

VISHAL MEGA MART LIMITED

(Formerly known as Vishal Mega Mart Private Limited)

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Date: October 26, 2026

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, 2026

Pursuant to Regulation 30 read with Para A of Part A of Schedule III to 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, 2026, held on Wednesday, October 21, 2026. 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

Digitally signed
by Rahul Luthra
Date: 2026.10.26
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Rahul Luthra

Company Secretary & Compliance Officer

ICSI Membership No: F9588

Encl: As above



“Vishal Mega Mart Limited
Q2 FY27 and H1 FY27 Earnings Conference Call”
October 21, 2026

E&OE: This transcript is edited for factual errors. In case of discrepancy, the audio recording uploaded on the stock exchange on October 21, 2026, will prevail.



**MANAGEMENT: MR. GUNENDER KAPUR – FOUNDER, 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 the Vishal Mega Mart Limited Earnings Conference Call. As a reminder, all participant lines will remain in the listen-only mode, and there will be an opportunity for you to ask questions after the management's opening remarks. Should you need assistance during the conference call, please signal the operator by pressing star then zero on your touch-tone telephone. Please note that this conference is being recorded.

I will now hand the conference over to Ms. Shikha Puri from Strategic Growth Advisors. Thank you, and over to you.

Shikha Puri: Thank you. Good afternoon, everyone, and thank you for joining us on Vishal Mega Mart Limited Q2 FY27 and H1 FY27 Earnings Conference Call. We have with us Mr. Gunender Kapur, Founder, MD and CEO; 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 the stock exchanges. We will begin the call with opening remarks from the 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 a disclaimer to this effect has been included in the earnings presentation shared with you earlier.

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

Gunender Kapur: Well, thank you very much and a very good evening, ladies and gentlemen. A very warm welcome to this call. I will briefly take you through the quarter 2 '27 and first half '27 results and some of the highlights, and then we will open the call for questions.

Starting with quarter 2 '27 highlights, we delivered another strong quarter with revenue from operations growing by 14% to INR3,399 crores. Our same-store sales growth stood at 5.4%. The festivals this year have shifted from quarter 2 to quarter 3. This has had an impact of 3% to 4% on our same-store sales growth. Adjusting for that, our same-store sales growth in Q2 has been around 9%.

Because of the shift in festivals, the first nine months period will provide a more meaningful comparison of festive performance vis-a-vis last year. I'm happy to report that we've had a strong start to the festivals. The festival season is now panning out in Q3, and this has reinforced our confidence in the demand momentum as we approach Diwali and the wedding season for this year.

Operating EBITDA for Q2 '27 was INR262 crores, which was a growth of 3.7% over last year and a margin of 7.7% versus 8.5% in last year. Operating EBITDA growth was achieved despite low fixed cost absorption during the quarter due to the shift in festive buying to quarter 3 of '27.

Profit after tax, adjusted for ESOP charges, was INR172 crores, which is a 6.4% growth over last year and PAT margin of 5.1% versus 5.4% last year, impacted again by operating leverage due to the shift in festivals. Our performance was supported by the strength of our own brand offerings, our customer-first approach, and very disciplined execution.

On the macro front, demand conditions remained steady, despite renewed inflationary pressure across key raw material categories and a somewhat uneven monsoon. Our differentiated merchandise, compelling price positioning, and deep understanding of customer needs continues to resonate with our shoppers, reinforcing the resilience of our business.

I will quickly shift gears to first-half results and highlights for this year. Revenue from operations grew by 16.4% to INR7,126 crores. Same-store sales growth stood at 7.7%. The shift in festival has had an impact of 1.5% to 2% on same-store sales growth. Adjusting for that, same-store sales growth for the first half will be about 9.5%.

Operating EBITDA for the first half was INR649 crores, which is a growth of 12.5% over last year and a margin of 9.1% versus 9.4% for last year. Again, the margin was impacted by operating leverage arising from the shift in festive buying from first half to second half of the year.

Profit after tax, adjusted for ESOP charges, grew by 15.8% to INR437 crores, a margin of 6.1% versus 6.4% (This was incorrectly said. Please read 6.4% as 6.2%) for last year. This again was impacted by operating leverage arising from the shift in festivals.

We continue to advance our store expansion strategy, adding 26 gross new stores during the quarter, and 53 new stores during the first half of the year. This takes the total store count to 844 as of September '26 end. And we now have presence in 582 cities across the country.

In quarter 2, we launched the first pilot store of Belong & Co., our new apparel format, catering to young, affluent urban consumers with a very distinct brand proposition, offering effortless fashion. Our trading area stood at 1.41 crores square feet. Our private brands contributed 74% to revenue in first half of '27. Our quick commerce expanded to 781 stores across 532 cities in the country, and registered users on quick commerce crossed 1.5 crores people across the country.

Looking ahead, we remain focused on capturing growth opportunities while staying very agile in an evolving geopolitical and inflationary environment by strengthening our merchandise offering, enhancing supply chain efficiency, and maintaining disciplined cost management. We aim to continue delivering compelling customer value and sustainable and profitable growth.

With this, I would request the moderator to open the floor for questions. Thank you very much.

Moderator:

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. We take the first question from the line of Percy from IIFL. Please go ahead.

Percy: Hi. Am I audible?

Gunender Kapur: Yes, please.

Percy: Sir, just one clarification. When we say about 3-4% impact of festive, does that mean that this gets transferred into 3Q, so basically, this 14-15% kind of growth becomes like a 21-22% because 3-4% gets transferred from one quarter to the other? Is that the correct understanding?

Gunender Kapur: No. I think, Percy, it means more like we had we've had to report 5.5% approximately same-store sales growth (actual number is 5.4%). Now, this would look like 9% if we were to adjust for these festivals, because what's happened this year, unlike last year, is that the key festivals, which is Durga Puja, Dussehra, and Navratras, fell this year in October. Whereas, last year, they were for example on 2nd of October, where the revenue was recorded in September month. So, they've just shifted from let's say, September last year to October this year.

Percy: That was my point, GK, that if in normal circumstances, if the season were not shifted, you would have done a 9% SSSG. So, if you have done, let's say, 5.5% this quarter, to achieve a 9% average for 2Q and 3Q, 3Q will have to be sort of 12-13% kind of a SSSG to get to that 9%?

Gunender Kapur: Exactly, Percy. Exactly. Well, our goal is to achieve double-digit for the full year. So, you're absolutely right. Q3 will have to be higher than 10%, as you rightly said, for the first nine months to look like double-digit growth.

Percy: Understood. And secondly, on gross margin, we haven't seen much of an impact yet, maybe because you're still held prices with the vendors. Now, going into Q3, I'm sure that the vendors will ask for a price hike given that inflation has become persistent. So, what kind of sort of gross margin impact do we see going ahead in 3Q, 4Q?

Gunender Kapur: Percy, we have accounted for all that, and we've been able to maintain our gross margins on account of cost reengineering across the board. And I must say that all the vendors are charging higher prices now. So, therefore, we do not see any material impact further going into quarter 3 and quarter 4 of the year.

Percy: So, even if crude remains at 100 for the rest of the fiscal, we still believe that we would be able to roughly hold Y-o-Y margins in 3Q and 4Q at a gross margin level, at least?

Gunender Kapur: That's right.

Percy: Got it. Okay, that's all for now. I'll come back in the queue if I have any further questions. Thanks and all the best.

Gunender Kapur: Thank you, Percy.

Moderator: Thank you. We take the next question from the line of Nihal Mahesh Jham from HSBC. Please go ahead. Nihal, please unmute your line and proceed with your question.

- Nihal Mahesh Jham:** Yes, hi. Good evening. Am I audible?
- Gunender Kapur:** Yes, please.
- Nihal Mahesh Jham:** Yes. Good evening, GK and Amit. Two questions. The first one was just on the results. If I look at the employee cost, there was an increase of just around INR10 crores versus Q1. So, fair to understand this is mainly related to the ESOP expenses or it is also the impact of minimum wages and you can just call that out?
- Amit Gupta:** So, Nihal, minimum wage increase happened in Q1, so there is no incremental impact on account of that. The increase in employee cost versus last quarter is on account of two things. One is the incremental ESOP cost, and second is the number of new stores that we have opened in the last two quarters.
- Nihal Mahesh Jham:** Got that. That's very clear. And the second question was in the opening remarks, you did mention about the fact that at least the festivals started well. Just to understand, with a lot of discussion around El Niño and maybe some impact on rural spending, wanted to understand, are you seeing any initial signs of any moderation? Just double-checking that fact with you.
- Gunender Kapur:** No, not quite. We are not seeing any moderation in terms of consumer and customer demand. As I mentioned, the festive season for this year started now, and we've experienced some part of that with Puja in East, which fell on 20th of October, and Dussehra in South, which again fell on 20th of October, and the Navratra festival. So, we've not quite seen any moderation as such.
- Nihal Mahesh Jham:** Very clear, GK. Just one quick final thing is that you did highlight in the analyst meet about the smaller format stores which you started piloting in Haryana and UP. Do you have any specific targets on the number of stores of that you want to open this year?
- Gunender Kapur:** Firstly, let me tell you that I'm happy to report that we have 18 such stores now. We have further added two stores in quarter 2. Both, obviously, in UP and Haryana. So, as we stand today, we have 18 small format stores. I may just use this opportunity once again to clarify that the small format stores are relevant only for UP and Haryana at the moment, because in all the other states, we have significant opportunity, even today, to open a large number of the normal format stores, you know, our 18,000 square feet stores.
- So, as I had mentioned earlier also, once the opportunity for the 18,000 or the large format stores starts diminishing in a state, only then will we go and open the small format stores. Otherwise, our first priority is to maximize the number of large format stores in every state in India. So, we're making good progress. If I were to look at the national opportunity, there would be an opportunity to open upwards of 3,000 such stores across the entire country in all the states.
- Nihal Mahesh Jham:** Very clear. Thank you so much and wish you all the best.
- Gunender Kapur:** Thank you.

Moderator: Thank you. We take the next question from the line of Harit Kapoor from Investec. Please go ahead.

Harit Kapoor: Yes, good evening. First question is on the pricing. So, if you could just indicate, what is the broad level of weighted average price increase that you would have taken to kind of pass on this level of inflation in Q2 as well as early Q3 in the context of the fact that most of your pricing that you take, at least initially, doesn't come at the lower price points?

You hold the bottom price point. So, just wanted to get a sense on what's the level of pricing. And incrementally, post festive, is there would you assume there would be a requirement for another round assuming you don't want to touch the pricing in the festive?

Gunender Kapur: So, you're absolutely right. We had said this earlier that at the opening price points, we are not taking any price increases, because our opening price point customers are the most vulnerable amongst all our customers to inflationary pressures. At the mid-price points, there've been very, very few price increases.

All our price increases have largely been on the higher price points. We do not see any need to take further price increases at this stage. And at this stage, there is absolutely no plan to tinker with the pricing, even beyond the festive season.

Harit Kapoor: Got it. And the second bit was, are we seeing any kind of regional differences in terms of growth outcomes on a like-to-like basis? This is from the context of the fact that you know rainfall has been challenging in certain parts of the country. Maybe the demand trends are a little different, one region versus the other. So, if you have any kind of qualitative, quantitative thoughts on your growth, are you seeing any differences regionally? That's my second and last question. Thank you.

Gunender Kapur: So, I would say that we've not quite seen any demand challenge anywhere. It's been quite even across the country. I must confess that what has been somewhat uneven is the rainfall across the different states in India. And, therefore, the very temporary disruption that you have for a couple of days when it's raining heavily, for example, in Northeast in certain months and so on, that does impact the revenue. But that's a very temporary one or two-day phenomenon. But the fundamental demand is quite consistent across the country.

Harit Kapoor: Got it. Thank you. Wish you all the best.

Gunender Kapur: Thank you very much.

Moderator: Thank you. We take the next question from the line of Videesha Sheth from Ambit Capital. Please go ahead.

Videesha Sheth: Hi. A couple of questions have been answered. Just two more from my side. One is, when I look at the rentals that have I mean the growth in the rentals that was there in the first half, it is quite subdued versus the retail area addition. Now, one aspect could be addition of stores in smaller

town classes, but is there any element of rental renegotiation for existing stores that's being undertaken?

Gunender Kapur: No, there is no significant element of the rental renegotiations. Your observation is absolutely correct. It is showing or demonstrating the fact that a large number of new stores have opened in Tier 2 and Tier 3 towns.

Videesha Sheth: All right, so we can expect a similar difference between the growth in rents versus vis-a-vis the growth in the retail area addition going forward?

Gunender Kapur: Absolutely.

Videesha Sheth: Got it. And the second question was on inventory. What would have led to the improvement in inventory levels considering that ideally there would have been some stock up before the festive and this is when I compare 1H versus 1H?

Amit Gupta: No, Videesha, so there is no material change. It is just the impact of shift in festivals from quarter 2 to quarter 3. Otherwise, there is no change compared to last year.

Videesha Sheth: So, Amit, where I was coming from is that ideally if I just calculated inventory days, it would ballpark be 65 in the base period versus 59-60 in first half of FY27. So, is there any particular reason why?

Amit Gupta: Videesha, last year, by end of September, the inventory build-up has already happened. But this year, there is three weeks shift in festival, so obviously that build-up has happened later.

Videesha Sheth: Build-up happened later. Okay. Got it. All right. And last one, if I may, now it's just been one odd month for Belong & Co., but any initial feedback or that you'd like to share on the same?

Gunender Kapur: Well, the initial feedback, I can only share with you some qualitative anecdotal feel that I have from the store. People are loving the merchandise. It's very early days, but our conversion of footfall into the store into purchase is north of 50%. So, it's very, very encouraging. And whilst it's just been a month, we have seen customers coming back to the store to buy more stuff.

So, we are very encouraged, although we knew that our merchandise is very, very contemporary, and very fashionable, and very relevant for the young across the country, but we are getting more and more confidence around that.

Videesha Sheth: Got it. That was useful. Thank you.

Moderator: Thank you. We take the next question from the line of Perna Jhunjunwala from DAM Capital Advisors. Please go ahead.

Perna Jhunjunwala: Thank you for the opportunity. My first question is on gross margins. This quarter, share of apparel and GM was higher, largely this could be on account of shift of festive season to Q3. While that may, be unfavorable in Q3 going forward, largely because of GM and FMCG

purchases during festive season. So, could there be a further decline in gross margins which we will have to take, which we could see going forward due to shift in festive season impacting our margins temporarily, is that possible?

Gunender Kapur: No, not at all, Perna. It's, in fact, the other way round. The two festivals that I mentioned, Puja in the East and Dussehra in the South, these are both essentially clothing festivals. People buy a lot of clothes. In Puja, the clothing purchases go up very significantly.

So, since the festivals fell in the third quarter, we are going to see a significantly higher bias towards apparel in quarter 3 vis-a-vis quarter 2. Diwali, which is essentially a general merchandise and FMCG festival, is going to be in quarter 3 this year, and it was in quarter 3 last year. Amit, you want to add anything to that?

Amit Gupta: Absolutely right. So, Perna, what you see a 30 bps drop, compared to last year on gross margin, out of that, 20 bps is on account of shift in apparel business from Q2 to Q3.

Perna Jhunjunwala: Okay. And we actually saw an improvement in apparel mix this quarter on a Y-o-Y basis. So, this could be on account of what reasons? It's just a follow up on this?

Amit Gupta: I'm not too sure where you are looking at it, but as we have explained it earlier, this quarter, Q2, because of shift in festival, actually, apparel mix is lower compared to last year. Yes, I mean that's the shift of apparel business. So, the right way to look at it is that, a large part of business has shifted from Q2 to Q3, and most of that is apparel only.

Perna Jhunjunwala: Okay, understood. And the second question is on Belong and Co., Belong format. Just wanted to understand, what are your plans over here? How much store openings can we see for this format in this year, and what would be your store opening target for this year as a whole for both small format, Belong, and Vishal Mega Mart?

Gunender Kapur: So, Perna, at this stage, on Belong & Co., we are still learning. We've opened a pilot store. Our future plans will depend entirely upon the experience that we have in a few stores that we will open this year for Belong & Co. We are on a learning curve. I'm sure there's lots to be learned for us before we start rolling out this format. So I will at a future date come back to you on the Belong & Co. question. Otherwise, on the large format and the small format, we are quite confident of our guidance of opening more than 100 stores this year.

Perna Jhunjunwala: And in this, the small format stores should it see an increased opening or we should assume smaller number on this format?

Gunender Kapur: So, the number will continue to be lesser than the large format, because, as I've mentioned the small format stores are relevant, at this stage only for UP and Haryana, whereas the large format stores we are opening in all parts of the country. And specifically we are expanding into states like Kerala at a fast pace. So, I think it will be more biased towards the larger format stores.

Perna Jhunjunwala: Understood. Thank you and all the best.

Gunender Kapur: Thank you.

Moderator: Thank you. We take the next question from the line of Rahul Agarwal from Ikigai Asset. Please go ahead.

Rahul Agarwal: Hi, good evening. Couple of clarifications. One is on the newer store additions, GK, how should we think about it more in the next 2 to 3 years? I understand absolute targets are about more than 100 stores this year, but should we think it as a percentage basis that your retail area should grow at least 13%, 14% every year or should we work with 100 stores additions per year? This is more medium term.

And second is on the margin side, I think we've discussed it in the past, but, again from a next 2 to 3-year perspective most of the investments will get into for growth and hence not a very high operating leverage is what we should expect, let's say, in next 2 to 3 years. So margins should be very steady state when we compare it to last year, fiscal '26, going up to '28 and '29. So if you can just clarify on these two questions? Thank you.

Gunender Kapur: Good. Thank you very much. On the new stores, our endeavor would be to open 100-plus stores every year. And every year we would target to beat the previous store opening count. So, while I would say that, at this stage we would urge you to look at the absolute number of stores, but it will keep accelerating every year from the previous year.

The endeavor, of course, is to open as many stores which are profitable and viable in a particular year. Just to remind ourselves we have a clearly identified universe of 2,000 large format stores which we can open. And at this stage, we are at 850 odd. So there is a significant white space and runway for growth.

And, as you know, we are quite profitable and we have significant cash on our balance sheet. So, we will maximize the number of store openings, both for the large format and for the small format in UP and Haryana. So I would urge you to think about it in that fashion. And I can only assure you that we will open more stores every year as compared to the previous year.

And the number would be 100-plus and then the next year we would try to make it 100-plus-plus and in the following year, 100-plus-plus-plus. So I hope that is a satisfactory response, but that is the way we are approaching it. We are quite determined that the new stores should not be dilutive in any which way. They should be as profitable as our stores have been and that we do not waste any capital in opening a large number of new stores and then shutting them.

Rahul Agarwal: Got it. And on the margins, GK?

Gunender Kapur: Margins, I would say that, see, we've been benefiting from operating leverage consistently across the board. Our endeavor would not be to improve our gross margin because there we have said a few times publicly that whatever operating leverage we generate on the gross margins, we would reinvest that money into improving the quality of our products every quarter and we've

been doing that every quarter for quite a few years now, and that is what creates a virtuous cycle of growth for us.

But on the EBITDA margin, we would see an improvement every year, generally speaking, I'm saying, because our growth would be double digit, whereas our cost inflation at the store level would be 6% to 7%, and that would probably improve our EBITDA margin by 30 bps every year.

Rahul Agarwal: Got it. Thank you so much, and festive greetings to both of you. Thank you. All the best.

Gunender Kapur: Thank you very much. Really appreciate that.

Moderator: Thank you. We take the next question from the line of Vaibhav Muley from Haitong Securities India. Please go ahead.

Vaibhav Muley: Hi, thanks for the opportunity. Congrats on a good set of numbers, GK and Amit. My first question was on our store addition strategy. We have added 25 (net stores) stores in this quarter, out of which I believe 23-odd stores are into newer cities, and majority of store additions have been into Southern market.

So, just wanted to get more clarity in terms of how are we looking at adding more stores, whether we are planning to penetrate deeper into existing markets, or focus will remain on entering into newer cities, going forward. And how much focus remains on South as a market, and particularly which states where we are planning to expand our footprint? That's my first question.

Gunender Kapur: Okay. So I can give you a quick breakup of our new stores. We have opened 26 (gross stores) new stores in quarter 2, of which 15 have been in South India, as you rightly mentioned. 5 of these or rather 6 of these have been in Kerala, where, as you know, we are expanding rapidly, and we now have a count of 35 stores, but our ambition is much bigger than this.

Of the 26, another 5 stores have opened in North India, where we've opened one large format store in UP, one in Haryana, one in Rajasthan, and one in Himachal. And 4 have been in East India, and 2 have been in Western India. So, this trend will continue or further accelerate.

So, any new state where we are expanding rapidly will see the highest number of store openings in any given quarter, but, at the same time, we will continue opening stores in all parts of the country. Secondly, I may just also tell you that, as I mentioned earlier in a response to another question, 24 of these 26 have been in Tier 2, Tier 3 cities.

We've added 23 new cities all over the country. So, I would say that this trend will continue. When we go to a new state, there will be a somewhat disproportionate focus on that, but we will continue to strengthen our performance in every part of the country, every quarter.

Vaibhav Muley: Understood, sir. Just a follow-up on this. Any plans to get into larger Tier 1 markets in future?

- Gunender Kapur:** Yes, of course. We are, as you know, we are doing a large pilot in Maharashtra and Gujarat, and as a part of that process, we opened stores in Ahmedabad. We are opening a store in Baroda. We've opened a store in Surat. We have opened stores in Pune. We are looking at Kolhapur, Sangli, Shirdi. Yes, of course. When we go towards new state, we will open stores across the board.
- Vaibhav Muley:** Perfect. My second question was on our margins. You mentioned that you have reworked on your price architecture to protect gross margins during the inflationary environment. Does this imply that next year, when the inflation normalizes, we can start seeing benefit on the gross margins front, which ideally we can pass on to consumer to generate better value, and that will help us to ideally improve our EBITDA margins via better same-store sales growth? Is that the correct way to look at it?
- Gunender Kapur:** See, I may just clarify that we have not significantly altered anything. What I said is that we have not taken any price increase on the opening price points. As you know, opening price points are our lowest price points, and typically, our customers who buy the opening price points are the relatively less affluent of our customers. So, despite the inflationary pressure, we have not taken any price increase there, at all, across all our businesses.
- In the mid-price points, we have taken very, very few price changes. All the price changes are directed towards the higher price points, where our customers are, relatively speaking, the more affluent customers. That is to ensure that we protect the most vulnerable sections of our customers from the impact of inflation.
- Now, you know that 75% (It is an approximate number, 74% as on H1FY27) of our revenue is through our private brands. Therefore, we have the ability to protect our least affluent customers from the impact of inflation. Now, firstly, I hope you are right that we will see the inflationary headwinds somewhat diminish in the next one year. If that were to happen, we would reinvest that money into further either improving the quality of what we are selling, or passing it on to our customers, especially at the opening price point levels. We would not want to inflate our gross margin. Our EBITDA margin will get increased by operating leverage, where our growth, same-store sales growth, is higher than the cost inflation.
- Vaibhav Muley:** Understood, sir. That's perfectly clear. Thank you so much, and all the best.
- Gunender Kapur:** Thank you very much.
- Moderator:** Thank you. We take the next question from the line of Jignanshu Gor from Bernstein Research. Please go ahead.
- Jignanshu Gor:** Hi, GK. Hi, Amit. Just two quick questions. I know we've touched upon the store addition and area addition across quite a few folks. So, just a different lens on this. Over the last 3 years, our area addition has trailed our store additions, right? So, if, let's say, for example, last year, our store addition was 14-plus percent in percentage terms, the area addition was only 9.8%.

And the reason seems to be beyond the addition of just small format stores. It seems as if the overall size of our larger stores or normal stores is also reducing. So, is this the right reading? And should we see this trend stabilize at this point, at some point? Or do we expect retail area addition to trail store addition? And what do you prioritize for? Do you prioritize retail area addition or store addition? I think that was my first question.

Gunender Kapur:

Yes. Okay. So, I'll take that on. See, firstly, our retail area addition and store addition are very deliberate decisions, and let me give you a few examples of that. When we went to Kerala, we, from our original estimate, have almost doubled the number of new stores that will open, because we discovered that Kerala is not disaggregated large cities with distances of 50 kilometers to 100 kilometers between them. It's an almost contiguous state, where there is no gap between one city and the other. And, therefore, the population is spread all over the state of Kerala.

So, we decided to double the number of stores, so that we are always close to everyone, but reduce the size of the stores. So, it was quite a deliberate decision, and we are very happy about that, because we are going to be probably the most differentiated and convenient shopping option for majority of the people in that state, much more than anyone else that we are aware of.

Now, secondly, we went into a large pilot into Gujarat and Maharashtra. Now, what we know about Gujarat and Maharashtra is that the minimum wages in the state are the highest, the electricity unit cost is the highest, and the rental costs are the highest in the country. But they are highest for a reason, which is that these are very affluent states compared to the other states in India.

Therefore, our hypothesis is that from a lesser area, we can do more revenue, because people are more affluent and more densely packed into an area, and thus we can make the P&L as profitable for ourselves or as any other part of the country. So, that's our hypothesis. I'm of the view that it's too early for us to come to any conclusion, but we are encouraged by what we've seen so far. So, again, it is because of that hypothesis that we are opening somewhat smaller stores in Gujarat and Maharashtra.

And lastly, yes, as I mentioned earlier, 24 out of the 26 new stores that we've opened this quarter are in Tier 2 and Tier 3 cities, and these cities, because of their lesser population, are viable for a certain area. And, therefore, the stores which have been opened in these places would be, by definition, smaller in size. So, it'll all be based on where we are opening the stores.

We are quite keen to open 18,000 square foot stores where they would be viable. Equally, if there are places or more expensive states, I gave some examples, where in a 15,000 square foot store, we can, with a higher cost structure, admittedly, do the revenue of a 18,000 square foot store, we will do that.

Jignanshu Gor:

Sure, GK. That's very helpful. If I were to push this further and say, like the guidance you've given for a 100-plus stores and then increasing that every year by a little bit, is there a guidance that you have for your own team for area addition, or do you solve for stores?

- Gunender Kapur:** I will firstly solve for stores. I'm absolutely clear that the area of the store would be determined backwards from the catchment and the city where we are opening the store, because it is our belief that we must have 100% viable and profitable stores.
- Jignanshu Gor:** Fantastic. That's excellent. Thank you so much, GK, for the detailed explanation.
- Gunender Kapur:** Thank you.
- Jignanshu Gor:** Changing track, my second question is on Belong & Co. Just wanted to understand your perspective of what use case for a user are we trying to solve with this? And maybe it will be helpful if what do you consider as the core competition for that brand, the way you want to position it to consumers? If you can shed some light on that, it'll be helpful.
- Gunender Kapur:** See, I can definitely shed some light on who are the folks that we are going to serve with Belong & Co. and what is our differentiation. Who we are competing with will become somewhat obvious from my response.
- So, we are finding that there is a segment of young customers, largely metro-based at this moment, more affluent than the average customers in the country, they are becoming bigger, and they are seeking more aspirational offerings and more fashionability in the merchandise. But the aspirational content of the benefit is also terribly important for them.
- So, we want to play in every significant opportunity that the clothing market offers. So, that's why we've launched this pilot store. So, it's more urban, more metro-centric, more affluent customers, higher price points, but significantly high on fashionability compared to even the international standards. And, yes, those are the customers, and we see these customers all around us in all our metro cities and large towns. So, those are the folks that we are serving.
- You could argue that there are brands in metros and large-town India with store counts of 20 to 30 who serve these customers. So, I suppose that would be the kind of competition that we are envisaging. But the larger goal is to ensure that every significant opportunity which is emerging in the country and can become very significant in the future, we want to explore that, and we want to be positioned ahead of schedule to participate in a big way in that opportunity.
- Jignanshu Gor:** That's very helpful, GK. Again, thank you. Wish you and the team all the best for the festivities.
- Gunender Kapur:** Thank you very much. Likewise, wish you and family all the best.
- Moderator:** Thank you. We take the next question from the line of Devanshu Bansal from Emkay Global. Please go ahead.
- Devanshu Bansal:** Hi, sir. Good evening. Thanks for the opportunity. GK, you mentioned that you're not seeing any moderation in consumer demand, right? So, wanted to check, as in inflation is sort of real, so how is the consumer responding to it? Is there any noticeable shift towards your private labels or maybe consumers are purchasing more staples and lower discretionary, any light or comment that you can sort of help us better understand this?

Gunender Kapur:

Oh, great. It's a great question, and I must clarify what I've said. See, I am not making a generic comment that our customers are, generally speaking, not going to get impacted by inflation. Everyone is going to get impacted by inflation. But if you see what we have done with our pricing, because of our pricing, we are cushioning our customers from the impact of inflation.

So, for our customers, on the opening price points, there's no price increase. There's no inflation. On the mid-price points, there is no inflation because we've not taken price changes there. It's only in the higher price points that we have tinkered with our pricing, again, in a thoughtful manner.

And therefore, what I believe is that our customers will not have any need to adjust their spends because of the raw material inflationary pressures, because through our products and private brands, to the extent that it's possible, we are cushioning that. But it is not my submission that there is no price elasticity of demand. Inevitably, there is price elasticity of demand, and it is also seen in our numbers for even this quarter.

For example, in this quarter, quarter 2, almost all our growth has come through market share gain and not through our existing customers buying more. I have mentioned on the earlier calls that we have three sources of same-store sales growth. One is market share gain. The second is our existing customers buying more, and thirdly is premiumization.

In this quarter, quarter 2, as we had expected, and as we've seen earlier also in these inflationary times, that our same-store sales growth is largely because of market share gain, and that is exactly what's happened in quarter 2 also.

Devanshu Bansal:

Got it, sir. Very, very helpful. Secondly, GK, you did mention that there is operating leverage in the business just because of the festive shift. But our employee expenses up around 25%, this is excluding the ESOP cost, and even adjusted for festive shift, the top-line growth would have been closer to 18-odd percent, right? So, I guess there is some gap between top-line growth and increase in employee expense. So, going ahead, do you expect this to continue or there are levers which can help you sort of beat this headwind in the business?

Amit Gupta:

Yes, Devanshu, so as you would have heard us saying earlier that this year, there is a significant increase in minimum wages, and that is reflecting in the numbers as we speak. But we haven't seen any further increase in minimum wages in quarter 2. So, obviously, compared to last year, this year, we're going to see an elevated employee cost. But, as we have called out earlier also, we look into each and every line item in detail, and ensure that whatever levers are available, we deploy and make sure that the impact is minimized.

Devanshu Bansal:

Got it. So, Amit, just a small follow-up here. So, at what level of SSSG do you feel that we can sort of deal with this higher employee expense? Maybe does that 10% need to be 12%, maybe, to sort of help you protect your margins

Amit Gupta:

Anything between 8% to 10% is good enough to offset this impact. This quarter, it is looking elevated because it has an impact of new store additions, increase in minimum wages, plus shift

in revenue from Q2 to Q3. But, as we get into the subsequent quarters, the percentages will look all right.

Devanshu Bansal: Got it. Got it. Just last one from my end. The cash reserves are pretty high, right, for us, even higher than the current capital which is invested in the business. The store opening target that we are sort of sharing can easily be sort of sufficed by internal accruals that we are generating. Checking if you could share some medium to long-term growth avenues which can sort of help consume this large cash on the balance sheet?

Gunender Kapur: So, you know, I'll respond to that in two parts. Firstly, and upfront, I must state that our board is looking at the cash reserves that we have on our balance sheet to ensure that what is the best way to deal with that, while ensuring that the business is never starved of cash for growth or exploring capability and capacity improvement.

I can just throw some light on the deployment plan. As I mentioned, firstly, we are going to open more stores every year as compared to the earlier year. You've heard us speak about the small pilot that we've launched with a new format. Of course, depending on the response and our learnings, we would need further capacity expansion there.

Thirdly, we have commissioned a fully automated, very large warehouse in North India. We have plans to commission such warehouses in East India next, after that in South India, and the last in the Western part of the country.

Further, I'm very happy to report that our quick commerce initiative is making good progress, and we are operating at a standard which is world-class in terms of delays and fill rate now. And, therefore, we have further decided to invest in advertising and digital media aggressively now, and that has already started from Delhi. It'll get extended to all parts of the country very soon.

So, we have several opportunities to continue to invest very productively in the business, and there are several opportunities for us. Having said that, I would say that our board is, as we speak, engaged with this entire issue of the cash that we have on the balance sheet. And as and when there's a conclusion, we would be happy to come back to you and report that.

Devanshu Bansal: Thank you so much, GK. That's very insightful. Thank you so much.

Gunender Kapur: Thank you.

Moderator: Thank you. We take the next question from the line of Utkarsh Nopany from Anand Rathi Shares and Stock Brokers. Please go ahead.

Utkarsh Nopany: Yes. Good evening, sir. Sir, I just need one clarification regarding your pricing strategy. So, if we assume that the inflation pressure continue to persist for the coming quarters, so is it fair to understand that we plan to continue not taking any price hike in the lower price point category product, and partially taking price hike in the middle price point, and fully pass it on at a higher

price point? And what proportion of our revenue comes from the lower, middle, and the premium price point, if you can guide us, sir?

Gunender Kapur: So, as I mentioned that at the current level of inflation, we do not see any reason to take further price increases in the future. And the second So, whatever we've done, we've done, and that's good enough. About 18% to 20% of our revenue would come from the opening price points. About 24% to 25% of our revenue comes from the highest price points, and the balance lies in the middle, about 50%.

Utkarsh Nopany: Okay. And sir, if the inflation pressure persists, so we are open to take the price hike at across the price point. Is that fair understanding?

Gunender Kapur: No, it is not a fair understanding at all. I am absolutely committed to protecting our opening price points. I'm Further, I'm saying that at the current level of inflation, our business does not need any further price tinkering. Whatever had to be done has been done. I want to maintain a stable pricing environment, and not expose our customers to volatility in terms of our pricing.

Utkarsh Nopany: Okay, that's helpful. So, like with this pricing strategy, you expect the gross margin to be stable on a Y-o-Y basis in the second half?

Gunender Kapur: Yes, please.

Utkarsh Nopany: Okay, thanks a lot, sir.

Gunender Kapur: Thank you.

Moderator: Thank you. Ladies and gentlemen, we take that as the last question, and conclude the question-and-answer session. I now hand the conference over to the management for their closing comments.

Gunender Kapur: Well, firstly, thank you very much for your presence in this meeting, and for your questions. I really appreciate the couple of hours that you've chosen to invest with us. It is indeed very inspiring and encouraging for us. I always feel energized after our meetings, because I find your support and positivity to be energizing for me and all my colleagues in the business.

And I look forward to catching up with all of you, either one-on-one or at the next investment conference or wherever, and till that time, bye, take care, all the very best, and I look forward to the next opportunity.

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