

## Transcript

### Conference Call of V-Mart Retail Limited

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#### *Presentation Session*

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**Moderator:** Good morning ladies and gentlemen, I am Honeyla George moderator for the conference call today. Welcome to the 2Q FY19 and 1HF Y19 earnings conference call of V-Mart Retail Limited. At this moment all participants are in listen only mode, later we will conduct a question answer session. At that time if you have a question please press \* 1 on your telephone keypad. Please note that this conference is recorded. I now would like to handle the conference to Jay Gandhi from HDFC securities. Thank you. Over to you sir

**Jay Gandhi:** Thank you Honeyla. Hi all, a very good morning and season's greetings to all. On behalf of HDFC Securities I welcome all participants to the 2Q FY19 earnings call of V-Mart Retail. Today we have with us Mr. Lalit Agarwal, Chairman and Managing Director and Mr. Anand Agarwal CFO. Without further ado let's start with the opening remarks from the management; post that the floor will be open for questions and answers. Welcome sir and over to you.

**Lalit Agarwal:** Good morning and welcome to the conference call. This is Lalit Agarwal the CMD of V-Mart. Let me first of all wish everyone a happy Dhanteras and happy Diwali coming forward. So we had a little subtle quarter the last quarter. There is in the whole six months that we saw was almost neutral and we did not see too much of growth coming in from the like to like store. Overall I think the business seems to be good and the environment in the market seems to be good; there is little demand in the market; not too a high a demand but yes we can see some demand coming in once again primarily due to the aspirational needs of the people. We saw in the last six months a lot of events happening, lot of the online players getting a little more active, the Flipkarts of the world and the Amazons of the world also getting a little more active. There has been a huge competitive intensity also that we have noticed in small towns, in two tier, three tier towns also. But I think the business for all the organized players has been good, the aspiration levels or the consumption from the organized space has gone up and people want to buy more from good, nicer stores and better quality products. So overall we feel that in this particular quarter because of the shift in the festival days as you understand because we operate more in small towns and our consumers primarily buy only during festivals or when their needs are. So as Durga Puja and Diwali have shifted; Durga Puja has primarily shifted from September to October mid this year. There has been a shift in the consumption and we operate in more than 80 stores towards the Eastern part of India which includes Bihar, Jharkhand, West Bengal, Orissa and the North East which gets impacted because of Durga Puja sales. Durga Puja is a big occasion to wear new clothes in these parts of the country. So the sales in this particular period has shifted to October but we have seen good results coming in in the month of October. We would want to understand and analyze both but we've seen a

good festival period in Q3 till now and there has been a good growth which we have seen which has neutralized the de-growth or the neutral growth in the last quarter.

So I think the festivity mood is on; people are loving the brand, people are loving the products that we have demonstrated and we have offered and we have really done the team....the merchandizing team has really done a great job here and the supply chain team has been very, very proactive including the logistics team. We have done huge....good things in the internal systems in our logistics space. We have opened stores in the North eastern India and providing logistics in North eastern India is considered as (not sure) and risk and not very good. But through our own logistics lead we have been able to service those stores also within three days which has been a very good landmark achievement. We experimented certain models in logistics which has worked very well. So there are a lot of good things which has happened in the company both on the technology side, on the process side and also on the product side which I think will reap benefit in the days to come. We continue investing on people, we continue investing on people, we continue to keep investing in infra, we continue to keep investing on our processes and on our systems to try and take it to the level that we want.

We have opened a fair bit of stores in this particular six months. Most of them have been opened in the last two months...in the September month also which are yet to see the results. So we have opened a dozen stores in the last quarter and we are yet to see the results but yes the results which are coming in this particular quarter looks interesting and looks good. So we should see exciting quarter in the second half coming up where we should be able to clock good amount of sales. We are actually targeting around 6% of our same stores sales growth for the complete year but yes we have seen certain pressure over certain costs also which includes right from the rental to the man power and primarily also on the electricity space which is because of the increase in the fuel cost and one of our stores operate (not sure).

So I think Anand will take you through all those details but going forward we see the industry growing from here, the consumption growing from here because of election coming in multiple states, we would see some cash flow coming into the consumer pockets, we would see some cash coming into the consumer pocket because of the agriculture income and a good monsoon which will result into that, so we should see all those coming in. There is a challenge on the marriage days coming forward. We have very few marriage dates in the quarter 3, but there are once again good marriage dates in the quarter 4. So once again, marriage is a big driver of sales and our average bill size. So we are still focusing on those trying to capture and getting to the few marriage dates that we have on our hand. So the whole team is geared up. We have added some good stores, and we have plans to open some more stores in this particular coming six months. We have opened almost 21 till now and then we opened post that in the month of October also we have opened up around five more stores. So we are right now 197, we would continue opening some more stores in this particular quarter and also the next quarter, so we will keep sending you the information and we are very aggressive and we feel still the market is good and we will see good two quarters going ahead. I'll hand over to Anand to give you a complete detail of the last quarter and one half. Anand?

**Anand Agarwal:** Thank you so much Lalit for a very good wrap up of what we have been upto so far and some peep into what we can expect for the balance part of

the year. I will just take you through some of the financial highlights for the quarter and then we can have some questions from everybody after that. So it's been a decent quarter; in fact very much on plan...what we had planned.... Is there somebody speaking?

**Moderator:** No sir.

**Anand Agarwal:** So the numbers we had....so quarter two was expected to be a flat quarter. We had budgeted the year in that fashion because we understood that the festivals was supposed to shift from quarter two into quarter three this year. So both Durga Puja as well as Navrathra which happened somewhere around quarter two last year shifted into quarter three which had an impact on our sales trajectory as well and basis which we had planned in a manner in which we are looking at quarter three and quarter four as bigger quarters than traditionally. 37% of our store locations are Durga Puja locations and therefore has a major impact on what we have to achieve. The balance locations are definitely growing well and also had positive growth during the quarter two and we remain quite optimistic on the overall performance of the business for the balance part of the year as well. While the sales for the quarter grew 8.4%, for the first half the growth stood at 12% which was largely driven by new store opening.

On the same store sales growth, the first half delivered 1% and the quarter two has remained flat largely because of the shift in the festival periods. We opened 19 total stores during the first half with 11 in the quarter and a major part of these new stores comes from the new state of Assam while they've also opened stores in West Bengal, Jammu and Kashmir, Bihar, Jharkhand and also in UP. J&K, West Bengal and Assam are all traditionally, slightly far-off regions for us but have seen some good amount of new store openings and also good performance during the quarter.

The sales mix has remained slightly higher in favor of kirana. We have seen marginal improvements from the contribution of kirana during the quarter also as well as the first half and that's largely because we have introduced some of the kirana items at known FMCG stores, more as impulse buy items along billing counters....items such as chocolates, biscuits, deos, hand sanitizers etc. and the heartening thing to note was we are able to maintain the gross profit despite the increase in the shift from the kirana business. So this business should remain in the same range as we have already introduced these in almost all of these stores and should not see significant improvements or significant increase any further from here. EBITDA margins have been slightly depressed largely because of the flat SSG because the inflation is upsetting the margin improvements etc. But a strong USF which also allowed us to go in for a very high amount of old inventory liquidation during the August – September periods does improve our inventory position and inventory quality. We have also made some slightly higher investments in manpower which lead to marginal decrease in the margins. The PAT is marginally down to 21 crores for the first half but at a full year basis, I am sure this will come back to the growth range.

The footfalls have been slightly positive. The footfalls have grown by 13% for the quarter which is a very healthy sign and shows the confidence which the consumer still have in the business and adding to that is the conversion rate which has also shown the good increase despite the higher competition that we have seen. If I look at the (not sure) size, the (not sure) size has gone down by around 5% for the quarter which is largely again because of the festival shift because people tend to buy higher priced

foods during the festival periods and if the festival periods is shifting into the next quarter, it is the normal range the economic range and the run of the mill stuff which gets sold. So this is something which will get improved as we progress into the year and corresponding to that is the shift in the average selling price, so the ASP has also gone down by almost 10%, 12% again because the premium and exclusive goods have not sold well during the quarter as expected and also because there has been an increase in the contribution of kirana and specially in the impulse buying segment which increases the volumes but does not really impact so much on the top line. The average selling price if I were to give a perspective, I think October we have seen much better growth; so the October ASPs have already begun on a positive note and that is very heartening to note.

The SPFF or the sales per square feet has gone down again marginally by about 6% to 8%....6% for the first half and 8% for the quarter. There has been larger store openings, so all the stores that we opened in quarter two are slightly of a larger size averaging around 9000 square feet; but an overall level we still maintain our standard size of 7500 square feet and all the new stores that we opened will still be in that range, but owing to the larger than normal store size that we have opened in the last quarter, the SPFF has marginally come down. Otherwise also a flat SSG and a low average bill size also aid in marginally decreasing the sales per square feet.

The store counts has grown up at a healthy rate of now at almost 0.6 million square feet, and the new stores that we opened in the territory of Assam are doing reasonably well despite the fact that they opened towards the end of the quarter which meant that they did not really see the high amount of sales that usually is witnessed during this festival periods. But I think in October and so far what we have seen of November there are some heartening signs to note in terms of new store that we have opened. So now, as of date we are now at 197 store counts across 16 states which also includes Meghalaya. Meghalaya got opened in November, so that's the latest state where we have gone into and north east as territory is doing reasonably well for us and remains our focus area for the future growth.

Same store sales growth has been at 1%, which I mentioned earlier, remains on a positive trajectory for the balance part of the year as Lalit also mentioned. I think eternally we are looking at achieving 6% for the full year and so far whatever numbers that we have seen in October, November.....October particularly has been a double digit growth month for us on a like-to-like same store sales growth basis which reaffirms our hypothesis that quarter two was basically just a timing shift and full year sales is where it should be planned.

The same store volume growth has been at around 9% which is again a very heartening sign because we always believe in a volume lead growth rather than a value lead growth. It is again a re-affirmation of what customers buying more and more quantities from us rather than buying lesser quantities that suffice.

Now, if I come back to the P&L and look at the expense side, there has been a marginal increase in the expense as a percentage of sales but which has largely been an optics issue because of the lower sales growth but some things that I wanted to highlight was definitely an increase in the manpower cost. So we have been investing slightly ahead of the curve. We are building capacity; we are building a bandwidth to aid our future growth story. So we have added significant assets in all parts of the business;

particularly if I look at the operations piece or the omni piece that we are trying to build up for the future and also on the project side and again on the strategy side and also on the analytics piece. So these are some of the few areas we have started to build capacities and we hope to reap benefits from these capacity additions in the months and years to come. Also the higher number of new stores which opened also had their fair share of early expenditures for which the full sales throughput has not really happened or being witnessed during the quarter. So there has been a slight increase because of the new store opening on the expenditure front as well.

On the rentals there has been a very, very marginal increase because we have added a few items on the capex side which we were earlier doing as capex as a lease now. That's a 0.1% to 0.2% shift; but that's not a significant impact. The other expenditures while it has gone up by almost 1% includes some amount of provisioning on account of a doubtful debt which we have prudently provided for. Otherwise the expenditure for the full year remains on plan and in fact slightly below than plan and we should look at achieving our full year internal targets on that front as well.

The inventory has gone up by around 3 to 4 days largely because of the festive season up stocking. So while quarter two did not have any festivals, quarter three Durga Puja day on the 19<sup>th</sup> of October, Navrathra being there and now also for Diwali, so all the buying for the festive season happened around September and that is the reason why we have a slight uptick in the inventory but we are sitting on good inventory numbers as of now and whatever numbers we have on the quarter two end are just a testimony of higher sales and better throughputs that we hope to achieve in the festive season.

Shrinkage has been coming down, so it has come down to 0.9% for the first half which is a healthy sign again largely reflecting the great efforts that we did to achieve better inventory quality as part of the end of seasons' sales liquidation or holder inventory and it is very nice to sit at a lower amount of shrinkage which is also coming in from greater deployment of technology and better controls at the stores and in the logistics to minimize wastage. So shrinkage has also been coming down which is again a good sign.

So overall just to sum up, I think it's been a good quarter. I am not really very disappointed because this is very well expected, it was part of our plan, not a loss but definitely lower sales was something that was budgeted and we remain quite optimistic and hopeful of achieving what we set out to achieve for the full year and we should see some good numbers coming up ahead in quarter three and quarter four. So that's it from my side, thank you so much. I wish you all a very, very happy Dhanteras and greetings for the upcoming Diwali and festive season. Thank you so much and now I leave the floor open for any questions that you might have.

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#### **Question and Answer Session**

**Moderator:** Thank you sir. Ladies and gentlemen we will now begin the question and answer session. If you have any questions, 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. Participants are requested to ask two questions in the initial round and may join the queue for more questions, thank you.



The first question comes from Mr. Abneesh Roy from Edelweiss, please go ahead.

**Abneesh Roy:** Sir, thanks for the opportunity. My question is in 2016, two years back also Durga Puja and Diwali was in Q3 only; in fact I have checked the dates; Durga Puja was one week behind this year's Durga Puja and same was the case with Diwali; but in that year's Q2 we saw 8% same stores sales growth; while this time it has been flattish. So why should there be such a difference now? Doesn't it show that either sentiments are down or the competitive intensity is higher? My sense is that competitive intensity from other stores are higher.

**Abneesh Roy:** Abneesh you are probably correct number one. The one week shift which is one part and the bigger part is in this particular two years we have actually penetrated more in the Eastern region. We have actually opened higher number of stores in Bengal, Orissa and even Jharkhand and even North east. Because of these stores coming in high quantity in these areas, we are now seeing bigger impact in Durga Puja period because Eastern region generally has a high impact of Durga Puja sales so that is primarily the basic reason and yes these Durga Puja sales have normally lasted for 20 days. Some part of Durga Puja sales have been recorded in September in those years but yes, I think there is also some competitive intensity not that we can only shy away from the competitive intensity but that's not the case. We have witnessed a good amount of sales which you will see when Q3 results are out.

**Abneesh Roy:** But sir when you are making EBITDA loss at such a high scale and well-run company won't your competitors be making even bigger loss? They don't have scale and they are not so well run....? What does it imply...from a consolidative perspective do you see a closure of stores in the coming quarters by some of your competitors?

**Lalit Agarwal:** Abneesh we will not be able to comment on what the competitor would do, but what we have done in this particular quarter as Anand told you that we have been very, very aggressive on our old inventories. We actually liquidated a very high amount of inventory which lead to a lower shrinkage also because we did not have to write off because what we did is we sold at a very lower cost and we actually dispensed those inventory so that is also a part of the EBITDA loss which came in because we sold at a lower margin and we wanted to clear up those inventories. When we had a longer time because of the festival shift we had a longer time at the end of the clearance sales and we wanted to continue with that. Apart from that we have been investing very heavily on the other power which is primarily the manpower, digitalization and all those things. So I don't know about the other competitors how they record. We want to keep our quality of the inventory very clean and we also want to build an infrastructure and a team which can then service the bigger potential of the business, so that's what our focus is.

**Abneesh Roy:** And sir, you mentioned that in Q2, some of the stores has 9000 sq.ft., which is not the trend, so you expect that to go back to the lower number. Any particular reason, why everything will get buzzed up in Q2, or is it because of competition, now you need to open bigger stores, so that it is a better look and feel of the store?

**Anand Agarwal:** No Abneesh, there is no change in our thought process and our understanding of the business. We have remained constant. It is all about the kind

of state, which is available, because we are on high street and we don't open in a mall, so we have to take the entire building, and sometimes the building structure that we have to take up, are little higher in size, so that is how we will have to end up in those. Because, whatever we opened in the last quarter, the stores that we got were of those kind where we could not reduce to 1000 sq. ft., and that is how it is. So, I don't think there is any other pressure, any other thought, just change because of the composition. We don't want to do anything. We rather want to maintain our thoughts, and we are focused, and we believe, and we are very confident that whatever we are doing, we will be consistent, and we will always be there for the customer, to offer the best of the products, and the kind of area that we are in.

**Abneesh Roy:** Next one was on employee expense, it is up 27% YOY, 30% quarter-on-quarter, how much of this is because of expansion, and how much is it because of salary inflation, which you need to again give because of higher competitive intensity?

**Anand Agarwal:** So, total cost increase on the manpower side is at around 27%, on a like-to-like basis, that has increased by around 7% to 8%, balance is mostly on account of capacity addition. And capacity addition is on two counts, one, as you rightly said, is on the new store side, and second is also on the management side. So, as I mentioned, there is some part of the business that we are strengthening, and we are investing ahead of the curve, to make sure that we have more bandwidth available to handle bigger business verticals.

**Abneesh Roy:** No local stores...

**Moderator:** I am so sorry to interrupt, sir for more questions, could you please...

**Abneesh Roy:** Madam, my question hasn't ended. At local store, is there more attrition?

**Anand Agarwal:** No, attritions have in fact come down from earlier. We are seeing attrition; attrition is a part of retail business, and especially at the front line. The attrition is now in fact much lower than we used to see earlier.

**Abneesh Roy:** Okay sir, I will come back in the queue. Thank you.

**Moderator:** Thank you sir. The next question comes from Tejas Shah from Spark Capital. Please go ahead.

**Tejas Shah:** Yeah, thanks for the opportunity and seasons greeting to the whole team. Sir, you outlined in your opening remarks that the competitive landscape from offline player was there, but you also mentioned online retail intensity was also higher as we are also picking up from our channel 6, it was highest at least in last three Diwalis. And, online players are also claiming in their press releases that their share in tier 2, tier 3 centers are increasing. So, just wanted to know how are you reading this pressure point building up from online players?

**Anand Agarwal:** Hi Tejas. So, there is both sides to the story, so while at a overall level, definitely online is picking up, but one has to understand the geography

and the tier of towns where we operate. There are probably 100s, you can count the customers in 100s, who will be shopping online from those kind of territories, and whatever customers that we have interacted with, or customers who come to shop with us, and because we also run a very successful customer loyalty program, we have not really seen our customers go away and shop online. So, they might have shopped, they might have shopped once in a while, but we have seen our loyal customers and loyal customers for us are almost more than 50% of our total sales. They keep coming back to us and shop with us more and more. So, we have not seen any impact of the online, at least in the territories where we operate.

**Tejas Shah:** So, when we refer to competitive intensities, it is largely from offline players?

**Anand Agarwal:** Yes, yes.

**Tejas Shah:** Okay. Sir, second, you mentioned that the mix has altered in this quarter in favor of kirana merchandise. So, just wanted to check if the change is consumer driven or we are also proactively pushing that part of the portfolio?

**Anand Agarwal:** It is more a push from our side, because we want to supplement the offering for the consumer. As I mentioned, during my earlier remarks, we have introduced impulse items at the billing base, so that when the customer is waiting for the bill to be processed, he can just pick up very low ticket items and also get them included in the bill. So, that increases the overall sales volumes, and that also helps us... give us more throughput from the store. So, it has been a slightly recent push and that has helped us increase our connectivity also with the customer. Usually, these impulse items also includes some parts of kirana and therefore you are seeing the shift or increase in the kirana contribution.

**Lalit Agarwal:** Tejas, I can understand your question well. So, there has been lot of demand coming in from the customer base, because whenever we do some survey, people want some convenience products in the kind of stores that we have opened, and the places we have. People want certain products and there are lot of FMCG companies, which try to offer good schemes to people like us. So, we wanted to introduce some lines which are just added for convenience. And where the customers can find benefit, because they also spend around one hour in the store, at time they want some drink and they want some chocolates to eat, so there is some amount of those items, which are introduced at the fashion stores.

**Tejas Shah:** Yeah. And sir, lastly it is 6% accessory target for FY19, and looking at inflationary environment, which you called out in your opening remarks, do you think there will be pressure on margins for the year?

**Anand Agarwal:** See, there is already a pressure on the margin and then we are also effectively trying to not leave anything unturned. We want our customers to be on our floor. So, we are offering good amount of schemes, promotions, and stuff to wall in the customer. So, there may be a small dip in the margin, but on the percentage terms, but on the complete profitability terms, I think, we should be able to achieve our targets because we are trying to raise the volume of the product, so...



**Tejas Shah:** Okay. That's it for now. I will come back in the queue and a very happy Dhanteras a very happy Diwali to the whole team.

**Anand Agarwal:** Thank you.

**Moderator:** Thank you sir. The next question comes from Aditya Khemka from DSP Blackrock. Please go ahead.

**Aditya Khemka:** Yeah, hi, thanks for the opportunity sir. Sir, a couple of questions. Firstly, on the sales per sq. ft., so we have seen that come off this quarter, and also for the half-year versus the cost obviously has gone up on account of inflation and the capacity expansion. So, going ahead, given that the mix is also changing towards more non-apparel and kirana, which I am assuming are lower ticket items versus the apparel, how do we sort of bridge this gap between the sales per sq. ft. and the cost per sq. ft?

**Lalit Agarwal:** I think, that is a temporary phenomenon Aditya. So, I think, this is what we have seen during that particular quarter, and yes, because of also the new store, which we opened are a little higher in square footage terms, and because we also couldn't attain the same store sales growth from the existing sq. ft., and our less than one year stores and these stores, because as you remember, I telling every year also, in the last one year we have opened more stores in the Eastern part of India, which is a Durga Puja effective belt. So, there you don't find a similar sales per sq. ft. coming in, and that will only come in, in the particular quarter. So, I think, this is just a temporary shift in the phenomenon that we are seeing. The cost remaining, because most of the costs are fixed costs, and you can't reduce the cost month-on-month, and so that is already there, and you have to rather get prepared for the festival days and increase your costs right before you get into the festival days. So, that is why, I think, this is just a temporary quarterly shift, but in the year end phenomena, you will find it almost similar. But yes, there has been some purposeful investment on certain areas, which we want to increase the cost and try to gain on the infrastructure and given the future capability.

**Aditya Khemka:** Okay sir, fair enough. And you made a comment in your opening remarks regarding the ASP declining because of festival shift and the premium merchandise not moving in enough. My question here is that even if you look at the YTD numbers, your ASP is still down, so one can understand 2Q ASP being down YOY because of the festival shift, but for the first quarter ideally should not have had that trend, because first quarter did not have that aberration. So, what explains the ASP down? Again, is it the product mix changing towards kirana and non-apparel that is driving the ASP down?

**Anand Agarwal:** No, I think, it was a very, very small shift, minor shift, but overall also, because we are more getting into tier III and tier IV, we experimented a lot in tier IV also, so we want to offer a little lesser price product more to those consumers. But once again, during festival, we have changed our thought and we have got higher prices...ASP product, but that always remains constant, according to demand and according to the need of the consumers in those small towns. And that is how we drive. So, we are not actually pushing down our prices. We are not pushing down our prices, we are actually offering more variety and because our buying prices are getting lower, our cost that we purchase at the price that we purchase, that is getting effectively better. So, we want to offer better products at a lower price point, which in turn results in to a

little lesser ASP, which is the phenomenon you have seen over the past two years. So, I think, that is just a shift. And yes, obviously, that increase, some increment in the kirana base will also affect the ASP overall. That half-a-percent shift will also affect the ASP, because kirana items are normally at a lower price point.

**Aditya Khemka:** Right. And one more, if I may sir? On the SSG part, so your first half SSG is about 1.2% and your full year guidance you mentioned in your opening remark, at about 6%, if I am not mistaken. This would imply a 12% to 13% SSG in the second half. Is that something that you have seen in the month of October so far?

**Lalit Agarwal:** Yeah, that's what Anand mentioned. So, I think, till Diwali or till now we are seeing a good, almost similar growth rate that you are seeing, more than that actually. So, we should be able to reach our target, don't worry about it.

**Aditya Khemka:** Sir, sorry, I have one more question. Apologies. But I was looking at your store count YTD this year and comparing it to the store count of last year YTD. It seems that incrementally whatever stores you are opening, we are focused more on tier IV and tier I and not so much, just in percentage terms, on tier II or tier III. So, I have a couple of questions in this. Firstly, is the profitability of a tier IV store just in terms of ROI higher than a tier III, which is higher than a tier II, which is higher than a tier I, is that how the ROI trajectory is for each of these stores in these tiers? At an aggregate level, I know, store to store would be different, but an aggregate level, is the ROI for tier IV better than III, which is better than II, which is better than I?

**Anand Agarwal:** So, it is a very similar kind of trajectory, and one has to understand that tier IV town also comes in a marginal lower amount of rent, very marginal, but otherwise, we have not seen significant shifts between the profit margins across the different tiers. Tier IV and V have been an experiment, and we are still running a pilot since the last one-and-a-half years. So, it is not a very mature model for us, and we have been experimenting on different kinds of locations, different kinds of towns, and we have not really perfected the profitability and the economic models for the tier IV stores. But, otherwise, at a general sense, between tier I, tier II, tier III, tier I would not be the highest, I think, tier II, tier III is where the sweet spot lies for us.

**Aditya Khemka:** Then why open more stores as a percentage of the existing stores in tier I, versus tier II and tier III?

**Anand Agarwal:** No, it is always a question of opportunity, and best locations, and it is not just a question of 0.1% higher profitability or 0.5% higher profitability, it is more a question of where does our total market size, where our market share, so just to give an example, Lucknow, we have added more number of stores in the last one year. Now, it is sitting at, I think, 12 or 13 stores in Lucknow, because there is a huge market opportunity that we see in Lucknow, and we could have gone to a smaller town outside of Lucknow and opened two more stores there, but the per sq. ft. productivity in Lucknow will be much higher, an absolute profit that we can earn out of that store, or out of that territory, will be much higher. So, there are many, many points that one has to keep in mind before deciding on the location, and profitability is just one of them.

**Aditya Khemka:** Okay sir. I have more questions, I will get back in the queue. Thanks.

**Anand Agarwal:** Thank you.

**Moderator:** Thank you sir. Participants are requested to ask two questions in the initial round and may join the queue for more questions. Thank you. Sir, we have the next question from Avi Mehta from IIFL. Please go ahead.

**Avi Mehta:** Hi Lalit ji, hi sir. Just wanted to wish you a very happy Dhanteras and a happy Diwali going forward. Just two questions, one, you mentioned about some provision that you had given in the other expenses. Could you quantify and explain what was this related to? Provision for doubtful debts?

**Anand Agarwal:** Yeah, so this is about our investment that we have done in one of the bonds or commercial paper and there is some doubtfulness regarding its profit recoverability, and therefore as a prudent measure, as of now we have put some amount of provision against that.

**Avi Mehta:** Oh, okay, so nothing beyond that right? I mean, there is...

**Lalit Agarwal:** No, no, nothing beyond that.

**Avi Mehta:** The second part was the inventory increase, and just wanted to understand, you said that you have liquidated your old inventory in this quarter, which is probably the reason why the GM is the way it is, but related to that, shouldn't the inventory levels have come down a little bit. I mean, is the increase because of festive season so high, that it kind of masked, because YOY basis, I still see an increase versus a decline that we have been seeing for the last few...two quarters back.

**Anand Agarwal:** Yeah, so these are two slightly unrelated things. So, inventory liquidation is more of a inventory quality betterment exercise, and not necessarily it will result in a massive correction of the inventory, it is just a hygiene issue. The inventory buildup happens on two parts, one is, definitely one you are buying for the festive season, and also because of the larger number of stores that you are opening, which are in the pipeline, for which you need to build up inventory. So, if you look at the October month, I think, we opened close to six or seven stores in this month itself, and for all those stores, you also need to build up inventory before they open, at least 20, 30 days before these stores open. So, the inventory buildup is absolutely in line with those projections.

**Avi Mehta:** Okay, perfect. And lastly, sir, the payables side. Typically, just wanted to understand in the current environment, are your suppliers facing any liquidity constraints and is there any request for help from your end, or if you could just explain, how is that environment?

**Anand Agarwal:** Our suppliers are very happy and while I understand there might be some liquidity constraints in the bigger circles, but at least these suppliers that we work with, they are quite comfortable, and in fact, we have extended our help to them in these difficult times, and we are paying them earlier than what is due, and we are offering them all assistance to get their dues cleared faster.

**Avi Mehta:** Okay. But, as of now, they have not requested for reduction in their...faster payment, this is something that we are doing on our own volition, nothing otherwise.

**Anand Agarwal:** Yeah, yeah.

**Lalit Agarwal:** We have actually been little proactive here, and we have started a small unnati scheme where we want to pay them and offer them early payment on some small discount, and we have taken a line of credit from the banks. So, we have actually offered a huge thing, so we have held the supplier over the month of October and now, so we are doing proactively and trying to meet their constraints, and there will be some constraints, as I understand, what you are trying to imply, because of the NBFC pieces and all, there would be some small, small constraints on those small, small suppliers, who want to take those personal loan, and those small, small business loans. So, and we understand that, that is why we want to give them those help. But, as of now, we haven't seen any big concerns coming out from them.

**Avi Mehta:** So, all in all, and the way I should see it, is you have taken a proactive step, which is just to kind of ensure that the relationship continues, and these guys are able to operate in an effective manner, that's how I should see it, right sir?

**Lalit Agarwal:** It is not about the short term relationship, because this relationship is already there for more a decade, so we want to maintain that relationship and we feel that their pain would be our pain and whenever there is uncomfortable more, it would result into their inefficiency, which would result into higher cost of product. So, to create value and to create value for entire ecosystem, you keep continuing doing such things regularly whenever it is needed.

**Avi Mehta:** No, no, fair point sir. I understand, I completely appreciate. Thank you a lot sir, thank you very much. This is very helpful.

**Moderator:** Thank you sir. The next question comes from Nitin Gosar from Invesco. Please go ahead.

**Nitin Gosar:** Hi. Wanted to check, for the stores, which have been launched or started in last two years, how would have been the average sales per sq. ft. versus the stores, which have been matured?

**Anand Agarwal:** Yeah, so, I think, there is an almost similar level, there is a little lesser per sq. ft. sales that you are seeing in the stores, which are less than one year and new in the category as you defined. So, because, as you know, the tier IV towns stores that we opened, #1, and the Eastern regions stores that we have opened up. So, these two territories had been not as great as what we have done in like to like, but yes, there is only a maybe 5% lower number that we are seeing in those stores, in per sq. ft. basis.

**Nitin Gosar:** And the second question is with regard to the write off we have taken for the investment. Now, this investment belongs to, or is already part of our FY18 annual report?

**Lalit Agarwal:** This is an investment that we had done this year, in this last quarter itself.

**Nitin Gosar:** Okay. And we have taken total write off or where do we stand?

**Anand Agarwal:** No, it is a prudent provision, partial provision.

**Nitin Gosar:** And overall investment in this bond would be to the tune of?

**Lalit Agarwal:** Around 9.7 crores.

**Nitin Gosar:** Okay, perfect sir. Thank you.

**Moderator:** Thank you sir. The next question comes from Mr. Abhishek Roy from Steward and Mackertich. Please go ahead.

**Abhishek Roy:** Sir, good morning and wish you all a very happy Dhanteras and a happy Diwali. Sir, I had just that during this season sale that was done by the e-commerce players, so, I read somewhere that the sales for this year was almost double compared to the previous year. So, in your opening remarks, you mentioned that these sales were impacted by the brick and motor stores, rather than the e-commerce business. Sir, but most of the people, right now they use smart phones, and I think, they find it very easy to place order online. So, don't you think that a significant of your share was taken by the e-commerce players, because there would be delivery in the tier III, tier IV, tier V cities as well.

**Lalit Agarwal:** Abhishek, you are absolutely right. There is increased penetration of digital commerce and there will be an increased experimentation, which the normal consumers, even in the towns that we are would do. But still, our belief is, that the kind of consumers who come and shop at V-Mart and those who are our loyal customers, are primarily those customers who would buy two to three times a year, because they earn between Rs.20000 to Rs.50000 per month. So, I think, on these categories of customers, the kind of product, these are non-standardized products, because we have heavy leaning on apparel, and apparels are non-standardized apparel, which is not branded and not such a renowned product. So, primarily these kind of products, customers will not end up buying too much looking at a photograph, and then buying them online. So, there would be some shift with this. We don't know, we don't have a record. But whatever we can visualize from the market feedback and from surveys that we do, we have not seen too many customers walking on to those stages, and whoever has done that, they have not had a very good experience on those product lines, so they came back to us now. So, I think, there is a mixed reaction. There will be some shift which is always happening, but there is also an increase in aspiration and an increase in sales, because of lot of bombardment of advertisements and lot of bombardment of media activities that these guys do. This also increases the demand in the mindset of the consumers that also brings in additional sales in the overall economy.

**Abhishek Roy:** Okay. So sir, going forward are you planning to go for online marketing as well, means, online retail? Because I read in your annual report that there is around 12% contribution is there. So, do you think that you are going to increase that through omnichannel strategy?



**Anand Agarwal:** No, I think you must have mis-read, till now V-Mart does not offer any online sales. We are not present anywhere on the online selling platform, so we don't sell even a single piece online right now but yes, we have a plan, we want to develop our omni channel, we have set up an omni channel department which is looking into this, trying to do backend activities, trying to analyse processes, trying to align technology accordingly; so it will take some more time. As of now we haven't done anything. We have some plans to try and provide convenience to people who live in those territories where we operate and the customers who come to shop from us.

**Abhishek Roy:** Okay and sir the number of stores you have increased even that is almost in line with your target. Now, with the election coming up and also you mentioned that there was a good agricultural season; can you just give me your guidance for the EPS for this year?

**Anand Agarwal:** I think we don't want to provide any guidance particularly on those lines, but we can always give you a trend of what's coming up and what's being seen. We can't tell you what the EPS is going to be. Sorry, but it will be very difficult to anticipate that.

**Abhishek Roy:** Sir the reason for asking is, this quarter you have reported a loss, and for many quarters it was not shown. So I believe that there might be some change in your year's target, so that was the reason for my asking.

**Lalit Agarwal:** No I think repeatedly, Anand and I have answered that this is just a festival shift; festival re-positioning. You should understand that, from the year's perspective we don't see a huge shift.

**Abhishek Roy:** Okay, thank you sir and all the best.

**Moderator:** Thank you sir. The next question comes from Mr. Jignesh Kamani from GMO. Please go ahead.

**Jignesh Kamani:** Hi Lalitji, just to understand the festive part, if you compare with this Durga Puja and the following festival days versus the last Durga Puja and the festival days, how do you see the growth rate?

**Anand Agarwal:** Jignesh, as I told that we have received a very good SSG, more than 14%, 15%, if we look at the period to period, festival to festival shift.

**Jignesh Kamani:** Understood. Okay, and this may be slightly early but any color on the winter demand?

**Lalit Agarwal:** As I told in the opening remarks also, winter has been a little early. There has been some winter winds blowing in, so because Diwali we will not be seeing such shift in winter, this time because of Diwali getting later in the month, winter has started earlier, we have seen good demand also coming in from winter wear products from the last 10 to 12 days.

**Jignesh Kamani:** Understood sir, okay, thanks a lot.

**Moderator:** Thank you sir. The next question comes from Ayushi Mehta from CD Equisearch. Please go ahead.

**Ayushi Mehta:** Good afternoon sir. Why is there a margin difference between private labels and outside brands?

**Anand Agarwal:** Private labels business that we have been growing is largely product differentiator. It's not a price differentiator or a margin differentiator for us as of now. The reason we believe in that strategy is that for a lot of value retail pairs, a lot of times the merchandize remains the same and sometimes even the market labels remain the same and therefore to offer a distinct product to the customer so that he can develop some sort of affinity with the brand or some sort of understanding that this is the product I want to.....I like and therefore want to come back and buy and buy again, so that's why we have been developing the private label to a higher degree, but as of now we don't believe in differential pricing and we do not believe in giving higher price to the customer just because it is a private label. Only when we are able to differentiate the product by way of giving some value add on the design or on the product itself, only then we will charge a higher price and then we can think of a higher margin.

**Ayushi Mehta:** But then sir if you are producing something in house, then there has to be some sort of margin difference right? If you are buying from a third party and.....

**Anand Agarwal:** We don't manufacture anything in-house. As I said, also we are an honest price shop. We really do not want to overcharge the customer just because it is our own label.

**Ayushi Mehta:** So by own label what do you mean? It is not being manufactured by V-Mart?

**Anand Agarwal:** Yeah we don't manufacture anything. We have good quality manufacturers who supply to various other brands as well so in the private label we only give them our inputs in terms of design or color scheme etc., but otherwise we don't manufacture anything.

**Ayushi Mehta:** Okay sir, so there is no manufacturing from V-Mart itself? You are buying at the same cost for outside labels as well?

**Anand Agarwal:** Yeah, very similar.

**Ayushi Mehta:** Okay. And sir, how do you decide the size of stores to be opened in a particular location? We have seen your store size vary from 12000 to 7000 square feet. So what determines the size?

**Lalit Agarwal:** Our model rests on a standard size of between 7500 to 8000 square feet. Because we do not get into malls, we are always on the high street. We cannot really choose or actually finalize that exactly these four will always be 7500 square feet. It depends on the availability. If a particular building is 9000 square feet, we have no option but to take the 9000. If it is 6500, we have no option but to take 6500. But on a standard basis, we only look out for properties which are in that range.

**Ayushi Mehta:** But sir, doesn't this impact your cost?

**Lalit Agarwal:** No it will not.... Our model is....it may have a small impact but otherwise our model is built on an 8000 square feet, so plus or minus 4%, 5% variations will always be there. You can never get exactly 8000 in any location.

**Ayushi Mehta:** Okay and sir does your cluster days approach for opening stores leads to cannibalization of sales?

**Anand Agarwal:** No it does not because we assess the market; we understand the market potential before opening any new location in the same town. So again giving you the example of Lucknow, we started Lucknow with one store and in the last 15 years we are now sitting at 13 stores. So it's taken the time, the town has also grown, the consumption has also grown and we have followed the growth. The same example for Benares, the same example is for Patna and the same example is for Kanpur, so there are many, many locations where we have opened stores only after we have seen the higher growth coming in from those markets.

**Ayushi Mehta:** But sir, if you are opening stores close by so won't it impact it in anyway? Why would you want to open stores in the same locality, same area? Same city I understand, like there is more growth in Lucknow so you are opening 13 stores there. But within the same range, that's what I want to understand.

**Lalit Agarwal:** So Ayushi you have to understand the kind of population these towns have, these cities have wherever we are opening multiple number of stores. It is not about this one location name. So you can open a store in a 50,000 population, you can also open a store with 50 lakh population. So if you are opening a store location where the town and the city population is 50 lakhs, you need to target certain amount of population which can accommodate one store. That is why we do proper analysis, we understand and then only we segregate. There may be a small cannibalization during the first two, three months, but overall we have seen the market size growing large because we used to have 70 crores of market in Lucknow, now we've got more than 110 crores of market in Lucknow. So that is how we grow our market share. That's important to us.

**Ayushi Mehta:** Okay, thank you sir.

**Moderator:** Thank you. The next question comes from Mr. Atul Mehra from Motilal Oswal Asset Management. Please go ahead.

**Atul Mehra:** Sir just one question. Maybe it got answered earlier...I joined the call a little bit late. Is there any reason why the shrinkage is so low in this quarter? Normally the run rate is about 1.2% for us, discount is about 0.3....any particular reason for this?

**Anand Agarwal:** As we mentioned, there has been a lot of inventory which we liquidated at a lesser price in the end of season sales and we did not had to then write off those inventory also. Normally what happens is, all those inventory which are old and not saleable, we either write off, if we are not able to sell off. So we actually sold off a lot of that inventory taking extreme marketing measures and taking a lot of ideas on

the process and operations side also so that we are able to discontinue those products and give those benefits to the customers rather than selling it to the scrap dealers.

**Atul Mehra:** That's right. Alright sir, that's it from my end thank you. Wish you all the best.

**Anand Agarwal:** Thank you.

**Moderator:** Thank you sir. The next question comes from Akshay Parekh from IDBI Capital. Please go ahead.

**Akhil:** Hi this is Akhil from Elara. Lalit sir my question is on the shrinkage side. Is this a new norm we should see for shrinkage below 1% and apart from the inventory does any automation benefit come to us and will we be passing on any margins to the customers if we gain anything from shrinkage?

**Lalit Agarwal:** Akhil we should not anticipate something more than what is being seen because shrinkage is paraphernalia of chori....one big, big issue is pilferage which is not in our control. Obviously we do try to take a lot of measures and we have really brought in a lot of process as a betterment and also some technology inclusion which has lead to the lower shrinkage and also as you know we have discontinued or we have sold off a lot of inventory in the discount which has resulted in a lower gross margin and then (not clear) lower EBITDA as we can see immediately. So I think we should....obviously we want to reduce the shrinkage piece but we don't anticipate today that this is the new normal but we would always love to do this.

**Akhil:** The second thing you mentioned is there is slightly lower space per square feet in the new stores which we have opened and also in the newer markets like West Bengal, Jharkhand and Uttarakhand. But if I go through last five years' concalls and you have always mentioned that whenever we open a new store, it is like a circus in those towns and usually the sales is on a higher end as compared to the older stores. So has there been any shift to our thought process for that?

**Lalit Agarwal:** There is always a shift in my thought process but it doesn't even shift with the market. So the competitive intensity has strengthened and people have started opening a lot of stores and a lot of competition has actually come in, so we have seen more than 200 players open a store in front or in the town we are present in the last year and again this year we have seen more than 120 openings happening. So there is a lot of openings which are happening where we are present also and where we are not present. So initially what used to happen is, we were the first ones to enter into these towns and we used to see the "honey moon" period is what we call (not sure). But now it is no more the case immediately; there are multiple towns where we have seen this not happening and there are still a lot of towns like the one we opened in Shanthipur in Bengal where you can see a lot of customers footfall which came in the first month or the first few days of opening was huge. But there are some other towns where you have seen the competition has already kicked in and then it is also about the timing of the store, at what time during the year they open the store. So overall I think as you have rightly understood, there is a small shift in the new store which has happened in the last two years but otherwise, we continue to feel there is enough potential. It may not be resulting in the first two months but immediately we get onto those sales which we target.

**Akhil:** Okay. My last question is on the market. Are there any store location where we are the only player or are there another store who is operating in that particular location of that 190 odd stores?

**Anand Agarwal:** There are many locations where we are still the only players but more often than not we will find at least one organized competition in a lot of locations where we are there and it's not that we only want to open our stores in virgin territory, we are equally successful in territories where we have ten competitions and also successful where we have only one or two competitions. Our market size or market share almost remains the same in a few cases.

**Akhil:** Would you like to quantify like how much would be the percentage for these virgin territories where you are operating as a percentage of.....

**Anand Agarwal:** Not really.

**Akhil:** But if I can squeeze in one more question, this provision you have made, this investment is different from what we had invested in FY 18 after the annual report?

**Anand Agarwal:** No it is similar. It is in the similar line of investments, it's like the usual investment that we normally keep on doing. It's just that we have taken a prudent step of providing for it.

**Akhil:** Got it, thank you so much and best wishes.

**Moderator:** Thank you sir. The next question comes from Mr. Varun Singh from Antique Stock Broking. Please go ahead.

**Varun Singh:** Thanks for the opportunity. I just wanted to understand how many stores you have refurbished during this quarter?

**Anand Agarwal:** Around 20. We would have done around 20 refurbishments this quarter.

**Varun Singh:** And roughly how much would be the refurbishment cost that we would have been investing in these 20 stores?

**Anand Agarwal:** Roughly around 30 to 35 lakhs we do for every store. As a thumb rule we would refurbish our store after every four to five years unless we see higher traction from a competitive activity, otherwise normally around five years we will refurbish our stock.

**Varun Singh:** Okay you spend around 30 to 35 lakhs per store on refurbishing?

**Anand Agarwal:** Yeah.

**Varun Singh:** Second thing sir, I wanted to understand like....as you said there is building a pressure on rental and employee expense; so just wanted to



understand like when we say that pressure is rising, are they talking with reference to new store opening that we are doing? And if you can give some color on the quantification of the pressure. So is this the rising pressure from competition or any other activities?

**Anand Agarwal:** Let me just clarify, there is no pressure in terms of cost. We are not unhappy with the cost structures for the quarter or for the half year or for the full year. This is entirely in line with our plans and our budgets. So we are absolutely comfortable with the cost structures. We are a value retailer and we are very, very cost conscious. So...Q3 okay with the kind of cost structure that we have put in place. Yes, there is a competitive intensity and that's been there forever. So it is not like it's only increased this quarter or it has only happened this quarter. We remain competitive and we welcome competition because it also helps us grow the market. The overall market grows whenever new competition comes in, but yes, a fair bit of competition always is welcome.

**Varun Singh:** So when will lease renewals will be coming in for your old stores? In your last call you mentioned that 12 to 15 years is the lease period for....as I understand correctly overall on a weighted average basis it is around 12 to 15 years period. So what kind of cost escalation do we expect from these stores wherein which are upcoming for renewals?

**Lalit Agarwal:** Normally the relationship that we have with the property owners is very good and they want us to continue in those locations but yes, there is an incremental.....because whatever property we have taken last 10 years back or 12 years back normally those property and the market has developed, the rentals in those areas also have developed, we also don't want to....and we have seen a good amount of growth. So as long as our profitability of that stores permits and as long as our rentals to sales which is around 4% permit, we would want to give back to our property owners also. So there has been some of the renewals which has happened where normally after three years we give an increment of 12% to 15%. Maybe we would have given around 30000 or 25000. So it depends upon the location and the property owner, but most of them have been below 3%.

**Varun Singh:** So if I understand what you said correctly then the new base will be reset in the range of 20% to 30% of the existing or the rent which will be going currently....

**Lalit Agarwal:** Correct.

**Varun Singh:** And sir one last question if I may squeeze in, if I understand correctly, City Life is the second biggest competition to V-Mart, is my understanding correct?

**Anand Agarwal:** See in terms of number of store openings they have done that, but again now, they are still the second biggest in terms of number of stores that is present across V-Mart. There are retailers who offer more than that.... I don't think they are real competitors in any sense because the kind of offerings and the kind of experience that the customers have internally is quite different than what we get at our place. So we don't want to really call them a very, very strong competitor or a big

competitor, there are other big competitions. But yes, in terms of number of stores, their expansion rates have been a little higher which has been mindless in our (not clear).

**Varun Singh:** In that regard sir, I would like to ask one question, that when we say that our.....

**Moderator:** I am so sorry sir.....

**Varun Singh:** This question is in relation to the last question madam.

**Moderator:** Alright.

**Varun Singh:** So sir, I just wanted to understand that when we say that 200 to 250 is the price we are offering and it is a commodity product and private label we are not differentiating on price, so how do we differentiate our business with City Life? If the product is the same in both the companies or with competition, then how do we differentiate our business from competition?

**Lalit Agarwal:** So Varun I think you are asking for a particular competitor which we don't value too much and we would not like to answer for a particular competitor. The market in general, please come down and then have a better understanding of all these questions that you want to and you should wherever visit both the stores and understand what is the difference from a customer's angle and also from an investor's angle that V-Mart is offering against what they are offering. We cannot explain to you all those things on the phone right now.

**Varun Singh:** Okay, sure sir, no problem. Thank you so much sir for answering all my questions.

**Lalit Agarwal:** Thank you.

**Moderator:** Thank you sir. The last question for the day comes from Mr. Kunal Bhattia from Dalal and Broacha.

**Kunal Bhattia:** Yes sir, thanks for the opportunity and happy Dhanteras and happy Diwali to you as well. Sir my question was in regards to...currently, what would be the contribution of the private label?

**Lalit Agarwal:** It should be something in the range of 62%.

**Kunal Bhattia:** And sir secondly also in terms of you did mention that there was some liquidation of all inventory; so on account of this what was the loss in terms of margins for us?

**Lalit Agarwal:** I could understand. So obviously this sum product which we are selling at loss also. But the amount of sales is very small. So I don't think there is a huge loss but yes there would be some 5 to 7 crores of inventory which has got sold at a lower our price which is below the cost also. So there would be around 10% lower than the cost that we should have sold to (not clear).

**Kunal Bhattia:** Okay. And sir, finally we had about 2.45 crores provision for diminution of the investment. Anything else which is there in the other expenses apart from this?

**Anand Agarwal:** No apart from that it is the usual items in the other expenses so as a percentage of sale if you look at in any expense, it would appear slightly bigger but otherwise because the sale itself is not growing at a very high number, therefore it is looking at a higher percentage but otherwise, like what you said, there is nothing else.

**Kunal Bhattia:** Okay. Fine sir, thank you so much.

**Moderator:** Thank you sir, that will be the last question for the day. I would now like to handover the conference to the management team for closing comments. Over to you please.

**Lalit Agarwal:** Thank you everyone. Thanking you for confident and being supportive though our entire journey. Once again I am sure and I give you the trust that we would continue doing whatever we believe is right and we would continue doing good for things which are good for our consumer first and then our eco-system including our suppliers and our employees. But yes we would not leave anything for the investors. We would want to be transparent enough or be clear enough and be quality conscious on all our last thoughts. We would want to give more focus and higher focus on our capabilities, on our ability to serve the similar kind of profitability and similar kind of turnover going forward in the next three years also. So we will be always forward looking and we would always focusing on the right areas of business improvement and improvement in growth. And we want you guys to be there supporting us for those calls. Thank you so much and wishing you all a very, very happy Diwali and a successful new year. Thank you.

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

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