



**“V-Mart Retail Limited
Q2 FY2021 Earnings Conference Call”**

November 11, 2020



ANALYST:

**MR. PRAVEEN SAHAY– EDELWEISS BROKING
LIMITED**

MANAGEMENT:

**MR. LALIT AGARWAL - CHAIRMAN AND MANAGING
DIRECTOR - V-MART RETAIL LIMITED
MR. ANAND AGARWAL - CHIEF FINANCIAL OFFICER
- V-MART RETAIL LIMITED
MR. GIRISH GARG - V-MART RETAIL LIMITED**



*V-Mart Retail Limited
November 11, 2020*

Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY2021 Earnings Conference Call of V-Mart Retail hosted by Edelweiss Broking Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Praveen Sahay from Edelweiss Broking Limited. Thank you, and over to you Sir!

Praveen Sahay: Thank you. Good morning everyone and thank you for joining to Q2 FY2021 Earnings Call of V-Mart Retail Limited. On behalf of Edelweiss Broking, I would like to welcome the management team of V-Mart Retail to discuss the result and the outlook. Today we have with us Mr. Lalit Agarwal, Chairman and Managing Director of the company; and Mr. Anand Agarwal, CFO. I would now request Mr. Lalit for his opening remarks, post which we can open the floor for Q&A. Over to you Sir!

Lalit Agarwal: Good morning everyone. Good time that we are going through. This has been really a wonderful journey in this particular quarter and also the journey continues in this quarter, so the post-pandemic world has been really different in all respect for the entire world and I hope everyone listening the call they and their families are safe and are in good health. So, there has been improvement in the pandemic situation across the globe even in India there are some numbers, which are looking down, the rate of growth is what we are witnessing is also coming up at least in Delhi and NCR, so we do not know how is it going to shape up, but yes definitely things are better than before and there has been a continuous upliftment in the position of the environment or the betterment in the environment as far as business is concerned and even as far as the pandemic is concerned.

We did start the quarter with a very, very low number of cases in our markets and as the quarter went up the penetration of cases increased in the Hindi heartland and even the deeper part of India and July, August we saw very high number of cases coming in. There are series of lockdown, which were announced by the government, the local administration by the state authorities in different times for different days and number of days, so there were stores, which were closed for two months in a row, there were stores, which are closed for one month in a row and there were states, which had alternate days of operation, so there were all kind of closes and openings in the market and all kind of communications in the market, so we went through all that in the Q2. The entire industry went through all that, but overall what we are seeing is there has been slowness in the economy, but in the rural economy at least what we have seen is there is a need based economy and this is largely driven also by agri income, so definitely agriculture has been a very good source of income for people and because of the monsoon agriculture has been very good, the agri income continues to be better because also of the MSP prices, which are coming up. So we are seeing a healthy economic signs in the smaller towns and rural areas, but, yes there has been a constraint in all the business of the self-employed people who normally run



V-Mart Retail Limited
November 11, 2020

their businesses even they are retailers or they are contractors or they are manufacturers who are smaller ones they have got impacted because large amount of people who could not report to work or who could not come to shop or come to consume, so there has been a lot of series of such disturbances affecting the economies of people.

Overall what we see there has been a month-on-month improvement, which is going on. In the entire industry when we keep talking there has been improvement seen in the entire industry. There have been various kinds of news that we have got on the retail industry. There have been some players who did not able to manage it very well and who have go down to the pressure and there have been certain retailers who have been doing very good and they have been planning it well and they have been handling it very well so that they are able to bounce back. We at V-Mart we have also seen all such kind of results, within 17 states of operations that we have got we have seen all kind of things happening in the states and in southern states who have been very, very proactive in terms of economic revival and there have been states because of their political drama or because of their ways of their thoughts of the leaders they had very, very conservative approach, states like Bihar because of the election they had a very, very safety oriented mindset where they close down the entire retailers in the state for almost 45 days after the lockdown in the Q2 and there has been state like Uttar Pradesh, which had alternate days of operation and weekends off, so they were the best one learning and understanding the business need and they came up in favor of the businesses very early.

We have seen this effect also boiling it down because projection, forecasting became a difficult subject then how do you forecast your future, how do you forecast your next seasons or earnings, so that was one of the dilemma, which every retailer had faced and every industry must have faced, so that is what we also went through, but we kept it very, very simple that we will do it in a more agile manner, we will be on the reaction mood rather than the prediction mood so we did not predict lot, we reacted a lot and we reacted in an agile manner that V-Mart team did a great job in being agile, being on their toes, working from whatever environment they have got working regularly on that even working from home or also in the front end going ahead and encountering and handling the customers or handling the market in the way that it was at to be. So the team had done a great job and we handled the pandemic in a very, very good way is what I would say, lot of appreciation for the entire team and the ecosystem who helped us to come out of this pandemic, still the pandemic is on, but the major plus of the pandemic and the lows of the pandemic I hope we are over with it and now we could see a better side of it.

There have been few changes in the organization, the earlier COO Samir has departed because of his personal reasons, and we have got a new COO on the board, Mr. Vineet Jain who has joined us in this particular month, Vineet comes from a future retail background, he has 17 years of experience, he was handling 6000 Crores business in the northern zone, so very good source that we have got and I think it will add a tremendous strength in the operations and the business functions of V-Mart. Apart from that we have been very, very mindful of our team, our organization structure, our people's health and people's mental status also, so we have been



V-Mart Retail Limited
November 11, 2020

regularly interacting with our team, giving them motivation and coordinating and collaborating with entire team wherever they are, so lot of work had happened on that and even digitalization and acceptance of digitalization has also gone in lot and we have really learned the hard way because today was need the people have adopted digitalization in a much better way than they could have, so I think the journey continues, digitalization something that we need to adopt and accelerate the adoption rate because our customers are also accelerating the adoption rate. We have seen the adoption going up even from the customer side that is where we are. We continue to focus on our journey of omni also wherein we believe that omni is not something where we are very good at, so we are starting to learn, we are learning still and we are trying to do the internal housekeeping and process management and stuff so that we can take bigger bags on that. Till now we continue to do our operation at a sizable quantity, but yes we definitely anticipate better outcome going forward. There has been a very good management on inventory side and on controlling expenses I think Anand can take forward on all these areas. Anand if you can give the investors understanding on our inventory and also on our expense management side. Over to you Anand! Thank you.

Anand Agarwal:

Thank you so much Lalit and good morning everybody. With the lockdowns behind us and the business picking up week-on-week let us welcome the festive period with some cheer and optimism, but before that let me first take you all through some of the highlights from the last quarter including expenses and inventory and then we can open the house for questions. While the Q2 began with continued lockdown in parts of the markets particularly UP, which continued with its weekend close policy and Bihar, which was completely shut till almost end of September, but with unlock five almost 95% of the stores across India became operational and as a result the quarter witnessed a total of 79% operational days, which is a significant improvement over 34% of Q1. In any case Q2 typically is the smallest quarter in the year marred with rains and also floods in northern parts of Bihar and also Shradh, which has very, very little festive occasions. This year was even more impacted due to Adhik Maas, which is an extended inauspicious period in most parts of north India. As a result Durga Puja and the entire festive calendar was shifted by almost 20 days this year while Durga Puja was celebrated on October 8, 2019 this year it fell on October 26, 2020 further impacting the run up to the festive sales in Q2 at least for the east and the northeast markets, so while the sales achievement was 56% of last year the good part was the relatively high conversion rate seen across towns and in particular in the Puja belt apart from also the core markets of north India and UP. Despite the surge of COVID in the key UP markets and parts of north India we witnessed 42% footfalls versus last year with a 60% conversion rate, 19% increase in average bill size. There was also a good show in operations across the market, which was marred only by the lower footfalls due to general fear psychosis of COVID. With no festivals in the quarter, Adhik Maas and consumers largely remaining confined to homes the downtrading of purchases continued with more demand for athleisure and loungewear products in place of denims or marriage wear or occasion wear, which impacted ASPs negatively, which came down by 15% for the quarter. If one looks at the margin and the inventory situation, August also is the time for end of season sales and since the follow on period of September was Adhik Maas and Shradh, the company continued the USS for



V-Mart Retail Limited
November 11, 2020

slightly more extended period this year significantly helping in clearing out of old inventory with a marginal impact on gross margins, but this cleanout not only help convert a large amount of blocked working capital into cash, but will also pave the way for very fresh inventory in the months to come as it also reduces the risk to working capital from any resurgence of COVID in the future.

In any case we had completely stopped all purchases since March and focus was more towards liquidation of summer inventory and from a level of 430 Crores in March the inventory now stands reduced to 370 Crores in September, a reduction of 60 Crores in Q2 alone and 110 Crores in the last 6 months with a very marginal impact on margins for the quarter at 29%. This significant correction in inventory will go a long way in maintaining the leadership position of V-Mart in terms of fresh fashion inventory for the festive period in Q3 as we resumed purchases for replenishment of stores with latest and relevant winter merchandise. The inventory is at our healthiest levels ever and despite that we have decided to continue with the existing conservative provisioning against COVID for some time till there are some apprehensions around the impact of the pandemic. Despite this we remain very, very comfortable on the overall inventory and the working capital cycle and I am also very happy to share that we also currently have one of our lowest payables outstanding ever as a result of very, very efficient inventory and working capital management. We not only take all our vendors very regularly during the early lockdown period, but also ensure that 95% of all our outstanding vendor dues were cleared off by August and as a result we were able to get and gain preferential supplies for the winter purchases as we continue to remain one of the best paymasters in the industry. With almost 0 purchases till August we make sure that the majority of the cash flow was utilized to service the vendor ecosystem, and this has helped us gain thrust and confidence of the critical vendors in uncertain times. The cash position continues to remain very comfortable and throughout the last 6 months we never utilized more than 25% of our working capital limits and through a very efficient mix of cost controls, payment rationalization and credit management we have been able to run a very tight ship so far with interest cost outgo also at very similar levels as last year despite the 55% of roughly reduction in the sales.

On the expense side, we continue to rationalize all discretionary costs while we prepare for the festive Q3 and also normalization in the operations going forward. The overall cost reduction for the quarter is at 41% despite full restoration of salary cuts from September and improvements in operating days across stores leading to higher operational cost. This was largely possible due to reductions in marketing spends, savings in rentals, electricity, travel and all other discretionary costs. On the rental side we have been able to secure a savings of 19 Crores so far for the full year roughly 20% of our total rentals for the full year out of which 2.5 Crores was recognized in Q1 and the balance is getting accounted for in this quarter, 15 Crores through other income and roughly 2 to 2.5 Crores against rent for the quarter. There will be little more savings on this front as some remaining documentation gets in place in Q3. At a YTD level the cost reduction stands at 52% versus last year and with upcoming festive period and as we prepare for the most busy part of the year we will now look at returning back to normal cost structures as we strive for



V-Mart Retail Limited
November 11, 2020

business to come back to pre-COVID levels. As such we will be fastening the pedal on marketing and other operational costs with a controlled objective of achieving the festive sales numbers. On the capex side and new store side we closed two stores during the quarter keeping the store count at 264. There are no further plans of anymore planned closes for the rest of the year. There may be one or two minus here or there, but otherwise there are no planned closures pending and we continue to believe in the overall strong opportunity available in the market and we will keep striving for growth through opening of new stores. In the last one month we have opened 7 new stores in time for the festive period and we will continue to look at attractive markets and locations moving forward to expand our reach keeping the same disciplined approach of controlled both. Lastly on the omni side, we continue to strengthen our omnipresence through our website vmartretail.com and apps on both Google Play Store and Apple App Store. There is operational betterment in fine tuning of process, which are being currently done and we will continue to strongly prioritize our online foray. It continues to be less than 1% of our total business right now, but we have a vision to scale this in the times to come at a reasonable cost. So that is all from my side and I now request the moderator to open the house for questions. Thank you.

Moderator:

Thank you very much. We will now begin the question and answer session. The first question is from the line of Himanshu Nayyar from Yes Securities. Please go ahead.

Himanshu Nayyar:

Good morning Sir and congrats on a resilient performance in a difficult time, so just firstly on the balance sheet side given that you have been cautious with regards to inventory buying and your focus on liquidation and a very strong start to the festive season, do you think that there is a risk of we losing out on some sales in case the season turns out better than our expectations with pent-up demand also coming in?

Lalit Agarwal:

You are always right man, so we all know that this is something, which is always on, yes, definitely, so that is what I said that we did not predict, but we went agile and we worked on very low mind-to-market process wherein we planned very late and we acted very fast and we got our inventory at the right time and right now as we speak because this is earlier arrival of winter in the northern part of India and we see good demand on winter products from the customer side, so V-Mart has stocked up all those products in our store and in a very agile manner they have brought in the inventory and it is there, so we are better than the competitor in these terms.

Himanshu Nayyar:

Secondly on the payable side I am sure we would have supported our vendors with making them payments on time, maybe to get discounts and maybe help them with liquidity, but would this be a new normal going forward or we will go back to our normal payable cycles going forward or we would want to continue with a lower payable cycle to get better procurement pricing?

Anand Agarwal:

Himanshu, this is not a onetime adjustment that we have done in fact this is a program that we had been running even pre-COVID, it is just that we have now fast scaled or more scaled up this



*V-Mart Retail Limited
November 11, 2020*

program to give more benefit to all our vendors and we will definitely want to keep this at a scaled up level only.

Himanshu Nayyar: Understood and the final question on the competition side if you would want to comment on the intensity you are seeing right now on the ground from both regional as well as the national players separately that is it from my side?

Lalit Agarwal: Himanshu, we believe that everyone is very active and everyone is doing their best and we are able to see everyone doing a great job and sustaining, so do not really want to comment. There will be pressure from some of the retailers who have low liquidity and have higher stress so there will be pressure on them and there are retailers who are doing good, within regional, within national, so there are retailers who are really doing very good, they have managed their inventory very well, they have managed their vendor payments and vendor development very well, so it is a mixed bag, but yes partially I would say some of the retailers, largely all the retailers are doing good.

Himanshu Nayyar: Understood. Alright Sir. Diwali greetings to the team and V-Mart. Thanks.

Moderator: Thank you. The next question is from the line of Tejash Shah from Spark Capital. Please go ahead.

Tejash Shah: Sir, thanks for the opportunity. Sir if I compare your sales numbers versus peers recovery has been on the results announced so far the best, so how would you size up the current consumer sentiment sequentially in your catchment area?

Lalit Agarwal: I think people are trying to forget corona and people are coming out of it. I have travelled extensively during the last one to two months, so I have seen people are going out, people are coming out in huge numbers, so we are not seeing a big fear in them and that is a good sign of recovery and that is a great sign of coming in back, so people want to work and then they want to come out and people know if they get corona they will get treated, so I think it is coming back slowly and gradually. It will take some more time because we are waiting for the expectation of in Diwali period people may get more affected and there can be tsunami of cases we do not know, if those things do not happen I think economy will come back to normalcy very, very fast and we are seeing a good growth coming in even this quarter.

Tejash Shah: Sir are you seeing any material divergence in demand bounce back in your Tier-3 and Tier-4 stores versus Tier-1 stores?

Lalit Agarwal: Yes, there is definitely higher demand in our core markets, which is Tier-3 and Tier-2 and we are seeing little stress in the Tier-1, for us we have realized that and especially the northern and the western markets are little stressed out compared to the Hindi heartland.



V-Mart Retail Limited
November 11, 2020

- Tejash Shah:** Anand you spoke about look at brighter things ahead, so do you see recovery in second half good enough to go back to pre-COVID level in FY2020 in itself or will take some time on that account or perhaps difficult to predict at this point?
- Anand Agarwal:** I would still want to use the word cautiously optimistic, I think this is a festive period and we are seeing good traction as Lalit was just mentioning, but very difficult to predict and very difficult to forecast as you know whether we will attain full normalcy in this financial year itself, very, very difficult.
- Tejash Shah:** Sure, I have a couple of followups I will get back in the queue. Thanks.
- Moderator:** Thank you. The next question is from the line of Nihal Jam from Edelweiss. Please go ahead.
- Nihal Jam:** Thank you so much and good morning to the management. Sir a few questions from my side, first you mentioned that the network operational and the store days for this quarter was 79% could you give us a sense that as of now what is that number like?
- Anand Agarwal:** As of now it would be significantly higher because Q2 as I mentioned in my remarks also Q2 was marred by lockdowns, continued lockdowns in UP and Bihar, Q3 has definitely been pretty much out of the lockdown, so it would be trending at 95% plus.
- Nihal Jam:** That is helpful. The other thing is you mentioned about phenomenon of Puja season where most of the sales were recognized last year possibly because it was around October 8, 2019, so just to get a sense that in October of this year especially during the 11 days of Navarathri how has been our sales recovery and for the month of October what was the recovery rate like?
- Anand Agarwal:** There were divergent trends, so Puja market we saw reasonably good traction, but the full recovery did not happen as was also anticipated by us, there was still weakness in the market and October being a slightly early month we did not see full recovery in most of the markets. The markets where we are strong in definitely performed better, east India and north east India where Puja is largely celebrated is not our strong hold area also and it also contributes very little or very less to our overall mix of sales, but conversely I think post Puja with the start of the festive season in the Hindi heartland we are seeing much better recovery and much better growth.
- Nihal Jam:** Sure, last question from my side, I think you made a comment that on the store closure side we are more or less done at least for this year unless there is an exigency, so would it be fair to assume that say post this quarter starting Q4 we can get back to a trajectory of adding say 10 to 12 stores on a quarterly basis or just your thoughts on that?
- Anand Agarwal:** So, we continue to look at locations, we do not derive or decide on a number that we will definitely add 10 stores or 15 stores, we open stores as and when as we get lucrative opportunities and we keep on the lookout. Having said that yes we are in an investment phase, we will not any good opportunity let by.



*V-Mart Retail Limited
November 11, 2020*

- Nihal Jam:** Fair enough. I will come back in the queue for further questions and wish you all happy Diwali. Thank you.
- Moderator:** Thank you. The next question is from the line of Jignesh Kamani from GMO. Please go ahead.
- Jignesh Kamani:** I just want to know about the winter and marriage related demand when you compare with last year how is the recovery in the winter marriage demand and with regards to that how is the inventory and collection for us and industry when we compare with the last year?
- Anand Agarwal:** So, two questions Jignesh, one is on the winter sales and the inventory position, so winter has been a bit early this year and as Lalit was also mentioning in his opening remarks we have been strong enough and very agile enough to stock up on winter inventory early on and that is definitely benefiting us in most of the markets and as we are in any case very strong with the north and the central Hindi heartlands where the impact of winter is also higher, we are getting very positive response of the adequately provided or adequately stocked up winter merchandise and that is resulting in good traction on sales on the winter part definitely. As far as inventory is concerned we remain at a very, very healthy level of inventory. We had gone into a major liquidation drive in Q2, which has helped us in ensuring that we have enough space for the fresh merchandise and as a result all our stores are stocked up with very, very fresh and good winter fashion wear, which is being lapped up by customers quite encouragingly.
- Jignesh Kamani:** Any colour on the marriage related demand compared to last year?
- Lalit Agarwal:** Sorry you can repeat that question?
- Jignesh Kamani:** Marriage season?
- Lalit Agarwal:** Marriages, I think we will see some marriages for a very small window in November and December, end of November and some part of December there are only six marriage dates, so we expect this to really drive because see marriages are very important festival in our consumer base, but this year marriages are not going to be happening the same normal way of marriages, so it is going happen with much, much lesser people, so the attendees of the marriage function who are typically our customer, number of attendees are reducing so it is going down by almost 50% to 60% where there were 500 people attending the marriage there are now going to be 100 or 150 people attending the marriage, so that is going to affect it, but definitely marriages did not happen in the last summer so there are going to be more number of marriages happening in this particular winter so we expect marriages sales to also come in this latter part of the month.
- Moderator:** Thank you so much Sir. The next question is from the line of Ankit Kedia from Phillip Capital. Please go ahead.
- Ankit Kedia:** Sir, you mentioned we have rolled back the employee cost, which we had cut before and also we will pedal up on the A&P expenses, so should we model employee costs back and other expenses



*V-Mart Retail Limited
November 11, 2020*

back to pre-COVID levels or there are still some certain areas where we can save on the other expenses?

Anand Agarwal: I think we are going the full hog at least on Q3 and we will not want to unnecessarily cut expenses at the cost of operations or sales, so at least for the near term we would want to model the full cost structures.

Ankit Kedia: Sir, in winter season typically our ASP increases because there are high ASP items, so are you seeing even now late October, early November that the basket size continues to be high or people are continuing to buy products on the basket or that has come back to the pre-COVID levels?

Lalit Agarwal: The basket value is increasing, but yes the quantity per bill has got rationalized because earlier people used to buy very high number of comfort wear and basic wear and the mentality of the people was also that once they come out they will buy more and they want to buy so that is what we saw in our numbers, the basket size in terms of quantity as well as value went up, but the average sales price of the product went down, but compared to that in winter the average sales price of the product goes up and the basket size in quantity goes down.

Ankit Kedia: Sir, my last question is on the fundraising plans, given that we are going all hog on the expenses side and revenue you said from Q4 back to pre-COVID levels is still uncertain, so when will we decide on the fund raising and if you can throw some colour on that?

Lalit Agarwal: We are expecting we do not need to raise the fund we are expecting that, so if the business comes back very normally we may not do it, but yes still there is also a series of opportunity, which are available that we would want to capture and we would want to capture the best digitalization processes and even better the analytical skills in the company, so we are still on the review path, we have not taken any decision, we will wait and take the decision later.

Ankit Kedia: That is very helpful Sir. Happy Diwali for the full team. Thank you.

Moderator: Thank you. The next question is from the line of Ritesh Badjatya from Asian Market Securities. Please go ahead.

Ritesh Badjatya: Sir, thanks for the opportunity. Sir just one question on the reverse migration side since most our customer base is also helping to their home by diverting the funds from another state to their home state, so how the situation now being most of the levers are migrated to their home space?

Anand Agarwal: I think this situation of migration or reverse migration was more relevant in the early parts of the quarter, I think in all parts of the economy we are increasingly seeing almost normalization in production levels, which thereby signifies that most of the labour is where they were pre-COVID and this clearly does not impact too much now on the spends or the consumer behaviour across our markets any longer.



*V-Mart Retail Limited
November 11, 2020*

- Ritesh Badjatya:** Okay, that is all. Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Sanjay Sakhpathi from Ampersand. Please go ahead.
- Sanjay Sakhpathi:** Sir, two things, one is that the strategy of fund raising still looks very defensive in the sense you want to raise fund if the business is going downhill or cash burn is increasing, is that the right way to approach this whole fund raising plan?
- Lalit Agarwal:** Sanjay, you are absolutely right that is not the right way, but with our policies that we have had and with the belief system that we have that we want to grow with our internal accruals and our profitability and we need to ensure that business brings up or raises the money by itself to grow and expand so that is our fundamental belief, but yes you are absolutely right, we are still not looking at the burn and that, but we are looking at the capability to generate enough liquidity within internally so that we can meet our expansion plans, so we are trying to look it in that manner, we are not trying to take that approach, but yes, definitely we are in no hurry as you said, this was just an enabling resolution that we have had, so we never decided that we are going ahead with the fund rise.
- Sanjay Sakhpathi:** Considering that you are in festival season, which probably is a bit of positive surprise compared to what you had thought at the time of taking that enabling resolution, are you feeling more comfortable about your own balance sheet or not?
- Lalit Agarwal:** I do not want to comment that so I think we are trying to look at the opportunities side of it and we are trying to look at what could be done going ahead, what are the areas of development, what are the areas of investment, where can we plow the fund, where can we really go out and do better because our markets are doing good, economy is bound to do good, people's per capita incomes are going to grow up, aspiration levels are coming up, digitalization is acceptable more and more, so we may try to understand the opportunity side of it and then take a call, so we do not want to really hurry up into this, we are right now first trying to bring the business back on track and then we can think on those lines.
- Sanjay Sakhpathi:** Understood and on that last part that bringing the business back on track we will not really come out and say clearly that things are back on track till this COVID is around?
- Lalit Agarwal:** I cannot answer this question; I request if anyone else could answer this question, this is something that I also do not know.
- Sanjay Sakhpathi:** No, what I am saying is that even the things are improving you are continuing to really worry about COVID that is the only thing that you are continuing to worry?
- Lalit Agarwal:** There are no worries, absolutely there is no worry, we are all in good state, we are all happy and we are all definitely dealing with the situation the way it comes up, but certainly the business



*V-Mart Retail Limited
November 11, 2020*

needs to come back to the way we were operating pre-COVID that is what we are waiting for and that is what we are anticipating.

Sanjay Sakpathi:

Thanks.

Moderator:

Thank you. The next question is from the line of Sakim from Motilal Oswal Services Limited. Please go ahead.

Ali:

Sir this is Ali. Thanks a lot for the opportunity. I had a question on payables, Anand you mentioned that you guys are now working on a much lower payable cycle, I think it has reduced now to somewhere close to about hardly about 25 days if I benchmark it to the Q4 FY2020 revenue numbers versus what you were I think close to 65, 70 days, so it is quite a significant drop, what I just wanted to understand how do you see the benefits of this in terms of your cost structure and do you expect this to help you get better pricing, should that improve your margin or you will pass it on to your customers or should it help you drive better productivity, if you can just throw some colour about the benefits of this reduced payables?

Lalit Agarwal:

Ali if I can answer that question, definitely there maybe some financial benefit, which has come in or not come in, but what V-Mart believes is always taking care of its ecosystem and we know that the small size entrepreneurs, the manufacturers, the business people who are our suppliers they definitely had a tough time dealing with the situation, so we wanted to come out and support them, we wanted them not to get destabilized because they are the backbone of our supplies and we want to create a bigger bonding and bigger trust with them, so that bonding definitely may not bring in a quarterly benefit in the results, but yes we are looking at a very long-term result thought process, so we do not want to be very, very minute on our thoughts, we want to be very strategic on our thoughts so that is why we have done we have supported with whatever that we have and in whatever way we could, we have supported them to try and give them as soon as possible so that they continue to do their operations in full swing.

Ali:

Okay, got it Sir. This is very helpful. I was also thinking from the point of view that while you have helped them in this quarter when it was required, but sustainably if you try to keep this at lower level then maybe I thought that probably the requirement would not be there from their end as much as you know some benefit that we could see on a sustainable basis?

Lalit Agarwal:

Great. Thank you so much. We may continue to do that because we always want to be the priority within the retailer base so that people can definitely work more with us and give us the best of the services.

Ali:

Understood Sir. Thank you very much.

Moderator:

Thank you. The next question is from the line of Sabyasachi Mukerji from Centrum PMS. Please go ahead.



V-Mart Retail Limited
November 11, 2020

- Sabyasachi Mukerji:** Sir, thank you for the opportunity. I just had one question on the inventory side, so basically if I look at your inventory on September end that is roughly around 360 Crores and majorly I assume that it would be most of the summer inventory, now at the onset of early winter you have been able to replace those winter inventories and come up with fresh inventories, my concern is whenever we enter the next summer season how much of your old summer inventory will be available for use and how much you have to probably take a write-off or do something about it, so what is your thought plan on that?
- Anand Agarwal:** Thank you Sabyasachi. The fundamental assumption is slightly incorrect I think we as of September end we have one of the lowest levels of summer inventory ever as a mix of total inventory that we are now carrying and the inventory on books is largely more of core and winter category, which is what is required for selling in this season and as a result we do not anticipate any forced liquidations or deep discounting as we move forward.
- Sabyasachi Mukerji:** Great to hear Sir. Related to that a question on the shrinkage, we look at shrinkage as a percentage of sales a bit higher Y-o-Y is this because of the lower base or anything other to read on to it?
- Anand Agarwal:** Purely because of lower base, actually the number of shrinkage that we report consists of two parts, one is small part of pilferage that is reported or stock corrections, which happen on a day-to-day basis at the stores and second is the provisioning or the conservative provisioning that we carry because of old age or out of season stock and because that is a continuing process that will remain where it is and the percentage of sales or percentage of inventory it might look higher because of the base impact.
- Lalit Agarwal:** I want to add here Sabyasachi. We at V-Mart believe that the fresher the inventory, the crispier the sales are, so we would definitely want to be extra cautious of our inventory and that is the approach that we have taken and our Board has taken to try and provide for a larger amount of inventory so that all this inventory, which might have got little delayed in this whole COVID phenomena so the aging part we do not want to take a surprise in that hit, so that is why we have taken extra cautious approach in this whole thing.
- Sabyasachi Mukerji:** Anand that provision is passed through P&L is it correct?
- Anand Agarwal:** Yes, correct.
- Sabyasachi Mukerji:** Thank you. Thanks a lot.
- Moderator:** Thank you. Ladies and gentlemen due to time constraints that was the last question for today. I would now like to hand the conference over to the management for closing comments.
- Lalit Agarwal:** Thank you everyone for being there and patiently getting the questions. I know this is a market time and this is busy time even for us, so we may not be able to be here a long, you also want us



*V-Mart Retail Limited
November 11, 2020*

to keep working with our operations and our stores, so that is what we are continuing to do and we are definitely seeing a better response in this festival because of early arrival of the winter, so we definitely think life should come back to normalcy as fast as possible. We expect things to come up more from the government side and we expect things to come up more from the research side so that the vaccine comes in early and life becomes easy for everyone around. Thank you, stay safe, be healthy.

Moderator:

Thank you. On behalf of Edelweiss Broking Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.