did in the past. We could still not -- we will not hesitate closing down some of the stores where we don't have an expectation or confidence where we can build business. So, we may take call on 7 or 8 or 10 stores going forward as well.

Other than that, I think we definitely have a clear strategy for our online digital business that digital business is becoming more omni. That is definitely -- the omni piece is getting integrated well. The costs are being reduced. The efficiencies are being generated. There is more that we are trying to generate with less. We don't believe in just tracking the revenue growth. We are tracking the breakeven point, and that is what we are all working towards, so that we are able to break even, or create a profitability index in our omni, or in our online business.

So that's the path that we are taking. We are not focusing too much of our attention on that while we are discussing on all this, but we definitely have that wing and there is a different team, which is working on it, and they are very clear. But that team with the technology knowledge, with the analytical knowledge, with the kind of knowledge that they have over AI and stuff, they are helping the overall business to grow and become more analytical and more AI driven. So that's the path that we are taking here.

But ultimately, I really want to thank the entire team, our team who has been working so hard to bring in this kind of growth, maintain the customer experience. We've got very good customer repeat rates. We've got very good feedback from our customers in the NPS scores. So, we have seen good consistent feedback from employees. So, we believe our governance principles are good. We will want to continue that. We will definitely want to motivate our people. We definitely have a great ecosystem with our great vendor base and everyone.

So, I think we definitely believe that the confidence that the team has, the confidence that our processes has, we are very clear that we should be able to act in the right spirit. We should be able to use the growth story of India, the growth story of Bharat, and that is how we will want to penetrate more into the smaller town or more into the new towns, or existing cities where we feel there is more potential, and we are definitely growing more and more in those cities, which are largely state capitals and bigger cities of the state.

So, we will definitely keep working on those. We are on -- largely on track. July seemed a little slow, but it should immediately come back in August and September, when the festival starts coming in right from Raksha Bandhan. So we are expecting a better Q2 because the festival will move in a little bit.

The Pujo, the Durga Puja season is a little preponed of 7 to 8 or 10 days. We should expect a little better September month or the second half of the September month. And then, we definitely are preparing for the entire festival, as well as the winter range, the kind of products has to be launched. There's a lot of innovation which is happening around fabric, a lot of innovation which is happening around designs.

So, all of those innovations are being used. There's a lot of integration, which is happening with mill owners, mills, vendors, the design team. So, some good activities happening on that side for the preparation of the coming up festival period and the winter period. So that is where we all are. We'll keep you updated.

I'll just pass this to Anand, so that he can take you through the numbers, and then we'll be open there for the questions. Thank you so much.

Anand Agarwal:

Thank you, Lalit, and good morning, everyone. Let me walk you through our quarter 1 performance and the key developments, and then we can open the floor for questions. So, starting with sales. Despite the shift of Eid in the previous quarter, we saw encouraging traction in this quarter.

Revenue grew by 13% year-on-year with V-Mart clocking -- actually 14% and Unlimited at 12%. The growth was driven largely by continued increase in footfalls and memo count as well, aided by a very good wedding season, but slightly impacted due to the Indo-Pak conflict in select areas in North India, and also the early onset of monsoon in June.

Our assortment has become much younger and more relevant, and the pricing is much sharper. The total apparel ASPs grew by 1% with 2% growth in V-Mart, and a conscious decline of 3% in Unlimited due to the ongoing shift towards more value-led offerings.



Adjusting for the preponement of Eid, which fell in quarter 4 this year instead of quarter 1 like last year, the normalized SSG came at 5% with both V-Mart and Unlimited contributing equally. From our regional standpoint, the North states of Rajasthan, Uttarakhand performed much better, while the Eastern region continued to face some amount of challenges, particularly around the Bangladesh border areas.

Moving to margins. Our gross margins, excluding LimeRoad.

Moderator:

Sorry to interrupt you, Mr. Anand. Actually, your voice is echoing. Can you please check your device?

Anand Agarwal:

Okay. Yes. So I was talking about margins. So moving on to margins. Our gross margins, excluding LimeRoad, improved by 60 bps to 34.8% on the back of better full price sell-throughs and liquidation of old inventory, which released provisions.

Total gross margins, however, improved marginally by 10 bps to 35.3% due to the 48% decline in LimeRoad's revenue contribution, which flows entirely into the gross margin line. We are working on implementing a sharper margin strategy, which will help reinforce our value positioning and ensure even fresher inventory through higher turns.

Coming to expenses. We continue to see the benefits of tight cost control. Operating expenses were 160 bps lower compared to last year. This was largely due to significantly lower online marketing spends on LimeRoad, partially replaced through higher sourcing of online omni orders through the V-Mart stores.

Manpower costs rose by 13%, in line with new store openings and variable incentives and ESOP-related costs. Other expenses declined by 2.6% year-on-year, thanks to the lower marketing in off-line business also, along with lower logistics and marketing costs from online business in LimeRoad, together with a few other structural efficiency measures.

Due to the changes made in IndAS accounting policy last quarter, the go-forward depreciation on fixed assets should now come at around INR28 crores per quarter versus the erstwhile INR19 crores, while the depreciation on ROU assets will be around INR40 crores, which shall keep getting adjusted with new store additions and retirement cycle as the business grows.

Similarly, the finance cost, which has 2 components, actual interest cost and the accounting finance cost on ROU lease liability will also transition. While these changes happened in the previous quarter, but I think in the interest of all the analysts financial modeling, I just thought it might be better to discuss this point right here.

Similarly, the actual interest cost outgo shall vary as per the working capital deployment. But should remain range bound at around INR3 crores to INR5 crores per quarter. The notional finance cost on the ROU lease liability should come down from INR32 crores to approximately INR11 crores on the current scale going forward.



Again, for the interest of all the analysts, in case they require any help with the financial modeling, we'll be happy to set up a separate one-on-one call on the changes made in the IndAS accounting separately. Please get in touch with the IR team or me separately on this.

Coming to EBITDA. Excluding LimeRoad, we delivered an EBITDA margin of 14.9%, which is 80 bps higher year-on-year, driven by operational efficiencies. Including LimeRoad, where the EBITDA losses reduced by 56% year-on-year, our total EBITDA grew by 27% and margin improved by 170 bps to 14.3%.

Coming to inventory. We closed the quarter with inventory of INR818 crores, translating to 93 days, which is a 5% improvement over last year. Per store inventory increased marginally, but remained healthy. The provision for aged inventory came down significantly from 1.7% last year to 0.7% this year this quarter, reflecting better inventory health.

This has been enabled by liquidation of old inventory during the quarter, along with technology-led improvements across design, sourcing, quality control and replenishment cycles, leading to better sell-throughs and thereby lesser leftovers.

YTD capex stood at INR30 crores, primarily towards new store openings and refurbishments. We continue to invest in expanding the store base and refurbishing existing older stores, and the results are visible through sustained footfall and sales momentum.

On the liquidity side, working capital utilization, which had temporarily spiked in quarter 4 is now back to INR35 crores, while this may go up in quarter 2 due to seasonal stocking, but we expect it to remain within a comfortable range of average around INR90 crores to INR100 crores for the entire year.

We generated INR109 crores in free cash flow this quarter, largely due to efficient inventory management. There is no long-term debt as we have always maintained, and we are well positioned to fund future growth through internal accruals.

On the new store openings outlook, we added 15 stores this quarter and closed 2. Our guidance remains unchanged. We are targeting 12% to 15% net area addition annually, with 1% to 2% closures, which will be normal closures in any year. This year, we should see a net addition, therefore, of around at least 65 new stores. All the major store corrections have already been done in the last 2 years. So going forward, we expect only small need-based exits. So that was all from my side.

I now request the moderator to open the house for questions.

Moderator:

The first question is from the line of Mr. Param Verma from Trinetra Asset Managers.

Param Verma:

Congratulations, sir, for a great quarter. So, I wanted to ask was the company added 50 new stores in quarter 1 of financial year '26. So, bringing the total to 510 stores. So, what is the target number of new store additions for the full financial year? And what are the specific criteria for selecting new locations, particularly in Tier 2, 3 and 4 cities?



- Lalit Agarwal:** So the full year forecast for the new store addition should be around 65 net new stores. We are looking at adding slightly more, but there may also be some amount of store corrections. So, net-net, we should definitely look at 65 new store additions for this year.
- Param Verma:** Okay. And sir, what are the specific criteria you look out for when you are exploring new locations in Tier 2, 3 and 4 cities?
- Anand Agarwal:** So, there is an established playbook that we have been using for the last at least 20 years. So, we look at multiple criteria. We look at the population density. We look at the demographics, we look at the growth of that particular city or town, the nearness to an existing V-Mart store. There are multiple things that we look at. There are at least 500 checkpoints that we have to pick before we select the site.
- But at least in the last 5, 7, 10 years, I think the job has become slightly more easier, with the advent of technology. And as also more competition selects a lot of new sites, so it becomes more democratic and more easy for all of us to ascertain. But at the same time, there are also challenges in terms of real estate cost, and same site being selected by multiple people.
- Moderator:** The next question is from the line of Sameer Gupta from India Infoline.
- Sameer Gupta:** Sir, first of all, congrats on a good set of numbers. Second, on the same-store sales. While this has moderated, even on a normalized level, if I look at, it is still lower than the previous quarters, which we were clocking in 2Q and 3Q. And it is not only V-Mart. I see the other players who are into value retail in Tier 2, Tier 3 mostly. There also, there has been a decent slowdown, again, adjusted even if we look at the normalized numbers.
- So just wanted to understand, I mean, what is going on, on the ground? Is it the base catching up primarily or this is change in some competitive dynamics or the unorganized channel coming back suddenly? Any color on this will be helpful, sir.
- Lalit Agarwal:** No, I don't think there is any such movement happening in the market. This is a normal routine. Definitely, because the monsoons have got a little preponed, most of the festivals are getting a little more preponed. So, there could be a little bit of that impact, which is getting there because once again, normalizing EBITDA, but we don't know whether that yield normalization for us is right or the right way to look at it.
- So, there is some amount of that kind of movement. But otherwise, we don't see, as I said, there may be a little bit of sluggishness in the consumer set also, which we could realize because it is happening across the market. But ultimately, it is more period-to-period shift, which is happening. So, I don't think there is a lot that we can drive from this.
- Sameer Gupta:** Got it. But you will still be looking at a mid- to high single-digit SSG for the full year?
- Lalit Agarwal:** Yes, I think we are looking at. See, there is an impact that we can see in our business one because also there's a large consumption, which also happens from Bangladesh, and that's one consumer set, which has stopped coming completely. So, in the eastern part of India, especially, we see a lot of those consumers also are an active consumer to some of -- a lot of our stores. So, we've

seen some drastic downfall in their footfall and then leading to certain degrowth in those particular territories. So that is also creating a big impact in this particular outcome.

Sameer Gupta: And when does that anniversarized, because I believe the disruption happened more than a year ago.

Lalit Agarwal: No, it happened only 3 to 6 months back, major disruption. It started right in the October, November last year also, but it was not major. The majority happened in this particular calendar year.

Sameer Gupta: Got it, sir. This is very helpful. Secondly, sir, on the margins. Now you have clocked -- if I look at on a pre-IndAS basis, we have clocked around 7% this quarter. And if I exclude the losses of LimeRoad, it would go up to 7.5%. Historically, your full year is very close to what you do in 1Q. I understand there is seasonality in 2Q and 4Q, but 3Q is always higher. But 1Q normally mimics the full year for you, if I look at historical trend.

Now with LimeRoad losses expected to moderate further from here on, FY '26 EBITDA margin on a pre-IndAS basis for V-Mart as a whole should be at least 7%. Now what -- I mean, is this a wrong logic to look at?

Anand Agarwal: Your logic is entirely correct, but let me just try to be slightly more conservative. I don't want to give a guidance or a high guidance. We are definitely -- right now, as you rightly said in the beginning, quarter 1 has not really been a very good start in terms of the SSG. While we are hoping that quarter 2, quarter 3, we should get better results. But at the same time, we are also trying to rework our product strategy and our margin strategy, and we are looking at higher rupee margins rather than percentage margins.

So, while at a rupee EBITDA margin level, rupee gross margin level, we should definitely see more robust growth, but I'll not be so bullish on the percentage growth. So, while I take your optimism, but at the same time, I will still want to be slightly more conservative and be more constrained in how we build our numbers.

Sameer Gupta: I understand, sir. But let's say, you're doing lower value products that should technically then lead to higher SSG growth. And finally, the leverage should kick in to give you a better margin in any case?

Anand Agarwal: No, you're absolutely right. But till time that happens, I don't want to give out a high guidance. We will want to do that. But right now, I can't see that this is something that we should build in for the entire year.

Moderator: The next question is from the line of Aditi Loharuka from CD Equisearch Private Limited.

Aditi Loharuka: My question is, what is your competitive advantage in vendor consolidation?

Lalit Agarwal: Aditi, can you explain what you mean by vendor consolidation?

Aditi Loharuka: Last time when we had the call, you said that due to vendor consolidation, you have been able to increase your sales and you are getting better margins and your cost is also low. So...



Lalit Agarwal:

I think see, we are working with the vendor in trying to create a seamless processes where we integrate with the mills, we integrate with the fabric manufacturers. We also look into their costing mechanisms, create a more transparent cost-based relationship, bring in efficiency in their manufacturing processes.

For the sake of saying that vendor consolidation, I mean, definitely, there was a lot of work that we did. But in this particular quarter, now we are once again trying to become a little more open on this particular front because there's a lot of styling, designing, a lot of new innovations which are kicking in.

And there are not a lot of new type of vendors also which are coming up, which are start-up vendors, which are new vendors, which are young vendors, which are also creating a good impact in the process. So we -- I would not really call out for vendor consolidation in this particular year. But yes, we'll definitely work more on the cost philosophy in this particular year.

Aditi Loharuka:

Sir, how is it different from what other players are doing? Are they doing vendor consolidation? Or is it just you doing...?

Lalit Agarwal:

Aditi, I may not be aware what others are doing, I am getting it hard to handle my own stuff, how can I handle other? So don't try to compare with me and don't ask questions around that. But I can tell you what are we doing, and what is the change in our philosophy and thought process that we are doing.

Aditi Loharuka:

Okay. So, vendor consolidation initiative of yours, have it led to reached to an optimum level or the work is still left to do in that area?

Lalit Agarwal:

So, there is definitely a lot of work which can be done, but we are -- we saw a risk in also larger vendors and bigger vendors. We don't want to rely on a lot of bigger vendors because -- the exports also seems to get opened up market -- the tariff policies of U.S. have really shaken the market. So, we saw some risk coming in, which I also highlighted in the last call to last call and last call. So, we don't want to really bank too much on key vendors and top vendors. We want to spread out that vendor base as well.

Moderator:

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

Tejash Shah:

Lalitji, for a while, we have been talking about working on our product side on product as a pillar for strategic intervention. So where are we in that journey? And as an outsider, how should I assess -- will it be higher throughput or better gross margin? How should I kind of validate that it's happening?

Lalit Agarwal:

I mean, see, ultimately, we all work towards that. There are those leading indicators that you work on so that you are able to finally deliver a higher throughput. And that's the key thought process that we are driving, not very clearly higher margin is also an outcome of your full price sell-through and then how better can you drive a full price sell-through? How lesser do you have a stale inventory or a leftover inventory and discounted inventories and discounted sales.

So, all of those are the -- our calculation arithmetic based on the guts, based on the skills, based on the learnings, based on the capabilities and the alignment of things that we are doing. So, all of that is happening. How do you assess it?

Definitely, you can assess it when you visit our stores, when you look at our stores, when you go and talk to our customer, when you try and gauge the market, that is the best thing that to do. Otherwise, it is very difficult for us to really understand what is happening, at times we are not sure. We come to know after it happens

Tejash Shah:

Fair enough. And second, Lalitji, we are picking up for many retailers, not only on value side, but across metro to Tier 2, Tier 3 that rentals have actually become very costly because the space has become very crowded retail in general. So, any read through there?

Lalit Agarwal:

No, I think, see, we have been always saying that rentals is a game, which is always a negotiation power, negotiation skill game and the kind of property that you look forward to. It is also an expectation that the brand has and the kind of space that the brand gives forward. not that every property couldn't be consumed by a few retailers. There are a lot of properties which are getting built also, because as the market is growing, as the consumers for the properties are growing or the retailers are growing.

Similarly, the developers and the small time developers are also growing and the land is getting consolidated to build those kind of properties, which could be let out to the retailers. So, I think it is ultimately a demand and supply game, and it is always going to be whenever the demand is higher, the supply is also going -- will become higher.

So, it is a temporary phenomena. There is definitely a rise in rental that we could see. We have seen that. There is a rise in rental of our existing stores also whenever we are going for renewal. So that is definitely happening. And similarly, we need to expect the market to also grow. So, we are not raising our bar too much. We definitely work towards our IRR mechanism. We don't want to go beyond what we could queue and digest. So, we are very conscious of that fact. We will not grow too much if that becomes a bottleneck.

Tejash Shah:

And last one, Lalitji, I'm not sure how relevant this question is to you. But now quick commerce guys are stating that they are seeing some proof of the concept in Tier 1, Tier 2 also. Wherever we are doing grocery, are we impacted or there is any overlap where quick commerce has started and we are seeing some impact on our numbers?

Lalit Agarwal:

Exactly, I would not call out that for 80% of the locations. But yes, maybe 20% of the locations, I could see some discussions happening. There is some muted growth or degrowth as well in certain towns where we are seeing an aggressive penetration of these quick commerce, especially in this particular food and non-food segment. But that's not too big. And that for us also that area is not too big. So, we don't mind it -- that. And I don't see other items creating an impact, with the other impact menu items.

Moderator:

The next question is from the line of Ashish from Leo Capital.



- Ashish:** Congratulations on the good set of numbers. I had one question. How does our price point compare versus, let's say, Style Union, Yousta and other competitors in the market?
- Lalit Agarwal:** I hope analyst that works with you and that he -- they should be able to give us a good outside information. But anyway, we believe, I mean, Style Union, Yousta and all of those, they definitely are a little more Urban-ish retailer. We definitely are a little more mass retailer. And our price point of similar items should be at least 15% to 20% lower. That's our goal. That's our expectation.
- There may be certain products where the prices are almost similar, or the prices are even 5% or 7% higher for us. I don't -- we haven't come across such, but there could be some entry price point that depends upon the strategy of a retailer where they want to layer with some product and keep their margins low on certain product. Could be -- there could be some competition on a particular item. But otherwise, on an average, we see the kind of retailers that you named, it is almost 15% to 20% delta that their prices are versus ours.
- Ashish:** Got it. Got it. Secondly, I think you partially answered this, but I wanted a better view. So, how is the overall demand scenario for value retail? And what kind of -- what sort of SSGs do you expect on a full year basis?
- Lalit Agarwal:** Very difficult to give you a number-driven answer -- but yes, we are positive. We are definitely building our business plan, our planning, our sourcing, our buying plan from the number that we had displayed in the last 4 quarters. So, we definitely believe there should be a little higher single-digit same-store sales growth that we should be expecting in the next 3, 4 quarters. So that's the area. And that is how we are actually building our complete merchandise plan also.
- Moderator:** The next question is from the line of Bhargav from Ambit Asset Management.
- Bhargav:** Congratulations for good numbers. So just wanted to have some clarification on your statement that EBITDA margins may not go up, but EBITDA per square feet may go up. Does that mean that we are trying to focus on increasing the ASP or increasing the average bill value?
- Lalit Agarwal:** So Bhargavji, it is not necessarily that ASP or bill value will drive that EBITDA, the growth in margin. Yes, definitely, there is a focus during festival, the ASP should go up -- and as we are seeing consumers becoming a little more aware, digitally aware, socially aware, we are seeing the likings of better product a little more during festive period and during festival occasional period.
- So, we are expecting a little rise in the ASP should, and that's how we are trying to work on. But otherwise, it is more about trying to sell a little better product a little more if there is a constraint on certain price limitation of my customer and there are some products which I may not be able to offer because of that constraint, there is where I want to apply a pricing principle with a little compromise on margin so that we are able to deliver those kind of product lines also to my consumer that, who can afford in a particular price limit.

So that is what the policy is definitely that may incrementally give a little higher ASP. I'm not too sure about the average bill value. But yes, there should be a delta 3% to 4% could be a delta 2% to 3% shift in the ASP that should drive it.

Bhargav: Secondly, sir, after a long time, we have seen some good manufacturing investments happening in the state of Bihar. Do you think with more and more manufacturing coming in and with employment opportunities rising in those industries, we will tend to sort of benefit more given our presence over there?

Lalit Agarwal: Yes. I mean, definitely, that is one of the poorest state -- one of the poorest states that we are catering to right now and there per capita income of that state is very low. And we believe anything which is happening in that particular direction, which increases the per capita income of that state and brings about more prosperity in the state will definitely result into a better outcome for us, because we are almost present in all the districts in Bihar.

Bhargav: So sir, incrementally, are we looking at opening more stores in Bihar?

Lalit Agarwal: As of now, there is no -- I mean, see, definitely, as that ground is, it has -- it is a battleground for both the North Indian retailers and the East Indian retailers. So, it's the real battleground where most of the retailers also are penetrating and not. But as of now, it is too early right now for us to say that, there is industry which is coming in employment, which is getting generated. There are those plans which are getting built, those news headlines that is getting made, but still the factory walls and the factory sheds are yet to be there.

Bhargav: And lastly, sir, last year, we did a negative free cash flow. Is it fair to say that this year we'll possibly end up making good EPS given that first quarter has been fairly strong at more than INR100 crores?

Anand Agarwal: Bhargav, we will like to reinvest a large part of whatever cash that we generate into opening new stores. I'm not looking to accumulate cash. But at the same time, I will definitely want to have a positive cash flow. But again, as I said, I would want to reinvest back into the business as much as possible.

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

Ankit Kedia: Sir, 2 questions from my side. First is on the A&P expenses. This quarter, given that the yield was early, the A&P expenses were nearly 100 bps lower, which led to the margin expansion. For the remaining 3 quarters, given that festivities are there and hope for a better demand environment, will we maintain our 3.5% advertising expense for the full year? Or the saving in this quarter will be saved and reinvested in product and other places?

Anand Agarwal: So Ankit, from last 2, 3 quarters, we have begun the downward trajectory on the advertisement and the marketing expense. Particularly on the LimeRoad side, there is a significant reduction. But even on the offline business, where we historically used to average around 2% in marketing spends, 2.5% in marketing spends, we are targeting to bring it down. So maybe not as drastic as what we have done in this quarter, but quarter 2 because quarter 2 is the buildup for the festive period. So, there will be a reduction, but not very, very drastic.

Ankit Kedia:

Sure. My second question is on Unlimited. With most of the urban-centric retailers in value fashion being more in the South, are we looking for more product differentiation in South versus North now compared to when we acquired Unlimited? And how much is the overlap between the products in South and North?

And if there is a difference, how is the throughput difference coming in from South and especially for the new stores we are opening because they are clocking much more compared to the older stores. So, from Unlimited perspective, the journey towards high single-digit margins over the next 2 years, how confident are we with the product shift?

Lalit Agarwal:

Yes, Ankit, definitely, there has been a little bit of convergence that we are trying to drive from the product perspective as well or the price range or the product quality or the product type perspective. But still, there is a differentiated behavior that Unlimited has.

So almost 50% of the product, if I say, in a usual time is almost common. The usual time is largely the spring/summer, just starting of the festival onset time. But during winter period, it changes a lot because of the seasonality.

So still, we see definitely good traction coming in on whatever new product introduction that we have done, which has brought in success at V-Mart also, especially what you said about the new stores where we have done a little bit more -- the new store is more like a V-Mart proposed store, a bit lesser those brands -- those partner brand businesses and then it is largely also focusing on Tier 3 and Tier 4 towns.

So that is bringing us good response on low ASP products, the products which are largely for the consumer segment, which is masses. And then that is giving us a good response. We believe that should give us a good journey towards growth. And that should also lead and bring in more consumer segment and more consumer which is mass-oriented and youth-oriented should come in.

Ankit Kedia:

Over the margin trajectory in Unlimited, will it start mirroring V-Mart in a couple of years now, given that incremental stores will start delivering the same numbers what V-Mart does?

Lalit Agarwal:

I mean, see, that's the calculation. It should work better. It should bring in good results. Not necessarily all the new stores have given us great numbers. There are 30% of the stores which are also pulling us down in the new store list also.

So, there are some work which is happening around that as well. But yes, largely, on the list of stores that we had acquired, we have also filtered out some of those stores where those stores which were not performing has gone down or gone away or have been closed. And the stores which have been performing are giving us now -- have started also giving good growth. So, we should expect, but still you won't -- we will still have that delta of the margin as well as the sales per square feet compared to V-Mart, which is always there as a lag.

Moderator:

The next question is from the line of Rahul Agarwal from Ikigai Asset.



Rahul Agarwal: Sir, just a few clarifications on whatever so far we've discussed on the call. On lease rental inflation, just to be very clear on this, let's say, whatever new stores you sign up right now and if you have to compare those square feet per month kind of rentals 2 years back, what are the inflation we are seeing for new stores? And for the renewals, are the trends very different or they are similar? That's the first question.

Lalit Agarwal: I think we are signing up on almost similar average. There may be an additional maybe around 5% delta from our existing normal rate of the existing stores. So around between that -- that is the range that we are trying to focus on. So, I think as a percentage also, we are targeting similar percentage or even lower percentage because we believe the new store should be generating better revenue in the first year of operation. It drops in the second year of operation. But average on average, it should come and have the similar averages.

Rahul Agarwal: So new stores are 5% higher than existing the renewals is what you're seeing?

Lalit Agarwal: Yes, yes. So, suppose INR45 is my average rental, the new store may be around INR47. That's the average that we are discussing now.

Rahul Agarwal: Okay. And that INR45 was 2 years back, what would be that number?

Lalit Agarwal: So, if I say 5 years, it has grown by almost INR10. We were averaging around INR36 at that period of time. And then after Unlimited, the average went up. But now, yes, this is definitely inching up every year by 5%, 7%.

Rahul Agarwal: Got it, sir. Secondly, on the same-store sales growth, there's been enough discussion around what you expect for the full year. But just mathematically, if I look at what you delivered last year, it looks like you had very high double-digit growth, right, for the first 9 months of last year. Now going into this year, you have festivals supporting you, a bit of like 10, 15 days preponement.

But when I look at numbers, last year second quarter, 16% for V-Mart value growth, 10% for third quarter and fourth quarter, then it normalized to 7%. You still maintain on this base, you will be able to do mid- to high single-digit same-store sales growth on value basis for V-Mart - is that correct?

Lalit Agarwal: Why are you putting me in dilemma? Let me work on it and you will know. So many questions, how can we work? We are trying our best to grow. We have to grow at our pace and we should do it. And there is an opportunity in the market. There's definitely a fashion opportunity which is there. There's new what are the customer is trying to build.

There are a new set of consumers which are coming to the market. There is an opportunity. How much of the opportunity can be cash is all depending upon our actions and our resembles of actions. So let's try and do it.

Rahul Agarwal: Got it. Fair point. Fair point. And one more clarification on the margins. I think what was discussed was that 1Q margin should not be extrapolated for the full year. So, what you're saying is EBITDA per unit or whatever piece you sell will be higher, but percentage-wise, maybe we'll be like similar or maybe a bit lower than 1Q for the full year is what you've said. Is that correct?



- Anand Agarwal:** Yes. I mean that's how you should expect, and that's what we are trying to gain, because we are not working on the percentage margin. We are trying to work on the rupee margin. Definitely, it will result into percentage margin once the same-store sales growth grows up, because if the same-store sales growth happens then large part of our cost is fixed in nature. So that definitely will result into that arbitrage.
- Moderator:** The next question is from the line of Varad Patil from NV Capital.
- Varad Patil:** So two questions. So first one was, is it fair to assume that the reduction in advertising cost will be our major margin driver given we'll be maintaining our gross margins and since new store additions will also kind of prop up our other expenses.
- Anand Agarwal:** Varad, that is not the margin driver. So basically, the reason for the advertisement or the marketing cost reduction is not to increase the margins, but to increase the productivity. We are employing more efficient ways of marketing, thereby reducing the cost, which was, in our view, was not as beneficial.
- But there are multiple other margin drivers, which are working more in our favor and which we would want to focus more on like product improvement, like sharper pricing, like product display, like supply chain efficiencies, like usage of technology, and there are multiple other ways in which we are using multiple tools to improve our offering to the customer, thereby increasing our sales and margins.
- Varad Patil:** Okay. And so another was on Unlimited. So, do you see any further decrease in average selling price as you mentioned earlier in the call that Unlimited focus will also shift towards offering more value products?
- Anand Agarwal:** So ASP, we are not looking at any increase in the ASP, especially in Unlimited. We are committed to provide more value offering. And while there may be some seasonal variations because of festivals, et cetera. But at an overall level, the ASPs should not increase in Unlimited. They should only come slightly more closer towards V-Mart in the longer run.
- Varad Patil:** Okay. And on your store expansion plan, so are there any particular geographical clusters we'll be focusing on for the...
- Anand Agarwal:** Pan-India, we don't -- yes, it's pan-India. We look at cluster-based expansion model. So, we look at all the states, all the cities, all the towns where we already are present and try to open nearby.
- Varad Patil:** But any specific states or geographies we are focusing on?
- Anand Agarwal:** No, no, no.
- Moderator:** The next question is from the line of Rajiv Bharati from Nuvama.
- Rajiv Bharati:** On Slide 9, this V-Mart plus Unlimited advertisement expense, how do we, let's say, on a comparable basis, how do we allocate for modeling sake between the 2 formats?



- Anand Agarwal:** So Rajiv, there is no allocation. These are actual specific costs that we incur for each of the stores or regions in respective territories. There is no allocation per se for any of the expenditure in any of the lines.
- Rajiv Bharati:** No, between -- because this V-Mart plus Unlimited, you have given that combined ad expense, right? Is it possible to split that by format?
- Anand Agarwal:** Yes, it is possible. I think I can share that number. It's not very -- normally 80% business is V-Mart. And typically, the marketing strategy remains almost similar for both V-Mart as well as Unlimited. There are seasonal variations. So for example, Unlimited had a preview sale for 10, 15 days in the month of June. So, they might have had a slightly higher expenditure. But overall, at an overall level, you can break the expenditure at an 80-20 ratio.
- Rajiv Bharati:** Sure. And on gross margin, the variation between Unlimited and V-Mart on a Y-o-Y basis, let's say, how has the movement been between the 2 formats?
- Anand Agarwal:** Gross margin in both the formats should have remained at a very similar kind, Unlimited is a bit more. So Unlimited usually has a slightly higher gross margin, because we charge a 5% extra pricing in Unlimited for almost similar kind of products. That is because we cover the higher operating costs. So, at a V-Mart level, our gross margins this year would have been roughly around 34%, while for Unlimited, they would have been at around 39%, 40%.
- Rajiv Bharati:** And the improvement on a Y-o-Y basis would be similar. I mean, why I'm asking this is because if you split that advertisement expense, right, we can reverse calculate the gross margin ourselves.
- Anand Agarwal:** You can have a separate discussion with Suraj. I will -- we don't disclose it separately the gross margin in the IR presentation. But I get your point, but I'm just trying to tell you is that whatever strategy that we implement is for both the regions, Unlimited and V-Mart are not very different for us in terms of market penetration strategy and marketing strategy. So, the expenses typically move in tandem.
- Rajiv Bharati:** Sure. Lastly, on the full price comment, so one of the peer has commented that June, especially we have seen a very high level of discounting from value retailers. So, have we also seen that in our portfolio?
- Anand Agarwal:** No, not that I'm aware of. We have not started any early discounting. We have always been an honest price value retailer. So, we have not seen any high level of discounting.
- Moderator:** Thank you. We will take this as the last question. I now hand the conference over to the management for closing comments.
- Lalit Agarwal:** Yes. So, thank you so much for being there. We are all ganged up towards building a great festival, and we are all working very, very intensely to try and work with the zone team, with the store team, with the creative team, with the vendor base and trying to get the product on time, trying to meet the need, have the right supply chain, build for the customer new expectation, and also have a differentiated brand proposition in terms of the presence in digital media.



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So, we're trying to bring in improvisation what the newer age consumer segment wants and the Gen Z wants, and that is what we are trying to drive. So, we all are focusing more on our work. So excuse us sometimes, if a lot of your requests around conference and stuff are not being catered to. But we believe we should be able to deliver a good healthy growth in the coming future. Thank you so much for being there and having the patience.

Anand Agarwal:

Thank you.

Moderator:

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