

VISHAL MEGA MART LIMITED

(Formerly known as Vishal Mega Mart Private Limited)

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To National Stock Exchange of India Ltd., Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051 NSE Scrip Symbol: VMM	To BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400001 Scrip Code: 544307
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Dear Sir/ Madam,

Subject: Transcript of Earnings Conference Call on results of the Company for the quarter and half year ended September 30, 2025

Pursuant to Regulation 30 read with Para A of Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of Earnings Conference Call on results of the Company for the quarter and half year ended September 30, 2025, held on Friday, November 14, 2025. The copy of transcript is also available on the Company's website at <https://aboutvishal.com/>.

You are requested to kindly take note of the same.

Thanking you.

For **Vishal Mega Mart Limited**

Rahul Luthra

Company Secretary & Compliance Officer

ICSI Membership No: F9588

Encl: As above



“Vishal Mega Mart Limited
Q2 FY‘26 Earnings Conference Call”
November 14, 2025

E&OE: This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on November 14, 2025, will prevail



**MANAGEMENT: MR. GUNENDER KAPUR – MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER – VISHAL MEGA MART
LIMITED
MR. AMIT GUPTA – CHIEF FINANCIAL OFFICER –
VISHAL MEGA MART LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Q2 FY26 Conference Call of Vishal Mega Mart 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 call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rahul Agarwal from Strategic Growth Advisors. Thank you and over to you.

Rahul Agarwal: Thank you. Hi, good afternoon, everyone, and thank you for joining us on Vishal Mega Mart Limited Q2 FY26 earnings conference call. We have with us Mr. Gunender Kapur, MD and CEO; and Mr. Amit Gupta, CFO. I hope everyone got an opportunity to go through our financial results and investor presentation uploaded on the company's website and stock exchanges. We will begin the call with opening remarks from management, following which we will have the forum open for question-and-answer session.

Before we start, I would like to point out that some statements made in today's call may be forward-looking in nature and the disclaimer to this effect has been included in the earnings presentation shared with you earlier.

I would now like to invite Mr. Gunender Kapur, MD and CEO to give his opening remarks. Thank you and over to you, sir.

Gunender Kapur: Well, thank you very much, Rahul. Very good afternoon, ladies and gentlemen, and a very warm welcome to this call. What I propose to do is to run you through the quarter two and first half presentation very quickly, so that we can maximize time for questions. So firstly, I'll cover the quarter two performance and then move on to the first half highlights of the performance.

In quarter two, we did a revenue of INR 2,981 crores. This was a growth of 22.4% over last year. Our adjusted same-store sales growth was 12.8%. Now one of the factors, which helped the September quarter performance, the Q2 performance, was the fact that we got the benefit of Durga Puja Festival, which is, as you know, a very popular festival in eastern India. And also, to a lesser extent, the benefit of Chhath Puja, which is again a popular festival in Bihar, East UP, etcetera.

So, we got these benefits in September quarter this year, whilst the numbers were reported in December quarter in the last year. So, therefore, that incremental revenue, we got it in September quarter this year and we will not get it in December quarter this year, whereas, last year, there was no benefit of these festivals in September quarter and all the benefit was reported in December quarter.

Moving on to EBITDA, the EBITDA for the quarter was INR 395 crores, which is a 30.5% growth over last year. And the EBITDA margin improved to 13.2% vis-à-vis 12.4% last year. PAT was INR 152 crores, which is a 46.5% growth over last year. And the PAT margin this quarter was 5.1% in the corresponding quarter last year, it was 4.3%.

Here we conclude the quarter two performance highlights and now I will move on to the first half performance highlights. In the first half of FY26, our revenue from operations was INR 6,122 crores. This was a growth of 12.6% over last year and our adjusted same store sales growth was 12.1%. Sorry, we had a growth of 21.6% and the same store sales growth was 12.1%. So, in the first half, INR 6,122 crores revenue, growth of 21.6% over last year and adjusted same-store sales growth 12.1%.

The EBITDA in first half was INR 854 crores, which is a 27.8% growth over last year and an EBITDA margin of 13.9% in first half as against 13.3% last year. The PAT in first half was INR 358 crores, which is a 41% growth over last year and the PAT margin in the first half of this year was 5.9% vis-a-vis 5% last year. We maintained our accelerated new store opening momentum and opened 28 new stores over this quarter and overall, for the first half, we opened 51 new stores.

This takes the total store count to 742 as on September'25 end and we have now presence in 493 cities in India. We added 19 new cities in the second quarter in line with our agenda of deeper penetration into India and coverage of the white spaces, which are still there. Our trading area stood at 1.28 crore square feet. As you know, own brands are a very important part of our strategy. The revenue in the first half of the year from own brands was 74.7%, which is a 185 bps improvement YOY. The category mix remained essentially the same.

Our quick commerce expanded to 695 stores across 460 cities in the country and the registered users on quick commerce have increased to 1.08 crore people.

Finally, to conclude, I would just add that we believe the government's initiative of GST rate rationalization is a very positive step towards stimulating consumption and Vishal remains totally committed to pass these benefits to all our customers to enable long term inclusive growth for all the stakeholders.

Well, with this, I would like to thank you once again and I would request the moderator to open the floor for questions.

Moderator: Thank you very much. We will take our first question from the line of Vivek M from Jefferies. Please go ahead.

Vivek M: Hi, sir. My first question is on the SSSG numbers. Now, obviously, we have data only since the time you got listed and period around that, which has been double digit. I know this question was asked to you last quarter also, but instead of, let's say second half FY'26, if you take a, let's say two, three year view, where do you think this number, let's say, settles at, let's say in two years from now on the SSSG side?

Gunender Kapur: So, Vivek, firstly, thank you very much for your question. And it's great to speak to you again. But as you know, we do not give any forward-looking guidance at all. All I would say at this point in time, we are optimistic about the future, because there is a very happy confluence of three factors, which is going to play out. One is, of course, the GST rationalization, which I spoke about.

The second is, as you know, the income tax rates for the middle income group customers were rationalized on 1st of April. And last but not the least, while I'm not an agri-expert, but from what I've read or heard, since the rainfall for Kharif this year has been very good and somewhat extended, as you know, we should expect a good crop. So, at this point in time, there is really no reason for us to be not optimistic about the future.

Of course, any macro events, which are based more on global rather than local events, cannot be totally ruled out. So, yeah, with that caveat, I would say that we are optimistic about the period that you spoke about.

Vivek M: I see. Okay. And second on the GST bit, GK, so I understand the part from a retailer standpoint, but what happens on the own -- so what have you done on the own label side, number one? And number two, the low GST will make you more competitive versus, let's say, the regional and the local brands, each of these markets. Is the second part of my point, do you concur with that? So, both sides, what have you done with the lower GST in the own labels and the second part?

Gunender Kapur: So, firstly, Vivek, on GST on third-party brands and on own brands is all entirely being passed on to customers to the extent of the GST reduction. So, we are not differentiating between the two. 100% of the rationalization benefits are being passed on.

On your second question, the view that I can share with you with certainty is that it is likely to have a positive impact on consumption. Now how specifically will it play out vis-à-vis smaller regional players? I don't have a view right now because I don't have really the granular data for each one of them to see. My assumption is that they would all be passing on the GST benefits to the consumers and customers. If that hypothesis is true, then the relative price parity will remain essentially the same. But consumption will have a positive impact. That I can say.

Vivek M: I see. Okay. And last question, if I may, which is basically on the first half, adjusted EBITDA margins are almost about 9.5%. And I'm talking about pre-IndAS -- pre-ESOP charge. What is your outlook, let's say, over the next 12 months -18 months on pre IndAS margins? At what level do you want to cap it to?

Gunender Kapur: Okay. So, Vivek, I'll give a holistic answer to this question. If you recall, right from the IPO time, we've been saying that the game plan for this business is to maintain the gross margins. And that essentially continues to be our opinion and view. So, I do not either commit to or in any which way forecast that the margin improvements that we've seen thus far will necessarily continue in the future. And I hope that Vivek answers your question.

We are committed to ensuring that as we grow and our growth is largely volume growth, we get better and better buying efficiencies. And the margins, which may come because of better buying efficiencies, we have a plan to reinvest that either in product quality or in better pricing.

Vivek M: Got it. That's good to know. Wishing you and your team all the very best, GK and Amit.

Gunender Kapur: Thank you very much, Vivek.

Moderator: Thank you. We'll take our next question from the line of Gaurav Jogani from JM Financial. Please go ahead.

Gaurav Jogani: Thank you for taking my question, sir and congratulations on a great set of numbers. Sir you did highlight that Q2 was partially benefited because of an early festive of Durga Pooja and Chhath. But we also gather that there were some regional disturbances in the Assam region. And you know, Assam has a very decent contribution to your overall growth. So, would that also have some offsetting negative impact during the quarter?

Gunender Kapur: Absolutely correct. So, we had two things in the quarter which were significant. One is that we had the somewhat or quite significantly extended monsoons this year. And they did cause some disruption which would inevitably impact the retail businesses. So that was one factor.

The second, as you said because of the very, very unfortunate passing away of the favorite singer for all of us, Zubeen Garg. There was a five-day mourning period in Assam where everything was shut. And that came bang in the middle of the peak Durga Pooja season. So, yes, you're absolutely right. That did have an impact on the revenue.

Gaurav Jogani: So, would you like to quantify the impact of this, especially the Assam thing, if any?

Gunender Kapur: Very, very difficult to quantify that specifically. I can say that it was significant in Assam. You see, because one cannot assume that the revenue that we lost in those five days is all a net loss. Because in several cases, the customers would go, and in the subsequent week, buy all the things that they were supposed to buy, or all that they wanted to buy. So, unless one engages with a very, very large cross-section of customers to figure out if there was any reduction in the purchases because of that five-day shutdown, very difficult to speculate on that.

Gaurav Jogani: Sure. And my second and last question is with regards to the store expansion. I mean, store expansion is as per what you have been guiding. But we have seen the expansion is largely in the southern market, because out of the 20-odd stores opened during the quarter, a large part of it was opened in the southern market. So, any specific focus? And we are also seeing a decline in the average square footage of the stores as well. So, anything that you would like to highlight here?

Gunender Kapur: Certainly. So, firstly, I would say that your observation is correct. We have opened a significant number of stores in the southern region. Firstly, as I mentioned in the last quarter call, we are getting a very good response from Kerala, which is one of the states that was mentioned. And of our total store openings four came from Kerala. Three came from Karnataka, which is an existing market for us. Four came from Telangana. And two came from Andhra Pradesh.

So, the total was 15 stores. But the rest of the stores were opened in the north and some in the west. As you know, we are also piloting Gujarat and Maharashtra. So, there were store openings in Gujarat in the quarter. And that will continue to happen. So, your observation is absolutely right. But in the second quarter, 15 out of 28 stores opened in the south. 13 opened in the rest of the country as well.

- Moderator:** Gaurav, I am sorry to interrupt. I request you to join back the queue, please, as we have other participants waiting for their turn.
- Gaurav Jogani:** Sure.
- Moderator:** Thank you. We will take our next question from the line of Devanshu Bansal from Emkay Global. Please go ahead.
- Devanshu Bansal:** Hi, sir. Good afternoon. Thanks for taking my question. Congratulations on a strong performance. Sir, I wanted to check. There is a GST reduction that has happened. And you have indicated that consumption should see a pickup. So, you did indicate that your average bill size pre this reduction was about INR 800. So, I wanted to check.
- Are we sort of sustaining at that level? Because of this GST reduction, there is some level of reduction that has happened. The intent of asking this question is whether we have been able to sort of impress consumers to sort of spend more at the stores or consumers are sort of spending or taking the benefit of GST reduction themselves.
- Gunender Kapur:** So, what I would say, firstly, it's too early to, with data come to that conclusion just as yet, because as you know, there was a transition period of three-four weeks before everything settled. But my assumption at this moment is that it would not impact our average bill value at all because I'm also quite optimistic that this will lead to an increase in overall consumption.
- So, we anticipate one of the two scenarios. And most likely, both will play out with different customers. One is folks who are going to buy more things from the store. So, earlier, if they were buying eight items per bill, they could buy nine, for example.
- The second thing also, which will inevitably happen is that folks who are desirous of buying a more aspirational, higher price point product may find that it's become somewhat more affordable right now. So, as a combination of the two, it is not our hypothesis that the average bill value will come down. But we will have in the next three months enough data to answer that with specificity.
- Devanshu Bansal:** Understood. And over on the portfolio level, sir, what is the GST reduction? Any quantifiable numbers that you can suggest?
- Gunender Kapur:** So, as you know, it's very different for different categories. In apparel, only 1% of our revenue is impacted because, as you know, all products which are more than INR 1,000 earlier were paying higher GST. That has been reduced to INR 2,500. So, our products, which are between INR 1,000 and INR 2,500, which is a very small part of our revenue, the GST reduced from 12% to 5%. That number is significantly higher for general merchandise, where almost 34% of our revenue is positively impacted by GST reduction. And this includes categories like footwear, household, appliances, sports, and toys, where the GST has moved to 5% from a range of 12% to 18%.

And lastly, the largest impact would be on FMCG, where 50% of our FMCG revenue would be positively impacted by the GST reduction. So, yeah, as you can see, it's 1% in apparel, but 50% in FMCG. And in general merchandise, it's about 34% of our revenue.

Devanshu Bansal: Understood. Lastly, I wanted to understand, there are two new additions to your Board. There is some reconstitution that has happened. So, if you can highlight what is the strategic intent behind this? That's my last question.

Gunender Kapur: So, we have, in the period -- slightly longer period, we've had three wonderful additions to our Board. As you know, Neha Bansal is our Chairperson. And we've had the privilege of having Soumya also as our Independent Director. And I think as we announced yesterday, with the results, we also have now Mr. Yogesh Yadav, who is another very welcome addition as an Independent Director to our Board.

Devanshu Bansal: And from Partners, there is...

Moderator: Devanshu, I'm sorry to interrupt. May I request you to join back the queue, please? Thank you.

Devanshu Bansal: Sure.

Moderator: Thank you. Next question is from the line of Garima Mishra from Kotak Securities. Please go ahead.

Garima Mishra: Thank you so much for the opportunity. First question. GK, you've mentioned in the press release that a large proportion of your stores offer the quick commerce service, right? Can you give some colour on revenue contribution from e-commerce, quick-commerce to your overall revenue pie?

Gunender Kapur: Well, I can tell you the range, because as you know, all the stores are still not covered and they are getting added every month. So, the period for which they've been operational varies from a few weeks to more than a year. But the range falls almost between at the lower extreme 1.5 or thereabouts percent of our revenue and at the higher end, 9% plus of our revenue. So, that's the range in which we are operating.

And once we are fully rolled out and matured in all the stores, which have all been recently added, we would have a better overall number for this. But yeah, I mean, that's the range. And I would say 9% plus in such a short period is a pleasant surprise for us. But we are indeed getting even that much in some parts of the country, I wouldn't say majority of the country, but in a significant part of our revenue.

Garima Mishra: Got it. And just to follow up on this one. So, these revenues are attributable to individual stores and would thus be forming a part of the LFL calculation, right?

Gunender Kapur: Absolutely. You're absolutely right. These are attributed to the stores and therefore do part of the total revenue numbers that we are reporting. Can I just make one clarification on the prior question, please, because I understood the question as independent directors? If I were to extend that to directors who are there from my investor side, there is the addition of Mr. Vageesh Gupta

from Partners Group to the Board also. So, the three folks I spoke about earlier were the independent directors. And Vageesh represents Partners Group on the board. Sorry, that's the comprehensive answer to the earlier question.

Garima Mishra: Got it. And I have one more question. Could you talk about any specific supply chain investments that the business might need? We've seen once in the past, there was a little bit of one-time investment that you needed to build up supply chain. Is there anything in the offing in the next couple of years that we should be looking out for?

Gunender Kapur: Absolutely. There will be further investments in the supply chain. I think I had mentioned in one of the earlier calls that we are making a 600,000 square feet warehouse in Haryana, close to Gurgaon.

And this would be a fully automated warehouse to ensure that we are not running out of warehousing capacity for our future growth. So, as that gets fully implemented, we would be putting up similar warehouses, but depending on the revenue in that particular zone, maybe of somewhat different sizes in a very strategic fashion around the country.

Moderator: Garima, I request you to join back the queue, please. Garima, as there are other participants waiting for their turn. Thank you. We'll take our next question from the line of Nihal Mahesh Jham from HSBC. Please go ahead.

Nihal Mahesh Jham: Yes, good afternoon, Gunender and Amit. I have two questions. The first is, while you mentioned the adjusted SSG looking at some store closures and cannibalizations, just if you could quantify the impact of the shift in festive of Chhath as well as Durga Puja into this quarter. Had that not changed into the Q2 quarter, what would have been the ideal normal SSG?

Gunender Kapur: See, I'll give you my best estimate. And it'll be an approximate number because when the festival dates change at this time of the year, the seasonality impact also changes. So, for example, if Durga Puja and Chhath are later than last year, then the winter sales also come into play. Likewise, the other way around also. So, it is very, very difficult to be that specific. But if you ask me for my best estimate, I would say it is probably 150 to 200 basis points.

Nihal Mahesh Jham: That is helpful, GK. The second question was on specifically the INR99 price point in apparel. Would it be fair to say that, at least anecdotally, looking at a lot of the other retailers that operate in your area, that you sort of have an exclusivity or very large market share in that price point, if that is a correct inference.

And given recently, if you look at the fact that there has been an increase in aggression from the likes of Meesho, where you do find a lot of listings less than INR 99 also. So, how do we plan to differentiate ourselves versus a cheaper pricing of INR 50 - INR 60? Is it that the quality improvement that you are speaking of is more at the starting price point in the apparel or will it be across the board? These two parts and I'll be done.

Gunender Kapur: So, firstly, it will be across the board. Secondly, I would like to just add one piece of information to complete the picture. The most fashionable, highest price points are growing the fastest. And

if you were to rank them, the middle price points are growing the second fastest. Both significantly faster than our entry price point.

These are the price points where we've completely enhanced the fashionability and quality. And that agenda, you will see unfolding further in spring, summer 2026. For example, things like higher cotton content, etc. in our apparel, clothing, even at the lower price points. So, yes, that's correct. Equally, it is correct that we have price points lower than 99 already in the business. And these are largely in kids' infant and other kids' clothing.

So, those price points which are less than 99 already exist with us. And yes, we will continue to ensure that A, on quality and secondly, on pricing, we are very competitive.

Nihal Mahesh Jham: Just one follow-up there, that in the entry price point, if you see certain online competitors getting very aggressive with pricing and quality, then what approach do we plan to take? Or is it that we are confident with the current approach at this point in time?

Gunender Kapur: So, we have certain principles which we've been articulating. And I think I can say that those would be carried forward in the future also. On the opening price point, we will be the most competitive in the country. Now, I will clarify vis-a-vis all the organized sector retail, because the mom-and-pop stores, it's impossible for us to monitor anything, because there are so many, as you probably know, millions.

So, in the organized retail, we will be the most competitive in terms of opening price point, which can be easily compared across retail. Beyond that, I would further say that I remain confident that if the inflation situation remains as benign as it is right now, with that caveat, we have no plans for price increases. But we will continue to upgrade our merchandise and keep introducing new and more aspirational products beyond the current price range on the higher side.

Nihal Mahesh Jham: Helpful, GK. Thank you so much.

Moderator: Thank you. Next question is from the line of Sagar Tanna from Alchemie Ventures. Please go ahead.

Sagar Tanna: Hi, sir. At the start of the conversation, you mentioned about consumption likely to pick up, thanks to GST, income tax rates, and you also mentioned about upgrading our inventory to aspirational. Is it fair to assume that you see demand consumption coming back strongly over the next few years compared to the last few years, and there would be some kind of up-trading versus down-trading, which may have happened? And if yes, then how will it impact our private-label business?

Gunender Kapur: Okay. So firstly, I would like to say that the price benefit that our private brands offer over the third-party brands are very significant. They could be in the range of 20% to 45%, 50%. Obviously, different for different private brands. The GST impact is relatively much smaller, the GST benefit. So, I'm not certain whether the competitiveness of our private brands will get impacted at all.

Secondly, as I mentioned in one of my earlier answers, we have even on our private brands passed on the GST benefits. So, I can assure you that there is likely to be no change in the competitiveness of our private brands vis-a-vis the third-party brands because of the impact of GST or increased consumption. In fact, I would believe that given their immensely higher affordability, our private brands will participate very strongly if the consumption were to go up in that upgradation process.

Sagar Tanna: Got it. And sir, any changes with respect to our capex plans, considering that consumption is likely to be more stronger than in the last few years?

Gunender Kapur: So, I will just reconfirm that we are going to be investing in supply chain, as I mentioned in one of the earlier answers. Secondly, I reconfirm that our agenda will remain accelerated store openings. Thirdly, our agenda will remain to cover the white spaces which we still have.

For example, I spoke about Kerala, I spoke about Gujarat, I spoke about Maharashtra, and there is another state where we are not present at the moment, which is Tamil Nadu. And last but not the least, as you know, we are expanding our omnichannel presence, and we will continue to invest behind that.

And yeah, I had also mentioned in one of the earlier calls that we are piloting a format for the smaller towns, which are ballpark 50,000 population. That pilot is also progressing well. And we will scale up that as well. So lastly, I would just like to assure you that we have enough cash on the balance sheet to fund all these plans.

Sagar Tanna: Got it. Thank you and all the best, sir.

Gunender Kapur: Thank you very much.

Moderator: Thank you. Next question is from the line of Aditya Bansal from Motilal Oswal. Please go ahead.

Aditya Bansal: Hi. Yes, thanks for taking my question. My first question is on the initial traction in Gujarat and Kerala. I see you have ramped up store additions there. So how has been the traction in those states, especially on the private label FMCG?

Gunender Kapur: Okay. So let me specifically say that in Kerala, we are more mature than Gujarat and Maharashtra, in fact. So, as we speak, we have 16 stores fully operational in Kerala, and a pipeline which is more than 16, of stores which are going to be open soon. In Gujarat and Maharashtra, our experience has been rather limited at this point in time. But nonetheless, the early signs are very positive. And based on that, we are already expanding beyond the pilot stores in both these states.

So, in, for example, quarter two, which has just finished, we've added two new stores in Gujarat, in addition to the one that we had opened earlier. And in Maharashtra, we have added one more store to the one that we had put up in pilot. So, we have a store in, I could be somewhat incorrect here, but I'm quite sure it's the right name. We have a store in Talegaon also in Maharashtra, in addition to the pilot store that we had opened in Pune.

So, as you can see, we are getting more confidence. And we are fine-tuning our format, the store size, and the merchandise, etc. But we are cautiously optimistic, and that is giving us enough confidence to add more and more stores to both these states.

Aditya Bansal:

Thank you. The other question was on the divergence between SSG and the adjusted SSG. That has increased during this quarter, like, what would be the reasons for the same?

Gunender Kapur:

So that is to adjust for the impact of a few things. One is the stores which we've had to close, right? So, they are removed from the base then. And that impact is removed because it's like-for-like comparison.

The second thing is that every quarter, it is our agenda to, at the same time refurbish more number of our stores. Because our stores require refurbishment four to five years after opening, to ensure that they remain aspirational and relevant for our customers. So that impact is also removed from the numbers.

And the last piece is that we right-size many stores, which is to say that it was earlier 25,000 square feet. And now we have found that actually what we need is 18,000 square feet after a few quarters of watching revenue.

So that impact is also included in these numbers. So, the three impacts which are included is stores closed, stores which are shut for refurbishment, and the stores which have been downsized. So that is the delta between, pure like-for-like sales and adjusted like-for-like sales. So, it's nothing beyond these kind of things.

Aditya Bansal:

Thank you and all the best.

Gunender Kapur:

Thank you very much.

Moderator:

Thank you. Next question is from the line of Manoj Menon from ICICI Securities. Please go ahead.

Manoj Menon:

Hi, GK and Amit. Good morning. I have only one clarification on the quick commerce bit. In your data analysis, what are you finding? Is it new consumers coming in? I know that you mixed up new versus the current set of consumers. But some colour on, let's say, the new customer or new consumer recruitment?

Gunender Kapur:

Well, absolutely. Firstly, good to speak to you again, Manoj. Our data suggests at this point in time, with a caveat that in some cities we are there for long and in some cities, we've just recently entered, about 20% of our e-commerce customers are coming to the Vishal franchise for the first time through the e-commerce route.

So that has been, as you can imagine, a very pleasing outcome for us because e-commerce is helping us add new customers to our franchise. And while I do not have a data-based profile of these folks, my assumption is that these are the most, more relatively younger customers because e-commerce fits into their lifestyle much better than offline stores.

- Manoj Menon:** Interesting. Interesting. And that's an excellent outcome. Maybe at a much lower customer acquisition cost actually. The second one, if I may, some call I heard about the pleasing comments about the TAM expansion, particularly in some of the southern states, etc. Any qualitative colour subject to, obviously, confidentiality and maybe not putting the public domain?
- Any qualitative colour which you can tell about the tweaks which you have done, the learnings, etcetera, etcetera, which kind of would indicate maybe there is faster growth possible in this new geography?
- Gunender Kapur:** So, Manoj, just help me, just, can you just repeat the question because I lost a few seconds in between.
- Manoj Menon:** No. First, I was asking what's subject to whatever you can disclose to the public domain, of just trying to understand, let's say, the newfound confidence, if I can use that word, let's say, in expanding faster in Kerala, what are the tweaks you have done, what are those experiments? And it seems that finally you have arrived at the right marketing model here.
- Gunender Kapur:** So, yes, very happy to answer that question, Manoj. So, the biggest difference that we've made is to our store size, because in Kerala, as is well known, but we sort of rediscovered that Kerala is a continuous state. There is the population and the catchment and the residential and the commercial places never end. It's just continuous. Unlike some other parts of the country where you exit a city and you reach the other city after one hour, one and a half hours or whatever.
- Now, therefore, in our attempt to be closer to the customers all the time and for their convenience, we are probably going to open more number of stores than earlier planned, closer to our customers, but of a smaller size. So, yes, that's been the fine tuning that we've done. And secondly, but not surprisingly, we are finding very, very good response to both our fast fashion offerings and to our private brands in Kerala.
- Manoj Menon:** Understood. Thank you so much and all the best. And that's it separately sir.
- Gunender Kapur:** Thank you very much, Manoj.
- Moderator:** Thank you. Next question is from the line of Prerna Jhunjhunwala from Elara Securities. Please go ahead.
- Prerna Jhunjhunwala:** Thank you for the opportunity and congratulations on set of results. Just wanted to understand the revenue mix category-wise. Is there any effort being taken to improve the revenue mix in any of the categories or we are comfortable with this mix that is there in the system right now?
- Gunender Kapur:** Okay. So, thank you, Prerna. Right from the IPO time, we've been saying that our category mix is optimized and it will remain by and large the same. And as you may have seen in the various quarters, with some up and down based on either the seasonality or the impact of festivals, the revenue mix goes up a little, or comes down a little in favor of something or the other. But our intent is and our view is that it will largely remain constant.

- Prerna Jhunjhunwala:** Okay. And the revenue share from the own brands, the thought remains the same that it should be near these levels?
- Gunender Kapur:** So, our endeavor would be to keep increasing it, but at a pace, which is obviously much slower than what we had when the revenue contribution was, let's say, 30%, 40%, 50% simply because of the fact that now the private brands contribute 74%-75% to our revenue. So, our endeavor is to make sure that it keeps going up, even if it is at a smaller pace, lesser pace.
- Prerna Jhunjhunwala:** Understood. My second question is on capex. You alluded capex on supply chain and there will be capex on store as well. Could you just help us with some clarity on how much should we look forward that you will be spending on each of these categories in FY26 and FY27?
- Gunender Kapur:** So, Prerna, my apologies. I won't be able to share any specific numbers with you, but the general principle and what we are proposing to do as a plan, I articulated in response to an earlier question. And if you wish for me to repeat that, I'm very happy to do that.
- Prerna Jhunjhunwala:** No, not required to repeat the earlier ones. No problem. If you cannot give me a number, no problem. Third question on our ESOP expenses. They have been coming down. Do you think that they will come down further with time or this is the expense that will continue for some time, given the layout in the system? Just wanted to understand the ESOP expense, since you've been categorically mentioning about it in the presentation.
- Gunender Kapur:** So, as you know, it's impossible to be totally accurate on that one, because we have employees who get promoted and new employees who come and who are entitled to ESOPs, etc. But to give some colour to you on your question, I can invite Amit to speak on that in a more generic sense. Amit, all yours.
- Amit Gupta:** So, Prerna, as you heard from GK, as far as the existing cost is concerned, that will keep coming down depending upon the phasing. But as GK also said that we can't comment on the future expenses on ESOPs.
- Prerna Jhunjhunwala:** Sir, thank you. Thank you so much and all the best.
- Moderator:** Thank you. Next question is from the line of Bharat Sheth from Quest Investment Advisors. Please go ahead.
- Bharat Sheth:** Hi, sir. Congratulations and thanks for the opportunity. On Quick Commerce side, if you can give a little more colour about the aspiration, what size of Quick Commerce expanding to various geographies and what size of sales we anticipate from – through Quick Commerce overall, and how the pricing is different from the in-store and through Quick Store, or if you give - ROCE is different because of same capital cost without additional capital cost, we can do business.
- Gunender Kapur:** Okay. So, I can just give you some colour that we are fully aware of at this moment. Firstly, our revenue profile in a town quite directly depends on the number of players in Quick Commerce in that particular city. So, I can say it's generally speaking through that where we have less number of players, our contribution from Quick Commerce to the overall store revenue is higher.

So that we have a number of stores now, which are both in small towns and large towns to be able to say that.

Secondly, it's true that our FMCG contribution in Quick Commerce is significantly higher than what it is in the stores, right? So, as you know, in the stores, our FMCG contribution is above 27%, 28%, whereas, in Quick Commerce, not surprisingly, our FMCG contribution is north of 70%. So, the dominant contribution is from FMCG.

Thirdly, based on the second point, I can state that our gross margin is, therefore, lower than the store gross margin because of the higher contribution of FMCG.

The fourth thing I would tell you is that there is an additional delivery cost associated with delivery in Quick Commerce, which is incremental to the store, totally incremental to the store. And last but not the least, we are very excited to note that specifically in FMCG, our contribution of private brands to our total revenue is higher than what it is in the physical stores.

So, the traction for private brands is even higher amongst our Quick Commerce customers compared to what it is in offline retail. So, these are the five things which I can specifically mention to you because we have observed that over the last one year.

Bharat Sheth: Great. Has it been calculated, this Quick Commerce sales in SSG growth number, if you can clarify?

Gunender Kapur: So, our growth has been a very, very strong double digit in terms of SSG in Quick Commerce. But all those numbers are included in our overall growth numbers. So, it is just a subset of that. It is not incremental to that.

Bharat Sheth: Okay. Last question, sir, in your opening remarks, you stated that we are looking to grow the stores, smaller size store in 50,000 kind of a town, Tier 2, Tier 3, Tier 4. So, if you can give what level, I mean, we started pilot and how do we look at, or which geography are we looking and how different SKU will it have?

Gunender Kapur: So, we have indeed started a fairly, now at this stage with new store additions in that format, a fairly extensive pilot. We have nine stores in pilot today in the small format and more number of stores would be added this quarter also. And since we are adding stores, I can say that obviously, we are feeling more and more confident about that format.

Bharat Sheth: Okay. Will it – thank you.

Moderator: Bharat, I request you to join back the queue, please.

Bharat Sheth: Sure. Thank you.

Moderator: We'll take our next question from the line of Percy Panthaki from IIFL Securities. Please go ahead.

Percy Panthaki: Hi, GK, Amit and team. Good afternoon.

Gunender Kapur: Good afternoon, Percy.

Percy Panthaki: I had a couple of questions. One is on the margin. So, in response to earlier question, you had mentioned that the endeavor is to keep the gross margin constant and any further gains you will reinvest in the business. My question is that you will get some operating leverage benefits below the gross margin. So, will you reinvest that also or that could actually result in some EBITDA margin increase going ahead?

Gunender Kapur: So, Percy, my comment was specific to gross margins, not to the EBITDA margin. We will inevitably with higher growth get the benefit of EBITDA margin improvement in our P&L.

Percy Panthaki: Got it. Got it. Secondly, just wanted to understand your success on SSSG a little better. You have consistently delivered double-digit SSSG in an environment where almost every other retailer is struggling for growth.

And also on an absolute basis, if you look at the growth in consumption spends or economy, one would expect that a normal SSSG level for any company would be, let's say, a 5% to 7% kind of SSSG. And you are clocking clearly above that. So that means that there must be certain specific drivers for this high SSSG, which probably remain for a few years but can't remain forever.

So, my question is, can you call out what these drivers are, both in absolute terms and what you are doing different versus the other retailers? And also, how long of a runway do you have before the SSSG normalizes to a mid-single-digit kind of a level?

Gunender Kapur: Well, the last part of your question is something which I would hope that it doesn't happen. And at least it doesn't happen in the time frame that we can speak about Percy. So let me answer that first because as you know, organized retail is a very small part of the total consumption in the country. The dominant consumption is still with mom-and-pop stores.

And the second piece is that there are a very significant number of Indians who are still not a consuming class. They are still out of the consumption bracket. And so that scenario is something that we are not building into our plans just as yet, given the opportunity for growth.

In response to your other question, what is it that we are doing? Let me add some specificity to that so that it's helpful. See our same-store sales growth is driven by three factors. And I can tell you relatively how they are playing out at the moment. One is new customers and customers who are buying more number of items, which leads to volume growth. You would notice that a very large part of our growth today is coming from volume growth, right. So, it's driven by volume growth.

The second part of our growth would come from people who are upgrading to higher price points. As I mentioned in my earlier comments, that we are specifically adding significantly more fashionable or better merchandise beyond the highest price point that we have currently across the board to facilitate the upgradation of our customers to higher price point and better products. So, we are seeing some significantly smaller impact of that, also in our growth.

And the third element could be the upgradation from either mom-and-pop stores or indeed from folks who are not even in the consuming class at the moment. And I have during the last 45 minutes or so, underlined the fact that our commitment to competitiveness and relevance of opening price points would not get diluted. And both that commitment and investment in pricing is to drive or to facilitate people from upgrading to Vishal from either mom-and-pop stores or not even from the consumer.

So that's the sort of framework, Percy. And I've added some colour to that vis-à-vis the current context to provide a comprehensive response to your question.

Percy Panthaki: Got it, got it. Can I squeeze in one more quick question?

Gunender Kapur: It's the lady's decision. I'm not the one who decides, Percy. Of course, Percy, you can ask.

Percy Panthaki: Yes, okay. So, are we, I mean, is the board or anyone actively looking for your successor, GK, or that is still a few quarters away, that process?

Gunender Kapur: See, let me answer the second part first. My sense is that I'm going to be here for foreseeable future and it will entirely depend on the decision of the board, obviously. But I can, from my side, give you reassurance that I wish to be around. So, there is no, but the time plan is something which the board decides and it's entirely the board's decision.

My commitment more means that I will continue to support this company in whichever way I can into the future. So that is my view. The second thing I would say is that I think the board is continuously looking for possible potential successors, both from outside and inside the company. That is a process which a board follows all the time.

Percy Panthaki: Got it. Thanks. Thanks for all your answers.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, we'll take that as the last question for today. I now hand the conference over to Mr. Gunender Kapur for closing comments. Over to you, sir.

Gunender Kapur: Well, once again, thank you very much, everyone, for being interested in Vishal and participating in this call. I deeply appreciate that. And I wish you all the very best because, to you and your families, because I'm aware of the fact that I could speak and all of us could speak only in the next year now. So, my best wishes to you and your loved ones. And once again, thank you very much. Thank you, sir.

Moderator: Thank you, sir. On behalf of Vishal Mega Mart Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.