



## Transcript

### Conference Call of V-Mart Retail Limited

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#### *Presentation Session*

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**Moderator:** Good evening ladies and gentlemen. I am Beulah, moderator for this conference. Welcome to the conference call of V-Mart Retail Limited to discuss the FY14 results. We have with us today, Mr. Lalit Agarwal, Chairman and Managing Director of V-Mart Retail and Mr. Deepak Sharma, CFO of V-Mart Retail. At this moment, all participant lines are in a listen only mode. Later, we will conduct a question and answer session. At that time, if you have a question, please press \* and 1 on your telephone keypad. Please note this conference is recorded. I would now like to hand over the conference floor to Mr. Aniruddha Joshi from Anand Rathi. Please go ahead sir.

**Aniruddha Joshi:** Thanks Beulah. On behalf of Anand Rathi Research, we welcome you all to 4Q FY14 conference call of V-Mart Retail Limited. We have with us Mr. Lalit Agarwal, the Chairman and Managing Director and Mr. Deepak Sharma, CFO of the company. We also have Mr. Manish Valecha, our Lead Analyst for retail sector and Shilpi Kapadia, FMCG Associate joining from Anand Rathi side. Now, I hand over to Mr. Lalit Agarwal for his comments and on the quarterly performance for 4Q FY14. Thanks and over to you sir.

**Lalit Agarwal:** Good evening everybody. This is Lalit Agarwal. First of all I would like to thank all the investors and analysts who are participating in the call. Thank you everybody for taking out the time and for regularly tracking us and looking at us. The year overall has been very good for us and has been one of the busiest years for V-Mart. We have opened 23 stores this year and we also closed down three stores in this quarter. We have given a concerted effort and we are trying to retain the customers and also bring in new customers based on efforts from all the domains of the company. There has been a good effort from the project side as they have opened 23 new stores and they have identified further ten new stores for this quarter and the next quarter. And we have to give lot of credit to the HR team, because the growth path requires a lot of input from the HR team as we have managed to add more than 1100 people in this year alone. So, on all the angles we have tried to meet the basic requirement of the business, tried to meet the basic requirement of the organization building, tried to enhance the capabilities in the organization, tried to look very long term in respect to the processes, in respect to the investment and the manpower, in respect to the trainings. We have also done a lot of activities on the ground, on the marketing side, trying to build

up the brand value in the customers. We have worked a lot towards operational efficiency at the store level. This acquires significance because the number of stores is increasing creating scope for improvement in a lot of operational matters which have been addressed as new SOPs have been created and some have to be designed. Inventory has been given a special focus. In spite of 23 new stores which we have added resulting in addition to our inventory value of Rs.57.0 crores in our inventory, in spite of that our number of days of inventory has gone down by almost 7%, which is like six days equivalent of sales. This is based on the number of days of inventory is purely calculated on flat basis i.e. without accounting for the fact that all the stores which have been opened during the year may have done less than 365 days of sales. So, that is why the number of days can be still better and actually it is still better if we take the effective days of operations into account.

The current market seems to be good. We are seeing a little, though a temporary phenomenon, de-growth in the footfall or less than expected footfall due to the challenging environments of elections and slowdowns. This is a big event. So, lot of areas there are even fears of women coming out at evening time and shopping with whole family as there are lots of rallies which are going on. So there are even the closer to the election days and even before that. So there have been a number of working days. In spite of all those we have been doing good. And the market seems to be very good. There is a very huge undercurrent that we are able to monitor on the consumption side. People's aspirations have grown up where they would like to buy better quality products, with better designing as a result the prices of per piece and the average ticket size has gone up. We have actively worked more on the merchandise side where we have tried to enhance the fashion & fashionism at V-Mart. We have tried to bring in lot of good products, good brand, good vendor's products from across the country. This requires a lot of effort in developing the vendor relationship, up-scaling the vendor and enhancing the vendor capability. So, we have had multiple programs where we tried and trained and also listen to our vendors. So, we are putting efforts in all those domains which we feel are important and required to build up a strong base for the company.

To keep the business sustainable in the long term we are looking to develop more on the capability building & supply chain management side. We are trying to have a proper planning process in place so that we can realize the benefits of the efficiencies associated with better planning and trainings. We are trying to have a good warehouse management systems, last time also I informed you that we have recently taken on lease a new warehouse wherein we are building up processes pertaining to warehousing and inventory management with consultants who have knowledge and expertise of executing such projects worldwide. We have retained APL Logistics, which is a Singapore based company for this assignment and we also in discussion with them to outsource the warehouse management. So, we would actively work towards inventory, inventory control, internal control as such. Internal control would include all processes and would include establishing the processes, documenting the processes, auditing the processes, trying to also get on board proven internal audit firms where we want to get in lot of quality inputs. Also we have seen a higher shrinkage rate during this year as result we want to actively work towards reducing the shrinkage, which is the major area of improvement that we have to do.

Going forward we plan to open 25 new stores in the next fiscal. Apart from the existing State we would also target to enter into new States also, that is Bengal and Orissa or

maybe Bengal and Assam. Our project team is in the process of shortlisting potential locations which meet the basic criteria of our business. We have already twelve locations identified. We are still searching more locations for the next two to three quarters.

Overall, the CAPEX investments are in line as per the budget. The rentals at which the properties are being acquired are almost in line. We are giving major emphasis on the IT infrastructure development and trying to have better IT systems in place, trying to rope in all the requirements which would be required for the growth rate. So, things are looking good. I would like to open up the floor for questions from the listeners. But before that I think Deepak could give you better insights on the quarterly performance also.

**Deepak Sharma:** Good afternoon everybody and welcome to the call. Lalit-ji has given you a very good overview about the macro situations for the company. So far as the numbers are concerned, I would like to give you an overview rather than running you page by page on the presentation. There are two important aspects for the company; one is the sales and the expense side. The sales side, the key drivers of the business are the footfalls, the conversion rate, the transaction size and the average selling price. The impact of all these reflects on the sales per square feet, the same stores sales growth and it has overall a huge impact on the inventory side. I will be touching upon individual aspects of these particular transactions.

During the year our sales has gone up by 50%. On the expenses side, we have gone up by 56%. But, overall expenses as a percentage of my sales, there have been a very nominal increase of 85 basis points. Now, this increase in 85 basis points is coming primarily on account of rent, personnel, advertisement and packing. And overall if you look at how the transaction flows in terms of EBITDA margin levels, the impact of these two aspects results in more or less the similar situation as we were last year. There have been two or three exceptional items which have occurred during the year, which has had an impact on the current quarter as well as on the overall results of the whole year. One impact has been on account of the change, I would not say a change, but we have re-evaluated the aspect related to Accounting Standard 19, which has a rent equalization aspect. So, this has impacted us during the fourth quarter as primarily the management took a call that based on the changed business scenario of the overall viability of the business; we thought it to be in the best interest of the company that we implement the requirements Accounting Standard requirements. That is all by and large on the overall perspective.

I would request if Aniruddha can allow the floor to be opened for questions.

**Aniruddha Joshi:** We can go ahead with the Q&A session.

#### *Question and Answer Session*

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**Moderator:** Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press \* and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing \* and 1 again.

The first question is from Mr. Kiran Bhanwad, who is an Individual Investor. Please go ahead.

**Kiran Bhanwad:** Hi. Thanks for taking my question. Many congratulations on a wonderful set of results Lalit and Deepak. I just had couple of questions. The first question I think which is in top of everybody's mind is, the audit committee notice that you guys have released, if you could elaborate on what was that? Was that over insight or was there something wrong with the printing per se? The second part is more of a business question is, I see that the conversion rates have gone down, is there any particular reason why it has gone down year over year apart from the elections? Was it a deliberate business strategy to move up in terms of pricing the clothes and excluding a particular customer segment?

**Deepak Sharma:** Kiran, I will take the first question pertaining to the audit committee. I would just like to give a word of praise for our audit committee at this particular forum that they are a very proactive, they would like to be proactive in terms of lots of things and in terms of business as well as in terms of the statutory requirement. I am sure all the members who are on the call will be aware that with effect from September, the Company's Act 2013 has come into play. And the Government has announced rules very recently in such regard, lot of which are coming into effect from 1<sup>st</sup> April and some of them will be in effect from 30<sup>th</sup> of September and some of them are coming in effect from 1<sup>st</sup> of October 2014. So, the audit committee wanted inputs from the company in terms of its preparedness, in terms of the new statutory requirement which are coming into play. And they had asked me in particular to come back to them and give them a very detailed insight in terms of how we are going to deal with this change in regulations that are happening.

**Lalit Agarwal:** And regarding your second question pertaining to the conversion rates going down and we feel the impact is on account of two factors. The ticket size has gone up (which is the price per product or the average selling price) by 22%. Also when a new store opens there is high number of footfalls with low conversion rates however as time passes the visitors become customers and gradually the conversion rates stabilizes. So, that is the effect of the new store opening which has resulted in the overall dip slightly in the conversion rate. But, overall I think the mood of the people has been very good.

**Kiran Bhanwad:** Okay, cool. Just one follow up question to the Deepak. Deepak, the audit committee observations, was there any impact on the yearly results per se or was it generally a global question on the Company Law?

**Deepak Sharma:** There were absolutely no problems or any observations pertaining to the financials. It was primarily from a statutory compliance perspective that they wanted to have a very deeper insight.

**Kiran Bhanwad:** Okay, cool. Okay fine.

**Moderator:** Thank you. Ladies and gentlemen, please press \* and 1 for your questions. Next question is from Mr. Abhijeet Kundu from Antique Stock Broking. Please go ahead.

**Abhijeet Kundu:** Hi sir. Congrats on a good set of results. My question was primarily on what is your outlook going ahead and the environment; because UP being a very key geography for you and from the election perspective as well, how does it pan out? In the

sense you have, you said that you have lost some amount of working days during the quarter, how is the sentiment overall in your key geographies and how do you see now going ahead sales growth panning out in terms of same stores sales growth and whether do you see an improvement in conversion rate going ahead? And secondly, in terms of inventory management, anything incremental you would be doing, because you are setting in systems as well. So, what kind of reduction in inventory days would you be targeting next year and rather for the next two years? That is it.

**Lalit Agarwal:** Abhijeet, thank you. It has been, the sentiments across, if you speak about the Hindi belt where we are concentrating more on, in spite of UP, so the sentiments overall is actually good. People have, there is obviously the election fever had some small temporary mishaps, where you have a little loss of sales. But, ultimately politics do throw a lot of money into this system. So, there is lot of money which is travelling there and which has to convert into consumption. So, the mood undercurrent as I already said is looking very vibrant, very positive and should grow. As of now temporarily we are not seeing almost similar same stores sales growth, but yes something at 70% rate of what we have usually is what we are able to see. And we still feel the same stores sales growth will increase as soon as the election results are announced and then the consumption will increase. And there are the wedding days have started recently, so we are looking very positively towards the wedding season. And the second question that you had was?

**Abhijeet Kundu:** Inventory, what reduction of inventory days would you be targeting?

**Lalit Agarwal:** We are working very actively on the actual inventory number which is an indicator of the overall performance is what I call. So, it starts right from planning, the buying per se, the buying quantity or actually purchases replenishments system, which is the supply chain system, logistics and then the store and the conversion and the marketing and the quantity sold. So, it is a phenomenon which involves all the processes. And we are actively working on all the processes individually. So, trying to bring that down and still we have managed to do it very well. As I said, it is not reflecting the right numbers, because lot of stores which is recently opened has taken up the inventory at 100% levels, but has not yielded me the complete sales of a year. And still I think we should see 10% betterment in the inventory number of days coming forward.

**Abhijeet Kundu:** In your other expenses there has been an increase. What could that be attributed to?

**Lalit Agarwal:** This year we have done a rent equalization. So, on the rent equalization part, because we have opened up lot of new stores this year, so there is an escalation clause every three years for the company with the lessor, so that every three years there is an increase of 10% to 12% in the rentals. So, what we have done is, we have equalized our rent, so that further projection of incremental rent doesn't come into picture. So, everything is equalized and taken an average of the rental that has occurred for the period.

**Abhijeet Kundu:** I didn't get that. How do you do that, because say for a particular region or for that matter a particular locality you have a certain amount of rent and for another locality which may not be yielding you or where the normal property rates are lower, you would be paying a lower rent. So, when we say that there is an equalization of rent, what do we actually technically do?

**Deepak Sharma:** I will take that question Abhijeet. What we are doing this year is, we are applying the requirements of Accounting Standard 19, which states that if there are increments anticipated in the future, depending upon the viability of the business we should factor those increments as an average. So, we have given effect to that from the current financial year, taking into account that the auditors felt that the business of the company is more viable and it has better prospects, so we should implement this now. So, we in accordance with the recommendations of the auditors have taken that into effect.

**Abhijeet Kundu:** Okay, so it is a provision basically?

**Lalit Agarwal:** Yes, you can say so.

**Abhijeet Kundu:** Okay. And this escalation clause which is there after three years, this was the third year where the major chunk of your rental agreements came in?

**Deepak Sharma:** This is for the future Abhijeet. Taking into account the future increments are going to come.

**Abhijeet Kundu:** Okay, so that would, the kind of expansion that we have done during the year and the past one year, typically it should come after three years?

**Lalit Agarwal:** Yes, that's correct.

**Deepak Sharma:** Abhijeet, it takes into account all the further increments in the rental. So, what you do is, typically if you are paying a lakh of rupees of rental today and after three years you pay them 1,10,000, after six years you will pay them 1,22,000, so all those averaged out. So, right now I am booking maybe 1 lakh plus 11,000. So, today I have booked 1,11,000. So, the 11,000 provision has been created, so that the averaging is done. So, suddenly you don't get a jerk of the rental increase.

**Abhijeet Kundu:** Okay, okay, I got it. And in case of your employee cost, if I have to look at the absolute growth in employee cost, in the fourth quarter it has been relatively lower when we compare it with the full year. And that too when we look at the expansions, the expansions throughout the year led to 65 to 70..., if I look at your nine months employee cost increase it is about 64%. And when I look at your fourth quarter employee cost increase is about 30%. So, why is that the lower growth in employee cost there?

**Lalit Agarwal:** We were....as we know that the last quarter typically is a low quarter for us. So, we had done some roster and some layoffs have been done also. So, we had taken that step intentionally and also we did not open too many new stores last year. If you remember we had opened up eight stores during the last quarter. So, this year we have not opened up too many new stores in this quarter. So, typically new stores include lot of extra cost of the manpower.

**Abhijeet Kundu:** Okay. And how many stores you closed during the year?

**Lalit Agarwal:** We closed three stores during the year.



**Abhijeet Kundu:** Okay sir. Thanks.

**Lalit Agarwal:** Thank you Abhijeet.

**Abhijeet Kundu:** That's all from my side.

**Moderator:** Thank you. Ladies and gentlemen, please press \* and 1 for your questions. Next question is from Mr. Darshi Jaha from Equirus Securities. Please go ahead.

**Darshi Jaha:** Hello sir and congratulations on a great set of numbers. My first question is on this lease equilisation thing which you explained earlier. So, can you just put a value to it, how would have that been impacted in this quarter, any rough ballpark figure?

**Deepak Sharma:** The impact on an annualized basis is 2.21 crores.

**Darshi Jaha:** 2.21 and this quarter would be the same?

**Deepak Sharma:** The full impact has been incorporated in the current quarter only.

**Darshi Jaha:** Is it? Okay.

**Deepak Sharma:** So, which is why you will see that the expense is slightly out of sync for the fourth quarter.

**Darshi Jaha:** Got it, perfect. And the second question is really the shrinkage part; it was almost more than 4% this quarter as compared to, it is almost double from what it was last year, same quarter. So, can you just throw some more light on that?

**Deepak Sharma:** Yes. I would like to delve on the company's philosophy a little bit before I come back and answer your question in specific. We in the past have been emphasizing that the company believes that the inventory is the most important asset or probably the only asset on the balance sheet. And we believe that not only the quantity, but even the quality of that particular asset should be kept intact. So, like Lalit-ji mentioned earlier on that we are on the process of migrating our warehouse from the existing location to the new location. So, we had conducted stock take of the inventory lying in the existing warehouses and we took a very, very stringent view in terms of the quality of the inventory that we would be migrating to the new warehouse and as a consequence we felt that if desired we will take a bigger hit in terms of, to maintain the quality of the asset that we have.

**Darshi Jaha:** Okay sir that mainly led to this increase in shrinkage?

**Deepak Sharma:** Yeah.

**Darshi Jaha:** And Lalit-ji one more question is, we have around 32-33 odd crores left from the IPO and probably this would be fully utilized this year in our expansion program. So, just want to know how confident are you per se after FY15 we would be able to add stores anywhere roughly 15 to 20 stores without diluting or taking any debt?

**Lalit Agarwal:** You have to just look through the balance sheet and kind of process that we are undertaking to increase our cash flow. So, we are cash flow positive as of now

also. So, going forward the kind of number of stores that we would open up and we had opened in the last year, all those stores when they complete their full tenure, they would reap in lot of benefits and profits for the company. So, we would have lot of internal accruals in our books. And as of now we have very low debts also in this book. So, we have a scope to leverage more and we would like to do that before we go for the (not clear).

**Darshi Jaha:** Yeah, but we won't be diluting any equity for that?

**Lalit Agarwal:** Not required. As of now for the next two years we don't think we would require.

**Darshi Jaha:** And Lalit-ji how much time do you think we will cross for Rs.1000 a square feet?

**Lalit Agarwal:** We are almost there. We are looking forward; internally we have to work on individual areas to go to these areas. So, it also depends on the kind of locations that we identify and the kind of processes that we are taking up and also looking at the environment in the market also. So, if the consumer sentiments are little (audio break). Let's keep our fingers crossed and ask Modi-ji to do right things for us, so that we can cross those numbers in a very short term.

**Darshi Jaha:** Great to listen to that. Thank you so much sir.

**Lalit Agarwal:** Thank you.

**Moderator:** Thank you. Ladies and gentlemen, please press \* and 1 for your questions. Next question is from Ms. Shilpa Thakadia from Anand Rathi. Please go ahead.

**Shilpa Thakadia:** Hi sir, congratulations for the good set of numbers. Just few questions from my side. First is, what are our major CAPEX plans for this coming fiscal year?

**Lalit Agarwal:** The CAPEX plans are almost similar, like we invest almost like Rs.1400 a square feet in a store that we opened up. So typically we open up 8000 square feet store. We have plans to open 25 stores this year. So, that is basically 2 lakhs square feet of area that we would be opening up. So, that is almost like 28 crores of investment for our new stores that would be required and some additional investment would be required for our warehouse that we are building up and also on the office incremental space that we would have. So, typically we are looking at around 35 crores of investment in this year.

**Shilpa Thakadia:** Okay. Sir, whether these stores rollout will be back ended or front ended?

**Lalit Agarwal:** I didn't get you. Can you repeat that?

**Shilpa Thakadia:** I am asking whether the store rollout will be back ended or front ended, like more stores in Q4 or in Q1 or whatever?



**Lalit Agarwal:** It is equally divided ma'am, almost equally divided. We plan to open almost like 50% of the store by Q2 and then remaining 50% should be opened up in the balance two quarters.

**Shilpa Thakadia:** Okay. And currently company has two warehouses, so are we going to, like any expansion in warehousing?

**Lalit Agarwal:** No, we have recently taken on lease a bigger space for warehouse. So, we would typically shift into a single distribution center, single warehouse, so the process of transition is complete. So, it is another three months for us to transit to a single warehouse. So, we would have a single central warehouse, which would feed all the stores from a single place.

**Shilpa Thakadia:** Okay. And last is like regarding tax rate, what is the current effective tax rate for the company? How are we looking at it in the coming years?

**Deepak Sharma:** Shilpa, I will take that question. The effective tax rate for the company right now is 33.99. And so basically the marginal and the effective tax rate for the company is primarily going to be around the same level. So, we do not see any major difference between the two.

**Shilpa Thakadia:** Okay, so it will stay around like 43%-44%?

**Deepak Sharma:** 33.99, that will be the rate which we would be looking at.

**Shilpa Thakadia:** Okay, okay sir, thank you.

**Moderator:** Thank you. The next question is from Mr. Abhijeet Kundu from Antique Stock Broking. Please go ahead.

**Abhijeet Kundu:** Hi sir, just a follow up. On the same store growth, what kind of same store growth would you be targeting at in the coming year. And now that to an extent you know what is the scenario is and how the demand is panning out. What kind of same store growth we would be looking at?

**Deepak Sharma:** Abhijeet, our stance continues to be the same. We are looking at 10% plus kind of same store sales growth for the coming year.

**Lalit Agarwal:** And I would like to add to that. Internally my target is 15%, but I don't know how well these guys can perform. So, internally targets are very high, but yes, we should be able to at least maintain the same.

**Abhijeet Kundu:** Right. And even in your investments you have this 34.2 crores which is again from the IPO proceeds. So, next year this investment would not be there, because it could be used up in your CAPEX?

**Deepak Sharma:** Abhijeet, I would like to correct you. That is firstly not 34 crores, but 32 crores as of the year close. And yes, you are correct that we would be consuming this entire amount for the expansions that we are planning during the current year. This will be in line with the objects of the issue which we had declared at the time of going public.

**Abhijeet Kundu:** Okay, fine. Thanks.

**Moderator:** Thank you. The next question is from Mr. Dhaval Shah from Morgan Stanley. Please go ahead.

**Jayesh Gandhi:** Good evening sir. This is Jayesh Gandhi. Congratulations to Lalit-ji, you and Deepak for excellent set of numbers. Couple of questions from my end. Firstly, great work on working capital. What outlook do we have for next year in terms of top line or business growth and how do you see the working capital for next year, broad indications if you can give me that will be great.

**Deepak Sharma:** Thank you Jayesh for your good words. Really feels good when it comes from esteemed people like you. And so far as your specific questions in terms of top line and growth numbers, our aspiration levels continue to be the same, 30% plus kind of growth on the PL parameters on a CAGR basis. And working capital, yes, we take care of our work very seriously. I guess on one of the calls you had talked about some laxity on our part on that front and we have taken your word very seriously and thank you for your compliments on that. We will continue to do the good work on that account.

**Jayesh Gandhi:** Sir, our net working capital or net current assets if I see it, in the last one year has really not grown. So, do we see a possibility of that same broad working capital number continuing for the next twelve months as well?

**Deepak Sharma:** We would be aspiring to maintain that same level and of course looking at improving that also.

**Lalit Agarwal:** Yeah Jayesh, hi. This is Lalit. This is once again working capital is almost an indicator what you do with inventory and then manage, because we don't actually try to treat our vendors in a different manner when we are at pain. So, we would like to continue to feed them well. But, still work more towards rotating the inventory. So, that is something that we will work very effectively and which we are already doing it. So, the more we do towards rotating our inventory and churning our inventory better, the better will be the working capital.

**Jayesh Gandhi:** I understand that totally. Lalit-ji I guess what I was trying to ask is that our net working capital days is around 80 days, which is a big improvement, I think 30%-40% improvement in a year's time. Do we see further improvement from these numbers or this is where it would settle at?

**Lalit Agarwal:** I think it should be flat. It should remain flat at least, because quarter on quarter we see this fluctuating, due to the requirements of the business, because on quarter on quarter at certain point of time you end up buying more, so you have more creditors and at certain point of time you have lot of inventory in hand, but you pay off the creditors. So, it changes quarter on quarter. But, typically on an annualized the number of days that we would be reducing in our inventory, almost similarly we would be catering to the working capital, net working capital requirement. So, 10% to 15% betterment is possible.

**Jayesh Gandhi:** Okay great. And sir what would be the experience in terms of store closure? So, three stores you said you have closed this year. Are they stores which were opened recently or old store closure and how do you see that impact in terms of cost etc.?

**Lalit Agarwal:** We had three stores which we closed down, out of which two we have closed down due to the tenure, the tenure of the stores were over and also the stores were not very profitable at the store level. So, we did not want to continue that. And apart from that, one store we closed down because the per square feet sales were very low and it was not giving us a good margin. You know the kind of processes we have internally, every month we look at the cost, store wise profitability angle and any store which is giving us negative at the overall year end basis, we try and flag that out and try to work towards that end. So, basic fact here is if the store is not profitable and it is not able to generate its own EBITDA, it is very difficult for us to continue, so that we will continue to have a stand on. And on the asset side, on the CAPEX side, it doesn't have a very high impact, because lot of the assets that we have generally gets shifted. So, we reuse the assets. But, apart from that there would be around 20%-25% loss which will be there.

**Jayesh Gandhi:** Okay. And finally my question on overall business environment, so what are your and I heard and please correct me if I understood it wrongly, the election in the Hindi belt has basically slowed down sales. But, you are expecting it to pick up in the coming months? Is my understanding correct?

**Lalit Agarwal:** Yeah, yeah, correct. It has not actually slowed down. But, the kind of expectation that we have built up, it is not actually working towards that. When there is Election Day, typically two days there is almost like a curfew and one day you can't open the store. The previous day also there is lot of sentiment which is low. And even on the bigger rallies, because in our place...where we are placed, sometimes one day Narendra Modi would come up and the whole town would be there and the police would stop the traffic. Sometimes there would be like Rahul Gandhi coming in or Maneka Gandhi coming in. So, it is actually the heart of all the politicians and which they are working like Varanasi, Rae Bareli and all those places. So we have, so there are these small disturbances. But, ultimately people are left with more money and people are going to go and buy more. So, I think this month should be, this quarter should be good.

**Jayesh Gandhi:** Wonderful. All the best sir. Thank you.

**Lalit Agarwal:** Thank you so much.

**Moderator:** Thank you. Next question is from Mr. Jatin Karla, who is an Individual Investor. Please go ahead.

**Jatin Karla:** Hello sir. Congrats on the good set of results. I have few questions. First is that if I look at same store volume growth, it isn't very impressive. It is just 1% in this financial year. So, is it that we are saturated in terms of volume growth in our existing stores?

**Lalit Agarwal:** Mr. Karla, we are taking it differently. Typically over the period of what we have done is, we always want to sell quantum, but the quantum doesn't immediately reflect the saturation level. Because, here we are selling lot of items and there are items

which are low priced items and there are items which are high valued items. So, we are trying to shift our customer from a lower base to a little upper base. So, what we are trying to typically do is not sell too many quantity of cheaper products, but sell something which is good and has a brand value and has a good taste to leave it. So, we are trying to concentrate more (audio break), so that is why we are increasing the bill size and increasing the product price size. And that is how we are not able to monitor. And then it is also an effect of FMCG that we have reduced. In some of the stores we have closed down the FMCG and in some of the stores we have not had FMCG now, so that is the effect overall.

**Jatin Karla:** Okay sir. And sir, one final question, how is the competitive scenario, as in are we seeing increase of competition in our existing locations or is it the same thing and we are not facing much competition?

**Lalit Agarwal:** Yeah, there are always, you will find competitors coming up. There are some small size local competitors which have also developed in certain cities. There would be biggies also which are walking down to the stores like the land and the FBB and maybe Spencer or a V2 store or something. So, there are a few competitions in some of the towns. But, still it is a long way to go.

**Jatin Karla:** Okay, that is it from my side. Thank you.

**Lalit Agarwal:** Thank you.

**Moderator:** Thank you. Ladies and gentlemen, please press \* and 1 for your questions.

Next question is from Mr. Manish Valecha from Anand Rathi. Please go ahead.

**Manish Valecha:** Hi sir, good evening. I just have a couple of questions. One is that, during the quarter you closed down three stores, have you taken any write off on closing these stores?

**Deepak Sharma:** Very nominal write offs Manish. Like Lalit-ji mentioned that even for a new store if we do it at full value, it amounts to about maybe 25%. So, most of these stores had already lived their entire life of about five years, so the write offs will be there marginally.

**Manish Valecha:** Okay. And sir, just to get things correctly; so, 2.2 crores is the rent equalization aspect which is one off and roughly about 200 basis points is because of the inventory cut, the increase in shrinkage which works out to be 2.6 crores. So, if we say that around 4-4½ crores or so, 4.8 crores is one off in this quarter?

**Deepak Sharma:** I would not like to include inventory write off as a one off scenario; in the future also if the company needs to take a call to maintain the overall health of the inventory to take a write off, we will do so. I would not like to restrict it by saying that this is a one off scenario. But yes, so far as the rent equalization is concerned, because of the implementation of the Accounting Standards, yes, it will be a one off situation.

**Manish Valecha:** So, sir on the rent equalization from next year onwards, how will we account for it? Will it be equally distributed in the quarters?

**Deepak Sharma:** That's correct, that's correct. It will get spanned out. So, roughly taking that perfect number which is there for this particular quarter were 2.21, so if we would have started off on the first quarter, it would have been 55 lakhs a quarter.

**Manish Valecha:** Okay sir. That is it from my side sir. Thank you so much.

**Deepak Sharma:** Thank you Manish. Thank you Manish.

**Moderator:** Thank you. Ladies and gentlemen, please press \* and 1 for your questions. The next question is from Mr. Kiran Bhanwad, who is an Individual Investor. Please go ahead.

**Kiran Bhanwad:** Thank you ma'am. Thanks Lalit-ji for taking my question again. Just to come back to the volume growth versus same stores volume growth and same stores sales growth, it looks like the volume growth is just 1%. Last time it was about 3%. Doesn't it look like the price have been just increased by 10% in line with the inflation and hence same store sales growth has moved up by 12%? So, volume growth plus inflation is your same stores sales growth or am I reading this wrong? The reason I mentioned this is going forward we can move the customer segments that we have only to a certain extent to higher price items, after that it is going to be only volume, so just wondering about the strategy of V-Mart to increase volume growth. I know there has been lots of effort to increase volume growth, but generally trying to understand the business strategy here.

**Deepak Sharma:** Kiran, I will take that question on behalf of Lalit-ji. Like Lalit-ji mentioned earlier, in the transition phase when we are trying to move our customer up from, to a better quality product and yes, during these times though of course the transaction size and the average bill size will go up, but the volumes will shrink down because the quality of that particular product we are moving or we are graduating the customer to a better product. So, this is just a transitional phase which we may have, but going forward of course the volumes will start, once the base is (not clear) okay, the volumes will start picking up again.

**Lalit Agarwal:** And I would like to add to that. This is, you can only see a submission of everything at the volume growth. So, in the recent days what we have also targeted is, we are not trying to concentrate more on small value items. On certain festival days and on certain rush days, we typically try to go away from certain small value products, which take lots of our shelf space. So, shelf space is a very important factor for us, because our size of store is very limited. We have a typical 8000 square feet size, where we want to have all the products at display. So, as a part of our space planning process, we are trying to concentrate more on a little better product which would reap the company a better sales volume and also sales volume and also margins. So, typically we are trying to concentrate more on these items. And these are all strategic. If you try to take it as a separate way, it will be very difficult for me to explain. But, what we are trying to do is, if a customer used to buy an average MRP of Rs.250 a shirt, now at the next level what I want to take him to is at Rs.275 or Rs.295, so where I am giving him a better product. It is not a factor of inflation, but it is a perpetual call which we are taking to take the customer to the next level of the quality.

**Kiran Bhanwad:** Okay, great sir. Thank you so much.

**Moderator:** Thank you. There are no further questions. Now, I hand over the floor to Mr. Aniruddha Joshi for closing comments.

**Aniruddha Joshi:** Thanks. Thanks Beulah. On behalf of Anand Rathi Research, we thank all the participants for being on the concall. And we thank the senior management team of V-Mart Retail Limited, Lalit-ji as well as Deepak-ji. Now, I hand over to Lalit-ji for his closing comments. Thanks and over to you sir.

**Lalit Agarwal:** Thank you everybody. Thank you for having the patience to listen to us and we thank for the trust that you have shown in us. And we will continue to upkeep that. Have a wonderful night. Thank you.

**Moderator:** Thank you sir. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a pleasant evening.

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**Note:**

1. This document has been edited to improve readability.
2. Blanks in this transcript represent inaudible or incomprehensible words.